CSR, Sustainability, Ethics & Governance
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Samuel O. Idowu *Editor*

Current Global Practices of Corporate Social Responsibility

In the Era of Sustainable Development Goals

Springer

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Dedicated to my wife and children for their forbearance: Olufunmilola Sarah O. Idowu, Josiah O. Idowu, and Hannah A. Idowu

Foreword

Hardly a week goes by without my receiving a communication or inquiry from a scholar or practicing business person from a distant country in the world that I did not know was pursuing the concept of corporate social responsibility (CSR). As often as not, these persons have represented one of the developing economies. It has been a most impressive, but not necessarily surprising, eventuality of the past decade. For some time now I have thought that one of the most powerful drivers of CSR has been and will continue to be global relevance, applicability, and acceptance. Though early work in CSR tended to be concentrated in the United States and then Europe, the primary growth in the new century has been its proliferation in countries, most of which are discussed in this book.

When my coauthors and I wrote our book, *Corporate Responsibility: The American Experience* (2012), we often discussed how a natural sequel to that book would be one to address the growth and development of CSR in countries around the world. For a variety of reasons, not the least of which was the awesome magnitude of such a venture, we never did pursue that project. This is one strong reason why I am so excited to see this volume chronicling current global practices of CSR in a broad and deep array of countries. This book is a project that needed to be done and finally we have such a volume.

It is also highly relevant that this volume is being brought to fruition following and during the era of the UN's Sustainable Development Goals (SDGs). What could be more appropriate? The SDGs represent an exhaustive and broadly conceived set of goals and aspirations for 2030 that embrace virtually all that is significant in the scope of CSR applications. CSR and sustainability are integral to progress being made globally. Though CSR originally became popular without a formal accent being placed on sustainability, it has grown meaningfully when united with the sustainability theme.

The sequencing of material in this volume clearly is appropriate. After an Introduction, it treats the development of CSR in the regions of the world that have been most active over the past decade. Beginning with Europe, work in Africa and Asia has been most robust followed by the Americas where CSR made significant progress early but has leveled off somewhat in terms of its rate of growth. Taken together, these regions span the proper domain for such a volume as this. In its final section, the book addresses general global issues and their relationship to the UN SDGs. Surely, these will be integral to country-level advances in CSR.

For scholars and practitioners around the world, this volume, edited by Samuel O. Idowu, should take its rightful place as required reading for those novices and veterans and every other scholar, practitioner, or management group interested in learning about CSR's applicability, development, and practice in differing cultures and societal infrastructures. Libraries, especially, will want to rush this volume into their collection. Just as businesses have engaged in CSR because they see in the framework a design for company and societal progress, regions and countries as well have been adopting the idea and doubtless CSR and sustainability will have a rising trajectory in nation building and socioeconomic growth.

Finally, I would like express gratitude to my esteemed colleague, Professor Samuel Idowu, with whom I have had many positive and fruitful exchanges on these topics, for honoring me with an invitation to write this foreword. I continue to admire, respect, and recommend his scholarship in the fields in which we have a mutual interest, especially CSR and sustainability.

Terry College of Business, University of Georgia, Athens, GA, USA

Archie B. Carroll

Coauthor of Business and Society: Ethics, Sustainability and Stakeholder Management, 10th Edition, 2018 and Corporate Responsibility: The American Experience, 2012

Preface

In 2008, I was fortunate to edit with an old colleague a sister version of this current book on the *Global Practices of Corporate Social Responsibility*. Ten years on I was called upon by a few of my global readers who have followed a number of the books I have been lucky to be part of the editorial team to edit a more up-to-date version of how CSR is currently being practiced in as many countries as possible globally. It was a welcome reminder to me that I must carry out this instruction. I am certainly delighted that I was fortunate to have more participating countries in this edition than the 2008 sister version.

A lot has happened globally since 2008; it was the year of the global economic meltdown often referred to as the global financial crisis. We all now know more about CSR than we did in 2007/2008 when the first book on the subject was put together and published; our world has moved drastically on since then. As such, it has become necessary for a "modern" version of a book on how CSR is currently perceived, understood, and practiced by all actors in different countries to hit bookshelves, libraries' online files, and other book outlets worldwide. I am delighted to be editing the book. It is indeed an indication that we can all be confident that CSR and all its constituents will continue to thrive now and in the foreseeable future. It appears that we have all now understood the serious consequences of social irresponsibility; hence CSR is now part of what we all do.

The second millennium has witnessed a number of developments in terms of how we see our world and its citizens. In fact, the UN's Agenda 21 was designed to pan out how the global citizens would work together to make the twenty-first century better for all. Two Development Goals had been put in place since the commencement of the second millennium: the 8 MDGs 2015 and the current 17 SDGs 2030. I am confident that in September 2030 another set of Sustainable Development Goals 2045 would come to light. Some scholars have argued that the field of corporate social responsibility has drawn our attention to some of the excesses which globalization has brought into our corporate scene in the twenty-first century. I believe that not many people can argue with that. We have seen some unacceptable practices going on in different parts of the world, even well into the first quarter of the second millennium, despite the fact that CSR is practiced in many countries and by many global corporations. The level of corrupt practices in many countries is alarming; extreme poverty is still part of our world, even in some well-developed nations; discrimination in many of its guises is still the order of the day in many nations, despite the fact that we claim that we are more civilized than those who existed several generations past. How are we all working toward finding sustainable solutions to all our social, economic, and environmental problems? What are governments, corporate entities, and individual citizens of this era doing to address these CSR-related issues in the twenty-first century? In other words, how are the aforementioned global citizens demonstrating responsibility in all these areas?

This book has explored how corporate entities including the government of participating countries in the book are using the concept of corporate social responsibility to demonstrate their commitment to sustainability and sustainable development. Understandably, what is perceived as CSR in one nation we all recognize will depend on several issues including where the particular nation is: in the barometer of economic advancements and how it defines CSR. Of course, it has been argued for more than fifty years by many scholars that CSR means different things to different people; it is therefore no surprise to us that what comes within a country's list of CSR practices might probably be different from that country's neighboring countries' lists of CSR priorities. Contributors to the book have made this fact clear in terms of the issues they have explored in each of the chapters of the book.

Corporate and individual citizens of our world have all easily alluded to the ethos and callings of CSR simply because we are all too aware of the consequences of social irresponsibility on both the present and more importantly future generations of animate and inanimate objects on Planet Earth. The will to continue to advance on how CSR is practiced in the attempt to solve many of the global social, economic, and environmental challenges is definitely evident as depicted in how CSR is practiced in the many chapters of this book. It is hoped that the book provides you all my readers the information you need in your quest to understand CSR practices in all the relevant countries.

London, UK Samuel O. Idowu

Acknowledgments

I wish to express my gratitude to all those fantastic contributors to this book. It is evident that without their hard work, it would have been impossible for me to have this end product. As I always say to people, I count myself exceedingly fortunate to be connected with several responsible CSR scholars in all the habitable continents that make up Planet Earth. The table of contents of this book will certainly confirm that statement. To all my global friends and colleagues I am honored to say thank you for being enthusiastic each time I call on you to support my projects. I am grateful to those of you who have stood by me with their impressive chapters in this book—these friends are everywhere in the Americas—North and South, Europe, Asia, and Africa. Many of them despite their busy schedules felt obliged to help me in putting together this very fine informative addition to the literature on current global corporate social responsibility practices. I will forever remain grateful to all of you. I am also grateful to some of my friends who could not support me on this occasion because it was impossible for them to do so. I fully understand; thanks to you all for your past and future support of my projects.

I would also like to express my thank you to a few people starting with a gentleman I often refer to in my writings as the modern father of CSR, Professor Archie B Carroll, who wrote a befitting foreword to the book; not only that, Archie was instrumental in connecting me with some of my contributors in the book; thanks very much Professor Carroll. I am also grateful to my former Vice Chancellor and Chief Executive Officer Professor Malcolm Gillies and my former Dean at Guildhall School of Business and Law (GSBL), Professor Stephen J Perkins, for their unflinching support of my scholarship and to the Acting Dean of GSBL at the time the idea of the book was crystallized—Professor Dean Bartlett. I also wish to thank some of my friends who have continued to assist me in many of my professional and other life activities: Professor Nicholas Capaldi, Professor John O Okpara, Professor Richard Ennals, Professor Stephen Vertigans, Professor Rene Schmidpeter, Dr Eyob Mulat-Weldemeskel, Gordon J. Shireff, Dr Liangrong Zu, David A. Ogunlaja, Joseph A. Adesanya, Edward O. Akintaro, Michael Soda, Emmanuel Ayo Osho, Samson Owokoniran, Samson Nejo, Adebayo Sofekun, Samson

Odugbesi, Benjamin Ade Aina, QC, Jonathan Shebioba, and Seyi Bamgbose-Martins. I am also grateful to my brother Michael A. Idowu and sister Elizabeth A. Lawal. Finally, I am also eternally grateful to those who are always on the scene of many of these activities—my wife Olufunmilola Sarah Idowu and my children Josiah Opeyemi Idowu and Hannah Ayomide Idowu, to whom I have dedicated the book; for their great understanding that what is important to one family member is important to all the members of that family. You each deserve a diamond medal from me and thank you very much from the bottom of my heart.

I would like to thank my publishing team at Springer headed by the Executive Editor, Christian Rauscher, Barbara Bethke, Philipp Baun, and other members of the publishing team who have supported this project and all my other projects.

I also want to take this opportunity to remember three of my dear friends who passed on during the global pandemic of 2020—Assistant Venerable Superior Evangelist J. O. Shebioba, Superior Evangelist S. A. Ogunlaja, and J. O. Akintaro. May your souls rest in peace.

Finally, I apologize for any errors or omissions that may appear anywhere in this book; please be assured that no harm was intended to anybody. Causing harm or distress to others is simply not in my nature and that was not what I set out to do in this book or any of my other books and certainly not the spirit of corporate social responsibility. Thanks everyone for being always there.

Introduction

In the introductory chapter of the sister version of this book published in 2008, I referred to a number of events which had taken place around the world over the preceding few decades which had accounted for the reasons why issues concerning CSR accelerated and why corporate entities, their stakeholders, governments, and international organizations should take the issue of corporate social responsibility and sustainability seriously. Incidents such as the explosion at Union Carbide in Bhopal, India, in 1984; the oil spillage at Prince William Sound, Alaska, USA, in 1989; the nuclear reactor explosion at Chernobyl then the USSR (now Ukraine) in 1986; and a few corporate scandals, for example, the Mirror Group UK 1991, Bank of Credit and Commerce International (BCCI) 1991 UK, Polly Peck 1992 UK, Enron USA 2001, World Com USA 2002, and Parmalat Italy 2003 were some of the events I mentioned in that book. More than a decade on, I am able to add a number of other similar events to those I recounted in 2008. A few of these are the British Petroleum Gulf of Mexico Oil Spillage 2010, Montana Oil Spill (2011), Dhaka Garment Factory Collapse, Bangladesh, 2013 remain fresh and indelible in our minds. The recurrence of these sad events suggests that CSR has still not taken a sustainable grip on societies and corporate practices worldwide. Other issues such as climate change and global warming, human rights abuses, terrorism, and the globalization of the world economy also affect how corporate entities conduct their operational practices. These operational practices consequently impinge on how corporate entities perceive their responsibilities to societies, and in turn societies' expectations from corporate entities have increased. A worrying global health concern is currently going around our world, a number of lives have been lost as a result of this and a large number of people are seriously ill in hospitals, and countries are unprecedentedly shutting down because of this problem; there are surely some CSR dimensions to solving the problem.

By and large, it is safe to confidently assert that we have now passed the stage where modern scholars or anyone else could still be debating or contending whether or not corporate social responsibility is a desirable field. The field has now been fully accepted globally and is now talked about seriously in all countries around the world in terms of how global citizens, corporates, and individuals should take concerted efforts to practice and demonstrate their awareness of CSR and what it expects from us all. The 36 country-focused chapters and four global CSR-related issues explored in the book would hopefully attest to that. What I believe is now debatable is how we should all ensure that the field continues to thrive and advance in progress in every corner of the world. That is what we should continue to debate.

Making progress in the field of CSR should actually be all global citizens' goal after all Sustainable Development is about our common future (Brundtland 1987). Doing this should hopefully provide solutions to many of our world's lingering social, economic, and environmental problems. All indications are suggesting that the practice of CSR has a sustainable future globally. Hogan and Idowu (2020) in the 40th chapter of this book discuss Winston's (2019) nine predictions of Global Sustainability by 2030.

The book has been divided into five parts, each part focusing on five of the continents on Planet Earth which have been grouped into four and a section on a few global sustainability issues. Part I—looks at CSR in 19 European countries, Part II—is about CSR Africa—which contains six countries in six chapters, Part III—CSR in the Americas—which constitutes CSR in four countries, Part IV—CSR in Asia from four countries in that continent, and Part V—on General Global CSR issues also in four chapters. Let us now randomly summarize CSR in six European countries—Albania, Croatia, Finland, Germany, Poland, and the United Kingdom, CSR in three African countries—Malawi, Nigeria, and Zambia, CSR in three of the countries in the Americas—Bolivia, Cuba, and the United States, CSR in two Asian countries—India and Japan, and two from the General section in Part V—Government and EU and SDGs in the following paragraphs.

In the very first chapter of the book on CSR in Albania entitled "*Corporate Social Responsibility Process Implementation in Albania: Top-Down or Bottom-Up Approach?*" where three scholars of repute Valbona, Baldarelli, and Del Baldo explore a state-of-the-art development of the corporate social responsibility and sustainability debate and practices in Albania—a post-communist country. The chapter recounts the drastic political and economic changes that have taken place in the country over the last few decades. Valbona and her colleagues also recount the rapid urbanization, higher economic activity, and population growth that have placed multiple pressures on environmental and social problems of the country. They argue that during the last decade, to create an enabling environment for the promotion of CSR, the Albanian government—with the leadership of the Ministry of Economy, Trade and Energy (METE) and the support of UNDP—developed a National Action Plan for CSR. Currently, the implementation process of CSR policies by the Albanian government seems to be accelerating due to the EU accession process, creating a competitive advantage with a high CSR performance over other Balkan states, the chapter notes. Starting with these issues, the chapter introduces a literature review aimed to point out the institutional factors that influence CSR diffusion and identify the gaps that should be filled in order to improve the knowledge of CSR in Albania. Secondly, the chapter addresses the practical implementation of CSR, focusing on some cases relative to both large and small-sized enterprises, in order to highlight the barriers faced and evaluate the potential of the top-down and/or bottom-up approaches adopted by Albanian companies.

The fourth chapter of book from Croatia by three reputable scholars—Krkač, Jalšenjak, and Matišić—explores the development of business ethics (BE), corporate social (ir)responsibility (CSR, CSI), and sustainability (SUS) practices, policies, and initiatives in Croatia in the period 2013–2019. The period coincides with Croatia's membership of the EU, and this membership influenced national policies compared to the period. The chapter deals with three major areas, namely national BE, CSR, and SUS in the context of business environment, further on national BE, CSR, and SUS policies, practices, and some cases, and BE, CSR, and SUS at Croatia's HEIs. The mentioned aspects of BE, CSR, and SUS in Croatia are described using publicly available data. This overview provides a brief description and evaluation of the current status of BE, CSR, and SUS in Croatia that could be of interest to researchers, students, governmental institutions, NGOs, and businesses planning to enter the Croatian market. It is an excellent exploration of CSR in Croatia.

Mikkilä and three of her colleagues look at CSR in Finland from the viewpoint of sustainable development. They argue that in Finland, the desire for sustainable development (SD) and its implementation within business has emerged during the past few decades calling for more effective production in response to human needs in the social, economic, and environmental dimensions. Institutionalization of environmental management practices was the first phase of business responsibilities, they note. The concept of corporate social responsibilities took place in the second phase of the responsible business debate. The ongoing third phase is turning the organizational inside-out perspective to an outside-in approach. Finnish large-scale companies have been the forerunners in the adoption of global responsibility and reporting practices. The content of the studied report was developed most intensively from the late 1990s until the mid-2000s. The content analysis demonstrated the adoption of well-institutionalized managerial concepts, namely environmental management and corporate responsibility—an interesting contribution to the book.

The eighth chapter of the book is on CSR in Germany. O'Riodan and Hampden-Turner in their chapter examine whether and how the German political and socio-economic stakeholder response to sustainable development differs from the practices undertaken in other countries. O'Riodan and Hampden-Turner in the chapter review CSR historical development, key influencing factors, and current trends. The qualitative review used was based exclusively on secondary data and forms an information basis from which Germany's past CSR choices are critically investigated. The authors reason that the "recipe" which led to the postwar German success story has paid too much attention to the Washington Consensus and does not reflect how capitalism should ideally work. Recent German scandals have borne witness to the clash of shareholders maximizing their income, which was done by stealth, while pretending to serve stakeholders and the environment. Germany has traditionally followed other countries and now is the time to pioneer again and show that a capitalism conscious of the needs of society is the best way forward, argue these two great scholars. The authors conclude that at a corporate response level, Germany could better utilize her unique stakeholder-orientated *Mittelstand* culture by empowering creative people, thereby driving innovative sustainable solutions and ultimately economic growth.

CSR in Poland occupies the thirteenth chapter of the book with a great piece on CSR in the country by three eminent CSR scholars. Their chapter presents selected issues of corporate social responsibility which constitute the current field for discussion conducted by scientists and business entities. These authors argue that corporate social responsibility is a relatively new concept in Poland, only recently present in the public discourse. The chapter outlines the implementation of the CSR concept in Poland, which is influenced by the socioeconomic situation, history, and the activity of social actors as well.

The nineteenth and final chapter on CSR in the participating European nations is from the United Kingdom by a young scholar Chijoke-Mgbame. Chijoke-Mgbame notes that corporate social responsibility (CSR) has evolved to become a fundamental component of every organization. The debate surrounding CSR, she notes, has moved from whether organizations should practice CSR to how CSR is being practiced and its effect on various aspects of the firm and larger society. From its meaning to its scope, the concept of CSR has advanced and continues to advance. The chapter explores the nature of corporate social responsibility in the United Kingdom. It explores how companies practice CSR by examining the various dimensions of CSR issues disclosed in the annual report. It also examines some of the key drivers of CSR as well as the performance effect of CSR.

Andrew Mzembe a renowned Dutch scholar of African descent delves into the issue of CSR in the tourism and hospitality sector in Malawi. In the 22nd chapter of the book, Mzembe argues that corporate social responsibility is an important consideration in tourism and hospitality management, yet extensive empirical studies on how it is implemented in the context of developing countries are lacking. Using qualitative methodology, the chapter addresses this knowledge gap by exploring CSR practices among hotels and accommodation providers in Malawi. Mzembe's findings demonstrate that a broad-based CSR agenda is slowly being pursued by certain firms although corporate philanthropy remains the major area of focus for most of the considered firms. The chapter further notes that differences in the choice of CSR agenda firms pursue can be influenced by the nature of firm's ownership. Whereas locally owned and managed firms showed a strong orientation toward philanthropic-based CSR agenda; foreign owner/mangers favored a broad-based CSR agenda, Mzembe notes.

Let us dash to West Africa to see what two great Nigerian scholars Okaro and Okafor have discovered in their research on CSR in the Federal Republic of Nigeria, the largest economy and most populous country in Africa. Using a detailed content analysis of the annual reports and accounts of some selected companies quoted on the Nigerian Stock Exchange to ascertain the current practices of social responsibility across sectorial divides as well as to glean the perception of company management about corporate social responsibility in Nigeria. Okaro and Okafor note that external social responsibility interventions in Nigeria are mainly in the fields of education, health, and security. The dominant view among corporate management is that corporate social responsibility is a means of “uplifting the well-being of the immediate community around their operational sites and participation in credible programmes in the general society.” Thus, many companies see CSR as mere philanthropy, in the country. As a result, only very few of the companies had a well-thought-out strategy for their CSR interventions. A highly neglected area in respect of CSR practices is in respect of the environment.

The final country of focus in Africa is Zambia with a chapter on CSR in the country by Noyoo. In the chapter, Noyoo argues that CSR has been unnecessarily heavily skewed, for decades, toward the mining sector. Although laudable, this approach is narrow and has militated against a comprehensive approach to CSR in the country. In arguing its case, Noyoo looks at the state of CSR in the country, especially after the fall of the one-party state system in 1991. The chapter then locates CSR in the notion of *engaged citizenship* and argues for a broad-based CSR perspective that could incorporate other sectors of the economy.

Moving swiftly on to the Americas, we look at Bolivia where Herbas-Torrico and his colleagues take a stand on CSR in this Latin American country. The chapter argues that Bolivia is experiencing big social and economic changes. Herbas-Torrico and his colleagues note that, due to strong economic growth and deep political changes, the Bolivian society has high expectations for a better future. However, historical social injustices, weak government institutions, corruption, poverty, unenforced regulations, low industrial productivity, and high economic informality are hindering that future. In developing countries where weak institutions do not address social problems sufficiently, corporate social responsibility can serve as a vehicle to address social problems through corporate actions, rather than government actions, which seek to minimize harm to, and maximize benefits for, both disadvantaged social groups and the environment, the chapter notes.

Cuba is another country of focus to us in the Americas. In the chapter on CSR in Cuba by Baden and Wilkinson, data collected over several research trips to Cuba undertaken between 2013 and 2017 evidence how the concept of corporate Social responsibility is understood there. Firstly, the chapter provides some background on Cuba, describing the island nation’s economic journey from the status of a free enterprise-oriented US “neo-colony” in the first half of the twentieth century, through several decades of strong Soviet-inspired state control after the 1959 revolution, before it gradually adopted what has been termed a “market socialist” model after Fidel Castro left the Presidency in 2007. The chapter then presents a snapshot of the fledgling state of CSR in Cuba as understood and practiced in newly licensed private small and medium-sized enterprises and state–business partnerships. The kinds of practices that are seen as belonging under the CSR umbrella are compared. The chapter acknowledges the unique political and economic conditions in Cuba and the problems that arise in applying concepts, measures, and definitions which have been formulated in the context of Western economies. The chapter therefore provides insights into how CSR is constructed in a country that has adopted cultural norms of solidarity and collectivist ethics.

The United States takes a pivotal space in the 32nd chapter of the book with a piece from Shabana one of the pupils of the current global father of CSR. The chapter offers a review of the literature on corporate social responsibility in the United States and provides examples of institutional and strategic CSR practices. Shabana's review examines corporate social responsibility definitions as well as definitions of corporate social responsibility reporting. The chapter highlights that American CSR is a two-faceted construct. On one hand, it is an informal mechanism for the control of business; on the other hand, it is a mainstream business practice that corporations use to enhance their competitiveness and further their interests, argues Shabana.

Shuchi Pahuja, a young Indian scholar takes CSR in India to the global stage following the world's acclaimed Indian Companies Act 2013 which glorifies CSR and gives its legal backing to the practice of CSR in the country. Pahuja argues that the concept of CSR is not new to India. It has its footprints in ancient India when CSR was known as social duty or charity. The concept got a more formal prominence during the 1990s when companies started integrating sustainability concerns into their business goals. This was also a period when the Government of India initiated many reforms to liberalize and deregulate the Indian economy and to integrate it with the global market. These reforms helped the Indian economy to grow in many sectors, but soon it was realized that this growth was not all-inclusive growth. Despite a booming economy, India performed poorly on many social indicators such as poverty, sanitation, employment, health, education, and environmental protection. Successive governments failed to address these social problems and the need was felt to constructively involve the private sector in handling these social issues. In 2013, the Government of India gave a fillip to CSR by passing a landmark legislation making it mandatory for specified big corporations to spend a portion of their profits on the CSR activities or to explain the reasons for not doing the same. Section 135 and Schedule VII of the Companies Act, 2013, deal with CSR activities of the companies, making it indirectly compulsory for the companies to spend a specified portion of their profits in the social responsibility areas that come in the ambit of the Act. Now the drive for CSR has started coming from regulatory directives.

Davis and his colleagues use the 35th chapter of the book to explore the practice of CSR in Japan. In the chapter, these three great scholars argue that after years of economic stagnation, Japan is currently experiencing what may be its longest period of economic expansion in the postwar era. Davis and his colleagues note that the impact of this economic growth is unlike that of previous periods. Despite record corporate profits and dividend payments, the level of average wage income has not grown, and increasing taxes and prices have caused household buying power to decline. Faced with corporations' offshoring jobs to save costs, a polarization in living standards and a mood of anxiety regarding the future, the role, responsibility, and social expectations of business have become the subject of heated debate. Davis and his colleagues use the chapter to examine three concepts—responsibility, accountability, and resilience—that are being reconceptualized in the course of this debate, and four major initiatives undertaken by government and industrial associations that characterize efforts being made to reframe the social expectation of firms and redefine what it means to be a responsible business in Japan.

Sam Sarpong a Ghanaian prolific writer uses his second chapter in the book following the piece he puts together on CSR in Ghana his country of origin to explore government social responsibility (GSR). What a fantastic piece! The chapter addresses a key gap in the contemporary agenda on "corporate responsibility" or "corporate social responsibility" by looking at the functional role of government in this arrangement. Sarpong provides a basis to assess this portent by bringing to the fore the crucial role that governments ought to play, signifying that this ought to be of an equal measure, if not more, in the whole responsibility arrangement. The chapter argues that in the face of mounting criticisms of corporations as to their expected commitments to societies, the emphasis seems to have been lost on governments to provide a just, eco-friendly, and sustainable governance for its citizens, Sarpong argues.

The 39th chapter of the book emanates from Austria; it is not a chapter on CSR in Austria, which was covered by other three great Austrian scholars but on the EU Sustainable Development and SDGs 2030 by Ursula Vavarik. Vivarik argues that more than one year after the adoption of the UN Sustainable Development Goals (UN SDGs) during the UN Summit in 2015, in which the European Union was a major driver of the process, the implementation of the UN SDGs progresses, however, rather slowly. Vivarik's chapter reflects on the future of the EU Finances, issued in June 2017; she notes the document does neither mention the UN SDGs in the foreword nor insists on the necessity to implement them swiftly. She notes that the more recent EU policy documents and draft papers of the so-called EU multi-stakeholder process voice a promising and more stringent alignment of EU policies with the SDGs. Particularly the finance sector and the EU budget could be leveraged to drive the European Union and the rest of the world toward the sustainable development path adopted in 2015—an essential reading for anyone interesting in delving more into this area.

A careful read-through of all the issues highlighted in this introductory chapter to each of the sixteen chapters that we focused on in this part of the book should hopefully reveal that CSR has come to stay in our world; it is now an essential part of what we do. Companies operating in different political settings are engaging themselves in a number of key activities to propagate and popularize CSR, perhaps for strategic and business reasons or perhaps because they are all genuinely socially responsible. Whatever their motives, many of these activities are making a big difference in many if not all, of these countries. Many of these activities are bringing in the desired change for the better; individual citizens, corporate entities, non-governmental organizations, governments, and international organizations still have a lot to contend with in the crusade for global social responsibility; that is what would bring about the desired difference to our planet and make it more habitable not only for this generation but also tomorrow's generation and those after them. At the time of going to press, many countries around the globe are in a lockdown following a global health scare. How will CSR provide the direction we need to deal with the crisis is an issue for global scholars to start to brainstorm about while they are working from home. Together we will wipe out this deadly virus.

London Metropolitan University
London, UK

Samuel O. Idowu

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Corporate Social Responsibility in Albania

CSR Process Implementation in Albania: Top-Down or Bottom-Up Approach?

Dudi Valbona, Baldarelli M. Gabriella, and Del Baldo Mara

Abstract The chapter aims to trace a state-of-the-art development of the corporate social responsibility and sustainability debate and practices in Albania, a post-communist country that, in the last few decades, has made drastic political and economic changes. Rapid urbanisation, higher economic activity and population growth place multiple pressures on environmental and social problems. In the last decade, to create an enabling environment for the promotion of CSR, the Albanian government—with the leadership of the Ministry of Economy, Trade and Energy (METE) and the support of UNDP—has developed a National Action Plan for CSR. Currently, the implementation process of CSR policies by the Albanian government seems to be accelerating due to the EU accession process, creating a competitive advantage with a high CSR performance over other Balkan states.

Starting from these premises, the chapter introduces a literature review aimed to point out the institutional factors that influence CSR diffusion and identify the gaps that should be filled in order to improve the knowledge of CSR in Albania. Secondly, the work addresses the practical implementation of CSR, focusing on some cases relative to both large and small-sized enterprises, in order to point out the barriers faced and evaluate the potentials of the top-down and/or bottom-up approaches adopted by Albanian companies.

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1 Introduction

This section aims to trace a state-of-art corporate social responsibility process implementation in Albania. This country is a post-communist territory that had been dominated by the Turkish for more than 400 years. During the last few decades, the country has made drastic political and economic changes. Rapid urbanisation, higher economic activity and population growth place multiple pressures on environmental and social problems. In the last decade, to create an enabling environment for the promotion of CSR, the Albanian Government—with the leadership of the Ministry of Economy, Trade and Energy (METE) and the support of UNDP—has developed a National Action Plan for CSR. In March 2013, The Albanian CSR Network was founded, whose main mission is to promote the importance of CSR within the business community and social environment with the future view of having sustainable business practices.

Currently, the implementation process of CSR policies by the Albanian government seems to be accelerating due to the EU accession, creating a competitive advantage with high CSR performance over other Balkan states and making the country more attractive to foreign investments. However, while CSR and the sustainability agenda are becoming mainstream issues for many foreign organisations, and despite the fact that CSR is considered essential to be competitive in the market, for now, the country still seems to have some major difficulties in implementing CSR and related issues. CSR is, in fact, mainly promoted by foreign companies that implement the practices and have proven to be effective in the different countries where they operate.

Therefore, the real challenge is to start changing the economic and business culture (Baldarelli et al., 2017; Baldarelli & Del Baldo, 2017; Baldarelli, Del Baldo, & Ferrone, 2015; Baldarelli et al., 2014) that is based on the anthropological one. This challenge requires both, entrepreneurs and managers, to plant some seeds about the importance of improving relational goods into the culture, respect the environment and competitors, comply with rules (laws, codes, association regulations) and face corruption. Moreover, it requires researchers to enter into direct relationships with entrepreneurs and fully understand their stories. Accordingly, the second step of research involves the analysis of best practices of CSR implementation in small companies that demonstrate that there is a bottom-up approach starting process.

Starting from these premises, a brief literature review about CSR in Albania is introduced, in which, at present, we wonder if a top-down or bottom-up approach is better for spreading CSR. After the presentation of some best practices, we identify the gaps that should be filled and point out the factors affecting such gaps, in order to broaden the knowledge of CSR and its implementation in Albania through a case study approach (Yin, 2003). Namely, the study follows with the selection of cases from two main sources: the last country market report analyses, *Albania in figures 2017 e 2016,* Instat Albania, 2016, 2017) in which the four most performing sectors of the Albanian economy are identified, (Industry, Textile & Shoes, Agro-food, Information and Telecommunication Technology–ICT) and the Data Base of *National Registration of business (NRB)* and *Tirana Municipality tax office business register.* All enterprises that operate in the Albanian territory are identified by a unique identification number called "NIPT. The description of the bottom-up approach of CSR implementation business practices in management activities completes the analysis.

2 CSR and Albania: Institutional Factors and the Top-Down Approach

The Corporate Social Responsibility concept is relatively "new" in the post-communist countries of Eastern Europe, in general, and Albania, in particular. The term "social" is particularly difficult to insert in the scientific, political, economic and current language because it is similar to some terms used during the communist period and, as a result, is used less than others. Following these historical difficulties, there is a lack of information on the meaning and content of CSR. Every company appears to be only oriented to profit and financial investor objectives. In fact, political and economic transition processes create some contradictions inside of the society and create weak citizenship or civil society active participation in political and economic processes. Moreover, governments have a limited capacity in effective policy-making and implementing necessary reforms and lack a regulatory framework on social and environmental accounting.

Following the above and shortly described institutional factors, there is a top-down approach for CSR with the rapid development of the economy and the government promotion of CSR principles for EU integration.

The first initiatives for promoting the CSR principles and good practices in Albania are found in 2005, launched by UNDP in collaboration with the Ministry of Economic Development, Tourism and Entrepreneurship, and some not profit organisations, with a first summit that underlined the importance of the implementation of CSR principles by Albanian businesses. In any case, this initiative was very limited but served as a starting point of CSR promotion in the country.

Nevertheless, different policy initiatives, based on promoting and developing CSR throughout the country are taken, as follows:

- *"The Baseline Study on CSR Practices in the Western Balkans"* (UNDP, 2008) gives us a first overview of the status of CSR in Albania and the surrounding countries. Different from Western Europe countries, in Albania, the major drivers of CSR are the multinational companies. Beyond a general consensus on the importance of a consistent and enabling regulatory system, there is also a lack of active participation of the stakeholders including NGOs, the media, consumers, trade unions and researchers in speeding up the CSR agenda.
- *"The National Action Plan on CSR 2011–2014",* drafted in 2011 by the Ministry of Economy, Trade and Energy, (METE), with the technical assistance of the

UNDP. This plan was never officially endorsed but still seems to be one of the guiding documents for further developments.

- The establishment of the Multi-Stakeholders Forum on CSR and the Albanian CSR Network in 2013, which is one of the results of the National Action plan on CSR. The CSR Albanian network is an internationally recognised network, part of the CSR Europe network. However, its actions are still limited, with only 17 members, mainly multi-international and large companies that operate within the country. To this day, the network's website does not work.
- "The Business and Investment Development Strategy 2013–2020" (published in 2012 by METE) is the main document for the identification and implementation of the national policies for the promotion of business investments for the period 2013–2020. This strategy is in line with the EU industrial policy, with a focus on sustainable and environmentally friendly enterprises. As for the result of this strategy, a significant change of the Albanian legislative framework has been made, with the approval of the Law N. 25 of May 10, 2018 "For Accounting and Financial Statements". In particular, this law, in its article No 18, provides the obligation of Albanian businesses to make the annual *non-financial report*, starting from January 2019, that should include among others: "the corporate performance, its market position, and the impact of its activity on the environment, social policy and employment, the respect of human rights and anti-corruption policy". The introduction of this law is a great step towards greater CSR reporting in the country, but is still limited, because the obligation of such a report is only for "larger companies, with a public interest that have at least 500 employees" (article 18, paragraph 1). Law No 25/2018 has taken an important step forward in non-financial reporting, inserting the obligation of the annual non-financial report starting in 2019, even though it is limited to large companies with a public interest.
- The "Voluntary National Review on Sustainable Development Goals" published on June 2018 by the Albanian Government, highlights the progress made in implementing the Sustainable Development Goals for the period 2015–2017. This report underlines the link between the objectives and the four pillars of "Business and Investment Development Strategy 2013–2020" and the targets of the SDGs framework (UN General Assembly, 2015; UN Global Compact, 2018). More specifically, in Table 1 are presented the objectives, in which the Albanian national development strategy is in line with only some points of SGDs framework.

Currently, Albania has (perhaps) the most progressive regulatory framework in the Balkan Region, and if it is applied correctly, can be a good source of CSR development.

Table 1 The relation between the national development strategy 2013–2020 and the SGDs framework

Foundation: Consolidating good governance, democracy and the rule of law—in line with SDG 16
Pillar 1: Ensuring economic growth through macro-economic and fiscal stability—in line with SDGs 8, 17
Pillar 2: Ensuring growth through increased competitiveness and innovation—in line with SDG 9
Pillar 3: Investing in human capital and social cohesion—in line with SDGs 1–6, 10
Pillar 4: Ensuring growth, sustainable use of resources and territorial development- in line with SDGs 7, 9, 11–15

Source: Voluntary National Review on Sustainable Development Goals", June 2018, Albanian Government

3 CSR and Albania: Literature Review

As well as in other countries, in Albania there are some definitions of CSR and a sort of confusion exists in giving it the right and a single definition. One definition of CSR in the country can be find in the engagement of the Albanian Government in order to develop the corporate social responsibility in the country. It cites as follows:

> creating the best possible enabling environment for the adoption of Corporate Social Responsibility practices by companies, through an ongoing, open and inclusive dialogue with all stakeholders (the Albanian Business and Investment Development Strategy 2013–2020, METE, 2010).

Another definition of CSR in the country is adopt by European Commission definition. The Green paper of the European Commission (EU 2001) defined 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, (EU 2001).

Pulti and Dragusha (2014), found that in Albania, CSR is mostly based on community donations.

The CSR concept initially developed in the United States for corporations to strengthen their societal reputation, and many scholars agree that Bowes' "Social responsibility for the businessman" (1953) is the first work in this field. Throughout the years, many findings have caught the attention of CSR practitioners and scholars. Gray defined Social Accounting, which is the process of accountability also involving CSR practices (Gray, 2002), as "the process of communicating the social and environmental effects of organisations' economic actions concerning particular interest groups within society and the society at large" (Gray, Owen, & Maunders, 1987: 9). The World Business Council for Sustainable Development, in its publication "Making Good Business" (Holme & Watts, 2000), defined it as "the business continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large". The same publication offered some evidence on the fact that different societies across the world have different perceptions and definitions of CSR. Definitions as different as "CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds business opportunities in building the skills of employees, the community and the government" from Ghana, to the Philippines that defined CSR as "business giving back to society".

On the other hand, the European Commission definition (2001), points out the voluntary integration of social and environmental concerns into businesses. As Clarkson (1998) emphasises, managers do not think or act in terms of concepts such as "responsibility" or "integration". Instead, they focus on powerful stakeholders, legitimate, and/or urgent (Clarkson, 1998; Mitchell et al., 1998). This implies that CSR efforts emerged because of increasing stakeholder demands and pressures. If corporate do not respond adequately to these pressures, they may suffer economically (Steurer, et al., 2012). This evidence was taken from the European Commission last definition of CSR: "Corporate Social Responsibility (CSR) refers to companies taking responsibility for their impact on society. As evidence suggests, CSR is increasingly important to the competitiveness of enterprises. It can bring benefits in terms of risk management, cost savings, access to capital, customer relationships, human resource management, and innovation capacity" (EU definition on CSR, 2011, COM 681). Using this definition, we can come to a more systematic overview of major challenges for CSR in Albania. First of all, the understanding of CSR in the country is limited and partial. For different stakeholders. It is often only seen as philanthropy, or as a luxury that Albanian entrepreneurs cannot afford at this time (Yperen & Graaf, 2014).

The Albanian economy is characterised by the operation of small and medium enterprises (Filipi & Karapici, 2014; Pulti & Dragusha, 2014; Aliu, 2015; Proda, 2017). Based on economic development strategies it is expected that future economic growth should be based on increased investments and exports. Business social responsibility in Albania is actually based on community donations and voluntary contributions. The understanding of the CSR concept among medium and large Albanian enterprises remains low, and the enterprises that understand the benefits they could get from CSR application is even less. Alimehmeti, Sylaj, and Shala (2015) found that only 10% of about 1224 Medium and Large companies declared to have a focus on CSR and provided concrete information about CSR and state their commitment to it. They also found that CSR information was frequently confused with the corporate mission and vision, and general statements suggested a lack of information in the field of CSR reporting. Pulti and Dragusha (2014) affirmed that only 25% of 100 medium and large enterprises contacted through a questionnaire knew what the CSR concept was about, 40% had no knowledge of CSR, and the remaining 35% declared to have only a little knowledge about CSR.

4 Methodology of the Empirical Research

Robert Yin describes a case study as "an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" (Yin, 2003, 2009). It should be underlined that this methodology is not linear in nature, but it is an iterative activity based on multiple sources (Gerring, 2006). In case of limited sources and data, purposive sampling is the most indicated strategy and helps in the identification and selection of information-rich cases for the most effective use of limited resources (Patton, 2002). Also, according to Seawright and Gerring's (2008) classification, the cases maximally diversified, aimed at obtaining information concerning the significance of different conditions for the specific process or phenomenon and its results, are adequate for the accounting and entrepreneurship field.

On this basis, the study follows with the selection of data sources and case studies in two phases. Firstly, in order to have a better idea of the Albanian economy trend, we consulted the INSTAT Albania home page, and, in particular, the publication "Albanian in Figures", 2016 and 2017 (Instat Albania 2016, 2017), where we identified four main economic sectors, based on the number of active enterprises in each sector, their contribution to the National GDP and the number of employers and exports.

The four sectors are: Industry, Manufacturing, Agro-food, Information and Telecommunication Technology (ICT). Then, from the National Registration of Business (NRB) database and the Tirana Municipality tax office business register, we identified the leading companies for each sector, based on company capital, their annual turnover and number of employers. A list of ten of the most performing companies was created, then we checked to see if they had an official website and, subsequently, if they had CSR reporting. Lastly, four companies, one for each sector of activity, are selected as presented in Table 2. Their official web pages have been analysed, including the CSR reports, where available. The presentation of the first step of research is materialised in the form of a short descriptive report on each case study.

However, in our opinion, it is not sufficient to analyse only big companies considering that, in Albania, there are a lot of small-sized enterprises. Therefore,

Table 2 Selected companies

Company	Sector of activity	Year of foundation	Multinational/ national	Non financial report
Antea Cement	Industry	2008	Multinational	Integrated annual report since 2014
Doniana Sh.P.K	Manufacturing	1992	National	No report
EHW	Agro-food industry	1992	National	No report
Telekom Albania	Information and Communication Technology (ICT)	1995	Multinational	CSR annual report since 2006

we decided to complete the research with a second step through the organisation of focus groups and training activities on CSR and Civil and Communion Economy (Baldarelli & Del Baldo, 2017). This additional analysis was aimed at focusing on the CSR experiences of SMEs. From this analysis, some interesting results about some Albanian SMEs and the implementation of CSR practices using the bottom-up approach have emerged. In the second step of research, we based the qualitative analysis on the entrepreneurs' "storytelling" approach (Guthrie, Evans, & Burrit, 2014).

5 Findings and Results of the First Step of Research: The Bottom-Up Approach in Large Companies

This chapter draws its first step empirical material from the CSR reports and information posted on the Worldwide web from the selected companies, in order to understand the levels of CSR communication and perception from the Albanian enterprises (Table 2).

Findings reveal that each company has its own approach to CSR and that there are substantial variations in its nature and their extent of reporting, or no reporting at all. More specifically, it focuses on four sets of CSR issues, namely those relating to the environment, the community, the workplace, the community and philanthropy. The Albanian companies are paying more and more attention to CSR, under the pressure and the promotion of governmental institutions and international partners, and the case study suggests much fertile ground for future enquiry and research. It is a preliminary exploration of CSR issues as reported on the Worldwide web, and more in-depth work will be needed before more definitive conclusions can be drawn.

5.1 CSR and Industry

In the Albanian economy, the industrial sector has a share of 12.2% of the gross domestic production, with about 11,300 companies that operate in this sector. One of the leading companies in this sector is Antea Cement, which is also one of the leading companies in the promotion of CSR in the country and one of the co-founders of the Albanian CSR Network. It is a multinational company, part of Titan Group, that established itself in Albania in 2008. It is one of the largest companies in the country in cement production, with a capacity of 1.4 million tons of cement per year and a value that exceeded 200 million Euros in 2018. They declare that their strategy focuses on CSR principles, as a base for value creation. They publish the "Integrated Annual Report", under the motto "Building our future together", in order to underline the company's commitment to ensuring sustainability in its path towards continuous improvement. The first annual integrated report was released for the first time in 2014, being among the first companies that published such a report in the country, and since then, they have published it annually. In 2018, they published their fourth report, covering the period from January 1 to December 31, 2017. It covers the key operations of ANTEA SH.A. in Albania and the Terminals of Tirana and Ortona (Italy) and particularly the production and distribution of cement and its products derivates. They also declare that all material issues are presented in alignment with the UN SDGs 2030. They are committed to creating value for employees, the local community, suppliers and clients through strengthening their core values, applying ethical business practices and ensuring an open and continuous communication with all stakeholders, basing their CSR strategy on four pillars:

- Engage with stakeholders;
- Reduce environmental footprint;
- Provide a healthy and safe working environment;
- Promote sustainable development through networking.

The report is well structured and has a clear CSR strategy based on sustainability governance. It focuses on how an organisation defines its management responsibility and oversight for sustainability activities and performance. It is an integral part of the overall corporate governance structure and supports the integration of sustainability considerations into business decision-making. They include a concise representation of the governance structure for sustainability issues. It highlights various levels in which sustainable development issues are guided and monitored, including the executive level. Such levels are organised into five boards and committees, each with clear responsibilities and duties:

- Quality board;
- Environment board;
- Health & Safety Central Committee;
- The Social Accountability board;
- CSR Committee

5.2 CSR and Manufacturing

The Manufacturing sector, especially textile & footwear, is the sector with the main exported goods, respectively 22.2% and 21.6% of the country's total exports, and CSR is becoming a necessity as international business clients are demanding more transparency. In the entire supply chain of textile goods, only the CMT phase (cut, make, trim) is represented. Progress is made in terms of transparency, by the fact that the manufacturing phase produced in Albania, has the "*made in Albania*" branding. However, this industry seems to be very dependent on Italian brands, for their survival, as the workforce is more expensive than in other low-cost countries. Compared to the textile industry, the footwear industry is developing more rapidly towards a more integrated supply chain. The sector has started to add the design phase to their industry, resulting in the first and proudly introduced 'Made in Albania' labels, presented with success in European markets. Donianna shoe corporation is an Albanian group of three companies: Donianna Sh.P.K., Rozimpex Sh.P.K. and ASC 2 Sh.P.K. (Albanian Shoes Corporation). It was founded in 1992, as a small family business, and has developed extraordinarily, becoming the leading company in its sector, with 850 workers, mostly women (about 80%), and a capital of about 168 million Albanian Lek. It has its own four brands, totally designed and produced by them; Donianna, Mici's, Donianna Green & PIN Shoes are being traded with success in regional and international markets, mostly in the Balkans and Italy. Despite the fact that the group is a leader in the sector, we did not find any CSR report or Integrated report on the official company website. The company mission claims that they ensure proper working conditions and a dignified life for their workers, but there are no written documents on CSR principles or strategy. In 2012, Donianna Sh.p.k. received an ISO 14001:2004 Environmental management system certificate and OHSAS 18001:2007 Occupational health and safety management system certificate.

5.3 CSR and Agro-Food Industry

The agro-food industry is traditionally the largest sector in Albania, with a share of 20.1% of the gross domestic production, the most potential and actually the most lagging sector regarding CSR implementation. This sector has to cope with the absence of a level playing field. The leading companies —when it comes to standards, innovation and an outward view of other EU countries—are much more ahead compared to the large group of small owners, but they are not awarded for that. One of the top leaders in this sector in the country is EHW group, an Albanian company that has been operating since 1992, processing meat. On their website, we did not find any CSR reports or any other non-financial reports, but they state that have an "advanced technology, guarantee all security standards on all phases of meat processing and have been certified since 2003 with ISO 9001:2000 and HACCP".

There is an urgent call for standardisation, reliable inspections, real enforcement and professional customs to create a level playing field.

5.4 CSR and the Information and Communication Technology (ICT) Sector

Information, Communication & Technology (ICT) development is of great importance in Albania. In order to have positive results in this area, a number of actions have been performed to facilitate the integration of ICT within government agencies and institutions. The main objectives are to improve and promote digital services, enabling e-services for citizens and businesses to increase transparency and improve public administration services in accordance with European principles of competition. Albania already has a good regulatory framework to enable the monitoring and security of this sector. The Electronic and Postal and Communications Authority (AKEP), the National Agency on Society Information, the National Authority for Electronic Certification, the Commissioner for the Protection of Personal Data, the Minister for Innovation and ICT, are the main institutions on policy-making and security guarantee of the ICT sector in Albania. One of the main leading companies in this sector is Telecom Albania Sh.A., a multinational group, with its headquarters in Tirana, and it is the first mobile company in the country. It was founded in 1995, and in May 1996, it started to operate as mobile phone company under the name Albanian Mobile Communications (AMC). It has been a part of OTE group since 2002 and, in 2008, joined the Deutsche Telecom Group, one of the leading telecommunications company in Europe. In 2015, they presented the brand Telekom Albania, which replaced the name AMC, changing the company name. They have been preparing and publishing the annual CSR report form since 2006 and are among the first Albanian companies that have put CSR principles as a strong point of their development strategy. The Corporate Responsibility Report 2017 is published under the motto "Embracing responsibility for a better tomorrow". Their commitment to CSR stands on the Quality Management System, Compliance, the Environmental system and a healthy and dignified quality of life for their workforce. Their report is prepared per the GRI G4 Guidelines. It refers to 2017 and only Telekom Albania Sh.A activities.

6 Results from the Second Step of Research: The Bottom-Up Approach in SMEs

This research step was based on a qualitative analysis that was carried out using focus groups with CSR and Civil and Communion Economy companies (Baldarelli & Del Baldo, 2017). Starting from 2016 the Albanian entrepreneurs met two times, exactly in 2016 and 2018. They are owners of small enterprises based in Albania that do not release reports nor non-financial information. However, their activities *de facto* implement CSR (Table 3). Their enterprises belong to different sectors and an average management of more than 10 years. The choice to use the qualitative and storytelling approach (Guthrie et al., 2014) is attributable to the fact that in SMEs the scarcity of managerial, technological and financial resources often hinders the implementation of a social, sustainability or environmental reporting. Consequently, it is difficult to grasp adequate information about CSR or sustainability-oriented practices and strategies. Considering these difficulties, a qualitative approach based on the entrepreneurs' direct experience and the sharing of ideas through focus groups were organised. During the meetings, lasting approximately two hours each, the

Table 3 SMEs economic sectors presenting ant the meetings

SME	Sector of activity
1	Services
2	Services
3	Industry
4	Waste
5	Industry
6	Food
7	Culture

focus was not explicitly on CSR, but rather Civil and communion Economy in which CSR is involved.

After a brief presentation of the matter of each meeting (lasting 20 min) about some keywords such as profit, gift and fraternity, entrepreneurs were invited to present their practices inside of the enterprise and disclose the emerging CSR initiatives.

Both individually and in groups, they told us about some of their CSR best practices. It should be emphasised that among entrepreneurs of SMEs, it is not usual to exchange experiences for the mutual distrust that the market brings about. In this regard, we have attempted, through knowledge and esteem developed over the years, to involve entrepreneurs belonging to different sectors simultaneously. This allowed us to overcome the initial difficulty.

Entrepreneur No 3 presented some initiatives that take place within his company, of which we can cite the following. During a holiday, he realised that his employees could not celebrate because they did not have meat, so he bought a veal, slaughtered it and distributed a part of it to each employee so that everyone had the chance to celebrate. Another aspect is the effort spent checking his employees' mood; when he realizes that someone have problems, he asks them to have a meeting to clarify if they have family difficulties, for example. In addition, once a week, there is a company singing competition, in which the staff and the owner perform and are evaluated by a jury that expresses their preferences with coloured post-its.

Entrepreneur No 4 highlighted the attention he gave to his employees' health and the checks he performs, not only so that the safety rules are respected but also to make sure they react correctly in the various activities to preserve their health. The same entrepreneur willingly takes part in the various operational activities alongside his employees to make the sector in greater difficulty more efficient. He also collaborates with various private and/or public institutions to spread the culture of materials recycling. He started a series of courses to educate young people and change the culture of respect for the environment.

Entrepreneur No 6 has exposed the difficulties of starting his own business in the food sector. However, he underlined how he pays particular attention to the quality of the raw materials used to prepare the meals and quality control, together with the predisposition of a recycling system for containers with a low environmental impact.

An entrepreneur has commented on these meetings: *"Thank you for the invitation to yesterday's very interesting and formative meeting; I met beautiful people, who* *have the right spirit to face such a big challenge. I hope the initiative will continue and attract an ever-increasing consensus; the country is in dire need of it!"*

A meeting was held at one of the participating companies with great adhesion of participants. The meeting gave birth to the proposal to organise a process to create start-ups for young people, emphasising, with enthusiasm, that the guidelines for the selection of projects should privilege socially responsible companies.

In addition, entrepreneurs have joined the international project of incubators of socially responsible companies to compete internationally in the future with other entrepreneurs and provide their expertise on the subject (www.EOC-IINN.org).

The importance of developing a network that is not an end in itself, but part of the broader and more ambitious project of fraternity, was underlined. The same entrepreneurs have highlighted the importance of starting long-term sustainability-oriented companies that put personnel at the centre of their operational and strategic choices. They also proposed to contribute to the promotion of the fraternity of young people through a specific initiative the following summer, where those who participate can bring some entrepreneurial experience and open up their companies to young people who are interested. This aspect has triggered the curiosity of the youth of the organising committee of the initiatives, which have been activated to understand the Civil Economy and Communion better and especially be able to discuss it. They have noticed the desire in these young people to bring an innovative message to their peers and also (as a pleasant surprise) the desire to widen the path to become referents of the working groups.

From the eyes of entrepreneurs, the pride and the awareness of participating in something that goes beyond the boundaries of their companies and the Earth are evident. In this way, we will be able to admire, in addition to the roots, the buds of this CSR seed sewn into the Albanian "fertile land" with a bottom-up approach.

7 Discussion and Conclusions

There are several incentives for Albanian companies to adopt CSR in a top-down approach. On the one hand, Albanian Institutions policy-makers have adopted a wide range of strategies, laws and regulations that relate to different aspects of CSR, mainly as a precondition to EU accession in a top-down approach, but the mechanisms to promote and enforce this regulatory framework are often weak.

An efficient policy on CSR promotion could be characterised by the following aspects: raise awareness and build capacities for CSR, by increasing the dialogue between the companies and the stakeholders; improve disclosure and transparency; the government may play a decisive role in improving the quality and the dissemination of CSR projects; stimulate socially responsible investments; increase the transparency level; and adopt effective CSR management systems and audits.

The study found that multinational corporations are leaders in terms of CSR in the country, applying practices and experience gained from their previous experiences in Western countries. Companies that report CSR do it on an annual basis. Only very few companies have been reporting for 10 years now (Telekom Albania), while others are in their first three-four years of reporting. The CSR reports implemented in the country by companies can be divided into two main categories, the CSR Sustainability Report and the CSR Integrated Report. These limitations include a lack of comparability between companies, the need for more context-based reporting over time so that the implications of metrics and targets can be better understood and have a complete scenario analysis for CSR reporting. These aspects of reporting are generally forward-looking and can help demonstrate how a company is positioned to respond to the landscape of CSR challenges and ever-changing investor expectations.

The international companies' reports present a more structured and all-inclusive comprehension of CSR dimensions. The CSR guidelines are well defined on their websites, and the design of the information helps to evidence the main contributions and commitments of the company. Some leading multinationals companies prepare sustainability reports based on the Global Reporting Initiative (GRI) guidelines (e.g., Telecom Albania). The local companies engage in CSR by having a limited perspective on the role of CSR in their companies; they mainly focus only some of the most important and tangible aspects of CSR, demonstrating a lack of real engagement and strategic incorporation of the CSR philosophy.

On the one hand, we found a total lack of CSR reporting by two leading companies in the most important economic sector of the country, the Agro-food industry and Textile and Footwear. They implement some CSR principles in their Company mission and vision, but very little. According to the CSR dimensions, the national companies report a general focus on only two dimensions, Environment and Society, and partial evidence of the Economic dimension.

On the other hand, the demand for the implementation of CSR principles and the pressure from stakeholders are at a low level. Although many civil society organisations operate in the country, only a few of them are actively engaged in promoting CSR. Consumers and communities themselves are often not empowered or informed to demand greater business responsibility and hold businesses accountable. In short, businesses commonly operate in a context where they do not feel that "someone cares", whether they are socially accountable or not.

However, drawing from the analysis addressed to SMEs, the bottom-up approach provides a seed of hope concerning its efficacy to trigger best practices that are not formalised and communicated through a social report, sustainability or environmental report, but represent an engine capable of contributing to creating a new economic culture and a new way to interpret company management.

Therefore, considering both the analysis of the institutional features that characterize Albania and the results of the empirical study, we can affirm that, in the current stage, the combination of a top-down and a bottom-up approach can be useful to fill the gap and spread CSR in practice, thus "recovering the time lost" and overcoming the barriers and obstacles still present.

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Corporate Social Responsibility in Austria

Felix Forster, Daniela Knieling, André Martinuzzi, and Norma Schönherr

Abstract Austria has emerged as one of the most successful European countries from the recent economic and financial crises. The country consistently displays high standards of security, environmental conservation, relatively little social inequality, good infrastructure, and a functioning welfare system. Its economic model, sometimes called the (eco) social market economy, seeks to balance economic and societal concerns and is rooted in a long established social partnership (denoting the formalized relationships between the government, employer, and employee interest groups). Given this firmly entrenched and institutionalized form of social solidarity, Austria has developed into a hidden champion in the field of CSR in several ways. Since 2003, institutional stakeholders, including the Austrian Business Council for Sustainable Development, the Austrian Economic Chambers and the Federation of Austrian Industries, together with several Austrian ministries and other stakeholders have jointly contributed to the firm establishment of CSR in Austria. In addition, a broad range of CSR focused academic and professional training programmes have developed in Austria, promoting skills and knowledge on responsible management practices. Austria also features a variety of internationally renowned cooperation programmes between municipalities, consultancies and companies to establish environmental management practices at the local level and maintains a successful system of grants and subsidies for environmental improvements. The latter have led to the successful implementation of more than 40,000 measures in Austrian companies over the past 20 years, even though they are not necessarily branded as CSR initiatives. Austria also chose an unconventional approach in the implementation of the Non-Financial Reporting Directive of the European Commission in Austria in 2016/2017. In addition to its translation into

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national law, the Federal Ministry for Sustainability and Tourism concluded a voluntary agreement on minimum standards for auditing sustainability reports with companies, consultancies and auditors (rather than setting guidelines for reporting about itself). This illustrates a certain propensity to employ unconventional and innovative approaches to embedding CSR.

1 Introduction

With its approximately 8 million inhabitants, Austria is a small country at the heart of Europe that is closely connected with its ten times bigger neighbour Germany through strong economic relations and a shared language. At the same time, it has assumed both a geographically and culturally important position as a gateway to Eastern Europe after the fall of the Iron Curtain. With 43,660 Euro, Austria has the 14th highest GDP per capita worldwide (IMF, 2019) and can justifiably be called a wealthy country. Its capital, Vienna, has been ranked as the city with the highest quality of living worldwide for years now (Mercer, 2019).

About 70.2% of Austria's economic gross value added is produced by the service sector (especially tourism, trade and banking), 28.5% by the industrial sector (particularly food and beverages, machinery and steel production, chemistry and automotive suppliers, electronics as well as wood and paper) and 1.3% by agriculture (Statistik Austria, 2019). Small and medium-sized enterprises dominate the Austrian economy, whereas large industrial enterprises are very rare. In fact, Austrian companies deliver their global top performances in niches that are often unknown to the Austrians themselves. They are hidden champions that take lead roles in highly specialised global markets (e.g. Doppelmayr is the world quality and technology leader in ropeway engineering, Kapsch TrafficCom is a worldwide provider of intelligent transportation systems, Frequentis is the world market leader in control centre solutions for traffic management and public safety applications) (WKO, 2015). Many Austrian enterprises are hidden champions in both economic and CSR performance. This chapter provides an overview of the national framework conditions, actors and activities that have defined Austria as a hidden champion of CSR in Europe and the world.

2 History and Background of CSR in Austria

Through the establishment of the eco-social market economy in the late 1980s (Riegler & Moser, 1996), Austria has historically been on the forefront of environmental and social regulation. Those laws result inter alia from a long tradition of broad stakeholder involvement in decision-making, called "Sozialpartnerschaft" ("social partnership"). These are partnerships between different interest groups, usually a platform for discussion and negotiation on social standards. The involved interest groups are the Austrian Economic Chambers, the Austrian Chambers of Labour, the Austrian Chamber of Agriculture and the Austrian Trade Union Federation. The mission of the social partnership is the participation in processes of legislation, jurisdiction, administration and social policy (Die Sozialpartner Österreich, 2019). This partnership is characterized by the joint commitment to long-term goals in terms of economic and social policies, as well as the conviction that a balance of interests can only be achieved through an active dialogue (WKO, 2016). Those interests soon began to incorporate environmental aspects, which caused Austria to be on the forefront of establishing and implementing environmental standards in the 1980s and 1990s. This balance of interests is the basis for understanding the development of Corporate Social Responsibility (CSR) in Austria.

2.1 CSR in Austria: The Beginning

Specifically, CSR appeared on the map of Austria in 1997, when then Minister of the Environment, Martin Bartenstein, established the Austrian Business Council For Sustainable Development (ABCSD), together with the Federation of Austrian Industries. The ABCSD consisted of around 50 business representatives when it was founded. The linkage between industry and ecological issues, as well as the focus on eco-efficiency, was characteristic for the ABCSD. The organization followed the model of the World Business Council for Sustainable Development (WBCSD), which was founded in 1992, according to its orientation in terms of content.

In 2003, the Federation of Austrian Industries, the Austrian Economic Chambers and the Federal Ministry of Economics and Labour launched the CSR AUSTRIA initiative and two years later, respACT Austria emerged from this initiative. It should be noted that the initiative could be seen as a response to the European Sustainability Strategy, which was adopted in 2001. In 2007, the two strands, ABCSD and respACT Austria, merged into the association respACT—Austrian Business Council for Sustainable Development in its current form and function. Nowadays, the business association consists of around 300 member companies and works as the national partner of the WBCSD, CSR Europe and focal point of the Global Compact Network Austria. Since its foundation, the common understanding that sustainable development can only be implemented if civil society, politics and companies follow the same goal, frames the association. Its aim is to recognize enterprises as driving forces of sustainable development that contribute to solving social and ecological challenges through innovation and responsible action.

To convey this understanding of CSR to a broader public, Caritas, the Austrian Red Cross, SOS Children's Village, WWF Austria, the Federation of Austrian Industries, the Austrian Economic Chambers und HUMANS.WORLD founded TRIGOS, as a first implementing measure of the CSR Austria initiative, in 2003. TRIGOS is a prize awarded to companies that implement outstanding projects in the field of sustainable development (respact, 2017).

Also in 2003, the Social Responsibility Network (NeSoVe) emerged from the project group "Alliances between Works Councils & NGOs"(NeSoVe, 2007). NeSoVe focuses more on CSR from the perspective of employees and civil society organizations. For this reason, Amnesty International, Arbeitsgemeinschaft Entwicklungszusammenarbeit (AGEZ), the Austrian Chambers of Labour, Ökobüro and the Austrian Trade Union Federation signed the first public statement of the association, which was published as a reaction to the foundation of respACT. NeSoVe made an important contribution, in particular with regard to the stricter observance of human rights in the corporate context (NeSoVe, 2007). The initiatives described contributed significantly to the fact that, from 2011 onwards, the CSR discussion also intensified at the political level.

2.2 Political Implementation of CSR in Austria

In 2011, the Austrian government responded to the European Commission's demand to draw up a plan including a catalogue of indicators to promote CSR in order to support the Europe 2020 strategy (European Commission, 2010). They decided to draw up a national action plan on CSR as part of the work programme of the Austrian Sustainability Strategy (ÖSTRAT) (BMLFUW, 2010). In this context, respACT initiated, together with a group of CSR consultants, the CSR Dialogue. In an open stakeholder dialogue, content inputs for the implementation of the CSR action plan were collected, which contributed to the ministerial preparation of the plan. The first draft of the National Action Plan (NAP CSR) was made available in May 2013, but political developments at that time prevented it from being adopted by the government (BMNT, 2019a). Impulses for the continued discussion around CSR in Austria now come mainly from the European Union, for instance in the area of sustainability reporting (Nachhaltigkeits- und Diversitätsverbesserungsgesetz, 2016) or Circular Economy (BMNT, 2018).

In addition, global agreements, such as Agenda 2030 or the Paris Agreement, contribute to the strengthening of a holistic view of sustainability. A common understanding across national borders is necessary according to the EU Parliament's feedback on the Austrian implementation of the SDGs (Niestroy, Hiege, Dirth, Zondervan, & Derr, 2019). Despite the clear urgency to act, Austria lacks essential structures for the successful national implementation of Agenda 2030. In particular, the lack of a national SDG strategy and the failure to involve the Parliament in the implementation of Agenda 2030 contribute to missing structures (Rechnungshof, 2018).

Nevertheless, significant steps have been taken to keep the possibility of ambitious strategic framework conditions open. For example, "Contributions of the Federal Ministries to the Implementation of Agenda 2030 for Sustainable Development by Austria" (BMEIA, 2016) represent an extensive inventory of ministerial measures to implement the SDGs. The „SDG-Aktionsplan 2019 + " (BMNT, 2019c) by the Federal Ministry for Sustainability and Tourism (BMNT) can be highlighted, in particular, due to the methodology, which includes an ex-ante SDG Impact Assessment and an SDG Fitness Check. The foreign trade strategy of the BMDW, BMEIA and the WKO includes three measures in the area of sustainability and corporate responsibility, with the SDGs forming a focal point of the strategy (BMDW, BMEIA, WKO, 2018). Lastly, the National Energy and Climate Plan (NEKP) is also likely to provide a strategy that meets European requirements to a sufficient extent (BMNT & BMVI, 2018).

In summary, Austria could benefit from an enhanced starting position to push sustainable development forward in an exemplary manner. However, in recent years, coherent implementation, particularly with regard to comprehensive and ambitious frameworks, has been missing. Despite the lack of an overall strategy, it can be observed that politicians are increasingly recognizing the importance of sustainable development for social stability, economic sustainability, and ecological protection that regards the economy as part of the solution.

In the following chapter, the influence of stakeholders from civil society, politics and business on the capacity building of CSR in Austria, as well as the practical implementation of CSR, will be discussed.

2.3 Institutionalizing and Capacity Building for CSR in Austria

While CSR engagement was often interpreted as charity projects in the beginning, today it is frequently understood as a key part of a company's strategy and an essential task of complying with laws, satisfying shareholder and stakeholders' interests and taking an active role in creating a sustainable future. This progress of professionalization is globally visible, including in Austria. An increasing number of useful management tools supports the development of corporate sustainability as a core field in business. Initiatives, such as the Global Reporting Initiative (GRI), the Environmental Management and Audit Scheme (EMAS), UN Global Compact, the Guiding Principles for Business and Human Rights, the OECD Guidelines for Multinational Enterprises, as well as the ISO 26000, provide businesses with frameworks for sustainability management and reporting. Consequently, companies gain a wider knowledge about their impacts and develop their sustainability engagement further.

2.4 CSR Guiding Principles in Austria

The development of the CSR Guiding Vision was decisive in this respect (Konrad, Martinuzzi, & Steurer, 2008). On the initiative of the Federation of Austrian Industries and the Ministry of Economics (later also the Chamber of Commerce was integrated), within the CSR Austria Initiative, a holistic guiding vision was created. In a stakeholder council, relevant interest groups from civil society, business and labour unions were actively involved in the elaboration. In 2003, the CSR Guiding Vision was presented to the public (Konrad et al., 2008).

This Guiding Vision has been developed further at regular intervals. The guideline “Erfolgreich wirtschaften. Verantwortungsvoll handeln” (respact, 2007) was created in 2010 to inform and support companies about and in sustainability management and to strengthen the perception that companies are understood as part of the solution to sustainable development. The key role of organizations on corporate sustainability is also reflected in respACT’s CSR mission statement from 2010. The mission statement bases responsible business on five fields of action: society, environment, employees, management/design and market, which are linked by application areas (such as “fair trading conditions”) (respact, 2010). In 2016, various stakeholders developed the “respACT Vision”. This vision illustrates the continued development of CSR in Austria. On the one hand, reference was made to the previous mission statements, and, on the other hand, new findings were incorporated and developments, such as the SDGs, were integrated (respact, 2016).

Mission statements and visions raise awareness for corporate sustainability and create a common goal for engaging organizations. Companies are increasingly discovering the potential for innovation and the market opportunities that the implementation of circular economy, the achievement of international climate targets, and the implementation of the UN Sustainable Development Goals (SDGs) entail. This universally valid agenda offers companies the opportunity to open up new business fields in the context of sustainable development (Business and Sustainable Development Commission, 2017) and provides civil society orientation and a clear framework of objectives. Similarly, politicians worldwide are able to adopt the SDGs as the country’s strategic objectives. Today, the SDGs have a great impact on the implementation of CSR in Austrian enterprises.

2.5 Main Content Areas of CSR in Austria

While it is currently disputed as to whether the SDGs serve as a management approach or as a strategic orientation for companies, the goals are put into practice by some leading Austrian corporations. The UN Global Compact, the United Nations corporate network for sustainable development plays a vital role in supporting companies in implementing the SDGs. As the focal point of the Global Compact Network Austria, respACT provides its member companies with management tools, such as the SDG Compass, developed by GRI, WBCSD and the UN Global Compact. By linking the SDG sub goals with the GRI indicators, the SDGs can also be easily integrated into reporting. The importance of the SDGs for Austrian companies is also highlighted by a study EY Austria published in 2019. The 100 companies with the highest turnover, the five best credit institutions (in terms of balance sheet total) and the five largest insurance companies (in terms of market share) were examined (Rogl, Gehmayr, Jammernegg, Silbermayr, & Stoffaneller, 2019). The output of the study is that reporting on SDGs in Austria has increased. The thematic focus with regard to the SDGs is on SDG 8 “Decent Work and Economic Growth” and SDG 13 “Climate Action”, whereby SDG 13 received significantly more attention than in the previous year (Rogl et al., 2019).

In addition to topics such as climate change and energy, production and the supply chain as well as circular economy, horizontal topics, such as digitization, education and innovation are of particular relevance for companies as described in the European Commission‘s reflection paper “Towards a Sustainable Europe by 2030″ (2019). The horizontal topics’ effects have not yet been sufficiently researched, which is why pioneering work is needed here. The aim should be to use digitization as an accelerator for sustainable development and to ensure that all innovations serve sustainable development. This requires an intensive value- and responsibility-based examination of new technologies and their possibilities, so that the associated possibilities serve the well-being of all and create common values. At the corporate level, this can be achieved, for example, through the promotion of an SDG reference for technical innovations or through initiatives such as Circle 17, a project that promotes sustainable entrepreneurship and social innovation in Austria (respact, 2019).

In summary, advancement in the field of CSR management and further development of central content is rising in Austria. Initiatives like the TRIGOS “Zukunftsbarometer” will provide better insights into which corporate sustainability content Austria needs. This tool intends to make the future viability of Austria as a business location tangible based on five dimensions, such as strategy and core business / leadership and culture / resilience and innovation / environment and resources as well as society and benefit (TRIGOS, 2019). A status quo on Austrian enterprises actively pursuing CSR is presented in the following section.

2.6 Practical Implementation

CSR becomes an integral part for companies, especially in regards to their strategic orientation. In order to provide an overview of the CSR engagement in Austria, the CSR Guide, an annual inventory of sustainability management in Austrian companies, is analysed (Fembek, 2019). As CSR activities in SMEs and large enterprises are very dissimilar due to management, reporting and legal frameworks, these two groups are distinguished in the following examination.

2.7 CSR Engagement of Large Enterprises

The data collected provides an overview of the share of CSR active companies in Austria. The CSR Guide examines businesses based on 48 criteria, which include topics such as comprehensive sustainability strategies, corporate quality, innovative strength as well as ecological and social measures. The Guide analysed and classified Austrian enterprises by their number of employees: businesses with more than 500 employees are taken as large enterprises, while enterprises that employ less than 500 are defined as small to medium sized enterprises (SMEs). The Guide regards enterprises as “CSR active” when at least three of 48 detailed criteria are fulfilled. Under those terms, 142 large businesses and 286 SMEs are found to be active in corporate social responsibility in 2018 (Fembek, 2019).

This makes 31% of large enterprises in Austria CSR active. With regard to the sectors, facility management is emphasized, as 81% of Austria’s large companies in this sector are CSR active, followed by the banking sector (67%), the energy sector (63%) and the transport sector (55%). At the bottom end of the scale is the construction sector, the timber sector, mechanical engineering (18% each) and the metal industry (13%) (Fembek, 2019).

The high percentage of companies being active in CSR is caused, among other things, by national and international legislation, which particularly affect large international companies. For instance, 76 large companies in Austria have been subject to legal requirements in the field of sustainability reporting since 2017, which do not apply to smaller companies (Rogl et al., 2019). The number of sustainability reports submitted to the ASRA (Austrian Sustainability Reporting Award) also reflects this trend. In 2017, 19 large companies submitted their sustainability reports, whereas in 2018, 25 companies entered non-financial performance reports (for more information on sustainability reporting in Austria, please turn to the section “Sustainability and CSR Reporting in Austria” in this chapter). However, international regulations in areas other than sustainability reporting are also contributing to a rising urgency to engage with CSR felt by large companies in Austria, especially those with international operations and collaborations. This includes, for instance, national agreements on corporate due diligence, such as the “Modern Slavery Act” (Great Britain) or the “Loi relative au devoir de vigilance des sociétés mères et des entreprises donneuses d’ordre” (France).

Consequently, regulatory measures have a great effect on large enterprises to increase their CSR efforts through tackling social and environmental issues. In the context of SMEs, the reasons for sustainability management are different. Since no CSR-specific, legal framework currently applies to Austrian SMEs, most companies of a smaller size engage CSR based on their values and/or for demand-driven reasons. Due to the lack of frameworks for SMEs, their engagement and impact is still hardly measureable and comparable.

2.8 CSR Engagement of SMEs

As SMEs build the majority of Austria’s economy, the next section explores how these enterprises, with less than 500 employees (according to the EU), deal with ecological and societal aspects in their undertakings.

The CSR Guide (Fembek, 2019) refers to an observation that Austrian-based businesses are interestingly willing to move beyond regulation. Yet, the CSR Guide also states that there is room for improvement, especially in SMEs, where only 286 of 249,000 SMEs in Austria are actively pursuing CSR-related efforts. In fact, only 0.1% of Austrian SMEs are active in the CSR sector. It is therefore of great interest to define incentives for SMEs, as they are seen as the force for sustainable development and are composed of 1.7 million employees in Austria (WKO, 2017).

Many Austrian SMEs already assume their responsibility towards environment and society due to their intrinsic conviction and long-term perspective. SMEs often have family or owner-driven value systems, shorter communication and decision paths or personalized relationship management, and can benefit more directly from a good basis of trust in both B2B and B2C business. Their strong CSR engagement might also be traced back to the fact that the owner's ethical convictions tend to be more present in SMEs compared to the owners of larger companies (Ortiz-Avram, Domnanovich, Kronenberg, & Scholz, 2018). Moreover, most SMEs have strong local roots and closely integrate into their region. Thus, they contribute to regional value creation, both as employers and as producers. However, SMEs often act responsibly without labelling it as CSR.

Since respACT closely cooperates with Austrian businesses on a daily basis, the network has been observing a number of barriers for SMEs to assign their actions to CSR. To this date, there is no universal standard applying to Austrian SMEs on reporting their non-financial performance. Despite the strong legislation on ecological and social belongings in Austria, there is no holistic framework for SMEs to measure, process and report their impact. This might lead to the low number of comprehensive sustainability strategies in SMEs. Additionally, SMEs often perceive measurability and communication in the form of extensive reports as an obstacle, since those measures are affiliated with high initial costs for small enterprises despite the beneficial results, such as increased efficiency and innovation. CSR, which considers both ecological and social components, is often associated with additional resources, such as working hours and financial expenditure for companies, especially when reporting is implemented. In many cases, this prevents SMEs from introducing professional CSR management despite their high ecological and social awareness.

To provide SMEs with assistance, respACT published, together with a number of CSR consultants and entrepreneurs, the "CSR-Fahrplan" in 2013. The "CSR-Fahrplan" summarizes comprehensive information and guidelines that Austrian SMEs need to form a base for CSR competencies. In order to support SMEs in sustainability reporting, respACT published "In 6 Schritten zum Nachhaltigkeitsbericht", which offers a systematic guideline on publicizing their CSR efforts (respact, 2014). In 2018, the Global Reporting Initiative, together with UN Environment and the members of the Group of Friends of Paragraph 47, published a study on Empowering Small Businesses, which highlights the relevance of regulatory frameworks supporting and enabling sustainability reporting in SMEs. The most notable findings of the study were that financial aid is required just as much as regulations and frameworks, awareness raising and incentives through awards for outstanding CSR performances (Global Reporting Initiative, 2018).

Starting with the first guiding principles, CSR management in Austria has become increasingly professional over the past 20 years. In terms of both content and management, CSR is becoming more and more important to the core business of Austrian SMEs and large corporations. Accompanied by awareness raising initiatives and awards that bring CSR into the focus of public interest, the innovative potential of sustainable development is increasingly recognized in the implementation of CSR in Austrian companies. Awards, such as the TRIGOS, strive to increase public awareness for the outstanding sustainability projects of Austrian companies. Congresses, such as the annual CSR Day, contribute significantly to the establishment of new topics. The exchange and networking of leading stakeholders serves to publicize international trends of CSR and helps adapt them to an Austrian specific context.

3 Support and Consulting for CSR in Austria

3.1 Background

Nearly unperceived by scientific discourse, a successful practice of publicly funded consulting programmemes for CSR and corporate sustainability issues has been established all across Europe during the last thirty years (Germany: Beer and Troge (1992), Sweden: Bradbury and Clair (1999), Austria: Martinuzzi, Huchler, and Obermayr (2000), United Kingdom: Gibson (2001), Denmark: Lehmann (2006)). They share similar characteristics, offer reliable, cheap and low threshold services and show the following trends:

- *From individual support to actors' networks:* The first consulting programmemes were initiated by a small number of actors and comprised of publicly funded individual consulting. Later programmemes incorporated a multitude of stakeholders and created a "one-stop-shop" for firms regarding CSR and corporate sustainability. Whereby, not only the firms' transaction costs were reduced, but also potential benefits arose for the other stakeholders participating in the programmeme.
- *From individual consulting to a broader set of benefits:* Whereas at the beginning the actual consulting was the centre of service compared to in newer programmemes, where additional benefits, such as networking, image effects and deregulation, took on greater significance and helped to address a wider range of firms.
- *From a singular initiative to an autonomous consulting product:* The first consulting programmemes were strongly linked to a specific region, while newer programmemes could spread independently of their initiators and have

obtained the character of autonomous consulting products of some trademark nature.

- *A changing role for the public authorities:* Within the first consulting programmemes, public authorities only provided financial support. Later, public authorities took over quality control, public relations and networking among the companies.

One of the internationally most successful consulting programmemes, the ECOPROFIT programmeme was invented in Austria in the early 1990s: More than 5000 companies worldwide participate in ECOPROFIT projects, most of them in Austria and Germany. In Germany, over 2000 firms have taken part in ECOPROFIT projects. ECOPROFIT was used internationally, from cities and regions in Italy (Modena), in Slovenia (Ljubljana and Maribor), in Hungary (Pécs), in India (Gurgaon and Hyderabad), in Columbia (Bucaramanga and Medellin), in South Korea (Incheon, Busan, and Daegu), in China (Panzhihua, in Nicaragua and in the Philippines.

ECOPROFIT consists of four interlinked components. First, the ECOPROFIT Academy provides a train-the-trainers type of extensive knowledge transfer programmeme on environmental management and technologies for consultants and local authorities. Second, the basic programmeme for companies serves to develop and implement operational eco-efficiency and environmental management measures in tandem with ECOPROFIT consultants. This involves both learning workshops on relevant topics (e.g. cleaner production) as well as individual consulting sessions. Third, ECOPROFIT offers certification to those companies that have successfully participated in the basic programmeme. Certification is contingent upon an audit carried out after the first year of participation in the programmeme and covers a broad range of issues, including legal compliance, environmental policies as well as environmental performance. Finally, ECOPROFIT runs an international alumni network, the ECOPROFIT Club programmeme. According to ECOPROFIT, most companies join this network after completion of the basic programmeme in order to exchange experiences, to learn from each other and to stay up to date on regulatory developments. In the context of the network, consultants continue to support participating companies in identifying and implementing additional measures over time.

Part of the success of ECOPROFIT is arguably due to that fact that it was designed to benefit companies and municipalities, as well as the environment. By creating win-win situations for all actors involved, ECOPROFIT has successfully contributed to reductions in resource consumption, waste and emissions. At the same time, many participating companies have been able to realize cost-savings while contributing to measurable local environmental improvements. ECOPROFIT also reports frequent knock-on effects, e.g. participating companies later seeking ISO 14001 or EMAS certification. Given the success of the programmeme, both at the national and at the international level, ECOPROFIT has been recommended by the European Union as a best practice.

As ECOPROFIT has been developing its trademark internationally over the last 20 years, Austria has also been diversifying, which has seen Austrian provinces, cities, and regions implementing their own consulting programmemes. These programmemes and their procedures are similar to those used in ECOPROFIT, but, at the same time, have different thematic focusses and have established their own trademarks.

3.2 *Efficiency and Effectiveness*

Despite the large diversity in these regional consultation programmemes, they have similarities. They document the company investments triggered by the publicly subsidized consultancy, the resulting operational savings and the environmental improvements that have been triggered in a joint monitoring system that is regularly used for evaluations. The database used for this purpose offers a Europe-wide unique repository of corporate measures for CSR and corporate sustainability. An analysis of this comprehensive dataset for this book chapter gave the following results:

- Around 8000 firms in total were advised and supported
- From these firms, more than 45.000 improvement measures were identified, planned and documented in the database during these consultations.
- Around 60% of these measures have already been implemented. In regards to the other measures that have not yet been implemented, it is unclear as to whether they were discarded, or if the documentation of the implementation has not yet been completed.
- While most of the measures, in the year of consultation, were implemented, those measures that were implemented 2–3 years after the consultation were larger and had a clearly higher effect. These results showed the great importance of a longer-term implementation support of the companies, so that the desired effects are actually achieved.
- Of the measures implemented, about 86% represent improvement measures and about 14% represent investments in completely new facilities or infrastructure. The analysis of such large-scale investments raises many methodological problems. For example, it is unclear how strong the influence of the consultations is on such investments (potential windfall gains) and how high the environmental share of investments is. In order to avoid a positive presentation of the effects achieved, large investments were considered as a separate analysis group and were not included in the impact balance and amortization calculations.
- Based on the specified effects, each implemented measure was identified and around 80% of the documented effects (environmental effects and savings) were eliminated and subjected to a plausibility check. Through that, 3772 measures were identified that were implemented, plausible and effective.
- The average amortization period for these measures is 3.6 years, with a substantial group paying for themselves within one year (23%); while on the other hand,

27% of the measures only pay for themselves after more than 5 years. These results indicate that supported consultation can help to find highly profitable measures that were previously unrecognized to businesses, and is a very effective way to make rapid improvements. However, they also suggest that there are motivational situations that go beyond purely economic rationality (e.g. image, ethical principles, orientation to peer groups), which lead companies to implement measures that only pay for themselves after a very long time.
- The overall efficiency of investing public money into CSR and sustainability consulting is satisfactory. On average for every Euro invested into supporting consulting programmemes, the companies invested three Euro. This result is even more impressive if the time invested by the companies is considered, resulting in an average funding rate of 18%.
- An ABC analysis of all measures showed that the majority of the effects achieved are accounted for by a very small number of individual measures. The three individual measures that account for the majority of the effects achieved are savings in resources, which accounted for 56% of the annual savings, 27% of savings, were from reduced waste, and 21% of savings came from avoiding CO_2 emissions. This result is unexpected in view of the enormously extensive database built up over 20 years and suggests that CSR and corporate sustainability, on the one hand, consist of many small improvements and, on the other hand, of very rare but enormously effective progress. To what extent these large measures can be initiated and controlled by consulting programmemes is questionable.

Consulting programmemes contribute to the dissemination of technical and non-technical innovations, achieve high environmental effects, short pay-off periods, quick feasibility and high relevance for sectors that strongly affect the environment. Based on groups of measures, the following dissemination strategies were distilled:

- For technologies already on the market, minimal investment expenditures checklists and short counselling sessions are useful, which shows potential for savings and offers quick market surveys. They are technically easy to implement and can be left to the particular companies. It is not necessary to subsidize the dissemination of such measures.
- In the case of high investment in integrated environmental technologies and in infrastructure, individual, in-depth consulting is reasonable, since highly specialised knowledge is required. The economic and ecological effects to be achieved strongly depend on the individual situation of the particular company and can only be assessed individually prior to the consultation.
- In areas where there are no savings in spite of high environmental-, security- or health effects, a consulting programme will not be enough. This is where legal pressure is required, which can only be supported by funded measures, voluntary agreement and consulting programmes.
- Another group of measures implies the cooperation of several actors (e.g. utilisation of waste heat, inter-company recycling, car sharing, optimisation

of transport logistics, etc.) In this case, consulting programmes primarily play a moderating and networking role, which can finally result in cluster-initiatives.
- Consulting programmes mainly play a communicative role and help companies to improve their image and credibility when measures address the consumer (e.g. sustainability reports) or involve a change in consumer behaviour (e.g. eco-design).

Consulting programmes show a threefold flexibility that allows for a broad spectrum of environmental problems and regional constellations of actors:

- Flexibility in terms of content: Programme design may focus on specific topics (such as climate change, environmental management systems, eco-tourism, and mobility management).
- Institutional flexibility: In the implementation of the consulting programmes, actors can be involved who bring in additional resources, expertise, contacts or acceptance among the programme users.
- Instrumental flexibility: in contrast to purely monetary support, environmental policy tools are combined in advisory programmes to create an optimal incentive structure for programme users.

Through consultancy programmes, state or intermediary-led policies pursue innovative ways of policy enforcement by trying to reconcile business interests with their own policy objectives and to create win-win situations. Additionally, the public sector can also create governance structures through advisory programmes in order to use the consulting sector as an interface between public policy and the companies affected by it, and thus involve them in the implementation of national sustainability strategies.

4 Sustainability and CSR Reporting in Austria

4.1 Background

Over the past 20 years, sustainability and CSR reporting has become a common practice among companies volunteering to report on their sustainability activities, projects and performance, which has been the case in other European countries. A trend from environmental reporting to sustainability reporting to integrated reporting can be identified. In the mid-1990s, environmental management systems gained in importance according to EMAS (EU Eco Management and Auditing Scheme) and ISO 14001. For EMAS, an environmental statement is not only compulsory, but independent experts must also verify it. ISO 140001, on the other hand, does not make the publication of environmental information mandatory but does require independent verification of claims. Where EMAS has had the lead in the first few years in terms of market penetration, ISO 14001 has a much higher prevalence today: according to Quality Austria (quality austria, 2019), more than 1000 Austrian companies have set up an environmental management system in accordance with ISO 14001, whereas, according to the Environmental Register (BMNT, 2019b), just over 250 companies currently maintain an EMAS-certified environmental management system.

Regardless of the respective environmental management system, Austrian companies publish reports that were mostly compiled based on the GRI criteria. There is currently no central directory of sustainability reports in Austria and no official ranking of sustainability reports. In the Sustainability Disclosure Database (https://database.globalreporting.org/search/), which is operated by GRI, there are 234 entries from companies reporting to GRI.

Worth mentioning in this context is also the Austrian Sustainability Reporting Award, which has been awarded to 58 companies over the last 20 year. It is awarded by the Chamber of Accountants and Auditors, together with the Institute for Austrian Auditors and the following cooperation partners:

- The Austrian Federal Ministry for Sustainability and Tourism
- The Federation of Austrian Industries
- The Austrian Environment Agency
- respACT—Austrian business council for sustainable development
- Austrian Chamber of Commerce
- Austrian Society for Environment and Technology

Winners are awarded in the following categories:

- Integrated business and sustainability report
- Sustainability report of large companies
- Sustainability report of SMEs (under 250 employees)
- Sustainability report of public institutions and non-profit organizations
- GRI first report

Summarizing these different kinds of activities, we estimate that in total, several hundred Austrian companies are involved in setting up environmental, sustainability management systems, publishing environmental, and sustainability reports. Until 2017, there was no legal obligation to do so. This changed because of the EU Directive: “Indication of non-financial and diversity-related information by certain large companies and groups” (EU Directive 2014/95/EU), which requires several hundred Austrian companies to report on their sustainability performance.

In late 2016, the Austrian National Assembly adopted the Austrian Law on Sustainability and Diversity Enhancement and thereby implemented the Non-Financial Reporting Directive in national law, effective as of 2017 (Nachhaltigkeits- und Diversitätsverbesserungsgesetz, 2016). The law requires that capital market oriented firms and financial institutions with more than 500 employees report on a range of social and environmental topics, risks, strategies, results, and non-financial performance indicators.

In addition, large stock-listed companies are now required to outline their diversity management strategy as part of their pre-existing obligation to produce a Corporate Governance Report. Such a diversity management strategy must comprise measures to enhance all aspects of diversity (e.g. gender, age, education) in the composition of the board of directors and the supervisory board. Firms without or with an incomplete diversity management strategy are obligated to provide a comprehensive justification ("comply or explain" principle).

4.2 Motivation of the Voluntary Agreement

Although the EU directive allows EU member states to: (1) extend the scope of national implementation (and to oblige more companies to report on sustainability); (2) extend the reportable topics; or (3) set certain minimum standards for the quality of the reports or their review, the Austrian Legislature, in the context of national implementation, has used none of these options.

The Law on Sustainability and Diversity Enhancement obliges a considerable number of Austrian firms and financial institutions to produce sustainability reports. However, the law remains weak on quality assurance. Statutory audits, as foreseen by the law, merely require a confirmation that a sustainability report has been produced—quality criteria or provisions for independent verification of the contents are lacking. This is in contrast to earlier voluntary schemes, such as EMAS (which requires independent, state-authorized auditors to verify environmental statements) or ISO 14001 (which requires an assessment of conformity by an accredited independent auditor). External verification, thus, remains purely voluntary.

Although many companies affected by the reporting obligation already had many years of experience in sustainability reporting at the time the law entered into force, there was a certain risk that newly created sustainability reports would be perceived as an obligation rather than an opportunity, and would be created with the least possible effort. Due to that, the level of quality of sustainability reporting in Austria as a whole could suffer.

In order to plan ahead, the Ministry of the Environment, together with established environmental consultants and auditor's offices, created the "*Freiwillige Vereinbarung zur Qualitätssicherung in der Nachhaltigkeitsberichterstattung*" ("Voluntary Agreement on Quality Assurance in Sustainability Reporting") in 2017. The Voluntary Agreement aims to not only support high quality sustainability reporting, and its validity, in Austria, but also to sensitize reporting companies regarding quality criteria in reporting and for verification in sustainability reports. The Agreement addresses any type of sustainability reporting, regardless of whether reports are compiled due to disclosure requirements or done so voluntarily, whether separate or integrated reports are provided, as well as irrespective of the company's sector, size, or location. The Agreement also addresses reporting companies, their decision-makers and supervisory bodies, all types of independent assurance service providers, such as auditors, accredited conformity assessment bodies pursuant to ISO 140001, environmental verifies, etc., consulting firms and the general public.

The contents of the Voluntary Agreement have been prepared and published based on a multitude of individual interviews and within the frameworks of two expert workshops, and with the support of the Institute for Managing Sustainability at the Vienna University of Economics and Business. The Agreement was concluded and published in September 2017 by the Austrian Federal Ministry for Sustainability and Tourism (in 2017 still the Federal Ministry of Agriculture, Forestry, Environment and Water Management) and the signatories. Other companies and organizations that were engaged in the verification of sustainability reports, as well as companies reporting on sustainability on a regular basis, were invited to join.

The signatories of the Agreement are committed to uniform quality standards for sustainability reporting and their external validation. An exchange of experiences should take place in order to strengthen the meaningfulness of sustainability reports and prevent green washing.

4.3 *Contents of the Voluntary Agreement*

In the following, the full original text of the Voluntary Agreement is presented (BMLFUW, 2017):

VOLUNTARY AGREEMENT ON ENSURING QUALITY IN SUSTAINABILITY REPORTING CONCLUDED BY AND BETWEEN THE FEDERAL MINISTRY OF AGRICULTURE, FORESTRY, ENVIRONMENT AND WATER MANAGEMENT (BMLFUW) AND REPORTING AUSTRIAN COMPANIES, ENTERPRISES PROVIDING CONSULTING SERVICES AND INDEPENDENT ASSURANCE SERVICES PROVIDERS

1. EXTERNAL VERIFICATION

Independent and external verification of sustainability reports ensures high quality, enhances credibility and establishes confidence between enterprises and the public. It contributes to a continuous process of development of companies and their reporting activities.

- The signatories recommend having sustainability reports verified by independent assurance services providers (auditors, accredited ISO 14001 conformity assessment bodies or EMAS environmental verifiers).
- Assurance services providers must not verify reports they prepared.

2. STRUCTURE, COMPLETENESS AND COMPARABILITY

Sustainability reports should be complete, well-structured and as comparable as possible. The use of broadly applied standards ensures quality and improves the competitive strength of the companies beyond Austrian borders.

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The comparability of the information disclosed is essential to allow quality-oriented competition.

The signatories strongly recommend using the internationally recognised GRI Standards (Global Reporting Initiative) as applicable. Special attention should be paid to materiality assessment, risk assessment and stakeholder engagement. Extending the contents of reports (e.g. in the field of employee protection) and/or a combination with existing reporting and verification processes (e.g. EMAS, SA 8000®, ONR 192500) is considered to be useful.

- Companies affected by the NaDiVeG are further recommended to consult the relevant statements of the Austrian Financial Reporting and Auditing Committee (AFRAC) as well as the EU Guidelines on non-financial reporting (2017/C 215/01).
- Reports therefore have to comply with the criteria of completeness, clarity, comparability, balance, accurateness, and plausibility and the reported indicators should refer to the material impacts of the company.

3. VERIFICATION PROCEDURE

The verification of sustainability reports requires close contacts with the reporting company to allow the assessment of the material processes and impacts, enable a plausibility check, assess indicators, and define samples for the audit.

- The signatories commit themselves to conducting site audits of selected sites, documenting the locations visited in the assurance statements and orienting themselves on the essential standards for assurance processes governing the independent assurance services providers (e.g. ISAE 3000, KFS/PG 13, EMAS, ISO 17021).
- The verification of sustainability reports shall be appropriately documented.

4. QUALIFICATIONS OF THE INDEPENDENT ASSURANCE SERVICES PROVIDER AND ORANISATIONS

The verification of sustainability reports requires independence, expertise and experience in the fields of economy, environmental protection, social and employee matters, human rights, anti-corruption, and diversity. Sustainability reports should therefore only be verified by appropriately qualified, independent providers of assurance services (such as auditors, accredited conformity assessment bodies according to ISO 14001, EMAS verifiers) that use additional special experts, if necessary.

- The signatories commit themselves to quality-assured verification processes, to independence of the assurance services provider from the

(continued)

company to be assessed, to regular training of the persons involved in the assurance engagement and to provide the resources required for the relevant verification process. They participate in the regular exchange of experiences organised by the BMLFUW.

5. CONCLUSION STATEMENT AND TRANSPARENCY

The company audited should publish a Verification/Assurance Report together with the sustainability report proper.

- This Verification/Assurance Report shall be written in meaningful, understandable language; it shall clearly inform about the work performed (and what was not done) and shall include an appropriate summary in the conclusion statement.
- The signatories commit themselves to relying on the specific professional templates (e.g. ISAE 3000 or PG 13 for auditors) for verifications.
- The undersigned independent assurance services providers commit themselves to cooperate with the BMLFUW to achieve further harmonisation of the verification/Assurance reports, and to develop additional tools to ensure quality, resp.

4.4 Impulses and Effectiveness of the Voluntary Agreement

A direct effect of the voluntary agreement was that it was developed in a stakeholder dialogue with consulting firms and testing organizations. It was in this stakeholder dialogue that awareness raising, networking and exchange about the strengths and weaknesses of the NFI Directive initiating awareness raising, networking, and an exchange on the strengths and weaknesses of the NFI Directive. The different perspectives of the consulting companies and the testing organizations also became clear: while, for example, the auditors have a self-evident principle, but onsite visits are not absolutely necessary, EMAS environmental verifiers are more likely to be active as individuals, but attach particular importance to the respective location to visit to get a better understanding on site. In addition, there were various perspectives on whether the quality of the report was more important or whether the performance of the company should be the focus of the review.

Although the possibility has been created for reporting companies themselves to be able to accede to the voluntary agreement, only consulting companies and testing organizations have so far signed the voluntary agreement. Together, they currently process an estimated two-thirds of the sustainability reports prepared in Austria, so that the broad impact of the voluntary agreement is well established. Whether the voluntary agreement was effective, and helps to guarantee a high degree of quality of the sustainability reports, cannot be assessed at this time.

5 Conclusions

CSR and sustainability in Austria have always been strongly oriented towards environmental issues and shaped by the self-image of being a pioneer and model country in these areas. This self-perception is based on the great relevance that an intact nature has for Austria and its tourism, on pioneer performances and rapid progress made in environmental protection during the 1980s as well as on the strong interest the Austrian population has in environmental topics. In recent years, however, this claim of being a front-runner in environmental matters has gradually been abandoned by Austrian politics. While EU legislation is being implemented, it is not being exceeded anymore (avoidance of so-called Gold Plating), even accepting several EU infringement procedures. The concern for Austria's business location, competitiveness and employment/jobs serve as an argument for this neglect. This is exemplified by the conservative-national federal government's current plan to anchor "growth, employment and a competitive business location" as a national objective in the Austrian constitution, creating a counter weight to the national objectives of sustainability, animal protection and comprehensive environmental protection that have been constitutionalized in 2013. At the same time, the present debate about climate protection ("Fridays For Future") has led to a renaissance of environmental protection issues in the social and medial discourse and in the political debate.

While social issues are sporadically included in the CSR discourse (e.g. family-friendly businesses); they are mostly considered to be the task of the well-developed social and health system. Even though public responsibilities have occasionally been privatized and reorganized, the social dimensions of sustainable development (e.g. poverty alleviation, health, education, gender equality, peace and human rights) are primarily located within the realm of public provisions. When businesses do commit themselves to these topics from time to time, they mainly aim at their own employees and initiate or support philanthropic projects.

Since there are no effective national CSR policies or strategies in Austria, the issue is primarily advanced by intermediary organisations (such as respACT), the consulting sector and a group of enterprises comprising a few hundred firms. The thus-achieved performances are impressive, innovative and worthy of gaining international attention and imitation. The future will show whether they are also suitable for shaping the entire economy from their niche position in a sustainable and responsible manner.

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Corporate Social Responsibility in Belgium

Shades of Gray: Patterns of SDG Adoption and Implementation Belgium

Lars Moratis, Jan Beyne, and Valerie Swaen

Abstract Corporate social responsibility (CSR) in Belgium has developed particularly since the early 1990s, its focus changing from addressing environmental issues to more comprehensive approaches towards CSR, notably the UN Sustainable Development Goals (SDGs). This chapter sets out to describe the development of CSR and the CSR institutional infrastructure in Belgium from the 1990s onwards. Since current CSR discourse in Belgium has clearly pivoted towards the SDGs, the lion's share of this chapter addresses the intersection of the SDGs and Belgian industry, based on the findings of the first baseline study on the SDGs in Belgium, the SDG Barometer. The SDG Barometer explores the extent, nature and characteristics of commitments of Belgian organizations with the SDGs, including driving forces, prioritization of SDGs, internal coordination and communication of the SDG commitments. After the results are presented, these findings are discussed and several avenues for future research based on the findings of the SDG Barometer are identified.

1 Introduction

The attention for corporate social responsibility (CSR) in Belgium has grown considerably over the past few years. Its development has gone through several stages, starting in the early 1990s with companies taking predominantly

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environmental actions and a large role for the Belgian government. Currently, CSR discourse is dominated by the UN Sustainable Development Goals, which illustrates that CSR in Belgium has come a long way and has matured considerably.

In this chapter, we describe the development of CSR and the CSR infrastructure in Belgium in more detail, specifying the topics that have been addressed by Belgian companies and the state and non-state actors that have played a role in the maturing of CSR. Clearly, the Belgian government has taken a large role in encouraging the uptake of CSR by companies which has had repercussions for the way Belgium companies, in general, have taken up CSR.

Since contemporary CSR discourse in Belgium particularly revolves around the UN Sustainable Development Goals (SDGs), a good deal of this chapter reports on the findings of the SDG Barometer, a recent survey among Belgian companies. The findings concern a wide range of topics, including the motivation for Belgian companies to adopt the SDGs and the SDG focus of these companies. The chapter ends with a discussion of these findings and with several suggestions for further research.

2 CSR in Belgium: A Short History and Characterization[1]

The constitution of institutional CSR infrastructures is determined by different factors, including the level of industrialization, the types of economic activity that are dominant in a country, its social-economic structure, legislative systems, dominant political ideologies, and national culture (Matten & Moon, 2008; Waddock, 2008). As a highly industrialized country having an important transportation infrastructure, the Belgian economy is characterized by a highly productive and skilled workforce, a high Gross National Product (GDP), and a high level of per capita exports. Small and medium-sized enterprises repesent the most common type of company in Belgium, accounting for more than two-thirds of GDP: over 80% of Belgian companies have less than ten employees and only 3% employ more than 50 people (CSR Europe, 2010).

Characterized by federal governance with three regions (Flanders, Wallonie, and the Brussels Region), the state system in Belgium is rather complex and each of the regions has developed its own CSR initiatives. Against the background of regional environmental laws in the 1990s, many of these (voluntary) initiatives originate from a law on coordination of the federal policy for sustainable development that was established in 1997 to ensure a cycle of continuous improvement through federal plans. Rather than being constraining or relying on hard regulation, this law defined an overall the strategic framework with several priority areas and actions, including CSR. An institutionalized dialogue between employees and employers in the unions contributed to this development (Heene, Langenberg, & Dentchev, 2005).

[1]This section is partly based on CSR Europe (2010).

2.1 Popularizing CSR

While the term ‘CSR’ had only been used scarcely until then, it quickly became more widespread from the year 2000 onwards (SERV, 2007). An important reason for this was the establishment of Trivisi, a CSR supporting organization founded by the Flemish Minister of Employment and Tourism with the purpose of creating awareness and knowledge in Belgium around CSR and its underpinning triple bottom line concept. Whereas a plethora of CSR manuals and tools was created and disseminated through Trivisi, this organization also had a supporting role in developing the so-called Belgian social label (Hutjens, Dentchev, & Haezendonck, 2015). This world-first government label for products and services that are bought and sold in Belgium relied on meeting the conditions of the international conventions of the ILO regarding freedom of association, child labour, discrimination and forced labour. The idea behind this label was to contribute to the reduction of negative social impacts inherent to production and consumption through guiding consumers in the identification of socially sustainable products and to encourage manufacturers in developing socially sustainable products and services. This label has however been criticized for its limited implementation and its introduction is not considered to be successful (Louche et al., 2008). While Trivisi ceased its operations in 2004, many of the knowledge and initiatives developed through Trivisi were brought together in a digital CSR knowledge center called MVO Vlaanderen from this year onwards. MVO Vlaanderen still exists today and actively informs companies about CSR, promotes different tools, notably the so-called Sustatool, to enable companies to implement CSR, and coordinates several CSR funding programs.

Another factor in popularizing the CSR concept in Belgium has been the development of the CSR network organization formerly known as Business & Society Belgium. This action-driven and business-driven network organization was created to inspire organizations (both for profit and not for profit) to integrate CSR. In June 2015, Business & Society Belgium and the NGO network organization KAURI joined forces to create a multi-actor network called The Shift. Bringing together more than 400 organizations, The Shift now is as the central Belgian meeting point for people and organizations that want to spur the transition to a more sustainable society and economy. The Shift serves as the Belgian contact point for the World Business Council for Sustainable Development and UN Global Compact, taking the UN Sustainable Development Goals as its common framework to connect, engage and encourage its members to take action in the CSR realm.

2.2 Further Operationalizing the Strategic Framework

In order to further operationalize the aforementioned legal strategic framework, a Federal Action Plan for CSR in Belgium was developed, which was launched in October 2006. Its overall objective was to promote CSR in Belgium mainly through encouraging companies to integrate CSR in their management processes and systems, promoting ethical investment, increasing transparency, stimulating knowledge exchange and good practices on CSR, and financially assisting companies that are active in the so-called social economy (predecessors of what are now called social enterprises). Belgium is among only a few countries that has such as legal framework for CSR and this framework can be considered to be the culmination of a period in which CSR was through an increasing number of public initiatives (Hutjens et al., 2015; Louche et al., 2008).

It should be noted that whereas the Belgian government can hence be seen as a very important driving force in the development and adoption of CSR, this has an important drawback: companies may behave rather passively when it comes to CSR and show a compliance orientation towards sustainability issues. Indeed, researchers have noted that Belgium scores lower on both the social and environmental dimension of CSR due to high levels of regulation and institutionalized stakeholder involvement and dialogue, arguing that there is less scope for companies to take CSR actions that go above and beyond the law (cf. Crutzen & Hoerisch, 2013; Jackson & Apostolakou, 2010; VBO, 2007).

Following these developments and given that the main environmental challenge for Belgium is to reduce its CO_2 emissions, a Belgian climate law was introduced in 2009. The main objectives of this law are to enhance the coordination of and achieve more efficient policies on climate in Belgium. Regional governments have been promoting eco-efficiency investments financially (e.g., installation of energy saving installations and renewable energy investments, waste reduction, development of environmental technologies). The federal government has also adopted plans to foster sustainable public procurement and has created awareness around sustainable private procurement as well. This has contributed to Belgian companies increasingly adopting eco-certification schemes including ISO 14001 and *Entreprise Eco-Dynamique* in the Brussels Region.

2.3 The Social Dimension

On the social dimension of sustainability, Belgian companies have focused mainly on diversity in the workplace and work-life balance. Collective bargaining and freedom of association are mandated by law and well integrated into companies. Since most Belgian companies are small and medium-sized enterprises active in the service sector, they are usually not confronted with issues associated with forced labour or child labour. However, multinational enterprises in the industry sector are confronted with such issues and have reported on it, albeit a minority of them.

Research has shown that the topic of human rights has been hardly addressed in annual reports of companies (Louche et al., 2008). Interestingly, the results of the Corporate Responsibility Barometer that was held in Belgium in 2015 show a remarkable positive change in the domain of human rights: no less than 60% of the companies surveyed indicated that they address human rights issues through comprehensive management systems. However, few companies address such issues through their supply chains nor assists suppliers on these issues (Swaen, Louche, Van Liedekerke, & Vanwalleghem, 2015).

When it comes to community support and development, Belgian companies are not showing much progress and these efforts remain local. Support for humanitarian projects in developing countries remains limited (ibid.).

3 Reorienting CSR: The SDGs as the Current Sustainability Compass

Current sustainability discourse in Belgium has clearly pivoted towards the Sustainable Development Goals (SDGs). Since 2015, when the SDGs were launched as part of Agenda 2030, organizations across the board have been keen to take ambitious SDG-related initiatives in order to contribute to the realization of this agenda. In fact, the SDGs seem to have been embedded rather quickly and firmly into the institutional infrastructure of CSR in Belgium.

In line with article 7bis of the Belgian constitution, which states that sustainable development is a common goal of Belgian governments, national, federal, regional and local SDG policies have been established, each with their own accents. Notable examples of such policies are the Federal Plan Sustainable Development, Vision 2050 in Flanders, 'Stratégie Wallonne de Développement Durable' in Wallonia, the Brussels Regional Development Plan, and the National Strategy 'Nachhaltige Entwicklung' in the German speaking community.

Also, in November 2017, Belgium published a voluntary national SDG review. This document (1) has intensified reflections on the best way to operationalize the SDGs within government departments and agencies, (2) set in motion working methods whereby sustainable development (SD) is no longer just a matter for specialized SD administrations or designated SD focal points, but rather a whole-of-government affair, (3) allowed progress in the work on a Belgian SDG indicator framework, (4) emphasized the need to ensure all relevant actors are truly on board in a comprehensive approach coherently combining development, defense, diplomacy and rule of law instruments abroad, and (5) has given a renewed impulse in terms of collaboration with civil society stakeholders and private sector. Most importantly, it has allowed for the first time to deliver a wide-ranging overview of the panoply of actions which, domestically as well as externally directed, are currently ongoing and contributing to SDG attainment (Government of Belgium, 2017).

Non-governmental organizations have also embraced the SDGs and have jointly formulated a series of suggestions for governments to apply the SDGs for national and international governmental policy. In addition, The Shift (the focal network for sustainable business in Belgium) has been actively promoting the SDGs through 'SDG Cafés' and sharing SDG ambitions from their partner network with the wider public. The so-called SDG Voices, an initiative by The Shift and the Federal Institute Sustainable Development (FIDO), is a notable cross-sector initiative where selected businesses, non-profit, other organizations, and the Belgian Queen Mathilde act as ambassadors to inform people about the SDGs, and inspire them with actions and initiatives related to the SDGs.

While anecdotal evidence based on, for instance, sustainability reports, corporate presentations, and press releases show the business sector has also taken initiatives on the SDGs, a good overview of companies' engagement with the SDGs has not been available to date. In order to shed light on patterns of SDG adoption and implementation, Antwerp Management School, the University of Antwerp, and Louvain School of Management (UCLouvain) took the initiative to conduct a national research project called the SDG Barometer.

This chapter reports on key findings from the SDG Barometer. The SDG Barometer was conducted as an extensive online questionnaire in the 2nd and 3rd quarter of 2018. In total, 641 organizations responded to the questionnaire. The questionnaire contained several different routings, based on the answers respondents gave to the questions. In addition, interviews were held with a selected number of organizations that have an SDG engagement. The first part of this chapter takes the reader through the most significant findings from the research. Among other subjects, it explores the current state of affairs regarding the type of engagement, the implementation, and the communication on the SDGs of Belgian organizations. The second part of this chapter provides a discussion of several of these findings. In closing, the chapter identifies several avenues for future research based on the findings of the SDG Barometer.

3.1 Key Findings from the SDG Barometer

3.1.1 Awareness & Action

With virtually all responding organizations (96%) indicate that they are dedicating some or a lot of attention to sustainability, 87% are aware of the SDGs (Exhibit 1). Notably 63% of the surveyed organizations are not only aware of the SDGs, but are also acting on the goals – either through implementing them in their organization or through partnerships. Of these organizations, 85% believe that all relevant sustainability topics are reflected in the SDGs. These findings seem to indicate a higher level of commitment to the SDGs in Belgium than compared to global figures. For instance, international research by Globescan (2016) showed that 66% of organizations still had to adopt the SDGs. On the other hand, 24% of the Belgian organizations are aware of the SDGs, but have no knowledge about or action plans for the goals in place. A mere 13% are not aware at all of the SDGs. Despite the noted unawareness or lack of knowledge, there is a strong willingness among respondents (90%) to adopt the SDGs in the future.

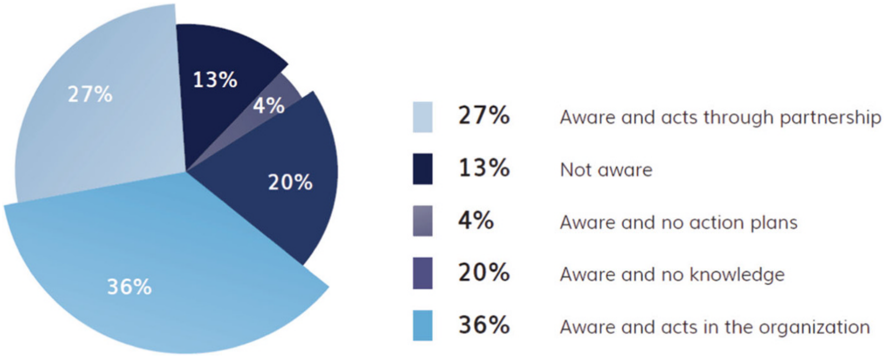

Exhibit 1 Awareness of the SDGs

The attention for sustainability and willingness to adopt the SDGs are yet to be fully translated into action on the SDGs. Looking at the type of action that Belgian organizations are undertaking on the SDGs, it appears that they mainly set specific objectives on the SDGs (55%), engage in partnerships (40%), design SDG-oriented strategies or programs (36%) and measure their impacts on the SDGs (32%). It should be noted that this study does not reveal the quality of the action taken by the organization.

Most of the responding organizations (85%) believe that all relevant sustainability topics are reflected in the SDGs. Interestingly, several other sustainability themes were suggested to be relevant which respondents did not recognize in the SDGs, including sustainable tourism, freedom of speech, consumer rights, consumer trust, career management, family planning, civic participation and animal welfare. Also, part of the respondents indicated the need to develop clear and measurable objectives for the SDGs. These results clearly suggest that work is needed to improve awareness and knowledge about the SDGs, since these topics are, directly or indirectly covered by the SDGs and since the SDGs already include specific targets to attain.

3.1.2 Motivations and Driving Forces

The reasons that organizations have attention for sustainability in general indicate that this is mainly in order to innovate and differentiate their organization to provide unique advantages to stakeholders and enhance their competitive advantage (68%). This result is similar to that of the 2015 CR Barometer, which found that companies identified 'innovation of products and services' as an important motivator for introducing CR management practices. Complying with sustainability standards appears to be the least important reason to have attention for sustainability (48%).

Interestingly, looking at the reasons why organizations adopt the SDGs, a different picture emerges when compared to the reasons why organizations have attention for sustainability. The fact that the SDGs may provide benefits for the organization is

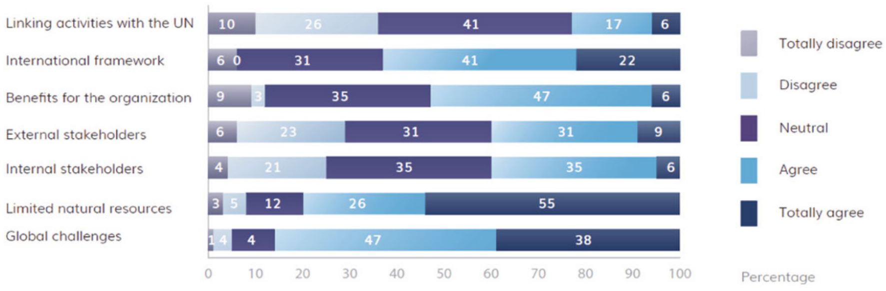

Exhibit 2 Reasons for adopting the SDGs

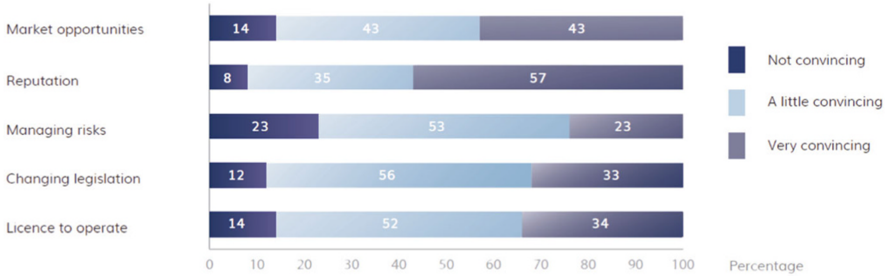

Exhibit 3 Driving forces for adopting the SDGs

not a top-3 reason for organizations to take up the SDGs, although 53% of respondents agree that the SDGs do so. The findings indicate that far more important reasons for organizations to adopt the SDGs are the fact that the SDGs reflect important global challenges (85%) and the fact that organizations have a sense of the limited supply of natural resources (81%). Also, it appears important for Belgian organizations to adopt the SDGs because of the fact that they represent an international framework (63%). Stakeholder pressure or linking their activities to the United Nations, however, are relatively unimportant reasons for organizations to adopt the SDGs (Exhibit 2). These findings are consistent with international analyses that show that the urgency of sustainability issues is frequently mentioned as a reason for organizations to adopt the SDGs (e.g., Globescan, 2016).

While motivations for adopting the SDGs may originate predominantly internally, driving forces are rather found externally. Looking at the driving factors of the SDGs, reputation (57%) and market opportunities (43%) appear to be the most convincing driving forces for Belgian organizations (Exhibit 3). It should be noted here that organizational reputation is something different from marketing and is crucial for longer-term success. For instance, in the current organizational context intangible assets constitute the lion's share of the market value of large corporations and organizational reputations are linked to many important aspects, including the ability to attract and retain employees, increase consumer and supplier loyalty, and organizations' overall license to operate (GRI et al., 2015). Indeed, securing this license to operate is also mentioned as a convincing driving factor by respondents (34%).

These findings suggest that organizations mainly see the 2030 Agenda as a broad window of opportunities – as a way to achieve a good fit with their environments, align with the expectations of society, and be in sync with broader economic and societal developments rather than viewing the SDGs as a way to manage organizational risks. It is clear that in sectors such as food and agriculture, urban development, energy and materials, and health and well-being, organizations can contribute to achieving sustainability through their core activities, including goods, services, and business models, and improve overall prosperity (SDG Fund, 2015; WBCSD & DNV GL, 2018).

3.1.3 SDG vs. Sustainability Strategy

There are obvious links between organizations' existing sustainability strategy and the way in which they approach the SDGs. The findings of the SDG Barometer show that organizations mainly adopt the SDGs through building on their sustainability strategy (48%), while only 4% of the responding organizations appear to have replaced their sustainability strategy with the SDGs. Some 43% of the organizations state that the SDGs have many similarities with their existing sustainability strategy. These results suggest that organizations tend to embed SDGs into their existing sustainability strategies rather than re-designing their sustainability strategy or developing a new, additional SDG strategy. This embedding of the SDGs – either within an organization's sustainability strategy or its overall strategy – is generally viewed as important for the SDGs to be truly effective.

3.1.4 SDG Prioritization

The findings of the SDG Barometer clearly show that most organizations (80%) that adopt the SDGs tend to prioritize a few SDGs rather than focusing on the entire set of goals. Only 15% of the responding organizations consider the 17 SDGs equally important; 5% of them gives priority to one SDG (Exhibit 4). This is in line with international results (PWC, 2015) showing that the majority of companies narrow down their choice to a subset of SDGs that they deem most relevant to their operations. It should be noted that prioritization varies with the age of the organization: organizations that have existed for less than two years prioritize the SDGs less when compared to organizations that have existed for more than two years.

On average, responding organizations perceive themselves to have the highest impact on SDG 8 (Decent work and economic growth) and SDG 3 (Good health and well-being). Organizations that are either not aware of the SDGs or are aware but lack knowledge or have not (yet) taken action consider SDG 5 (Gender equality), SDG 7 (Affordable and clean energy) and SDG 9 (Industry, innovation and infrastructure) as significantly more important compared to organizations that have

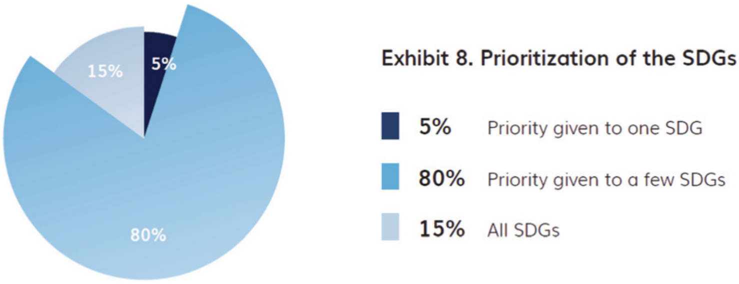

Exhibit 4 Prioritization of the SDGs

	Organizations that are either not aware or are aware but lack action/knowledge	Organizations that are aware and have adopted the SDGs
1	SDG 3 (Good Health and well-being)	SDG 8 (Decent work and economic growth)
2	SDG 8 (Decent work and economic growth)	SDG 3 (Good Health and well-being
3	SDG 5 (Gender equality)	SDG 17 (Partnerships)
4	SDG 9 (Industry, innovation and infrastructure)	SDG 9 (Industry, innovation and infrastructure)
5	SDG 7 (Affordable and clean energy)	SDG 13 (Climate action)
6	SDG 12 (Responsible consumption and production)	SDG 12 (Responsible consumption and production)
7	SDG 11 (Sustainable cities and communities)	SDG 7 (Affordable and clean energy)
8	SDG 13 (Climate action)	SDG 11 (Sustainable cities and communities)
9	SDG 17 (Partnerships for the goals)	SDG 5 (Gender equality)
10	SDG 1 (No poverty)	SDG 4 (Quality education)
11	SDG 4 (Quality education)	SDG 6 (Clean water and sanitation)
12	SDG 10 (Reduced inequalities)	SDG 15 (Life on land)
13	SDG 6 (Clean water and sanitation)	SDG 10 (Reduced inequalities)
14	SDG 15 (Life on land)	SDG 1 (No poverty)
15	SDG 14 (Life below water)	SDG 16 (Peace, justice and strong institutions)
16	SDG 2 (Zero hunger)	SDG 14 (Life below water)

Exhibit 5 SDG prioritization according to different 'SDG maturity'

adopted the SDGs. Organizations that have adopted the SDGs, on the contrary, consider SDG 9 (Industry, innovation and infrastructure), SDG 13 (Climate action) and SDG 17 (Partnerships) as the most important focus points (Exhibit 5).

There appears to be consensus about the SDGs that organizations think they have the least impact on: SDG 2 (Zero hunger), SDG 14 (Life below water) and SDG 16 (Peace, justice and strong institutions). This result is again in line with international findings where a similar set of SDGs were ranked low. Research by Globescan (2016) shows that progress has been particularly slow in the areas of Reduced inequalities (SDG 10), Life Below Water (SDG 14), Life on Land (SDG 15) and

No Poverty (SDG1). These findings suggest that these SDGs are deemed as less relevant to many organizations and their core activities and are more difficult to translate into concrete objectives. Other SDGs, such as SDG 16 (Peace, justice and strong institutions) and SDG 2 (Zero hunger), are perhaps perceived as being primarily aligned with the roles and responsibilities of governments or a small number of specific companies (e.g., United Nations, 2017).

3.1.5 Internal Coordination of the SDGs

Some 83% of the organizations that have adopted the SDGs appeared to have appointed a dedicated person to work on the organization's SDG initiative on a regular basis. Not surprisingly, larger organizations appear to be more likely to have such a person appointed. Recent research has shown that it is particularly the sustainability function within organizations that is most engaged in the SDG agenda (WBCSD, 2018). Here, an interesting result emerged: within organizations that have not engaged in an SDG partnership, the person assigned to coordinate activities related to the SDG initiative is most likely someone from the middle management layer. Within organizations that have entered into an SDG partnership, this person is more likely to be operating at boardroom level. Also, people working on the SDG initiative within organizations that have entered into an SDG partnership are more likely to directly report to the board of directors (72%) than within organizations that have no such partnership (51%).

3.1.6 Partnerships on SDGs

Next to what research suggests (e.g., Kamphof & Melissen, 2018; MacDonald, Clarke, Huang, Roseland, & Seitanidi, 2018), through SDG 17 the SDG framework itself acknowledges that the success of the 2030 Agenda will be highly dependent on the efforts and partnerships between all stakeholders involved and affected. From bilateral partnerships to multi-stakeholder cooperation, these initiatives are seen to be better able to deal with the complexities and interconnectedness of the SDGs and offer, among other benefits, efficiency gains, mutual opportunities for learning, better access to financial means, and a pooling of human resources.

When it comes to the type of partners, collaborative endeavors with non-governmental organizations seem to be slightly preferred by respondents over partnership with governmental organizations and sector organizations. Interestingly, educational institutions are considered to be the least preferred partner by organizations for realizing SDG objectives. Higher education, however, has a big role to play in spurring the adoption of the SDGs by developing knowledge and generating new insights through research and through educating future leaders for companies, governments, and non-governmental organizations alike.

3.1.7 Communication on the SDGs

Most organizations appear to communicate on sustainability, both internally (87%) and externally (82%). Of the responding organizations that have adopted the SDGs 63% communicated about the goals, either internally or externally. The extent of communication about the SDGs does not seem to depend on the type of SDG engagement organizations have: the interviews that were held as part of the SDG Barometer indicate that organizations that have a strong SDG engagement do not always communicate about it.

Recent research has noted that the SDGs are relatively complex and elaborate, causing most organizations to face difficulties when reporting on these goals (GRI & UNGC, 2018), a result that is corroborated by the interviews that were held for the SDG Barometer. Currently, there is no uniform methodology available which enables companies to specifically measure or report on progress and impact of the SDGs. A collective initiative by the Global Reporting Initiative (GRI), the UN Global Compact (UNGC) and the World Business Council for Sustainable Development (WBCSD) has been started in recent years in order to classify business metrics according to the SDG indicators and the monitoring framework.

3.1.8 Barriers for Engaging with the SDGs

The results of the SDG Barometer show that organizations perceive internal stakeholders (e.g., employees, directors, investors) and external stakeholders (e.g. suppliers, clients, competitors) to be the most important barriers for sustainability in general. Looking specifically at barriers for adopting and implementing the SDGs, internal stakeholders not having attention towards the SDGs are identified by organizations as the main barrier, more important than other barriers, such as the (lack of) availability of financial resources and the perception of the SDG framework not bringing benefits to the organization. External stakeholders that may not be interested in the SDG are seen as somewhat of a barrier rather than being a high barrier for organizations. Interestingly, organizations do not perceive the SDGs as the sole responsibility of government and it does not inhibit them from taking action.

3.2 Discussion

The findings of the SDG Barometer paint a contemporary picture of the state of SDG adoption and implementation in Belgium. Overall, the picture that emerges is one that demonstrates a substantial uptake of the goals, especially given the fact that their implementation has only started in 2016. At the same time, there appear to be many shades of gray when it comes to corporate SDG activity. Against this background, it seems fair to state that the uptake of the SDGs in Belgium will continue in the following years. While this finding can arguably be deemed as a positive development, other findings point at patterns of organizational behavior in the context of the SDGs that deserve discussion. As the final section of this chapter, we will critically reflect on several of the findings of the SDG Barometer and discuss some of the implications of these findings. We will deal with the way companies approach the SDGs in relation to their overall sustainability strategy, their prioritization of the SDGs, and the role of partnerships in spurring the realization of the SDGs.

3.2.1 SDGs vs. Sustainability Strategy

From the results, it appeared that most companies see the SDGs as building blocks for their sustainability strategy. Although some percent points lower, a comparable number of respondents indicate that they consider the SDGs as a reflection of their sustainability strategy. By implication, it could be argued that respondents tend to perceive a hierarchical relationship between the SDGs and their sustainability strategy. While the latter is the primary, overarching way of setting strategic direction, the former is merely a means ('ingredient') to this end.

At first glance, one may argue that this is normal situation when it comes to sustainability strategy-setting. After all, companies develop sustainability strategies in a context-specific way, recognizing the peculiarities and idiosyncracies inherent to, for instance, the type and geography of their organization and the business they are in (cf. Murillo & Lozano, 2006; Perrini, Russo, & Tencati, 2007) as well as the preferences and demands of internal and external stakeholders (Maon, Lindgreen, & Swaen, 2009). The reason why this finding may actually point at a problem is twofold. First, it suggests that the SDGs are not perceived by companies to reflect the most prominent, urgent challenges that should be addressed through placing them in the lead when it comes to their orientation towards sustainability. The SDGs – or a selection of them (see the following paragraph for a discussion of this particular issue) – may well be treated as 'bolt-ons' or 'plug-ins' that enable a company to superficially ameliorate or polish its sustainability strategy rather than serving as an authorative, global, moral compass. Considering the SDGs as building blocks for sustainability strategy would then result in the risk of companies operating an 'SDG strategy by association' at best, or signal 'rainbowwashing' (a variant to greenwashing based on the colourful presentation of the SDGs) at worst. Second, framing the SDGs within an overaching sustainability strategy will in most cases mean that they will be encapsulated within business case approaches to sustainability. While this point relates to a more common critique on sustainable business (i.e., sustainability being a means to an economic end), it is important here to state that bringing the SDGs into such instrumental straitjacket will equally result in an erosion of the non-economic value propogated by them. It can be argued that the SDG Barometer's finding that relates to the SDGs mirroring companies' sustainability strategies reflects a similar risk, since this suggests that companies primarily rely on their existing strategy when assessing the value offerted by the SDG framework.

3.2.2 Prioritization of the SDGs

The SDG Barometer clearly shows that companies prefer to give priority to a few SDGs rather than embracing and implement the entire set of goals. From the perspective of business practice this seems a logical route to take as it is considered to be common practice to have a sharp focus on the sustainability issues that are relevant from an individual company perspective. In fact, companies may find legitimation for doing so since materiality analyses have become part and parcel of the sustainability policy and reporting repertoire and standards such as ISO 26000 emphasize that organizations should focus on those issues that they have the highest impact on and those that fall within their sphere of influence.

However, the UN resolution that sets out Agenda 2030 clearly states that the SDGs are "integrated and indivisible" (United Nations, 2015: 3), implying that any approach towards the goals should capture all of them instead of companies 'cherry picking' the set of SDGs based on whatever consideration they make. The pattern of SDG adoption as demonstrated by the SDG Barometer findings, then, are not in line with the entire idea of engaging with the SDGs. As an extension of this point, another interesting finding in this regard relates to the actual SDGs that companies tend to prioritize. Here, the results show that SDG #2 ('No hunger') only appears at the bottom of their list of priorities, whereas this goal is deemed as central to realizing the other SDGs, according to Agenda 2030.

3.2.3 The Catalyzing Role of Partnerships

As a third interesting finding, the SDG Barometer shows that the locus of SDG coordination within a company (in many cases a CSR or sustainability manager) tends to report more often to a boardroom level member when his or her organization has engaged in an SDG partnership than is the case when an organization has no SDG partnership. While the data do not allow for delving deeper to explain what is behind this finding, it may well have to do with perceived potential reputational damage. Companies tend to communicate externally about partnerships for sustainability, notably through press releases and sustainability reports, since this type of CSR communication has value for them (cf. Du, Bhattacharya, & Sen, 2010). When they communicate about such partnerships, they make a part of their CSR activities as well as the motivations and ambitions behind it explicitly visible for their stakeholders, including customers and media. By taking these actions, the company runs reputational risks that may backfire in case of adverse events, such as underperformance of the partnership or a corruption scandal on side of the partner. It may be argued that a company's higher management wants to be in control when it comes to preventing, reducing, or containing negative reputational effects. Another, complementary explanation for this finding may lie companies aiming to better capture the value such partnerships may bring for the company. Both the internal and external legitimacy of partnerships can be expected to increase when they are under the management of upper echelons in the company.

3.3 Future Research

Based on the findings of the SDG Barometer, several avenues for future research may be identified.

A first line of research could focus on clarifying the dynamics that are behind SDG partnerships as discussed in the previous section. Following our speculations, research may point at the role of partnerships in placing the SDGs on more strategic levels in the organization, potentially leading to more strategic corporate commitments to the SDGs. Also, it may be worthwhile to uncover SDG partnership patterns, both in terms of the SDGs that partnerships are being formed around and the type of partners companies prefer to collaborate with. Research into this topic could provide insight into the SDGs and partners that are ‘left behind’ in achieving the ambitions of Agenda 2030.

Second, the findings of the SDG Barometer should in our view prompt research into the materiality analyses of companies that underpin their sustainability strategies. When it comes to prioritizing SDGs, it would be interesting to see to what extent existing materiality analyses and the methods behind these lead to the (absence of) identification and prioritization of the different SDGs. Since materiality analyses tend to be based on criteria relating to the (economic) importance or risk of sustainability issues for the company and its stakeholders, it may be expected that most SDGs will not result directly or result not at all from these analyses. This, in turn, would prompt the question if new methods for materiality analyses are necessary in order to spur companies’ engagement with the SDGs.

Third, since the SDG Barometer does not shed light on the type of SDG activity companies are taking, it would be interesting to identify both the nature and actual impacts of corporate SDG actions. One of the benefits of having information available about the nature and impacts of such actions would be to identify which actions are most impactful and what the estimated actual impact of corporate SDG activity in Belgium is.

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Corporate Social Responsibility in Croatia

Recent Developments of Corporate Social Responsibility in Croatia (2013–2019)

Kristijan Krkač, Borna Jalšenjak, and Martina Matišić

Abstract In the following text authors describe the development of business ethics (BE), corporate social (ir)responsibility (CSR, CSI), and sustainability (SUS) practices, policies, and initiatives in Croatia in the period 2013–2019. This is also the period of Croatia's membership in the EU, and this membership influenced national policies compared to the period. The text is divided in three main parts which deal with three major aspects, namely: national BE, CSR, and SUS in the context of business environment, further on national BE, CSR, and SUS policies, practices, and some cases, and BE, CSR, and SUS at Croatia's HEIs. The mentioned aspects of BE, CSR and SUS in Croatia are described using publicly available data. This overview provides a brief description and evaluation of the current status of BE, CSR, and SUS in Croatia that could be of interest to researchers, students, governmental institutions, NGOs, and businesses planning to enter the Croatian market.

Abbreviations

BE	business ethics
CSI	corporate social irresponsibility
CSR	corporate social responsibility
HEI	higher educational institutions
SUS	sustainability

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1 Introduction

Modern Croatia from its independence (1991) to its membership in the EU (2013) in spite of various obstacles tried to introduce common business ethics (BE), corporate social responsibility (CSR), and sustainability (SUS) practices, policies, and standards into business and social institutions. This development hasn't been researched much, but available descriptions, data, explications, and major flaws detection shows that this introduction of BE, CSR, and SUS has been partial and essentially unfinished in terms of fulfilling minimal levels of compliance with the basic internationally recognized standards of it (see Eterović, Jalšenjak, & Krkač, 2015:231–243).

Croatia's membership in the EU revealed a majority of the mentioned flaws. Numerous major indicators of its current state and development rate position the country at the bottom of the EU. This is confirmed by various criteria, such as macroeconomic imbalances, lack of major reforms for inefficient systems (including the legal system, territorial system of counties, cities, and municipalities, health system, pension system, etc.), level of bureaucratization, corruption (with nepotism and conflict of interests included see Eurostat) etc.

During the period from 2013 to 2019 Croatia reached the state of self-awareness metaphorically speaking and exited the period of its adolescence. It was confronted with its own lacks, gifts, and opportunities. The future is open and a bit terrifying. Maturity is at the gates of its present moment and a confrontation with its own obvious lacks and opportunities is the major task in the near future.

In the following text we will explicate these recent "developments" in Croatia during the period 2013–2019 under the following aspects:

- a remark on previous research,
- national and EU business,
- national BE, CSR, and SUS environment,
- national BE, CSR, and SUS policies, practices, and cases,
- BE, CSR, and SUS at HEIs,
- and conclusions will be drawn concerning the presented state of BE, CSR and SUS.

Therefore, hereafter some basic facts, principles, practices and phenomena of BE, CSR, CSI and SUS in Croatia (2013–2019) will be described, explicated and interpreted. The idea is to supply the general description of the status of Croatia under the mentioned view which will be of use to researchers, scientists as well as to business people in Croatia and internationally.

2 A Remark on Research on CSR in Croatia Leading up to Croatia Joining the EU (−2013)

There are only a few overviews and overall summaries of history and present-day state of BE, CSR and SUS in Croatia. In one such text the authors in a summary fashion covered the history of theory and practice of BE, CSR and SUS in Croatia until its membership in the EU. Some of the topics and the results of this research are the following (see Eterović et al., 2015:231–243).

- The nature of CSR in Croatia is somewhat confusing due to various causes. There is a discrepancy between how the concepts of CSR are understood (not well or badly) and how they are implemented (badly or not at all).

These discrepancies are related both to day-to-day business operations and strategic planning. Particular cases that often appear and are covered mostly by the media, (much less by companies reporting on these cases, and only by a few scientific papers) show that corporate social irresponsibility (CSI) is mostly not revealed either by the companies which performed them or by the scientific community or are not discussed by competing companies (Debeljak, Krkač, & Bušljeta Banks, 2011). The only three groups that discuss CSI cases are journalists, various NGOs, and students (mostly of business schools and faculties of economics while they are preparing their case studies within business ethics and/or CSR courses). One should be very cautious when estimating CSR of a business sector or of a particular company over a longer period of time, etc. because a series of cases show that a lot of companies are doing partial CSR and partial CSI at the same time. Most typical of which is CSI in terms of violating labor contracts and employees' rights, as well as CSR in terms of various sponsorships and philanthropic activities.

In short, in this previous research we supplied: a short review of the historical development of CSR in Croatia, a description of CSR at HEI's in Croatia, a description and review of major CSR initiatives, a note on specific socio-economic factors contributing to the present state of CSR in Croatia, and a short note on CSR actual practices and common routines. The conclusions were not too optimistic, namely the following.

- "In the period from 1989 to 2013 CSR in Croatia reached quite a developed stage. From its origins in terms of window-dressing onto an understanding of the concept, principles, benefits to business and application (from 1989 to 2003). Subsequently Croatian CSR reached almost mature stages in terms of understanding strategic CSR, implementing, measuring, and reporting CSR from 2004 to 2013. However, a fully mature stage of CSR still hasn't been reached due to many influential cases of CSI (in quantity and quality) that appear on a weekly basis, no matter if comparatively speaking they appear much less in the period 2004–2013 than in the previous period 1989–2003." (Eterović et al., 2015:239)

Since the Croatian EU membership from 2013 until 2019 some changes have been made in BE, CSR and SUS in terms of formal requirements (EC directives, and national legislation), and in terms of substantial changes (in business practice, and theory and modeling at HEI's in Croatia). Some of these changes will be described and explicated hereafter.

3 Research on CSR in Croatia after Joining the EU (2013–2019)

One of the challenges in writing this text was the lack of formally published scientific findings on BE, CSR and SUS practices in Croatia in period 2013–2019. This is visible concerning general state of CSR on the level of the whole country, but becomes especially evident when researching SME's activities. This lack consists of limited amount of scientific sources and limited scope of results (related mostly to particular sectors under specific and not unified CSR criteria, and to particular levels of business, i.e. mostly large corporations with no data for SME's at all). CSR research on Croatia in period 2013–2019 is rare and partial due to the general lack of any unified (private or public) national practice that would show relevant data on national level.

Here are some examples of particular and rare studies which are nevertheless quite valuable since they at least show some generated results no matter how limited they may be.

- Some studies published in the mentioned period show the fact that only 10% (for 2012) invested in economic CSR programs (non-sponsorship and non-philanthropic CSR programs) and that only 15% engaged in annual CSR reporting. (Grudić Kvesić, 2014:85–103)
- Some studies show that not even the students care much about CSR of companies. (for the case of banking industry see Kundid Novokmet & Bilić, 2016:223–268)
- Some studies show that "Large corporations, whose securities are listed on the stock exchange, generally show better results in the implementation of corporate social responsibility, but they also record better financial results." (Pekanov Starčević, Mijoč, & Mijoč, 2016:283–305)
- Given the dominant negative results in terms of low level of BE and CSR in Croatia, some studies show that in some sectors there is high level of CSR, e.g. in the manufacturing and service companies. (Lacković Vincek, Dvorski, & Novak, 2017:267–296)
- Concerning existence and application of basic ethical codes the results are low as well. (Perić & Turalija, 2018:35–45)

All the studies of CSR in Croatia in the period 2013–2019 compared to studies of CSR in more developed countries can be qualified as:

- rare,
- specific (in terms of scope, period, and business sectors),

- with mostly negative findings (with some exceptions in some business sectors in particular time periods)
- and with substantive lack of descriptions and analyses of negative cases.

Due to this, any reliable data about the general CSR and CSI situation in Croatia and about particular cases can only be assumed based on two reliable sources

- general data provided by various European and international institutions, and
- data, mostly about generally low standings of Croatia concerning CSR and especially by particular cases of CSI, provided by various newspapers that passed the test of time in terms of not being falsified by any source.

The consequence of this unfortunate situation is that the present overview of CSR and CSI in Croatia for the period 2013–2019 is quite limited. However, from general reliable available data on economic development, legal environment (especially in sphere of business) and standard conditions for CSI (corruption index, nepotism and similar), it seems at least reasonable to presuppose that, in spite of possible exceptions, the overall level of CSR development in Croatia is quite low. More than this would be unjustified and irresponsible to claim, especially in view of available data for the mentioned period 2013–2019.

4 Business Environment in Croatia (2013–2019)

Given what is said in the previous section and concerning the period from 1989 until 2013 CSR has been developed as a model and it has been modeled in business practices in quite developed ways. However, if one views these phenomena from the point of results, it is questionable should these results even in terms of first impressions (backed by solid national, EU, and international evidence) be called CSR or rather corporate social irresponsibility (CSI) development (see Krkač, 2019). However, this issue is open for discussion after we present some phenomena, trends, data and their explication. The following text supplies basic data on the commercial and economic situation in the Republic of Croatia. Information presented was gathered from easily accessible sources to the general public. The reason for using this kind of data is because we believe that easily accessible data on the current state of the economy impacts the general public's view of the business climate and can help or can thwart opinion on existence and substance of BE, CSR and SUS in a country. The data testifies on the following difficulties in the state:

- The issue of employment,
- The problem of public debt, then
- The poverty of citizens and standards of living,
- The decline in industrial production and
- The reduced investment of foreign entrepreneurs on domestic markets.

Croatia recorded a low rate of employment between European Union countries in 2018. With Croatia, only Greece, Spain and Italy have worse results. (Poslovni.hr., Newspaper editorial 25/04/2019). Bad results are also present when it comes down to public debt, which was amounted to 284 billion of Croatian Kuna in 2018 or 1.4% more than in 2017 (Index.hr., Newspaper editorial 23/10/2018).

The Eurostat report from 2018 shows that Croatia is one of the three poorest European Union countries, i.e. more than 30% of people live in the risk of poverty. Thus being, the risk of poverty also exists in those households in which all members work. Furthermore, Croatia is amongst the worse in terms of living space and the number of children which still live with their parents (even 58.7%) (Eurostat, 2018; G. D., Index.hr., Newspaper editorial 20/07/2018).

Further on, Croatian individual consumption of households is at 61% of the EU average, only Bulgaria is worse with 55%.

- "The latest Eurostat data for 2017 confirms that Croatia is officially poorer than Romania, so we are now waiting for Bulgaria to overtake us and become the poorest member of the European Union" (M. R., Index.hr., Newspaper editorial, 20/06/2018)

So economically speaking, Croatia is at the bottom of the EU which is not the worst fact, rather the fact that its economic growth is much slower than the growth of other member countries at the bottom, such as Bulgaria and Romania, i.e. there are no economic improvements whatsoever. According to Eurostat data from 2017, Croatian GDP per capita was 38% below the European Union average, i.e. it is in a group of five countries with the lowest quality and living standards. (Index.hr., Newspaper editorial 14/12/2018). There is also the problem of privatization:

- "Privatization is often highlighted as one of the most social and economic damaging processes in Croatian history." (Hecimovic & Gajic, 2015:29).

The negative trend continues and when it comes to industrial production. Namely, Croatia recorded the largest annual decline compared to other European Union member states (of 1.3%). (Index.hr., Newspaper editorial 14/06/2018) Furthermore, foreign investors are less willing to invest in Croatia because of the bad state of economy (among the worst in terms of economic position and EU results), as evidenced by data from the Croatian chamber of commerce. As the main cause they induce the failure to implement reforms in the country. Facts say that only 10% of companies think that the economic situation in the state is good, while 33% believe that the economy is developing positively. (M. R., Index.hr., Newspaper editorial 05/04/2018).

- Criminal acts also contribute to the negative economic situation in the country. "Negative general perception of crime in the country can lead to a reduction in investment and influence on economic growth and development." (Economic Institute, 2013:59).

The results of the economic scale for the Republic of Croatia (2018) can be seen on the web site: Doingbusiness.org, Economy Rankings 2018. Latest data on the economic situation of Croatia (2018–2019) can be seen on the following websites and documents: European Commission, Eurostat, Country Profiles; European Commission 2018; 2018 European Semester: Country Reports – Croatia; European Commission 2019 Economic Forecast for Croatia as well as in European Commission 2019 European Semester: Country Report - Croatia. They all show results that we summarized here.

5 Public Administration CSR in Croatia (1): The Case of Results Report by InCiSE (2019)

The public administration, ranging from governmental organizations, ministries, various agencies, and institutes and similar to the local administrations of the particular counties and towns as well as to the companies that are in the relevant part governed and/or owned by the state or by a particular county or town, since the EU membership was suspected to be one among chief problems of Croatia (besides the worst legal systems and practices in EU).

This suspicion in the period of 2013–2019 slowly begun to be backed by a series of particular cases that could be counted as evidence for it making it not just a suspicion, but at least a strong research hypothesis.

In 2019 two different and only accidentally mutually dependent researches appear, one by The International Civil Service Effectiveness (InCiSE) Index, i.e. in the InCiSE 2019 "The Results Report" (InCiSE, 2019), and the other by the non-profit taxpayer association "Lipa" that showed a series of typical cases of misconduct in public, governmental and local sectors. The results for Croatia by InCiSE are worth quoting.

- "Croatia is a new addition to the Index and is ranked 35th overall. Croatia's strongest performance is for tax administration with an overall score just above the Index average. All metric scores for this indicator are above average as well. Croatia achieves very high scores for metrics measuring the extent and quality of digital service provision within the tax administration system. It also does well on the metric assessing total tax debt as a proportion of net revenue. Croatia has above average scores for some metrics within the HR management indicator, for example the extent to which formal examinations are used for recruitment. Whilst Croatia's scores for integrity vary, it achieves high scores for the whistle-blower protection metric, as well as the existence of a post-employment cooling off period for civil servants. The main indicators where Croatia performs less well relative to other countries are digital services, policy making and openness." (InCiSE, 2019:36)

In short, Croatia is ranked 35th out of 38 countries and the only countries worse than Croatia are Romania, Greece, and Hungary with an InCiSE average of 0.501, while Croatia's score is 0.140. According to these findings, public administration in

Croatia is obviously immoral, irresponsible and unsustainable given that previous to that it is also corrupted, slow, inefficient and severely unprofessional in its practices.

6 Public Administration CSR and CSI in Croatia (2): The Case of Black Book by Lipa (2019)

The "Black book" is the publication of a non-profit taxpayer association Lipa that was established in 2014 with the purpose to protect the interests of citizens (earlier in the Republic of Croatia there was no association or institution of such type that would deal with issues such as tax, transparency and efficiency of spending public money, abatement of public debt etc.). The association has carried out successful campaigns and initiated petitions and in that way it influenced the public opinion.

The "Black book″ as a project was launched at the end of 2018 and contains examples of non-transparent and inefficient spending of public money in Croatia, which are substantiated by news articles, citizen's notifications or other publicly available source and reports of state audit. Also, a website (www.crnaknjiga.hr) has been established, where citizens can report cases of this type. The purpose of the book is to indicate problems such as corruption and spreading of public money and to lead citizens on reaction. The book contains 41 cases of inefficient and obvious exploitation of taxpayers' money in the manner of abuse of positions, conflicts of interest and corruption in Croatia and here are a few separated interesting cases.

- "Croatian highways announced the dismissals and savings, while they simultaneously announced a competition for 150 workers." (Black book, 2019:34; Index.hr).
- "Secondary vocational school King Zvonimir has performed education for adults until the former deputy mayor of Knin, Mato Milanovic, has founded the Public open school Knin. He appointed himself for temporary director during his mandate of deputy mayor and at the same time he was president of the school board of the school mentioned above." (Black book, 2019:42; Citizens report/Slobodna Dalmacija).
- "Lucic's Athenian escapade has paid the Croatian football association. Although the parliamentary representative is not a Croatian football federation employee, his trip to Athens on the qualifying match was paid for him because of a fraternal relationship. President of the Football association of Pozega-Slavonian county is Drago Lucic, his brother." (Black book, 2019:44; Telegram).
- "One of the most bizarre examples of spending money is the case of the theater without any actors. A small theater in Pozega who doesn't have a single actor, still has ten employees and even a person who deals with public relations." (Black book, 2019:80; Telegram).
- "Almost all that could have been done wrong in the village Donji Andrijevci, the city authorities have made. For example, in 2016 on a number of occasions, they have raised from the Giro account over 91 thousand Croatian Kuna's, of which

63 thousand practically disappeared because there is no trace of the money being spent or who had spent it." (Black book, 2019:60; Jutarnji list).

- "In 2017, Zagreb made a contest for the purchase of 14.400 Croatian flags, 14.316 flags of the city of Zagreb and 636 flags of the European Union for the next four years and the estimated value of the procurement was 5.2 million Croatian Kuna. Mayor Bandic commented the purchase of the flag for 24sata, saying that it is the way of strengthening patriotism and showing love for the country." (Black book, 2019:70; 24sata).

These cases are standard and typical in The Black Book. They manifest general and systematic lack of efficiency, regularity, professionalism, and basic professional ethics in public administration in Croatia on the national, governmental and local levels of governance. This conclusion based on particular cases points in the same directions as the conclusion of the previous section, namely that public administration in its administrative and business activities is highly unprofessional, inefficient and slow, so it is no wonder that in moral terms it is consistently corrupted, irresponsible and unsustainable. Some of the elements of CSR and CSI will be presented in the following section.

7 Private Businesses CSR and CSI in Croatia (2013–2019)

The Croatian Chamber of Economy monitors and awards companies based on their CSR performance every year. This initiative is called the CSR Index. Companies are being evaluated in the context of their CSR using a multiple questions questionnaire focusing on areas such as sustainability, the integration of CSR in company strategy, workplace environment, relations with the local community, etc. For 2017, 112 companies have filled out the questionnaire (https://dop.hgk.hr/wp-content/uploads/2017/11/Poduzeca-koja-su-popunila-upitnik-Indeks-DOP-2017.pdf, 10/05/2019). When compared to the number of active business entities in Croatia, specifically 150,401 in the same year according to the Croatian Bureau of Statistics (https://www.dzs.hr/Hrv_Eng/publication/2017/11-01-01_04_2017.htm, 10/05/2017) it seems that only 0.07% have decided to be a part of this initiative.

- Therefore, all conclusions that can be made based on publicly available data are not representative and the present state of CSR in Croatia can be assessed only by using case by case examples of good practices.

One such example can be the international company dm-drogerie markt which can be, based on its treatment of employees, relations to the local community and CSR practices in general, used as an example of good and sustained CSR.

8 CSR at HEIs in Croatia (2013–2019)

Based on the Croatian Agency for Science and Higher Education (https://www.azvo.hr/en/higher-education/higher-education-institutions-in-the-republic-of-croatia, 09/05/2019) at the moment there are 37 higher educational institutions offering 209 educational programs in the field of social sciences in the program subject of economics. This number includes universities and polytechnics, both public and private. In other words, it encompasses all present forms of formal education in Croatia. This is for a relatively small country quite a big number of study programs focusing on some sort of business and economics education. That being said, it seems that HEI's impact on behavior in Croatian business is quite ambiguous. On one hand, there is ethics in the curriculum of the majority of institutions, but their reach into practice seems limited.

In other words, looking at programs being offered by institutions, it can be seen that 21 of them have at least some kind of courses on BE, CSR and SUS as either obligatory or elective. This means that the majority of students studying business in Croatia today are at least to a certain degree exposed to the ideas of ethics in business.

Unfortunately, taking into account data presented earlier in the text, two questions should be asked. First, if there are so many situations in Croatia where CSI is evident, why don't all the schools incorporate some sort of ethics education in the curricula. There is obviously a need for more education. At the same time there are many institutions that do have ethics as part of their curriculum, so why are there so many instances of CSI in Croatia?

- It would seem that either the business community has still not recognized the importance and value of ethics and is not willing to invest resources in "just" business as soon as that investment negatively impacts some other, more important, indicators. Another answer might be that neither HEI's and/or faculties are doing a good job preparing students, future business people, for what they would face in the business world.

9 CSR and CSI in Croatia (2013–2019)

In this section we will present the conditions of corporate social responsibility in Croatia. Key issues in the country are the following:

- corruption,
- public procurement,
- respecting human rights,
- nepotism, and
- efficiency and independence of the judiciary and legal system in general.

According to the latest research by Transparency International in 2018, Croatia shows an increase in corruption and it is declared to be the most corrupt European Union state in the public sector (as partly showed in previous sections). In the conducted research, Croatia took 60th place with 48 points, which is far below the average for Western Europe and the European Union (66 points). Beneath Croatia there are only Greece, Romania, Bulgaria and Hungary (Transparency International, "Corruption Perceptions Index 2018).

The cause of such a result is connected with issues such as non-transparency, weakening of democracy, irresponsibility of state institutions and the government, inefficient and uncontrolled spending of money, which ultimately results in massive emigration of citizens. (Poslovni.hr., Newspaper editorial 29/01/2019).

Demography and general social conditions of living don't help much at this point. At least 350,000 citizens left Croatia by the year 2017 with no intentions to return. Some of their reasons beyond purely economic are mostly connected with poor public administration practices (however, these are based on only particular data (interviews) and insufficient statistical data, since these reasons aren't properly researched).

Then, the research of the association *Partnership for social development* on the status of corruption in Croatia (2013–2014) also points to the following causes:

- "The lack of strict administrative control, the moral crisis in society and bad legislation related with corruption are also mentioned as main problems." (Hecimovic & Gajic, 2015:8).

The Economic Institute in Zagreb as well conducted a research in which it stands:

- "Corruption together with other forms of crime represents a significant burden for economic development in Croatia." (. . .) "Giving bribe servant in money is the most common form of corruption." (Economics Institute, 2013:7, 21).

Furthermore, 81% of citizens believe that political connections are necessary for business success, while 75% believe that corruption is the main component of politics. (Total Croatia News, Newspaper editorial 20/02/2018).

Croatia also has a problem with public procurement because every year 20 billion Croatian Kuna or 15% of GDP disappears. (An. S., Tportal.hr., Newspaper editorial 17/11/2018). In support of this assertion testifies the data from the Center for peace studies and Center for investigation of corruption from Budapest, which presented the results of their research from 2017, in which Zagreb stands at the bottom scale of the European capital cities by public procurement (worse is only the city of Warsaw). (Civilnodruštvo.hr., Newspaper editorial 10/10/2017).

Respect for human rights is clearly not a strong side of Croatia because according to the US State Department's report in 2018 there are issues such as: violence against migrants and journalists and ethnic minorities, and violence and discrimination against women.

Then, the effectiveness of the Croatian judiciary, independence of the judicature, overcrowding of prisons, the issue of missing persons and the freedom of speech are brought into question. (Poslovni.hr., Newspaper editorial 24/04/2019, the complete report can be seen on the link: Hr.usembassy.gov/hr., US Embassy in Croatia).

The latest conducted research of *Eurobarometer* mentioned that the most unfair elements of Croatian society are: nepotism, the problem of bureaucracy and mistrust in the public administration. Croatia found itself among the worst European Union members on that issue.

- "Nepotism is often referred to as one of the most unfair parts of Croatian society that is blamed for everything, from the lack of opportunities for young people - the main cause of their exodus - to the slow, careless and excessively bureaucratic nature of public and state institutions." (P. S., Index.hr., Newspaper editorial 01/03/2019).

Even security, i.e. independence in the judiciary and the judicature is not perceived in a good light. The *Eurobarometer* research notes that 42% of the citizens stated negatively on this issue, while only 4% think the situation is favorable.

- "According to the published data, Croatian citizens have the least confidence in their own judiciary, judicature and judges, or they do not consider it to be independent." (K. K., Index.hr., Newspaper editorial 26/04/2019).

Therefore, Croatia is classified at the bottom of the European Union scale of independence and efficiency of the judiciary. All these preconditions establish its culture, habits, and after all individual and social responsibility in general. The reality of Croatia today is totally opposite, namely social irresponsibility, by state, public institutions, companies of mixed ownership and management, and by private corporations. Some of the examples of social irresponsibility practice in Croatia were summarized in the *Case of the Black book*.

Given all that was said concerning mentioned general social, demographic, legal, and business conditions, it would be a small miracle if basics of business ethics, corporate social responsibility and sustainability are manifested in Croatian businesses. Generally speaking, exactly the opposite phenomenon is manifested, i.e. business immorality, corporate social irresponsibility (Krkač, 2019), and unsustainable development. This stands for the public sector in general (governmental and local) and for public companies or companies that are partially owned and/or managed by the state or local communities such as cities and counties.

- Perhaps the paradox emerges too, because while all these organizations have all of their business ethical, CSR and sustainability principles and practices in place concerning their existence, in the same time they are violating them systematically and without any substantial consequences whatsoever (political, legal, economic or otherwise). This says some concerning the general climate and tolerance of CSI in Croatia nowadays.

10 Concluding Remarks and Further Research

The overall status of BE, CSR and SUS in Croatia from 2013 to 2019 can with some justice be measured only relatively since there are no overall longitudinal researches or at least reliable conclusions based on typical cases. In relative terms, the status in the mentioned period can be put into relation to the previous one and to the other EU member countries, especially those comparable in broad geographical, demographical, social, legal and economic terms. In the first case, what the EU membership revealed on Croatia due to a series of EU mechanisms, procedures and regulations (mostly EC directives) is a measurable status that can be compared to the one from 1991 to 2012.

The results seem to be strange, because in the previous period there were a lot of particular researches that showed some improvement from zero BE, CSR and SUS to some level, but what was the level was not precisely known. However, the period 2013–2019 if compared to the one 1991–2012 showed that this improvement was not even near to the average of the EU given all the data and explication that were supplied here. More precisely it would be fair to suggest that the overall status of Croatia is among the worst in the EU and that no relevant progress was made in the period 2013–2019. This surely suggests that there is a lot of space for an improvement to at least the level of the EU average. However, this is not likely under the present social, legal and economic determinants that among many other issues hugely determine the status of BE, CSR and SUS in Croatia nowadays and perhaps in the near future. In the spirit of at least minimal optimism, for which there is not much evidence, it seems fair to give Croatia the benefit of the doubt in the near future. Improvement is still possible, but given all the necessary and sufficient conditions for it, it seems to have a low probability. In the light of these conclusions it seems extremely important to continue with the research of BE, CSR and SUS in Croatia, to influence its improvement if possible on all possible levels, as scholars, researchers, practitioners and members of our local communities, and to prepare the next review of the status in the following 5–6 years.

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Corporate Social Responsibility in Denmark

Kristian Høyer Toft and Jacob Dahl Rendtorff

Abstract Denmark presents a country with ambitious policies for corporate social responsibility (CSR). This is reflected by the fact that major Danish companies have promoted the global CSR and sustainability agenda since the 1990s. The Scandinavian countries in general have succeeded in earning a reputation as global sustainability front runners, and Denmark is part of that storyline. The general storyline is about a transformation from limited understandings of CSR to more comprehensive conceptions of sustainability that include.

To show this development, the chapter provides a review of CSR in Denmark spanning the last couple of decades with a purview to government initiatives, the significance of the industrial foundations, and the impact of the United Nations Sustainable Development Goals (UN SDGs).

First, two examples are presented of how the government has been actively advancing CSR, making it mandatory for larger businesses to report on the expanding agenda on corporate sustainability, and by establishing 'The Mediation and Complaints-Handling Institution for Responsible Business Conduct' in 2012—this is the Danish national OECD contact point.

Second, particular to the Danish business tradition are the Danish industrial foundations. They can be argued to provide favorable conditions for CSR by means of corporate governance that includes the long-term interest and the common good of society.

Third, from the launch of the UN SDGs in 2015, the SDGs have been embraced across all sectors, ranging from the state to major corporations and civil society. The SDG agenda exemplifies a bottom-up governance approach that adjusts well to the Danish tradition for voluntary engagement in democratic decision-making of civil

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society. We foresee that the SDGs provide a call for new forms of leadership and management.

1 Introduction

Denmark is sharing with the other Scandinavian countries a reputation for being highly committed to corporate sustainability and corporate social responsibility (CSR) (Strand, Freeman, & Hockerts, 2015). Danish CSR also mirrors the key features of Northern European CSR exemplifying a high degree of government activism in the advancement of CSR (Knudsen, Moon, & Slager, 2015). This chapter is a country review of CSR in Denmark, spanning the decades from the mid 1990s until 2019. The chapter proposes to introduce what are significant features of 'Danish CSR'—what if anything, makes Denmark special in the realm of CSR and sustainability?

Based on a narrative review of academic literature, corporate and government reports, web content, and our familiarity with the CSR field as academic researchers, we suggest that the development in Danish CSR from around the 1990s until today shows a clear transformation from a limited understanding of CSR towards a more comprehensive and to some extent normative understanding of corporate responsibility as 'sustainability'. Several factors have caused this development. For instance, one key factor is climate change. With the failure to reach a global climate agreement at the UN COP 15 meeting in Copenhagen in December 2009, it became clear that governments alone could not solve the climate crisis without support from civil society and the corporations. Hence, subsequent to the meeting followed an increased concern for taking climate change into consideration among the largest corporations in Denmark. For instance, DONG Energy (now rebranded as Ørsted), Vestas Windsystems and A. P. Møller Mærsk all started to issue sustainability reports around 2008–2009 addressing the topic of climate change (Høyer Toft & Rüdiger, 2020). Climate change was a corporate game changer in 2009, and today it is a key issue that most Danish corporations, though mostly the larger ones, address in their non-financial reporting (Dansk Erhverv, 2019).

Climate change therefore has been a driver in the turn from narrow CSR, with a limited focus on social indicators, to a reconfiguration of corporate responsibility through the term 'sustainability'.

But the storyline is not so simple, as other drivers have promoted the transformation also; in particular the activism of the state in advancing CSR, the role of the industrial foundations and the impact they have on the Danish business community as well as the recent impact of the SDGs—all of these have driven Danish CSR towards a much more comprehensive understanding of CSR as sustainability, broadly understood to include environmental as well as social indicators. We present an overview of first, government activism in promotion of CSR, second, how the industrial foundations are influencing the agenda of CSR and sustainability, and third, how the SDGs are currently reconfiguring and transforming CSR into a much more comprehensive notion of sustainability. Importantly, we do not propose a theoretical explanation for how the three areas are interlinked, though it is plausible that government activism together with the impact of the industrial foundations helped leverage the SDG agenda among Danish corporations. Our contribution is more modest, to present an overview and description of the Danish historical development from narrow CSR towards a more comprehensive account of sustainability.

2 CSR Institutionalized: Danish Government Engagement

Several studies indicate that Danish companies, especially the larger ones, operate in a highly institutionalized environment, and that CSR is not merely business-driven, but rather highly determined by government intervention (Knudsen et al., 2015; Vallentin, 2015). Denmark is a paradigm example of the highly regulated social welfare state, leaving a marginal space for voluntary CSR (Juul Nielsen & Frederiksen, 2015). CSR first appeared on the public agenda in the 1990s when the former social-democratic led government launched 'The inclusive labour market' program, as a part of its social policy to include marginalized citizens and ensure their access to getting jobs. Vallentin (2015; cf. Morsing, 2005) categorizes this period until a liberal led government took over in 2001 as the 'inclusiveness regime'. In the corporate world, businesses had already by the 1990s begun to embrace CSR. For instance, the triple-bottom-line (Elkington, 1997) had been adopted by the global frontrunner in CSR and sustainability, the pharmaceutical company Novo Nordisk, when issuing an integrated report comprising 'people, profit and planet' for the first time in 1993 (Knudsen & Moon, 2017, 95).

The successive governments have since the 1990s widened the scope of engagement with CSR to include concerns not only for the socially marginalized at the labour market, but have also followed the sustainability trends proliferating within the world of business. Thus, in 2001, when the liberal led government took over, the focus changed to so-called 'strategic CSR', emulating Porter and Kramer's famous 'shared value creation' and its related 'win-win' rhetoric in the understanding that CSR is both good for business and for society (ibid. 88). This shift marks a turn to the 'competitiveness regime', according to Vallentin (2015). It leverages CSR with the purpose of creating optimal conditions for enhancing national competitive advantage—CSR is used to make not only Danish firms stronger in terms of succeeded in the global competition for customers, but also to make the Danish nation prosper on CSR. The government, hence, issued its first Action Plan for corporate social responsibility in 2008, with the main aim of promoting the competitiveness regime. To convince the majority of smaller Danish companies to embark on CSR, the message from the government to the sceptical business owners, who saw CSR as an additional cost, was to present the strict and burdening Danish regulation as a competitive advantage on the, obviously, less regulated world market. Thus, strict domestic regulation could be reconfigured by businesses in a sales pitch for responsible products.

2.1 The Accountability Regime and Human Rights

However, even though the business case argument for CSR permeates all governmental initiatives until today, a further shift happened with the advent of another centre-left social-democratic led government in 2011. In the Action Plan for CSR entitled ‘Responsible growth’ issued in 2012, a shift towards the ‘accountability regime’ could be seen (ibid.). From then on, international principles for responsible business became pivotal. The UN Global Compact’s listing of ten principles had already been embraced by the major business firms by 2012. Importantly, the work of the United Nations Special Representative on Business and Human Rights, John Ruggie, a Harvard political science Professor, resulted in the UN Guiding Principles on Business and Human rights in 2011 (UNGP). The division of labour between businesses and the state in the realm of human rights, relegated the responsibility of business to show *respect* for human rights by carrying out a due diligence procedure with regard to the human rights impacts of any business relationship it had entered or could be linked to. The latter part, of course, raised concerns about the scope of responsibilities a corporation might accrue on the basis of the UNGP. Concerns of human rights violations caused by businesses direct impacts or by their complicity in causing such violations usually regards working conditions through the supply chain. However, with the acknowledgment of any possible complicity in violations of human rights follows a plethora of concerns for how businesses can be blamed. Another key instrument referred to in the ‘accountability regime’ is the OECD Guidelines for Multinational Enterprises. At the core of these guidelines is the conception of the UNGP; so human rights responsibilities are very central to the OECD guidelines.

To further support the increased acknowledgement of international norms of responsible business and trade the government decided to set up the Mediation and Complaints-Handling Institution for Responsible Business Conduct (the MCI) in November 2012. The institution is not a legal court, but an independent body offering an opportunity for individuals or organizations to file a complaint against a corporation, a government or civil society organization. The ideal is restorative justice; to facilitate a dialogue between the parties, so they can resolve the matters themselves. In case, such agreement cannot be reached, the institution can decide and place it on its webpage to showcase it to the public. The OECD Guidelines provide the norms on which the cases are judged, and the institution functions as the national OECD contact point (NCP).

2.2 The Armenian Case

To grasp the inherent political, legal and institutional complexities featuring the cases of this institution, the case of serious human rights violations and environmental pollution from a mining project in Teghut, Armenia, is illustrative (Malling 2019). The Danish Export Credit Agency (EKF) provided "a financial guarantee to Danish Pension Fund's financing of the loan to a Russian bank. The bank financed a loan to company A [the Danish engineering company FLSchmidt], which is operating a mine in Armenia" (MCI, 2018, 3). The MCI decided to reject the complaint on the grounds that the subject of the complaint, the Danish Export Credit Agency, had carried out a proper due diligence in accordance with the principles of the OECD guidelines. The case has been followed and documented in a series of articles by a Danish Journalist (2019). He has been in close contact with the Armenian NGO 'Save Teghut' throughout the entire process from the filing of the complaint to the decision made by the MCI. Perhaps, as an outcome of the MCI process, the Export Credit Agency, in 2017, decided to withdraw from the investment based on the fact that "since 2016, the mine has unfortunately not complied with the terms of the agreement" (EKF, 2017).

This case shows that many actors can be involved in such development projects (including states, businesses, pension funds, state-agencies, civil society and individual citizens). It also shows that issues about jurisdictions and the relevant norms with regard to interpreting the OECD guidelines are at stake. The exemplary high-level involvement of the Danish state in setting up the Mediation institution (the MCI) raises questions about state neutrality in cases like the Armenian Mining project. Should the state get involved in CSR activities of businesses, or should it rather remain a bystander and support it less actively? The answer to this question lays beyond the scope of this review, but we would argue that the high-profile government engagement in CSR gives rise to difficult issues about the nature of CSR as private, market-based and voluntary. Hence, the liberal conception of CSR can be disputed based on the Danish case for CSR.

2.3 Levels of Government Engagement: Mandating CSR

According to Knudsen et al. (2015) the MCI is a clear case of the Danish government's 'mandating' CSR, since the state in this case promotes regulation, norms and standards. They suggest that governments can pick up on at least four ideal-types of engagement in CSR. Governments can *endorse* CSR by using political rhetoric to promote the benefits for companies to spend resources on CSR. Governments can step up the engagement by *facilitating* CSR, by for instance, employing tax incentives. Governments can also engage in *partnering* with business organizations to deliberate about how to develop CSR, or they can *mandate* CSR by the use of regulation. The latter types of engagement resemble an increased level of institutionalization of CSR, and evidences a turn from ‘voluntary’ to ‘mandatory’ CSR.

Knudsen et al. (2015) argue that Northern European countries, and in particular Scandinavia, provide cases for how governments are highly engaged in building institutions to promote CSR in their countries. In Southern Europe and Eastern Europe governments tend to rest content with mere endorsement of CSR and subsequently CSR is less institutionalized.

Another example, in Denmark it has been mandatory to report about CSR in the annual report since 2008 according to an amendment (§ 99a) to the law of the Danish Financial Statements Act (Knudsen & Moon, 2017, 88). The amendment regarded non-financial reporting of what CSR policies, initiatives and results, mainly larger companies should account for. No obligation to actually pursue any concrete CSR activities was issued by the government on businesses, rather the mandatory requirement regarded solely to make public what, if anything, a company was doing to promote CSR—hence, corporations have to either *comply or explain*. Thus, no requirements about targets and thresholds are contained, merely an appeal to embark on voluntary CSR, based on, for instance, the norms of the UN Global Compact. Thus, even though it is still voluntary for a business to do CSR, it is nonetheless not voluntary to choose whether to report about such CSR activities and policies.

Denmark is a CSR front runner also by exceeding the requirements of the EU Directive of 2014 on the disclosure of non-financial and diversity information by large companies, since the Danish amendment on mandatory non-financial reporting requires about 1000 firms to report, whereas the EU Directive would have required a mere 50 to do so (ibid. 91, 97).

In 2012 and 2015 further amendments were made in the law by explicitly mentioning further legal duties by corporations to report on issues about human rights, climate change and diversity in the boards of directors (ibid. 93).

To put the Danish case in perspective, it is clear that the high level of institutionalization of CSR and government engagement is in tension with the liberal ideal permeating most CSR as a voluntary business requirement. The Danish case also shows that the influential idea of the absent state, or weak state, shared by influential theories of corporate citizenship (Matten & Crane, 2005) and Political CSR (Scherer, Rasche, Palazzo, & Spicer, 2016) is to some degree ‘falsified’. In all fairness, political CSR is mainly about the global level and focuses on weak nation-states, mostly among developing countries, and therefore the theory is not crafted to say much about countries like Denmark. However, even though the Danish state also uses CSR to hand over political responsibilities to the private business sector, it still plays a very active and ‘visible’ role when doing just that (Knudsen & Moon, 2017). Hence, the Danish case exhibits some traits that could provide case material for further developing and discussing the theories of corporate citizenship and political CSR.

3 Industrial Foundations and Long-Term Corporate Governance

We now shift our focus from the state and the government to the corporate level. Several features characterize the way Danish corporations engage with CSR. First and foremost, the majority of Danish companies are smaller and medium sized (95% of which have less than 50 employees), and therefore tend to be cautious about investing in, what is perceived as, risky CSR programs. Mainly the larger companies with over 500 employees engage in CSR. Among those 82% engage with CSR compared to the lower 59% of smaller companies with 10–15 employees (Dansk Erhverv, 2019).

Among the 100 largest corporations in Denmark, about a quarter are owned by the so-called industrial foundations (Hansmann & Thomsen, 2013). They are foundations created with the purpose to run a particular business according to the foundation's charter laid down by the founder, who is usually the entrepreneur and owner who wants to ensure the future of the company. Moreover, often with the intention to ensure that the company contributes to the common good of society in the future by also engaging in philanthropy.

This is placing Denmark as a global leader, counting 1362 industrial foundations in 2017 (ibid. 318; Fondenes Videnscenter, 2019). World famous companies like the brewery Carlsberg, the shipping firm A. P. Møller Mærsk and the pharmaceutical company Novo Nordisk are all controlled by industrial foundations. Such companies tend to operate with a long-term strategic perspective, because the owning-foundations are not only driven by maximizing profits and prioritize to spend profits on philanthropy or re-investments in their companies. They often exist for centuries like the Carlsberg brewery whose ownership by the Carlsberg Foundation dates back to 1882 (ibid. 5). The industrial foundations are not to be confused with family foundations or charity foundations—for instance, Lego is partially owned by the family foundation Kirkby (75%) and the industrial foundation, the Lego Foundation (25%) (Lego.com).

The foundation is independent as it is financially well-off due to the donation it received from the founder, and typically, the board is elected to include members from various sectors of society. For instance, the Carlsberg Foundation's board is appointed by the Royal Danish Academy of Sciences, with the outcome that a number of university professors have been elected as board members. The corporate form and governance of the industrial foundations are thus different from the ordinary joint stock shareholder owned company.

Research conducted on the industrial foundations provides evidence, that even though they manage their companies with a long-term interest, prioritizing philanthropy and corporate social responsibility they perform financially as good, if not better, compared to ordinary shareholder run companies (Børsting & Thomsen, 2017, 331). This can partly be explained by some positive effects following from disposing of long-term committed capital, and having loyal employees who are tenured and therefore dare to invest and develop their skills over time within the company. These are competitive advantages that short-termism tends to undermine.

For instance, some of the larger industrial foundations have recently announced that they want to increase investments and engagements within the grand challenges of climate change and digitalization. The Danish parties in the parliament in 2018 agreed to financially support elite research through the establishment of new so-called Pioneering Centers. Several of the major industrial foundations have in concert supported the Pioneering Centers (Danish National Research Foundation, 2019).

Hence, the industrial foundations engage in a *partnership* with the state to advance social responsibility in society in the case of the pioneering centers (Knudsen et al., 2015). Often when the state is lacking in resources corporations enter, as corporate citizens, to compensate the state, here in financial terms of supporting academic research on the Grand Challenges (Matten & Crane, 2005).

Speculations are made about the significance of the cultural-historic context to explain the philanthropic mindset of the foundations and the companies they are running. For instance, Kristensen and Morgan (2018) argue that the Danish tradition for an egalitarian democracy and public deliberation—as found among co-operatives dominant in the agricultural sector—might explain why the industrial foundations are so prevalent in Denmark compared to other countries. Another, and similar reason can be found in the Danish tradition for business partnerships with civil society organizations (Lodsgård & Aagaard, 2017).

David Ciepley in an explorative article searching for new forms of corporate governance that could increase corporate accountability, praises the Danish industrial foundations for global role models (Ciepley, 2019). He partially confirms Kristensen and Morgan's hypothesis, when he argues that the libertarian US by law prevents the non-profit industrial foundations to own more than 20% of the votes in a company. Hence, the US has advanced the shareholder profit-driven firm through regulation leaving limited chances for alternative corporate forms like those run by the Danish industrial foundations, according to Ciepley.

Looking to the companies owned by the industrial foundations are among those most committed to CSR and sustainability. For instance, the water pump producer Grundfos, primarily owned by the Poul Due Jensen Foundation (and the founder's family), is highly engaged in sustainability. The current CEO Mads Nipper (2014-) is explicitly reforming the entire company in accordance with the UN Sustainable Development Goals (SDGs); in particular, goals 6 and 13 of clean water and sanitation, and climate change are chosen as key goals at Grundfos.

The industrial foundations can be considered as pivotal to Danish CSR and sustainability. They might not be visible to observers of CSR performance, but they certainly provide possible key explanations for why several of leading Danish companies perform well with regard to corporate responsibility without losing sight of the financial bottom-line.

We now turn to the UN SDGs as they have influenced the Danish CSR agenda to a large extent since their inception in 2015.

4 From CSR to the Sustainable Development Goals (the SDGs)

A milestone for development of business sustainability, business ethics and corporate social responsibility has in Denmark since the Brundtland World Commission on the Environment's report *Our Common Future* been to apply the UN's work for sustainable development to make the concept of sustainable development the basis for the development of Danish society (Rendtorff, 2018a, 2018b, 2019). By sustainable development is above all understood that present generations of humanity have the responsibility to leave the earth and its resources in good condition for future generations (World Commission, 1987). The concept of sustainable development does not only have to focus on the future in terms of utility, but rather sustainability should be based on this fundamental responsibility to preserve the Earth for future generations. From this point of view, ethics of sustainability is considered a unique concept that can help businesses to advance because the program of sustainability has managed to formulate some principles of the world's global development that integrates social, environmental and economic issues in an overall conceptual framework that also applies to Danish businesses.

Both public institutions and organizations and private companies have pushed the SDG-agenda in Denmark. With the former social democrat Mogens Lykketoft as President of the United Nations General Assembly session in 2015 that decided the SDGs, Denmark has politically had a top involvement in the SDGs, which has influenced the general conceptions of CSR and sustainability in the country. Moreover, the presence of the UN in the public debate and consciousness of Danish people due to the UN-city in Copenhagen, hosting several UN-agencies has also been an important driver of this move from CSR to SDGs. Not least because of the many business opportunities that Danish corporations, organizations and institutions see in the SDGs.

4.1 General Movement in Denmark from CSR to Sustainability

Many companies and business people are interested in the implicit philosophy of the UN Sustainable Development Goals. Present in the formulation of the SDGs by the United Nations we find first the ethics of global responsibility (Rendtorff, 2018a, 2018b, 2019). Moreover, there is a strong presence of ethical principles that gives us an opportunity to evaluate the values and ethical principles of the SDGs. In particular, we will present the philosophical discourse of the SDGs. This methodological foundation to this approach to theory and practice of management is philosophy of management (Rendtorff 2013a, 2013b, 2013c, 2013d). In this perspective, the development of the SDGs in Denmark can be considered as a general institutionalization of CSR (Rendtorff 2011), business ethics (Rendtorff 2009a, 2009b) and values-driven management (Pedersen and Rendtorff 2004).

Based on this discussion of the ethical and philosophical dimensions of the SDGs an important challenge is how businesses can make sense of the 17 SDGs in the perspective of philosophy of management and sustainability. In headlines the 17 SDGs of the UN 2030 Transforming the World Agenda are the following: 1) No poverty. 2) Zero hunger. 3) Good health and wealth being. 4) Quality education. 5) Gender equality. 6) Clean water and sanitation. 7) Affordable and clean energy. 8) Decent work and economic growth. 9) Industry innovation and infra-structure. 10) Reduced inequalities. 11) Sustainable cities and communities. 12) Responsible consumption and production. 13) Climate action. 14) Life below water. 15) Life on land. 16) Peace, justice and strong institutions. 17) Partnerships for the goals (UN SDGs, 2015).

Accordingly, sustainability, including business sustainability, is one of the most pertinent challenges of business development in Denmark. Following the foundational definitions of sustainability, the UN Sustainable Development Goals (SDGs) from 2015 represent an attempt to operationalize sustainability by specifying targets and indicators for each of the 17 goals (UN, 2015) that has been very much endorsed by Danish businesses. Businesses now play an important role in this sustainable development (Van Zanten & van Tulder, 2018) and many businesses in Europe and the world have embraced the agenda (Rendtorff, 2018a, 2018b, 2019). Moreover, the European Union regards corporate social responsibility and ecological sustainability basic components in the formation of new partnerships both locally and internationally. It highlights in this context that not only multinational companies but also small and medium enterprises (SMEs) can help to build commitment to corporate social responsibility of Danish businesses.

Systematic investigation of SDGs in business transitions towards sustainability in philosophy of management and ethical leadership, CSR and corporate responsibility and sustainable economics is a new field of theoretical and practical research that is becoming increasingly important in Denmark (Rendtorff, 2018a, 2018b, 2019). This an important development, since many European and global businesses are moving very fast towards SDG-Leadership. Here, Danish businesses focus increasingly on ethical leadership in philosophy of management in order to integrate different traditions of leadership models of business ethics, including the ethical manager, organizational ethics, values-driven management and governance ethics in organizations (Treviño, 1986; Treviño, Hartman, & Brown, 2000; Treviño, Brown, & Hartman, 2003; Treviño & Brown, 2004; Brown & Treviño, 2006).

The great challenge of ethical leadership is now to develop an embedded concept of transformational SDG-leadership in the transition towards sustainable development. Management of CSR and sustainability are required to focus on the triple bottom-line (Elkington, 1997; Kashmanian, Wells, & Keenan, 2011; Norman & MacDonald, 2004) and on clarifying concepts of responsible business, e,g. political CSR (Scherer et al., 2016; Scherer & Palazzo, 2011; Scherer, Palazzo, & Matten, 2014), creating shared value (CSV) (Porter & Kramer, 2003, 2006, 2011). There is an increased requirement that leadership and management practice in this context must focus on the "gap frame" of translating SDGs into embedded, institutional and collective responsibility in value-creating business cases (Hildebrandt, 2016). Application of theory and practice of ecological economics, as well as sharing and circular economics are required to focus more on the transition towards sustainability (Nielsen, 2013, 2015). This is applied at the micro-, meso- and macro-level of society. But deeper understanding of embedding sustainability into business management and economics is still in development. Moreover, the use of these economic theories to develop SDGs is still not accomplished. So focused management practice is needed to understand SDGs and sustainable economics.

4.2 SDG-Leadership as the New CSR Trend in Denmark

An illustrative example of this movement from CSR to SDG-leadership in Denmark is the collaboration on SDG-leadership between the Danish Think Tank and News Analysis Organization *Mandag Morgen* and CSR-forum, which is a knowledge sharing network organization for CSR-professionals of Danish companies http://taenketanken.mm.dk/sdg-leadership/. In order to move the CSR agenda into the SDG agenda CSR-forum and *Mandag Morgen* established the project on SDG-leadership, which is a common platform for business, corporations and public institutions who would like to make the SDGs an integrated part of their activities. This project on SDG-leadership wanted to improve the work of Danish business and public institutions on all 17 sustainable development goals. Danish business would need tools and methods to improve their alignment with the SDGs.

The discourse justifying the rationality behind this need for network creation and knowledge sharing is the obvious concern of being socially responsible and contributing to sustainable development in particular with regard to climate change. But in addition to this the focus on SDGs is also based on the willingness to do business implying that many Danish companies and organizations have realized the economic potentials of the UN SDGs in relation to exports, innovation and investments possibilities of the UN SDGs. However, the reason behind the network creation is also the obvious difficulties and challenges that many companies have when they try to apply abstract and general world goals to the particular local context of Danish business. Both private and public institutions and organizations need more input and inspiration if they want to realize the SDGs in practical business and organizational development, in particular when they want to transform the goals into action that makes a difference in Danish and world society. http://taenketanken.mm.dk/sdg-leadership/ (accessed 2.3.2021). Accordingly, the SDG-project consists of different networks focusing on knowledge sharing between different organizations and branches in order to improve knowledge sharing in relation to leadership, innovation, reporting and municipality.

The focus of the project on this topic is a good example of the strategic conception of CSR in Denmark. Although political CSR always has been important in a the Danish Nordic democracy with stakeholder dialogue as an important dimension of business, CSR has always had a strong dimension of strategic thinking, following Michael Porter's concept of creating shared value. This combination of political CSR and strategic CSV is characteristic for the Danish discourse of SDG-leadership. The interest in SDG-leadership and sustainable development goals is directed towards showing responsibility and ethical awareness but also to improve strategic management and reporting of CSR in Danish business organizations and municipalities.

The SDG-leadership project presents a discourse of SDG-leadership as sustainable innovation and implementation http://taenketanken.mm.dk/sdg-leadership/. The triple combination of generally institutionalized CSR-reporting, political CSR and strategic focus on creation of shared value (CSV) is present in the description of this theme. There is a combination between sustainable development, growth and investment in new sustainable solutions both in private and public organizations and institutions, in particular with focus on new partnerships between business, public institutions, NGO's and civil society. The fact that the UN has established a UN-city in Copenhagen, Denmark has contributed to this presence of the SDGs in the Danish business environment, e.g. with the UNDP's.

SDG Accelerator project where many Danish production companies have been involved in developing new sustainable innovation processes.

The SDG-leadership project defines sustainable leadership as related to the need of a great ecological and economic transformation of business in the world system. This transition is considered as challenging but also as opening new opportunities http://taenketanken.mm.dk/sdg-leadership/. SDG-leadership aims a solving world problems of poverty and the environment. Following the general political and social focus in Denmark sustainable leadership is linked to the necessary external and internal sustainable transformation at all levels of the organization in relation to all stakeholders, including management, shareholders, employees and customers. SDG-leadership is nearly considered as a kind of revolutionary transformation of conservative business cultures and business logics. http://taenketanken.mm.dk/sdg-leadership/.

In this context, the network of SDG-leadership project has in 2019 developed 10 dogmas of sustainable management, which illustrates the combination between political CSR and shared value (CSV) thinking in the movement from CSR to SDGs, which characterizes the contemporary development of CSR in Denmark. The 10 dogmas can be summarized as the following: (1) "There is a higher goal: life (the outside world)". This implies that concern for life and planet survival always is more important that business and management. (2) "Start with yourself (You)". Individual responsibility is essential and the individual should preserve integrity and trust in order to contribute to world transformation. (3) "Be the steady force that makes the difference". The leader should have steady and stable focus on sustainability in constant movement. (4)"Think about the past, present and future". The leader should be balanced and responsive, but also have a strong vision of sustainability. (5) "Make a plan based on how you want to be remembered". Here the leader should have focus on imprint on the world and plans for sustainability. (6) "See both threats and opportunities for business model". Here, it is emphasized that world goals are essential for a future-oriented sustainable business model. (7) Define "closest development" both for you as a manager and for the company. Immediate small steps are important for future sustainability. (8) "Preserve complexity". It is important to maintain understanding of complexity in sustainability management (9) "Think economic growth, socially and environmentally". In this we can see how the triple bottom-line is integrated in sustainability with optimization defined both as economic, social and environmental optimization.(10) "Do it together—in partnerships". Here the leadership dogmas stress the need for new creative partnerships between industries and sectors in order to think and act sustainability together. http://taenketanken.mm.dk/sdg-leadership/.

Accordingly, the SDG-leadership concept does not restrict sustainability and CSR concerns to private companies. With the concept of partnership between public and private and mutual involvement of business and public institutions in the UN-sustainability agenda there is increased focus on public organizations and institutions. The SDG-leadership project focusses on the value-adding role of Danish public companies and municipalities and their contribution to mutual welfare creation http://taenketanken.mm.dk/sdg-leadership/. It is interesting how this means that CSR and sustainability moves into political organizations, like municipalities that are very active in formulating strategic visions for the SDGs. This shows how the discourse of partnerships has become increasingly important in Denmark to provide a contribution to the transition towards sustainable development.

This case of a SDG-leadership project is a very good example of the new sustainability discourse in Denmark where the general trend is that everybody is responsible for sustainable development and that both public organizations and institutions and private companies are required to contribute to the common future by combatting climate change, preserving the environment and create human welfare. Many public institutions like municipalities and universities like Guldborg Sund municipality or University of Southern Denmark with explicit SDG strategies are very eager to make SDG leadership and management an integrated part of this approach to sustainability. Most major big companies, like Carlsberg, Maersk, Rockwoll, Coloplast, Lego, Grundfos, Jysk, Novo Nordisk, Novozymes, Ørsted, Chr. Hansen etc. in many different kinds of businesses contribute to this effort to make SDG-management an integrated part of their business.

Nevertheless, a critical question may be whether all this focus on the SDGs really imply a new horizon for business management. Indeed, critical voices argue that this is nothing but "SDG-Washing", which is a new kind of green-washing of the business where we continue as usual, but try to make it look like that we are developing our business within the horizon of SDGs (Rendtorff, 2018a, 2018b, 2019). A further criticism may be that this taking over the CSR-agenda by the SDG agenda may lead to destruction of the new perspectives for CSR so that businesses forget CSR and move into sustainability management with less focus on traditional concerns of CSR, e.g. responsibility for employees or towards customers.

5 Discussion and Conclusion: Interpretations of the Transformation from CSR to the SDGs and Sustainability in Denmark

How does this focus on the move from CSR to sustainability and the SDGs change the academic discussion about the role of business in society? How can we interpret this turn from the point of view of theory and philosophy of management? We will now try to formulate some theoretical concepts in order to understand this turn from CSR to SDGs in Danish business management. This interpretation reflects theoretical developments in research in SDGs (Hildebrandt, 2016) and the great transition towards sustainability (Nielsen, 2013; Nielsen, 2015). However, it also presents some of our own points of view on business ethics and CSR (Rendtorff, 2009a, 2015; Rendtorff, 2019).

The focus on the SDGs in Denmark implies concept of social entrepreneurship and circular economy. The research on these topics at Roskilde University may illustrate this combination between SDGs and circular economy, which is a presupposition of the concept sustainable development in Denmark. Centre for Interdisciplinary Research and Education in Circular Economy and Sustainability (CIRCLES) at Roskilde University is an interdisciplinary research center focusing on circular economy and sustainable development (Rendtorff, 2018a, 2018b, 2019). This center illustrate the Danish search for interdisciplinary concepts of sustainable development since the research center combines research across natural science, humanities, social science and technical sciences (www.ruc.dk). The vision of research on sustainability focusses on the SDGs, but sees them in the broader interdisciplinary perspective of the circular economy. The implied concept of sustainable development is to focus on systemic change and innovation across sectors in society. In this context, Roskilde University follows the concept of circular economy from the European Commission, which has had widely influence in Denmark as generally in Europe: "Circular economy systems keep the added value in products for as long as possible and eliminate waste. They keep resources within the economy when a product has reached the end of its life, so that they can be productively used again and again and hence create further value". This concept of the circular economy also relates to the need to develop new business models, for example social entrepreneurship models for social and sustainable innovation.

Thus, we emphasize that in the hypermodern society, there is a demand for linking authenticity with sustainability addressing disruptive challenges to traditional business systems. In academia, there is an increased awareness of these disruptive challenges, which imply great changes in traditional concepts of CSR, business ethics and sustainability (Rendtorff, 2018a, 2018b, 2019). Because of the theoretical dimensions of philosophy of management in sustainability, including the concept of responsibility, the reality of the Anthropocene, cosmopolitan conditions of contemporary management philosophy, and sociology of the hypermodern society, there is an emerging focus and interest in the historic developments and contemporary transformations of economic theory towards the paradigm of the great transformation towards sustainability.

Indeed, the concept of the hypermodern experience economy explain some of the tendencies of economic transformation that we experience in contemporary Danish and global economics and society. The challenges of sustainability of the contemporary economic system include a) global environmental degradation, b) increasing global inequality, c) disruption of traditional business systems, d) unforeseeable rapid technological innovation, e) global insecurity and instability of market structures, e) global disruption of human work and life-forms. In all of this, there is an increased need for a transformation to a more sustainable global economic system (Rendtorff, 2018a, 2018b, 2019).

With this description of the historic foundations and present challenges of contemporary concepts of philosophy of management and sustainability, we can elaborate on different elements of new business models of sustainable pro-social business. These are a) new practices of new practices of pro-social business b) social entrepreneurship for innovative ideas c) sharing economy d) ecological economy, e) circular economy f) platform and digital economy g) robot and robots economics h) general ideas of the emergence of multitude of economic bottom-lines in business, management and leadership (Rendtorff, 2018a, 2018b, 2019).

The new forms of economies can be presented as the foundations of transformations of management and leadership towards sustainability. These concepts of management and economic philosophy can be said to be developments of historic and current transformations of the concept of sustainability. From the presentation of the new economic concepts and management, there is an increased awareness of the need to begin the effort to rethink sustainability with philosophy of management. This theoretical and practical effort takes its starting point with the history of the efforts of the United Nations to develop a global concept of sustainability. Here, academics look at the history of the concept of sustainability and relates it to the hypermodern economy and to the emergence of new economic forms and business models.

This discussion of the philosophical dimensions and implications for management of each of the SDGs opens for a deeper level presentation of the business ethics of the sustainable development goals. This includes a future evaluation of the SDGs in terms of particular ethical philosophies, including existential ethics, virtue ethics, utilitarianism, communication ethics, capability theory and cosmopolitanism, and sustainability management for corporate citizenship. With these, we see how the SDGs can be seen as developments of specific concepts of ethics that are implied in their vision of sustainability. This is an important issue although it is not as developed yet in the Danish context of business management for sustainability (Rendtorff, 2018a, 2018b, 2019).

When we talk about business sustainability and organizational responsibility, we move from the ethical level towards the level of implementation of the SDGs in the management practice of business organizations. Here stakeholder management is essential for realizing the vision of partnerships of the SDGs. This includes a) new SDG business partnerships, b) New SDG performance management systems, c) the

SDG compass as a management tool for SDG leadership, d) The SDG leadership concept as based on the emergence of multiple business bottom-lines. Here we aim at developing new SDG leadership models for dealing with visions of SDG leadership in organizations. Indeed, in this context, there is also a pressing question of how to deal with the problem of SDG-washing that many companies are proposing (Rendtorff, 2018a, 2018b, 2019).

Hence, we can move towards the presentation of the elements of the philosophy of management and SDG-leadership with regard to future pro-social business and sustainable business models. Here the challenge is to evaluate models of implementing SDGs at different levels in micro, meso-and macro dimensions of business and economics. Relevant issues to address are social entrepreneurship and sustainability, social responsibility in the ecological firm, circular economies and transnational corporations, sharing economy and good corporate citizenship, and management of artificial intelligence in sustainable corporations. These constitute important future issues for understanding the business model of sustainable development.

Accordingly, many businesses work to formulate dimensions for a use of SDGs in a strategy for business of sustainable development. Here, SDGs function as elements of a business strategy and a leadership philosophy of sustainable development. The problem is how we can organize a business for sustainable developments. The development of a strategy also involves making abstract philosophical evaluations more specific and "hands on" in relation to the reality of business management organizing for sustainable development.

Thus, as this discussion shows there are many problems and issues to be faced in Danish business academic discussions about sustainability and SDGs, there is an increasing effort to formulate new insights, ideas and visions with regard to rethinking management for sustainable development in order to make sure that we really move towards a new and more sustainable society.

Regarding the developments of "Danish CSR" into "Danish Sustainability" we can observe that there is an increased interest among Danish companies to move from CSR to the sustainable development goals (SDGs) of the United Nations of the 2030 *Transforming the World Agenda* from 2015 as a contribution to CSR and transition to sustainability (United Nations 2018a, 2018b, 2019). The SDGs combine political aims with visions of economic development and social justice and therefore they are important for business ethics and CSR, seen from both business and government perspectives. Thus, the SDGs constitute a driver for ethical economic development and social change in Denmark. However, there is a need for critical analysis of the possibilities of SDGs to function as a vision and strategic tool for management and governance. There is indeed the danger of SDG washing that is very present in these developments. Looking at the theoretical interpretations of SDG agenda, it is important to evaluate critically the SDG's scope and potential for CSR, business ethics and corporate sustainability. This involves the problem of how the SDGs can contribute to a transformation towards another and more sustainable economy. In the discussion of the philosophy of management of SDGs and business ethics, we presented some of these challenges.

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Corporate Social Responsibility in Finland

From Environmental Management to Truly Sustainable Business: Adoption of Responsible Practices by Finnish Industries

Mirja Mikkilä, Katariina Koistinen, Anna Kuokkanen, and Lassi Linnanen

Abstract The desire for sustainable development (SD) and its implementation within business has emerged during the past decades calling for more effective production in response to human needs in the social, economic and environmental dimensions. Institutionalization of environmental management practices was the first phase of business responsibilities. The concept of corporate social responsibilities took place in the second phase of the responsible business debate. The ongoing third phase is turning the organizational inside-out perspective to an outside-in approach (i.e. the business contributes products and services to resolve pressing sustainability issues in its society).

Using the institutional organization theory as a background for the conceptual framework based on environmental management, value creation through corporate responsibility and truly sustainable business models, this paper analyses the development of corporate responsibility reporting in three Finnish large-scale companies representing the energy, grocery, and pulp and paper sectors. Evidence for the development of business strategies from environmental management towards truly sustainable business were looked at through qualitative analysis.

Finnish large-scale companies have been the forerunners in the adoption of global responsibility and reporting practices. The content of the studied report was developed most intensively from the late 1990s until the mid-2000s. The content analysis demonstrated the adoption of well institutionalized managerial concepts, namely environmental management and corporate responsibility. The reports shared little evidence of the adoption of truly sustainable approaches. However, the homepages of all three companies indicate large potential for this kind of positive impact.

Globally acceptable reporting frameworks provide a large set of sustainability criteria that could provide new perspectives to evaluate the sustainability of operations. This standardized reporting seldom leads to a wider consideration of the potential for value creation and the larger sustainability impacts of operations,

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since companies (commonly) apply the parts of the larger framework that are relevant to daily business.

1 Introduction

Business begins with value creation. It is the purpose of the institution to create and deliver value in an efficient enough way that it will generate profit after cost (Jorgenson, 2015). Value creation of business enterprises are monitored through financial reporting. Gray (2006) questioned the role of a strictly financial focus when improving business operations. The consensus of calling for sustainable development (SD) and its implementation within business has emerged, covering all kinds of sustainable manufacturing as well (Jovane et al., 2008). Kaihara et al. (2018) called for more effective production in response to human needs in social, economic and environmental dimensions.

Demands for sustainable business created the need for a more diverse measurement of operations. Elkington (1998) called for an equal three-part approach to accountability and looked towards a time when an organization's annual report would comprise three equally emphasized and equally reliable sections relating to the economic, social and environmental activities of the organization.

The triple bottom line (TBL) system was developed for the more comprehensive monitoring and diverse annual reporting of business. Gray (2006) assessed the approach, recognizing that current emphases and balances within society are probably inimical. Simultaneously, it seems to believe that whilst societies and business may need to reform organizational emphases and even the structures and governance of organizations, the basic systems of economic organization are probably satisfactory, salvageable and reformable when considering the three dimensions of businesses (Fig. 1).

The reporting practices do not automatically lead to more profitable or sustainable operations. Scholars and practitioners have made attempts to show value creation through responsible operations, but there is little concrete evidence. Current accounting practices may explain this; regardless of the well-known triple bottom line approach, financial statements focus strictly on business figures. Hence, direct or indirect value creation is challenging to concretize within the current practices.

The value creation debate has developed further towards a truly sustainable business approach. The ongoing third phase of the responsibility debate and practices turns the organizational inside-out perspective to an outside-in approach (i.e. the business contributes products and services to resolve pressing sustainability issues in its society). The third phase is relatively new, thus, reflecting little in the reporting practices of industries.

The presented theoretical path is reflected in the corporate social responsibility (CSR) approached by Finnish industries at large. Responsibility as such is a value and time bound concept, inevitably reflecting changes in the societal situation and debate with time and place (Mikkilä, 2006). The adoption of responsible operations

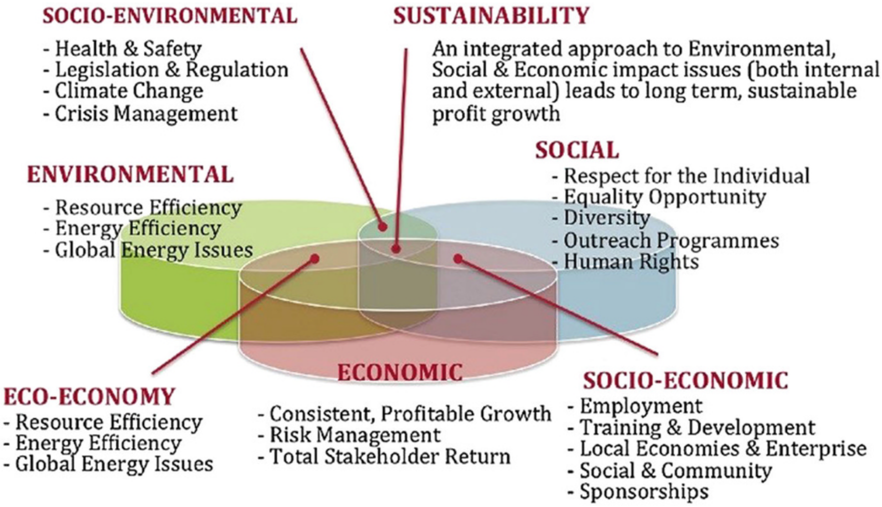

Fig. 1 Triple bottom line of manufacturing (Jovane et al., 2008; Kaihara et al., 2018)

by companies has closely followed the public debate in society. The historical development of corporate responsibility in Finland can be divided into three phases: industrialization, emerging of environmental awareness and globalization. In this regard, Finland has followed many of the practices of the Nordic and central European countries (Mikkilä, Linnanen, & Panapanaan, 2015). Following rules and standards as well as an emphasis on the environmental dimension of CSR characterizes much of the Nordic-German responsibility approach. Consequently, Nordic industries have a long tradition in well-established CSR reporting practices (Mikkilä, Panapaan, & Linnanen, 2016). Thus, corporate reporting provides fruitful material for investigating the development of CSR approaches within Finnish industries.

This paper aims to find evidence of truly sustainable business within industry practices by studying the development of responsibility management through three Finnish case companies representing globally significant sectors: energy (Fortum), grocery (Kesko), bio economy, and pulp and paper industries (Stora Enso). First, the theoretical framework based on the institutional organization theory is briefly introduced. Next, the conceptual development of corporate reporting from environmental management through corporate responsibility to truly sustainable business is reviewed, followed by the introduction of the case companies and context. The results of the qualitative content analysis are then shown. Finally, conclusions are drawn, providing some further development ideas for both scholars and practitioners.

2 Theoretical and Methodological Considerations

2.1 Institutionalization of Organizational Behaviour

Both practical observations and theoretical findings guided the theoretical basis—the institutional organization theory (Powell & DiMaggio, 1991). Theory and research on institutionalization have generated an understanding of the processes that define and explain institutionalization in organizational environments and their influence on organizational conformity to the environment (Oliver, 1991). The central assumption of the institutional theory is that institutional environments exert a potent conforming influence on organizations' attention. Social, economic and political factors constitute an institutional structure of a particular environment, which provides firms with advantages for engaging in specific types of activities there. Businesses tend to perform more efficiently if they receive institutional support. However, Oliver (1991) recognized that the institutional perspective has also been increasingly criticized for its lack of attention to the role of organizational self-interest and active agency in organizational responses to institutional pressures and expectations.

Braam, Uit de Weerd, Hauck, and Huijbregts (2016) concluded that legitimacy plays an important role in companies' choices concerning environmental disclosure. Mikkilä's findings support this in that the first responsibility initiatives among Finnish industries were based on ad-hoc reactions to the case at hand rather than systemized responsibility strategies in international operations from the 1970s to the 1990s (Mikkilä, 2006; Mikkilä et al., 2016). For example, employees' positions when closing production units and outsourcing, industrial pollution, and acceptable utilization of natural resources were discussed intensively with various stakeholders. This has led to an intensive responsibility debate and institutionalization of the responsibility approach by governmental, non-governmental and industrial sectors in the 2000s.

Responsibility as such is a value and time bound concept, inevitably reflecting changes in the societal situation and debate with time and place (Mikkilä, 2006). The adoption of responsible operations by companies has closely followed the public debate in society, indicating the institutionalization of the related values and practices. The concept of institutionalization provides the theoretical framework. The development of the responsibility concept within industries is studied through the reporting practices named environmental, corporate responsibility and sustainability.

3 Conceptual Development of Sustainability Approaches within Business

3.1 Environmental Management

Environmental management can be considered as the first institutionalized approach to consider managerial issues that go beyond the traditional financial dimension of industrial operations.

Barrow (2005) acknowledged environmental management to be a goal or vision, an attempt to steer a process, an application of a set of tools and a philosophical exercise seeking to establish new perspectives towards the environment and human societies. Environmental management therefore involves many stakeholders and requires a multidisciplinary perspective. It involves many spatial scales, ranging from the local to the global. It also involves many diverse goals, including the desire to control the direction and pace of development, to optimize resource use, to minimize environmental degradation and to avoid environmental disaster.

From this point of view, environmental management may be defined as the system that anticipates and avoids, or solves, environmental and resource utilization and conservation issues. On the other hand, environmental management may be defined as a process concerned with human-environment interactions which seeks to identify: (a) what environmentally desirable outcomes are; (b) what the physical, economic, social, cultural, political and technological constraints to achieving those outcomes are and (c) what the most feasible options for achieving those outcomes are (SOAS University of London, 2018).

An environmental management system (EMS) is a voluntary management tool that aims to improve an organization's environmental performance through an integrated and systematic approach to dealing with environmental issues. Firms and other types of organizations have been implementing environmental management systems for more than two decades. They may design their own EMS or, alternatively, they may follow the guidelines laid down by third parties, such as the International Standard Organization's ISO 14001 Standard or the European Union's EMAS regulation.

Several different impacts of EMSs have been identified over the years. Many of these are managerial related in nature, which include better organization of work and reduction of risks. However, a long-lasting debate has emerged in the literature regarding the environmental benefits of EMSs. Often, a positive impact is seen when examining individual organizations, while large-scale surveys provide ambiguous results (SOAS University of London, 2018).

As a result, both the International Standard Organization and the European Union have recently revised their guidelines to involve more concrete requirements regarding the collection of information and the measurement of data relating to actual environmental performance (Gyula, 2017). Figge and Hahn (2013) expanded the debate on environmental management by considering the value-based approach as it relates to the concept of eco-efficiency and considering this as a standard for managerial decision making in an environmental context because it seemingly reconciles the efficient use of capital and environmental resources.

Finnish industries started to launch environmental management systems in the 1990s, and this has been reflected through environmental reporting since the late 1990s. Mäkelä (2016) observed Finnish pulp and paper companies reporting on a massive number of indicators but focusing mainly on input and output indicators. Furthermore, the environmental performance of their supply chains was considered only marginally in the reporting. This leads the challenge to obtaining a balanced view of environmental performance. Regardless of the reporting practices, among the Nordic and central European countries, Finland has been a forerunner both in qualitative and quantitative terms of reporting (Kuisma & Temmes, 2011).

3.2 Value Creation through Corporate Social Responsibility

Globalization enlarged the business debate from environmental management and related reporting to cover various social issues since the late twentieth century. Respectively, business language has adopted the concepts of corporate (social) responsibility and corporate sustainability and covers many environmental issues, too.

Regardless of the institutionalization and intensive strengthening of various operational practices, the responsibility approach has reached a relatively low strategic position in corporation management. The concept remained a rather normative reporting concept mainly due to the indirect connection between productive operations and the moral concept of responsibility. This led to the attempts by scholars and practitioners to concretize value creation through responsible operations.

Scholars aimed at proving the value creation potential of responsible practices, but many of the works ended up being more of a managerial recommendation than concrete evidence on value creation. For example, Burke and Logsdon (1996) examined social responsibility programmes which create strategic benefits for firms. The five strategic dimensions they identified which help to assess the value created for the firm by responsibility programmes are: centrality, specificity, proactivity, voluntarism and visibility. However, the outcome of their work consists of managerial recommendations but gives little concrete evidence on value creation. Husted and Allen (2007) aimed at modelling how the strategic management of CSR may contribute to improving firm profitability by examining the impact of three strategic CSR variables—visibility, appropriability and voluntarism—on value creation and ended with the conclusion that understanding of the similarities and differences between corporate responsibility and other traditional corporate market activities must be strengthened for the pursuit of value creation. Jonikas (2012, 2013) outlined a conceptual framework to determine the potential value emerging from various responsibility actions. Bhardwaj, Chatterjee, Demir, and Turut (2018) analysed the conditions under which it is optimal to invest in corporate responsibility and then expanded the analysis to study the increase in consumers‘appreciation of CSR and the increase in consumers' sensitivity to evaluate context affecting firms' optimal CSR strategies.

Practitioners also made a few proposals to concretize the value creation potential of responsibility practices. For example, Goodwill Management (2018), a consulting firm in socially responsible economic performance, assists clients in creating synergies between CSR initiatives and economic performance by developing methods to manage responsible practices through value creation, emphasizing that costs are simple to determine. But the benefits and avoided costs are often hidden. The firm conceives and implements a responsibility project that creates economic value and evaluates the social and economic impact of responsibility projects.

In spite of the strong existing literature on the role of CSR regarding the aspects of environment and society, there is a significant gap of how CSR can create value for company stakeholders. The measurement of value creation through responsible operations turned out to be challenging. Proponents of corporate social responsibility used to be convinced that it pays off for the firm as well as for the organization's stakeholders and the society, but evidence was sparse. In the early adoption phase of responsibility practices, Husted and Allen (2007) had already recognized that CEOs and government leaders insist in public that responsibility projects create value for a firm, but privately they admit that they do not know if CSR truly pays off.

3.3 Truly Sustainable Business

The adoption of the strategic approach related to the implementation of corporate (social) responsibility seemed to remain much in its half way among practitioners. This may have boosted the further development of sustainability approaches within the business context. Business practices can hardly be considered truly sustainable if the sustainability is not reflected in the outcomes of the industries—regardless of the adoption of concepts like environmental management and corporate (social) responsibility into the operations. Commonly, these concepts have been replaced by the concept of sustainability referring regularly to sustainable development based on the three pillars of economic, social and environmental aspects.

Dyllick and Muff (2015) observed that sustainability management is becoming more widespread among major companies, but the impact of their activities is not reflected by studies monitoring the state of the planet. They identified a big disconnect between an organization's micro-level sustainability progress and the ongoing macro-level deterioration of the globe. Even though organizations have addressed the different criteria, it has not resulted in significant improvements on the level of global sustainability. Thus, the researchers have introduced a divergent approach to business to execute sustainability. To address this challenge, they created a typology of business sustainability ranging from Business Sustainability 1.0 (Refined Shareholder Value Management), Business Sustainability 2.0 (Managing for the Triple Bottom Line) and Business Sustainability 3.0 (True Sustainability), justifying the approach to distinguish between those companies that contribute effectively to sustainability and those that do not.

The first, yet insufficient, effort towards sustainable business is the Business Sustainability 1.0 level. Here, the company acknowledges that environmental and social challenges exist outside of the market. These challenges are normally claimed by external shareholders as creating economic risk if not addressed properly. Thus, due to potential business opportunities, organizations integrate concerns into the existing infrastructure and processes without altering the core business idea. In many cases, these efforts are made to enhance the attractiveness as well as the reputation of the business. Thus, the motives still lie in profit maximization, and prosperity is evaluated heavily from an economic point of view (Dyllick & Muff, 2015).

Business Sustainability 2.0 represents the level into which many sustainably ambitious enterprises can be categorized. Defined by Dyllick and Muff (2015), a Business Sustainability 2.0 company practices the triple bottom line approach and thus broadens its stakeholder perspective. The value creation exceeds the shareholder value by including environmental and social values. Here, the value is created by setting measurable and reportable goals, and targets and programmes to address certain sustainability issues or stakeholder groups. The perspective can still be seen inside-out even though the company produces, invents and even reports results of well-defined sustainability areas whilst generating economical profit.

The final level, the truly sustainable business, is a company that shifts its perspective from seeking to minimize its negative impacts to understanding how it can create a significant positive impact in critical and relevant areas of society and the planet. A Business Sustainability 3.0 company aims to deliver positive impact through its expertise, resources, products and services. Using the shifted outside-in operating perspective, a truly sustainable business is able to turn the environmental and societal sustainability issues into business opportunities (Dyllick & Muff, 2015). Consequently, in a case where the organization is able to make business sense of the global challenges, the organization can be observed to gain profit without compromising the wellbeing of the environment and the society.

Few large-scale companies in Finland have actively looked for opportunities in strategic responsible business or the truly sustainable business elements. Meanwhile, several small and medium-scale enterprises have been established during the last ten years to create business based on recycling materials and nutrients, the establishment of virtual banks for the marketing of recycling materials and a search for new biomass sources for bioenergy production, including the elements of truly sustainable business (Mikkilä et al., 2015).

3.4 Conceptual Framework

The institutionalization of the responsibility debate is reflected in the expectations towards managerial responsibilities of businesses beyond the financial dimension. The concepts of environmental management and corporate (social) responsibility are

Fig. 2 Institutionalized responsibility discussion

well-known and adopted concepts in societies. The larger approach, truly sustainable business, does not yet have the same status (Fig. 2).

3.5 Methodological Basis

This paper analyses the development of corporate responsibility reporting in three Finnish large-scale companies representing energy, grocery, and pulp and paper industries. Energy, food and forest-related sectors are the cornerstones of the national economy and are among the most important sectors producing daily necessities for citizens. Reporting practice was the other key-criteria for the selection; all case companies launched sustainability reporting in the late 1990s (starting with environmental reports during the first years), followed by larger responsibility reports since the early 2000s. Hence, the reports and reporting periods were relatively comparable and comprehensive. Each company presents a comprehensive set of reports on their homepages. Furthermore, the reports of the case companies have been regularly awarded as the best sustainability reports by the non-profit Finnish Corporate Social Responsibility Network (FIBS), showing the quality of the reports.

The purpose of the qualitative analysis herein was to observe how the case companies' reporting reflected the sustainability path, indicating environmental and value creation through social responsibility and truly sustainable business thereby following the analysis path of Miles and Huberman (1994), Yin (2003), etc. The content of the publicly available reports was analysed manually in regard to the conceptual framework. Then we built a development path based on the public corporate reporting dimensions.

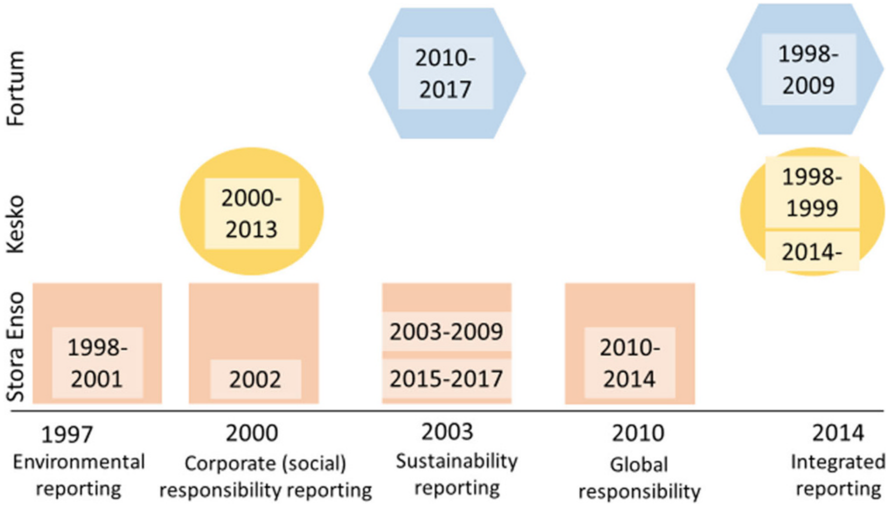

Fig. 3 Corporate reporting practices of the case companies from 1997 to 2017

Figure 3 demonstrates the applied material in terms of conceptual content and time span. The analysis period covered the last 20 years in the three analysed cases. The conceptual content followed much of the general debate in society, starting from environmental reporting in the late 1990s, followed by corporate (social) responsibility reporting in the early 2000s and then turning towards sustainability terminology.

4 Content Analysis of the Case Companies

We first made an overview of the three case companies followed by the content analysis of their corporate reporting (Tables 1, 2, and 3). Table 1 introduces the main figures and facts of the chosen cases. Table 2 analyses global and standardized elements of the corporate reporting. Table 3 focuses on the traditional tridimensional elements of the reporting based on the sustainable development definition—namely, economic, environmental and social responsibility. The analysis aims to elaborate similarities and differences across businesses and, consequently, point out future research needs.

4.1 Energy: Fortum

Fortum Oyj is an international energy company providing customers with energy solutions that, according to company strategy, improve present and future life and

Table 1 Main facts regarding the case companies in 2018

	Fortum	Kesko	Stora Enso
Field of industry	Energy	Grocery	Pulp and paper
Net sales, € bill.	4.5	10	10
Operating profit, € mill.	811	324.6	904
Employees (#)	8507	24,983	25,700
Main product categories	Electricity, heating and cooling, energy sector services, power trading	Grocery trade, building and technical trade, car trade	Packaging, biomaterials, wooden constructions and paper
Examples of strategic sustainability initiatives	Integration to the circular economy with the acquisition of the company Ekokem	Establishment of electric car charging point networks and a car sharing pilot, biogas produced from stores' waste utilised as energy in new production	Wood-based biocomposites to replace plastics, selling the renewable surplus energy to local heating systems
Reporting material available from the homepages	Annual reports 1998–2017 Sustainability reports 2010–2017	Annual reports 1998–2017 Responsibility reports 2000–2013	Annual and sustainability reports 1998–2017
Awards in best reporting competition/ FIBS	1999–2005, 2012, 2013, 2016	2000–2005, 2008–2011, 2013–2014	1998, 2002, 2011, 2015, 2016

deliver excellent shareholder value. The company operates mainly in Nordic and Baltic countries, Russia, Poland and India. In addition to production of heat and electricity, Fortum recently invested in the production of fast pyrolysis oil made of wood-based raw materials (e.g. forest residue, wood chips and sawdust) integrated with existing combined heat and power production and an urban district heating network (Fortum, 2019).

In 2016, Fortum acquired Ekokem—a leading Nordic circular economy company specialising in material and waste recycling, final disposal solutions, soil remediation and environmental construction. The company strengthened its strategy as a Nordic circular economy leader in the field of waste-to-energy solutions with this acquisition (Fortum, 2019).

Fortum included environmental issues in its annual reporting in the late 1990s. The reporting developed most intensively in the early 2000s, and this is reflected in the gathering of new elements and indicators annually (Tables 2 and 3). The company launched a separate sustainability report relatively late in 2010. The structure of the first separate sustainability reports followed that of the previous

Table 2 Global elements of sustainability indicated in the corporate reporting

Content of sustainability reports																
Fortum = X, Kesko = O, Stora Enso = Y	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008–2012	2013	2014	2015	2016	2017
Global responsibility																
Sustainable development	Y	O				X										
UN sustainable development goals															XOY	
Climate change, CO2 balance	XY			O												
Circular economy													Y		XO	
Standardized practices																
Strategic sustainability				O					Y							
Quality/responsible management	XOY															
Operation in compliance with regulations	XY	O														
Risk management (profitability, operational)	Y		O		X											
Code of conduct		O	Y								X					
Business ethics		O			Y								X			
Bribery						Y	O									
Transparency	Y															
Sustainability indices		O	Y				X									
GRI					OY							X				
ISO 14001, EMAS, FSC	XO		Y													
SA 8000		O														

ISO 9001					Y											
ISO 26000																
Supply chain management	Y			O												
Fair trade				O												

Table 3 Environmental, social and economic sustainability indicated in the corporate reportin

Content of sustainability reports																
Fortum = X, Kesko = O, Stora Enso = Y	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007–2011	2012	2013	2014	2015	2016	2017
Environmental responsibility																
Environmental/fibre strategy		O						Y								
Biodiversity	Y												X			
Environmental technology			X													
Eco-efficiency	XY		O													
Energy efficiency	Y		O													
Renewable energy, biofuels	Y	X						O								
Material balance/ efficiency	XY		O													
Emissions	XY		O													
Emission trading						X										
Water balance			O										X			
Waste water	Y															
Waste and by-products	Y														X	
Waste management	OY															
Recycling	OY															
Land use			Y		O											
Life-cycle thinking	Y	O														
Logistics, transport	OY															
Social responsibility																

Stakeholder relationships	Y		O						X							
Occupational safety	XY	O			Y											
Education, training	OY				X											
Motivation of employees	O				Y		X									
Payments to employees (salaries, pensions, insurance)	XO				Y											
Gender and age balance			XO		Y											
Philanthropy, consider-ation of local societies	Y			O	X											
Human rights	Y		O										X			
Economic responsibility (beyond financial statements)																
Taxes			O													
Adding value (generating value for stakeholders)							Y				X					
Product responsibility	Y				O								X			
Plant decommissioning													X			
Security of supply	Y														X	

integrated reporting very closely. Hence, the content difference between the integrated annual report and the separate sustainability report remained marginal until the launching of GRI basis in reporting in 2012.

Fortum integrated sustainability into its strategy in 2009 by stating the goal of creating sustainable energy solutions for current and future generations. Furthermore, in 2013, the company stated value generation for its stakeholders through employment and production of sustainable energy and climate-benign products, but no concrete indicators for this were presented in the reports.

4.2 Grocery: Kesko

Kesko is a Finnish trading sector pioneer. Kesko was formed when four regional wholesaling companies that had been founded by retailers were merged in October 1940. The company operates in the grocery trade, the building and technical trade and the car trade. Kesko's principal business model in the Finnish market is the chain business model in which independent K-retailers run retail stores in Kesko's chains. Outside Finland, the business model is based on retailing and B2B trade. The approximately 1600 stores operate mainly in the Baltic Sea region, Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Belarus and Poland. K Group is the third largest retailer in northern Europe and employs around 42,000 people (Kesko, 2019).

K Group launched a new model for online food sales in the greater Helsinki region with notably wider selections and home delivery in 2017. Another strategic focus area is actively growing the business of K Group's food service wholesale company, which serves customers in the hotel and restaurant business. The Group is implementing its sustainability strategy through new forms of mobility by establishing a nationwide network of electric car charging points and a car sharing pilot. In addition, Kesko is cooperating with the gas company, Gasum, with a new way to use wastage. Biogas produced from K-food stores' waste is utilised as energy to manufacture new products. Kesko aims to contribute to turning Finland into a forerunner in bioeconomy and cleantech (Kesko, 2019).

Kesko published printed environmental reports from 1997 to 1999. The first digital responsibility report used for the analysis here was available in 2000. Responsibility reporting was developed intensively until the mid-2000s, reflecting the active societal debate on corporate responsibility. Commonly, corporate responsibility remains a normative statement in corporate values. Kesko also aimed at the adoption of strategic responsibility in 2001, by noting it in its strategy. GRI reporting practices were launched relatively early, in 2002. The company changed reporting practices in 2014, integrating responsibility/sustainability dimensions of operations into a comprehensive integrated annual report.

4.3 Pulp and Paper: Stora Enso

Stora Enso Oyj is a multinational renewable materials company working in the pulp and paper industry. The corporation Stora Enso Oyj was formed in 1998 as a Swedish mining and forestry company. Stora AB was merged with the Finnish forest company Enso Oyj. Stora Enso's headquarters is in Helsinki, Finland. Stora Enso ranks itself as the leading provider of renewable solutions in biomaterials, packaging, wooden constructions and paper products. In 2017, Stora Enso's sales totalled 10 billion euros, making it third in the world amongst pulp and paper industry companies. Stora Enso consists of five different divisions with specific areas of business. These divisions are: consumer board, packaging solutions, biomaterials, wood products and paper. Due to the different fields of specialisation, Stora Enso's customers vary from publishers to converters and even construction companies (Stora Enso, 2019).

The sustainability strategy is highly reliant on a raw material basis—as the purpose of the company is to replace fossil-based materials with renewable solutions. Stora Enso's concrete actions include the launching of wood-based biocomposites to provide a bio-based alternative to plastics for the market. Through the joint development agreement, Stora Enso will licence Sulapac's materials and technology and begin the development of fully renewable caps and closures for liquid packages. Furthermore, the company sells renewable surplus energy from its mills to local district heating systems or private companies (Stora Enso, 2019).

Stora Enso provides the oldest separate sustainability reports. It has published a digital version of the environmental report since 1998. One corporate responsibility report was published in 2002, but the company adopted the concept of sustainability reporting in 2003 and has used it since. Global responsibility reports were published from 2010 to 2014, but the company returned to sustainability reports after that. The content development is much the same as the other two case companies, with the most active period being in the early 2000s. The company adopted the GRI reporting framework in 2002.

5 Synthesis

This paper analyses the adoption of responsibility concepts, namely environmental management, value creation through corporate responsibility and truly sustainable business, through the corporate reporting of three Finnish large-scale companies representing energy, grocery, and pulp and paper. The analysed companies were forerunners in the adoption of environmental (and later, responsibility/sustainability) reporting practices in Finland and Europe. The quality of the reports was high, as all three companies have been rewarded regularly in the annual responsibility reporting competition arranged by the Finnish Business and Sustainability network since 1996

(FIBS, 2019). The analysed reports were, thus, well standardized and relatively comparable and comprehensive.

The content analysis demonstrated the adoption of well institutionalized managerial concepts, namely environmental management and corporate responsibility, in the corporate reporting during the studied time span of 20 years. The reporting shared little evidence of the adoption of truly sustainable approaches (i.e. delivering positive impact through the company's expertise, resources, products and services to societies at large and beyond strictly defined business accounting) by the studied companies. However, the sustainability webpages of all three companies demonstrated high potential for this kind of positive impact.

Fortum considers itself as an accelerator of change by reshaping the energy system, improving resource efficiency and providing smart and clean solutions for the future, reflecting the economic, social and environmental responsibility of operations (Fortum, 2019). The company leaves the definition of changing direction open to some extent, giving the impression that the doors for fossil-based solutions are not fully closed. The sustainability targets strive for employee well-being and a secure supply of electricity. A large energy company could have the ambitious goal of providing a climate neutral energy source for a large group of people. Hence, the business idea could logically be shifted towards inside-out thinking and the creation of truly sustainable value.

Kesko's strategy focuses on quality and customer orientation. Responsibility emphasizes circular economy and organic food aspects (Kesko, 2019). A grocery company has good potential to be a power player in solving worldwide food waste problems. More efficient food treatment would improve the nutrition of populations, and decreased wood waste would have a direct impact on climate change. These elements of truly sustainable value are not yet found in the strategy and reporting of the case company.

Stora Enso places much focus on the traditional environmental issues when presenting itself (Stora Enso, 2019). The company could produce truly sustainable value, for example, through one of its key operations—packaging board production. An essential strategic element of Stora Enso is to be among the safest and most reliable high-quality suppliers in the food packaging segment. Regardless of this, the importance and general value of improving food safety has received little emphasis in the assessment of the larger value creation of the company. The environmental issues (such as renewable raw materials) are also emphasized here and are in line with the company's communication even though the relation the food challenges allowed the connection to social issues, such as equal rights to safe food.

6 Concluding Remarks

Since the early steps, Finnish large-scale companies have been the forerunners in the adoption of global responsibility and reporting practices. The content of the studied reports was developed most intensively from the late 1990s until the mid-2000s. The adoption of environmental management as a part of management resulted in the first environmental reports that focused mainly on environmental issues such as raw material basis and eco-efficiency. Regardless of the environmental focus, the first reports also listed several health and safety indicators. Ethical elements, like codes of conduct, have also been considered since the early phases of reporting.

The adoption of the GRI framework in 2002 and onwards has standardized reporting. The contents have developed little since the adoption of the GRI. This can also indicate the marginal development of operational responsibility within the companies after the launching period. However, this second phase of report development demonstrates that there is little value creation potential in corporate responsibility. Fortum and Stora Enso recognized value creation for the stakeholders, but there seemed to be few related concrete actions.

The global concepts such as UN SDG and circular economy are the newest elements of the report referring to the truly sustainable business approach. So far, the analysed reports show little evidence of how these concepts are directly integrated at the operational level even though all case companies have implemented several actions that fulfil, for example, the criteria of circular economy. The standardization of reporting through the GRI framework provides, on one hand, a comprehensive platform for comparable and comprehensive reports. On the other hand, this standardization leaves little space for the development of operational responsibility.

It can be concluded that the global reporting framework provides a comprehensive framework for reporting managerial issues that go beyond the strict financial accounting reports. Globally acceptable frameworks provide a large set of sustainability criteria that could also provide new perspectives to evaluate the sustainability of operations. This standardized reporting seldom leads to a wider consideration of the potential for value creation and larger sustainability impacts of operations, as companies (commonly) apply the parts of the larger framework that are relevant to daily business. The analysis showed no evidence that environmental accounting practices or responsibility related value creation analyses were generalized among industries. Environmental and responsibility approaches have been inadequately integrated into the strategic level of industrial operations as decision-making criteria among financial criteria. This limits the recognition of the larger value of sustainability of operations to societies and, consequently, the further development of operations towards such sustainability.

Both financial and corporate social responsibility reporting are bound by global constraints. A common trait among the reporting systems is a growing movement towards comparability and accountability. Global pressures initially motivated the push towards stand-alone CSR reporting and now towards integrated reporting. Integrated reports (IR) include financial, economic, governance and social information (in one report).

The observation here supports former findings (for example, Mikkilä, 2006; Mikkilä et al., 2016) that Finnish industries react to external pressures that give the final push to improve quality operations even though simultaneous internal development processes have been going on. The internal processes, including sustainability reporting, are relatively few and diversified. The International Integrated Reporting Council (IIRC, 2019) proposes integrated reporting of financial figures and sustainability issues as one solution to disclose the leading indicators that managers use in their sustainability decision processes and thus to overcome traditional silo thinking (Hertz Rupley, Brown, & Marshall, 2017). In this respect, IR could favour the integrative management of sustainability. Some scholars question the potential of IR to contribute to sustainability management. True sustainability management and a more sustainable and larger value creation by companies is a diverse issue that requires diverse managerial solutions and open-minded attitudes.

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Corporate Social Responsibility in France

Sustainable Finance, Climate Finance: The French and European Impetus for Sustainable Growth

Catherine Malecki

Abstract Developments in finance relating to CSR and, more broadly, to sustainable development (SRI funds, for example) have shown that this emerging finance is not entirely "alternative" in the original sense of the term, meaning another form of finance alongside the financial markets. A genuinely climate-friendly or resilient finance is emerging and its causes are well known: the burgeoning worldwide population and rising levels of GHG (greenhouse gases) driven by the fossil-fuels industry, transport and cities.

The Paris Agreement (http://unfccc.int/resource/docs/2015/cop21/fre/l09f.pdf) signed on 12 December 2015 is an important milestone. Europe is an undisputed leader with the "Juncker Plan" of November 2014 aiming to re-launch investment in Europe and unblock public and private investments. It is in line with the need for decarbonisation already set out in the European Parliament resolution of 5 February 2014 "on a 2030 framework for climate and energy policies" (2013/2135 (INI)) (http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2014-0094+0+DOC+XML+V0//FR) drawing on the Commission Green Paper entitled "A 2030 framework for climate and energy policies" (COM (2013).

However, this climate finance brings specific requirements, despite considerable private-sector efforts, such as the Green Bond Principles or the Carbon Tracker Initiative (CTI): a need for transparency, to combat greenwashing and to establish a genuine market for Green Bonds.

In France, in 2008 the Paris Marketplace launched a major initiative on sustainable finance with a Responsible Investment Charter which was supplemented in 2012 by 10 proposals for Europe on SRI and CSR. Then the TEEC label (*Transition Energétique et Ecologique pour le Climat*—Energy and Ecological Transition for the Climate) launched at the end of 2015 aims to guarantee the transparency and quality of the environmental features of such financial products via an independent external audit. Yet, Article 173 of the French LTECV Act on the Energy Transition for Green Growth is an example to be followed (17th August 2015).

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1 Introduction: Sustainable Finance, Climate Finance and CSR: Strong Links for Sustainable Growth

The PRI (Principles on responsible investment) indicate a methodology that leaves some manoeuvring room to each signatory that is free to choose the orientation of its reflections and investment products. These principles, launched in April 2006 on the initiative of the UN Secretary General, were established by an international group of institutional investors as a result of the growing importance of environmental, social and corporate governance (ESG) questions in asset management and more generally in finance. In late August 2007, 230 signatories are PRIs[1] spread across the three categories of signatories: ‘Asset owners’, ‘Asset Managers’ and ‘Service Providers’ for a total of more than USD 10,000 billion under management according to the Organisation.

The signals that sustainable development is progressively being taken into account by the law show that the “lines are moving” within the financial industry. Concerns relating to current events are finding some echo within SRI funds. One can assert, not without paradox, that environmental concerns, climate change and corporate governance are all godsends for SRI funds. This tool makes it possible for investment funds to better take social and societal responsibility into account relative to all stakeholders, including the public authorities, civil society, shareholder associations and NGOs.

The Eurosif study,[2] that measures the evolution of SRI in Europe every two years, had already established that the market was assessed at 2665 billion euros at the end of 2007, i.e. a 102% increase in two years. In France, in particular, SRI money market funds have increased spectacularly since early 2008. SRI funds serve to tackle the intangible risks of a social, environmental and governance nature. Dexia, the European SRI leader, has shown that it is necessary to be thoroughly familiar with the composition of portfolios and the “fundamentals” of companies, States and the various products in which one invests, and that these are aspects that SRI promoters could promote.

The signals that sustainable development is progressively being taken into account by corporate law and by financial law are becoming more pressing. In terms of legislative progress, the *Grenelle I* (Roundtable I) law is one of these strong signals. Nonetheless, a particular type of investment, i.e. socially responsible investment (SRI) that is not mentioned in this law, elicits questions as to its role as a vector both for the good governance of companies, possibly through—though the question is subject to debate—shareholder activism that is however most often decried, and especially as a possible vector of sustainable development (or CSR, to borrow this generic term). SRI weathered the financial crisis well, which is an additional argument as part of its study within the more general context of CSR. SRI is a tool

[1]PRI (Principles for Responsible Investment) available at http://www.unpri.org/files/pri.pdf

[2]Available at http://www.eurosif.org/press_events/eurosif_press_releases accessed on 22 june 2011

that can contribute to improving the quality of extra-financial information. However, one must point out—and wonder about—the small number of studies on SRI within French law,[3] while studies and common practices in the English-speaking world have been taking an interest in SRI for several years. This is seemingly logical given that SRI originated in the United States.

Diversification, growing appeal and crisis resistance are all strengths of SRI, but are they enough for sustainable development within the company to advance?

SRI lends itself ideally to an analysis of its link with shareholder activism, a recurring topic within corporate governance, one that is discussed more in the United States than in France. Naturally, other questions do not fail to arise. As such, do SRI funds truly contribute to better governance, especially when they are specifically focused on corporate governance?

SRI therefore allows for questions related to corporate governance to be tackled and, by its very vocation, it provides an inescapable occasion to consider *whether or not it is an operational vector for sustainable development within companies.* How to ensure a reliable rating grid? What are its issues and its future? How can it improve corporate governance? Can SRI attain the economic profitability of a socially responsible initiative that has not been totally proven? Will the movement in favour of financial regulation be useful to SRI?

This contribution will therefore look at the following three issues regarding SRI, as a vector, first, for the dissemination of social and environmental information, then of shareholder activism and, finally, of improving corporate governance.

As the market for sustainable finance has grown exponentially over the last few years there is still a lack of clarity. For example the term "sustainable finance" is a broad one and there is no taxonomy yet. The European Commision submitted proposals for three distinct regulations on sustainable finance. Before getting to the core of these proposals, it is necessary to present the background of sustainable finance and the strong links to corporate social responsibility (CSR).

2 Therotical Background: From Socially Responsible Investment to Sustainable Finance

2.1 SRI and Social and Environmental Information

The specific feature of (Social Responsible Investment)SRI is also its variety. We know that this is a collective or individual investment based on social, ethical, environmental or corporate governance criteria. Its variety is a source of complexity: it is made up of money market funds, sustainable shares, and sustainable or lasting

[3]Cusacq (2005, p. 129).

OPCVM.[4] But the distinction between green funds and SRI funds is not always easy for an individual investor.[5] An investor selects this investment more specifically for primary reasons related to extra-financial criteria (ethics, governance, social, environmental), rather than classical financial criteria (profitability, risk). The various forms that such an investment can take are also known. Legal analysis, primarily in English-speaking countries, took a very early interest in this type of investment. This can involve socially responsible funds or so-called sustainable development funds that focus on the adherence of companies to sustainable development criteria (the Scandinavian countries and Germany are developing more of the "green funds" technique), or of exclusion funds (more faithful to the initial concept of such funds that were born in the United States with the philanthropist Quaker movement, that prohibited its members from investing in weapons, tobacco or even alcohol companies).

2.1.1 Diversity of SRI Funds

Diversity and long-term investment are two common denominators of SRI funds. By tradition, the leading SRI market on its own represents 65% of SRI funds, though it also exists in Canada,[6] South Africa, Asia and Morocco, and naturally in the Scandinavian countries[7] In the United States, pension funds, that like to communicate regarding their values, have an approach that is close to that of SRI and a medium / long-term valuation horizon that is consistent with the notion of sustainable development. In France, the Novethic[8] indicator is indicative of the constant growth of SRI, while the leader on the French market is Dexia AM. Insurance companies, pension funds and collective investment undertakings are increasingly sensitive to SRI. Companies in the chemical and petroleum sectors, clearly the most concerned by SRI, and even more so banking establishments that are in charge of accompanying industrial investments, pay very particular attention to SRI. Since 2005, the CERES annual reports have clearly indicated an obvious change of attitude in the banking sector, which is including environmental data as part of risk management.[9]

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[4]"Organismes de placements collectif de valeurs mobilières" (Mutual Funds of securities) such as "FCP" (Fonds Communs de Placement) (Mutual Funds) and "SICAV" (Société d'Investissement à Capital Variable).

[5]Rubinstein (2006).

[6]Richardson (2008).

[7]Geczy, Stambaugh, and Levin (2005), Renneboog, Horst, and Zhang (2008), Landier and Nair (2008).

[8]Novethic, the sustainable development expert medium, available at http://www.novethic.fr/novethic/v3/les-etudes-isr-investissement-socialement responsable.jsp

[9]CERES (Coalition for Environmentally Responsible Economies) available at http://www.ceres.org//Page.aspx?pid=592&srcid=812

SRI funds are very diverse. From the exclusion (*negative screening*) of certain topics to the focus on societal, social or environmental risk (*positive screening*), or even a more specific focus on corporate governance, SRI funds offer technically different choices. Moreover, differences also exist between the English-speaking countries that are far ahead in this domain, and European countries. As such, in the English-speaking countries, this is more of an investment process based on shareholder commitment, which is to say an ability to dialogue with companies and to influence their strategies with regard to what is known as "ESG" questions (i.e. environmental, social and governance). These ESG concerns correspond with ESG criteria, and with the types of selections made by the managers of SRI funds (*Best in class*: the best rated securities with regard to ESG criteria are selected; *Best effort:* the selected securities are the ones that have been rated the best in terms of their efforts to improve in this domain; *Best universe*: the selected securities are the best-rated ones, independently of their business sector).

SRI represents an investment in the future for *long-term* institutional investors who are aware that, far from being a "marketing" concern, these funds make it possible to consider, within long-term strategies, questions relative to climate change, to threats to fundamental human rights and to matters surrounding corporate governance.

Nevertheless, SRI funds lend themselves well to many research topics.[10] Indeed, on the basis of its extra-financial character, let us discuss the methodology selected for its rating, a question that will become essential for the rating agencies that were at the heart of the tempest during the financial crisis. By its very nature, SRI is more a subject of study in which management sciences[11] took an interest very early on, whereas the questions that it brings to light are also legal questions focusing on corporate governance, rating or even inter-culturalism, the latest growing trend that is showing the limits of SRI from a new angle.

Finally, SRI is also at the heart of the notion of stakeholders through the values that it spreads into labour law, thereby inevitably eliciting the following question: can the consideration of labour law within these funds further involve the stakeholders in corporate governance?[12]

The corollary of the success of responsible finance can also be found in extra-financial rating. SRI investment cannot avoid the issue of ratings. There is no universally accepted methodology. Indeed, SRI is based on extra-financial values, as well as on social, environmental and good governance values that are difficult to quantify. The assessment of SRI funds is a delicate matter. Over and above the question of which indices should be selected, and of the multi-criteria grid, the financial communications provided by the funds must also and most importantly be solid. It is symptomatic to emphasize that the recent regulation on rating agencies[13]

[10]Malecki (2009a).

[11]Wolff (2004).

[12]Bernstein (2008).

[13]Malecki (2009b).

did not specifically mention extra-financial rating (which therefore suits its name well). This silence contrasts sharply with the success of these funds despite the financial crisis, though this can also be explained by the difficulty when it comes to establishing reliable rating grids. Nonetheless, this is an essential field for future investigation. It is certain that there are avenues to study: should there be an international standard (with purely ecological, corporate governance and labour law criteria) or, on the contrary, should the specifics of each State be taken into account (hence the widely studied issue of inter-culturalism, particularly in the Netherlands). The cultural limits of SRI must not be neglected. They relate to cultural differences, notably between the United States and Europe. A very interesting study has shown that such limits are not negligible.[14]

SRI rating relies on the documents produced by companies, and primarily on the annual sustainable development report. But are they reliable? In 2005, barely 25% of the companies on the SBF 120 had these data verified by a third party expert, in whole or in part.

It is not possible to paint an idyllic picture of SRI, since difficulties remain: the rate of return and the rating methodology. Indeed, the question of the rate of return of SRI has quite logically been studied by managers and economists. The overall outcome of these studies is positive. SRI finance is profitable SRI indices do not offer poorer performance[15] quite the contrary. However, fewer legal studies have been devoted to the impact of SRI on corporate governance. Similarly, extra-financial rating agencies have arisen but the question of methodology remains, despite the fine efforts of the ORSE.[16] We would also point out the silence of the AMF annual report on rating agencies relative to any mention of extra-financial rating.[17] The European directive on rating agencies defends the main principles (prevention of conflicts of interest, transparency and methodological rigour) that are intended to apply to all rating agencies, and that will become increasingly important if we recall that SRI funds primarily involve institutional investors. The performances in terms of good governance, as well as the social and environmental performances, are all part of this effort for the rigour and transparency of the rating methods, all the more so since in this domain, there are already exclusive structures, the most important of which are based in Europe.

Finally, a certain pedagogical effort is required. In this sense, a reading of the ISR *European Social Investment Forum* (Eurosif), which has launched a transparency code so as to make SRI more accessible to non-initiates, is welcome. Indeed, information intended for shareholders and stakeholders through a specific SRI *report*

[14]Louche and Lydenberg (2006).

[15]Dion, Wolff, et al. (2008)

[16]ORSE (Observatoire sur la responsabilité sociétale des entreprises, publishes a guide that includes its methodology, available at http://www.orse.org/

[17]AMF annual report on rating agencies, 22 January 2009, http://www.amf-france.org/documents/general/8690_1.pdf accessed on

is necessary. This desire for financial communication is essential.[18] However, it is indeed the quality and reliability of this information that will be essential, despite the delicacy of its implementation at the present time, since no standardised reference exists. Paris Europlace proposes that third parties should be called on in order to certify the extra-financial data included in the annual reports of companies. But to which third party experts should one turn? Should the appointment of "CSR commissioners" or "sustainable company commissioners" not eventually be considered? Especially since SRI funds that are specifically targeted (*positive screening*) on corporate good governance criteria are the ones that are most difficult to manage, but also richest in terms of their outlook. One of their stakes is financial communication.

2.2 Paris Financial Marketplace: Paris Europlace's Impetus

In France, the recommendations of Paris EUROPLACE[19] in order to promote SRI are indicative of its interest. Indeed, on 14 May 2008, the Paris EUROPLACE financial marketplace provided its synopses and recommendations on "socially responsible investment": to begin with, Paris EUROPLACE formally recommends "encouraging initiatives for third party certification of the extra-financial data contained in the annual reports of companies", together with "Clarifying and strengthening the dialogue with companies in order to encourage the dissemination of extra-financial information so as to allow investors to better assess the strengths and risks of companies in this regard". The asset management industry with a predominance of UCITS type SRI funds.

Paris EUROPLACE makes extensive recommendations in terms of corporate governance. It proposes (Proposal n°6) "encouraging the general management teams to present their board of directors or supervisory board with the company's social and environmental policy, as well as with the assessment provisions and methods that will serve to report on the level of the company's control of ESG risks".

In particular, let us mention Proposal n°7 that insists on the need to "encourage third party certification initiatives for the extra-financial data contained in the annual reports of companies". However welcome it may be, such third party certification is not easy to implement. Who will be the certifier? This difficulty touches on that of labels.

The obvious desire of the Paris marketplace to play a growing role in SRI funds is also evident from the proposals of a structural and institutional nature, notably the desire to play the role of a representative body for the Marketplace's various participants. Outside of the unifying framework for the Marketplace and its participants, Proposal n°9 puts forward an important ambition which is to "appropriate"

[18] Clermontel (2009).

[19] "Recommendations on socially responsible investment" (2008) http://www.paris-europlace.net/files/rapport_isr_europlace.pdf accessed on 14 May 2008

the PRI initiative and to disseminate it to institutional investors that are not yet signatories.

Proposal n°11 of Paris EUROPLACE for the creation of a "*sustainable finance committee*" is particularly interesting. The purpose of this committee will be to bring all of its members together, while also involving the other stakeholders. Such a proposal is very constructive insofar as this committee could usefully encourage the integration of extra-financial factors, such as the consideration of employee commitments, or perhaps the company's ability to innovate in the area of sustainable development. Such an initiative would involve identifying and defining matrices that would serve to measure the extra-financial dimensions so that they could be usable, reliable and relevant for companies and investors. The interest value of this initiative would also involve considering long-term interests. Overall, the various works carried out by Paris EUROPLACE provide a very complete appraisal of the French SRI landscape. One thing is certain: public investors have been sensitised to SRI.[20]

The Paris EUROPLACE group calls on lawmakers. The idea, which is reminiscent of the NRE law, would be to ask institutional investors to prepare an annual public *report* on the manner in which they have taken ESG criteria into account in their investment decisions. This exists in certain European legal systems, notably in Great Britain. According to Paris Europlace, this *ex post reporting* obligation "would result in no obligation to take these criteria into account, or even less so, to standardise the targeted ESG criteria that must remain the responsibility of the competent decision-making bodies of the investors (they can vary according to the preferences of their principals). *This would therefore involve a simple transparency obligation*. This examination would result in a report submitted to the general meeting". Insofar as this report would be submitted to the general meeting of the shareholders, the idea is welcome and would be likely to encourage the interest value and verification of the latter relative to SRI topics.

These proposals would serve to give substance to constructive shareholder activism. Indeed, insofar as the points would have to be examined and approved by the board and then included in the board's report to the general meaning, as well as in the annual financial statements (provisions related to environmental liabilities and hedging of healthcare and retirement...), a debate could be organised during the general meeting. The shareholders would then be sensitised to the questions relative to extra-financial risks that are particularly difficult to assess during large scale financial operations (takeover, acquisitions...). Corporate governance has everything to gain. The AMF (Autorité des marchés financiers, French Market Authority) recommends coming into compliance with the principles of transparency and the delivery of information on the precise definition of sustainable development and of ESG considerations, i.e. the methods and *processes* used in the analysis, assessment and verification of the ESG considerations that are implemented by the management companies and external auditors, the ethical rules applied to their assessment by the external auditors, the impact of sustainable development strategies and ESG

[20]Such as "CDC", "Caisse des dépôts et consignations".

considerations on the earnings of UCITS and, finally, the impact of ESG issues on the management of UCITS.

One must insist on the role that Paris EUROPLACE—while not included in the categories of possible signatories of the PRI—is fully willing to play so that the Paris marketplace will be recognised within the framework of an initiative of this type, thereby encouraging the French actors involved to commit when their own characteristics or constraints will allow them to do so; the efforts of the FIR (*Forum pour l'Investissement Responsable*) are also contributing to the development of SRI.[21]

Towards the creation of CSR committee: the creation of a board of directors committee dedicated to the company's corporate responsibility, that would involve a mapping of the risks, would naturally find its place alongside the compensation committees... This creation would logically be part of an effort to improve the company's governance. The IFA (*Institut Français des Administrateurs*)[22] has already proposed to train more members regarding these sustainable development questions.

In France, there are no regulatory provisions regarding sustainable investment. This means that primarily responsible or sustainable investments, managed within UCITS, are naturally authorised, but provided that they comply with the applicable regulatory and legal provisions. A question cannot fail to be asked in the current context in favour of financial regulation: will a rigorous framework be needed, with the creation of an obligation for investors, notably pension funds, to explain to what degree and how the ESG criteria have been integrated into their investment policy or, on the contrary, should the latter be left to their own appreciation?

2.3 The Paris Agreement and the Need for Climate Risk Management: Paris Europlace and Climate Finance

Alternative finance is often described as finance that operates outside of traditional asset management and which allows investment in a particular type of financial asset plus performance comparison. However, the development of finance linked to CSR and more broadly to sustainable development (SRI funds, for instance) has shown that, in terms of its origins, this constantly evolving finance is not entirely 'alternative'. It emerged as just another form of finance, situated at the margins of the financial markets, with the same need as any other finance for transparency, certification, indexes (performance criteria), clarity and, of course, a market. A good illustration of this is the emergence of the green bonds market (in Japan, China, the United States and in Europe with Luxembourg). This finance is alternative, however, in the sense that it often provides an urgent response to new needs. Admittedly, this is not a totally new phenomenon. We had the famous railway

[21] Available at http://www.frenchsif.org/fr/

[22] Available at http://www.ifa-asso.com/ accessed on 22 June 2011

bonds in the nineteenth century, the war bonds at the beginning of the twentieth century and the railway bonds again in the 1960s. The United States has also had ethical funds since the beginning of the twentieth century. However, while climate finance also responds to this type of need, it differs in terms of scale. Its ambition is global. Climate risk management to implement global carbon capital is taking a new institutional step. It is establishing a market, mobilising the banking sector (green bank) and creating public/private partnerships. The Copenhagen Accord has shown that it is essential (as a starting point) to mobilise funds to enable poor and developing countries to adapt and develop.

Climate finance offers the rather sad poverty/ecology duo a more positive perspective. It is described as resilient because it needs to create the conditions of its own growth, a true low-carbon climate resilient (LCR) infrastructure. It is also alternative in the sense that it is developing at the margins of traditional processes. There have never been so many private initiatives, and international influence has never been so important. The institutional intermediary often has difficulty following these initiatives even though this is vital in terms of ensuring the safety and attractiveness of the financial markets that will be dedicated to climate. Being present at the birth (or the adolescence already) of this finance has shown that there will be no shortage of legal issues, including those relating to the legal understanding of purely financial themes.

The causes are well-known. They include global demographic growth and increased greenhouse gas (GHG) emissions from the fossil fuel industry, transport and cities. The energy transition means that low carbon consumption is essential. The figure imposed is that ratified by the Paris Agreement, which states that the global temperature should be kept below 2 °C. Implementing the low-carbon transition involves the convergence of often conflicting global players (China, India and the United States, for example) and more especially the need to create a general LCR infrastructure that takes into account the disproportion between rich and poor countries through public/private partnerships. The low-carbon transition is currently underway. It is a climate constraint that offers the variously labelled climate finance, green finance or climate-friendly finance the opportunity to develop. This does not mean creating new finance so much as mobilising existing finance towards long-ignored sectors (renewable energies, forestry, transport, water, and biodiversity, to name but a few).

The Paris Agreement[23] is important,[24] not least because it was able to counter certain understandable misgivings still being voiced in 2014[25] concerning the target of maintaining global temperature at below 2 °C and continued efforts to limit it still further to 1.5 °C (UNFCCC 2016). The Paris Agreement, which was signed on 12 December 2015 by 193 countries during the COP 21, sets out the roadmap for global finance in a binding manner.

[23] Available in pdf form at: http://unfccc.int/paris_agreement/items/9485.php

[24] See pdf available at: http://unfccc.int/paris_agreement/items/9485.php

[25] UNFCCC (2014), Cadman (2014).

Article 2.1 paragraph c of the Agreement is significant. It states that 'This Agreement, in enhancing the implementation of the Convention, including its objective, aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by:

c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.'

The Paris Agreement requires that climate geopolitics are taken into account. The low-carbon transition weighs heavily on the G20 with its often-contrasting priorities, hence there are some major concerns when it comes to the withdrawal of fossil fuel subsidies.

There is also the need for climate risk management. Broadly defined, this risk comprises the physical risks to the climate. The liability linked to the risk, in other words the risk of climate transition, must be taken into consideration.

Although there is no longer any need to demonstrate finance's role in combatting climate change and ensuring the energy transition, the task is nevertheless a huge one. It will involve taking climate risk into account in investments, creating the conditions for financial regulation, structuring the green bonds and social bonds market, combatting greenwashing and ensuring that 'green' undertakings are transparent and monitored. The OECD and the Climate Policy Initiative have set out the challenges for this form of finance, which should involve both public funding (international financial institutions, national banks) and private investors (institutional investors, corporate actors, private equity, and so on).

Decarbonisation: A Key Objective The European Parliament resolution of 5 February 2014 entitled 'A 2030 framework for climate and energy policies (2013/2135 [INI])',[26] which is based on the Commission's green paper 'A 2030 framework for climate and energy policies (COM/2013/0169), marks an important stage in terms of setting quantified objectives. The European Council is committed, within the framework of essential reductions for developed countries as a group, to reducing GHG emissions from 80% to 95% by 2050. The European Parliament resolution stresses the need in §10 for 'early agreement on the 2030 framework for climate and energy policies' in order that the EU can 'prepare itself for international negotiations on a new, legally binding international agreement'. This EU objective for decarbonisation by 2050 will only be achieved if the EU increasingly moves away from the use of 'fossil fuels'.[27]

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[26] http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2014-0094+0+DOC+XML+V0//EN

[27] Malecki (2015a).

The Global Carbon Budget The need to reduce GHG emissions is both a scientific constraint and a proven opportunity.[28] Decarbonisation means dispensing with fossil fuels (petrol, gas, coal) and replacing them with renewable energies. International initiatives aimed at combatting GHG emissions are nothing new. What is new is the more insistent and consistent awareness of a number of countries (including developing countries). Humanity's carbon budget is, to a large extent, in the hands of climate finance.

The North–South Dialogue and the Fight against Poverty Not just climate change but also the levers for reducing emissions (energy, construction, mobility, transport, agriculture, forestry, services). The United States, which signed the Paris Agreement, has a special role to play in this since it is the biggest emitter of GHG emissions on the planet and it has the most fossil fuel. There are currently a number of initiatives in California, and there is also the Regional Greenhouse Gas Initiative,[29] which is based on the cooperation of ten states in the northeast of the United States. The United State's role in this area is useful at both European and international level.[30]

Green Bonds and Multilateral Climate Funds: An Increasing Role In 2015, the issuance of green bonds reached 41.8 billion dollars. What are they exactly? Green bonds are senior unsecured bonds that have the same financial characteristics as standard bonds issued by a given issuer. The funds raised by green bonds are used to finance social and environmental projects (including the energy transition, combatting global warming, renewable energies, public transport, energy-efficient buildings, adaptation of energy networks, waste management, drinking water management and biodiversity conservation). The emergence of green bonds is, of course, reminiscent of the early days of SRI funds.[31] These originated from the Principles for Responsible Investment (PRI),[32] which were defined in 2005 under the aegis of the UN. This vast 'sustainable' finance family, which takes into account social, environmental and societal aspects, was also given a more precise definition in France on 2 July 2013. The AFG (Association Française de la Gestion Financière—French association of financial management) and the French SIF (Sustainable Investment Forum) jointly proposed a more operational definition of SRI that aimed to be more easily intelligible to the public. According to them, SRI is 'an investment that aims to reconcile economic performance with social and

[28]The IPCC's (Intergovernmental Panel on Climate Change) 5th report, which appeared in October 2014, is significant in this respect: https://www.ipcc.ch/pdf/press/ipcc_leaflets_2010/ipcc_ar5_leaflet.pdf

[29]Ulf Moslener and Bodo Sturm, A European Perspective on Recent Trends in U.S. Climate Policy, Discussion Paper No. 08-026, Centre for European Economic Research, ftp://ftp.zew.de/pub/zew-docs/dp/dp08026.pdf

[30]Mention should also be made of the Warehouse for Energy Efficiency Loans and the Connecticut Green Bank Program.

[31]Malecki (2014).

[32]https://www.norges-bank.no/contentassets/.../pm-2006-04-27.pdf

environmental impact by financing businesses and public entities contributing to sustainable development, regardless of their activity sector'.[33]

Green bonds are bonds, that is, they are negotiable debt securities. Although introduced only fairly recently, they are experiencing a rapid expansion. They function like other types of bond products but have the advantage of specifically financing development projects in keeping with the objective of reducing GHG emissions.

Multilateral Climate Funds These have been classified (UNFCCC, 2014) according to their respective purposes (for example the Global Climate Change Alliance [GCCA], the Green Climate Fund [GCF], the Indonesia Climate Change Trust Fund, the Forest Investment Program, the Congo Basin Forest Fund, the Amazon Fund, the Biocarbon Fund, the Global Environmental Facility, the Clean Technology Fund, the Least Developed Countries Fund and the Adaptation for Smallholder Agriculture Programme).

3 How to Tackle Climate Risk?

3.1 The Many Initiatives Supporting Climate Risk

There are many private initiatives in this area, which is testament to an awareness of the importance of this finance. They mainly concern organisations, international think tanks and finance and banking professionals' associations operating in the area of domestic law in particular. These multiple initiatives are not in any way opposed to action from the regulators and the legislator, thus ensuring the anticipated attractiveness, confidence and transparency for professional investors and private individuals. The make-up of sustainable finance is a subtle, pragmatic combination of soft law and harder law.

The Carbon Tracker Initiative The association 350.org has not been alone in seizing upon the discourse from Carbon Tracker Initiative. For example, the GCF was created in 2010 at the COP 16, and Climate Investment Funds was set up in 2008 to fund renewable energies, including in particular its Strategic Climate Fund, which is essential for the renowned Pilot Program for Climate Resilience. Also active is the Green Finance Study Group think tank.

- The Climate Bond Initiative: importance of infrastructure projects
- The International Energy Agency—very valuable in this area[34]
- The New Climate Economy Commission

[33]This and all subsequent quotations from French sources have been translated into English.

[34]CO2 Emissions from Fuel Combustion 2016, 19 October 2016

The GCF, which was set up at the Cancun Summit (COP 16), has been strengthened.

Many different bodies show the importance of this finance (such as the Climate Risk Initiative and the Global Climate Change Alliance Plus).

The Carbon Disclosure Project The Carbon Disclosure Project (CDP) is an international organisation representing a group of 475 investors. It publishes an annual report on the climate change integration strategies of the world's 500 biggest (in terms of market capitalisation) companies, who are responsible for 11.5% of global GHG emissions. The CDP plays a key role in climate risk management because it collects information on the way these companies identify and manage risk (for details, see article 173 of France's Loi relative à la Transition Énergétique pour la Croissance Verte, or LTECV [law on energy transition for green growth]).

The Global Innovation Lab for Climate Finance This think tank, which is supported by the G7, attempts to facilitate the emergence of innovative financial instruments. The Moroccan chairing of the COP 22 in Marrakech can be taken as a strong sign for developing countries.

The Climate Policy Initiative This is primarily the remit of politicians who have been persuaded of this issue[35] and whose work is reinforced by private initiatives, which play an increasing role in this area (hence the Climate Policy Initiative[36]).

The Role of International Banks: The World Bank [37]According to World Bank's 19 November 2012 report entitled 'Turn down the Heat', the current evolution of emissions is projected to cause warming of 2 °C over the next 20 years and 4 °C between now and 2100. Global effort is therefore essential.[38] In its latest report,[39] the bank explicitly shows the consequences of investments in coal-fired power stations built in 2012. The World Bank led the way with the launch of its first green bond in 2007 in partnership with the Swedish bank SEB, and others soon followed suit. New indexes were created for these securities, and the number of subscribers has increased, meaning green bond issues exceeded 35 billion dollars in 2014. Green Investment Banks have been developed in England, Australia, Japan and the United States (for example, California and Connecticut).

The OECD: A Pioneer The success of COP 21 resulted in an increase in green finance. On 13 October 2016, the OECD demonstrated its interest in green finance with the creation of its Centre on Green Finance and Investment. The OECD's recent report entitled 'Green Investment Banks: Scaling up Private Investment in Low

[35]See the Canfin-Grandjean report, (2015), available at http://www.elysee.fr/assets/Report-Commission-Canfin-Grandjean-ENG.pdf and the various French Finance Strategy initiatives.

[36]http://climatepolicyinitiative.org/wp-content/uploads/2014/10/Moving-to-a-Low-Carbon-Economy-The-Financial-Impact-of-the-Low-Carbon-Transition.pdf

[37]The World Bank (2015).

[38]Lovell (2015).

[39]The World Bank (2015).

Carbon, Climate Resilient Infrastructure' is the first study to put forward some valuable reflections for the rapid development of this finance climate up until 2050. It proposes measurement tools, mergers between 'green' banks, and corporate governance methods (with independent members within the boards), and it gives an overview of the largest green banking institutions, including that of China.

The diversity of initiatives is a characteristic of climate finance. It illustrates an awareness from finance professionals, banking institutions and all manner of think tanks. However, standardisation is essential to ensure credibility, transparency, confidence, attractiveness and effectiveness. The legal framework could be the ideal platform for this climate finance since it will combat the greenwashing risk of many financial products.

3.2 The French Leadership: Legalframework and Specific Institutions

Some Clear Legislative Advances France's policy objective to cut national energy consumption by 75% is presented in article L. 100-4-I 1° of its Energy Code as follows: 'To reduce greenhouse gas emissions by 40% between 1990 and 2030 and by 75% between 1990 and 2050. The trajectory is set out in the carbon budgets cited in article L. 222-1 A of the Environment Code'.[40]

The Agence Française de Développement This French development agency issued its first climate bond (worth one billion euros) on 10 September 2014 'to develop energy efficiency projects, clean transport, renewable energies and CO^2 sequestration'. This increase in the use of green or climate bonds also prefigures that of social bonds.

The leading roles of the public sector financial institution Caisse des Dépôts et Consignations, the development agency Agence Française de Développement and the investment bank Bpifrance Investors will have to indicate their choices and describe their methods, for example, climate risk, the transition risk and the contribution to the 2C° objective. A genuine financial regulation tool.

The Law on Biodiversity Law no. 2016-1087 of 8 August 2016 on the restoration of biodiversity, nature and landscapes[41] together with the creation of a French agency for biodiversity.

Article L.110-1-I paragraph 3 of the Environment Code reads: 'Biodiversity, or biological diversity, refers to the variability of living organisms from all sources, including terrestrial, marine and other aquatic ecosystems, and the ecological

[40]Innovation in the construction sector with the creation of a 'Guarantee Fund for Energy Renovation'.

[41]Journal Officiel de la République Française (JORF) n°0184 du 9 août 2016, texte n°2. Available at https://www.legifrance.gouv.fr/eli/loi/2016/8/8/2016.../jo/texte

complexes of which they are a part. It includes diversity within and between species, diversity of ecosystems and interactions between living organisms.'

Financing biodiversity will form an important part of climate funding.[42] In respect of the more specific question of financing environmental, social and climate protection measures, the EIB and the European Commission have launched the Natural Capital Financing Facility, a financial instrument that contributes to the achievement of objectives, in addition to climate change objectives, relating to nature and biodiversity.

Climate Change and the Circular Economy [43]The French Law on Energy Transition and Green Growth of 17 August 2015 (LTECV)[44] is highly innovative in incorporating the notion of climate change into non-financial reporting in the wake of the COP 21. Article 173, IV, of the LTECV adds the phrase "including the impact of these on climate change and the use of the goods and services produced or provided"[45] to the first sentence of paragraph 5 of Article L. 225-102-1 of the French Commercial Code, which is dedicated to annual reports, after the phrase "It shall also include information on the way in which companies take into account the social and environmental impacts of their activities". In addition to providing information on social and environmental issues, CSR reporting will therefore also have to fulfil the tricky role of looking to the future and informing stakeholders about the realistic impact of a company's activities on climate change, as well as the carbon footprint of these and that of the goods and services it produces and provides. Although this extension of CSR reporting to cover a company's goods and services is a significant step forward, its implementation will prove tricky insofar as the use of goods in particular does not depend solely on the company that produces them, but also on consumers or their "users" more generally. In addition to disclosing non-financial information in accordance with the Grenelle II law, companies will also have to play a proactive role in the fight against climate change. Such disclosure will serve as an "open book" for stakeholders, particularly with regard to initiatives relating to companies' use of innovative renewable energy sources (including wind, hydro, marine, geothermal and solar power and biomass), which improve people's everyday lives (e.g. green transport, the sharing economy and air quality). Companies will have to reduce the amount of greenhouse gases produced by their activities.

The aim will also be to combat waste and promote the circular economy,[46] which will involve, among other things, extending the life cycle of products, banning

[42]Cf. the OECD report of 25 August 2014 entitled 'Scaling-up Finance Mechanisms for Biodiversity'.

[43]Malecki (2015a, 2015b)

[44]Law 2015-992 of 17 August 2015: JO 18 August 2014, p. 14263.

[45]The initial version went further still, adding "as well as on its societal commitments to promote sustainable development and the circular economy".

[46]The "circular economy" is defined as follows in Art. 70 of the *LTECV*, amending Art. L. 110-1-1 of the Environmental Code: "The aim of the transition to a circular economy is to move beyond a linear 'extract-manufacture-consume-dispose' economic model by calling for moderate and

disposable products, promoting moderate and responsible consumption of resources and defining "planned obsolescence".[47] However, even if a company is able to *manage its activities* and *assess its carbon footprint*, it will nonetheless remain difficult for it to evaluate the impact of the actual use made of its products and services by consumers in particular.[48] It is here that Title VIII of the LTECV[49] comes into its own: tackling climate change will involve "taking action together". Such joint action by government, local authorities and citizens should prevent the production of waste and ensure that it is recovered and recycled, in accordance with a hierarchy of treatment methods.[50] This section of the annual report, which must be included from the financial year ending 31 December 2016, will have to take account of the timetable for transposing the CSR directive. The legal instruments used to implement this directive will be vital.[51]

The French Advance: Article 173 LTECV France's LTEVC[52] defines the main objectives in terms of energy transition, energy independence, the preservation of human health and the environment and, above all, the fight against climate change. The coordination of French national policy with the EU's decarbonisation policy is explicitly stated in Article L. 100-1 7° of France's Energy Code.[53] This law contains the emblematic Article 173.

Article 173 adds the following two paragraphs to Article L. 533-22-1 of France's Monetary and Financial Code: 'The insurance and reinsurance undertakings governed by the Insurance Code, the mutual insurance companies and unions governed by the Mutual Code, the provident institutions and their unions governed by the Social Security Code, the open-ended investment companies, the Caisse des Dépôts et Consignations, the supplementary pension provision institutions governed

responsible consumption of natural resources and primary raw materials, as well as, in order of priority, the prevention of waste, particularly through the reuse of products and in accordance with a hierarchy of waste treatment methods, and the reuse, recycling or, where these are not possible, the recovery of waste, etc."

[47] The initial wording of the law went further as it implied that a company should provide an "analysis of the long-term risks to which it is exposed" in its consolidated annual report.

[48] Art. L. 541-1(2) of the Environmental Code "advocates extending the period for which manufactured products can be used by raising awareness among consumers".

[49] Title VIII is eloquent: "empowering citizens, businesses, local authorities and government to take action together".

[50] Cf. Environmental Code, Art. L. 110-1-1, as amended by Law 2015-992 of 17 August 2015, Art. 70, which sets out a definition of the circular economy.

[51] Particularly, once again, on the question of determining whether companies are subject to these disclosure requirements on the basis of their size and the nature of their activities.

[52] Loi n°2015-992 du 17 août 2015 relative à la transition énergétique pour la croissance verte, JORF n°0189 du 18 août 2014 page 14263 texte n°1.

[53] Article L. 100-1 7° of the Energy Code states that the energy policy 'Contributes to the establishment of a European Union of Energy, which aims to guarantee security of supply and to build a competitive low-carbon economy through the development of renewable energies, physical interconnections, support for improving energy efficiency and the implementation of instruments for coordinating national policies'.

by the Social Security Code, the supplementary pension institution for tenured and untenured state employees, the public institution managing the compulsory supplementary public pension scheme and the Caisse Nationale de Retraites des Agents des Collectivités Locales (state insurance fund for local authority employees) mention in their annual report and make available to their subscribers information on how to take into account criteria relating to compliance with social, environmental and quality of governance objectives in their investment policies and on the means implemented to contribute to the energy and ecological transition. They specify the nature of these criteria and the way in which they should be applied according to a standard format established by decree. They indicate how they exercise the voting rights attached to the financial instruments resulting from these choices.' 'The decree provided for in the third paragraph specifies the information that should be provided for each of the objectives depending on whether or not the entities mentioned in the same paragraph exceed the thresholds defined by the decree. Consideration of exposure to climate risks, in particular the measurement of greenhouse gas emissions associated with the assets held, as well as the contribution to compliance with the international objective of limiting global warming and achieving energy and ecological transition objectives feature among the information pertaining to the consideration of environmental objectives. This contribution shall be assessed in particular in light of defined indicative targets according to the nature of their activities and the type of investment and in line with the national low-carbon strategy referred to in Article L. 221-1 B of the Environment Code. Where appropriate, the entities referred to in the third paragraph of this Article shall explain why their contribution falls below these indicative targets for the last complete financial year.'

The Paris Europlace "Green & Sustainable Finance" [54]The Paris Agreement and the UN's Sustainable Development Objectives (SDGs) have launched a global low-carbon and inclusive economy. For a rapid and massive redirection of the capital flows required by this economy. Paris EUROPLACE launched tFinance for Tomorrow, the new brand that will succeed to its "Green & Sustainable Initiative". It mobilizes and federates the players of the Paris Financail Center committed to a finance compatible with the sustainability issues of our century.[55]

Paris Europlace launched the Principles for Positive impact finance.[56] These Principles were developed by the Positive Impact Working Group, a group of UN Environment Finance Initiative banking and investment members as part of the implementation of the roadmap oulined in the Positive Impact Manifesto released in October 2015.

[54]https://www.paris-europlace.com/en/news/paris-europlace-green-sustainable-financeinititive-becomes-finance-tomorrow

[55]https://financefortomorrow.com

[56]https://www.paris-europlace.com/sites/default/files/public/positive-impact-principles-aw-web_0.pdf

3.3 *In the Wake of the European Union*

A Long-term Project Supported by Short-term Demands There are already signs of engagement in this movement in Europe in the form, for example, of the European Commission's Climate Action.[57] The EU's Green Book of 18 February 2015 is 'Building a Capital Markets Union' with the specific aim of 'increasing and diversifying the sources of funding from investors in the EU and all over the world'.[58] In particular, the European Commission is aware of the 'rapid growth' in the green bonds market and of the need to ensure transparency.[59] The EU's energy-climate policy for 2030, known as the 2030 climate and energy framework, was published by the European Commission on 22 January 2014.[60] This will follow on from the framework currently in place (until 2020), which plans to reduce GHG emissions by 20%, increase European consumption of renewable energies to 20% and achieve a 20% saving in energy.

Europe as an Indisputable Leader: The European Investment Fund and the Juncker Plan The Juncker Plan, which was announced in November 2014, is investing 315 billion euros. It aims to boost investment in Europe and to unblock public and private investments. The principal actors in this strategy are the major international financial institutions responsible for implementing funding programmes, particularly the European Investment Bank (EIB). Most notably, this plan aims to make long-term funding available for quality investments. The European Investment Fund plays a part in this framework by designing and developing microfinance instruments aimed specifically at the market segment. In order to do this, it collaborates with a number of European institutions responsible for funding innovation.

The EIB This bank plays a key role in EU climate change policy. It has significant institutional leadership. Hence it was the first issuer, in March 2015, to focus on information on the proceeds of green bonds. It was also the first issuer of green bonds (which it called Climate Awareness Bonds) in euros following a strategic approach focused particularly on the area of renewable energies.[61] The EIB's green bonds have, moreover, been awarded a B+ ('good quality' rating) in the Sustainability Bond Rating category.

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[57]Cf. the Green Book 'Building a Capital Markets Union', COM (2015) 63 final, ec.europa.eu/finance/consultations/2015/capital-markets-union/.../green-paper_en.pdf.

[58]Green Book, p. 5.

[59]The Green Book highlights the role of the Green Bond Principles and the 'standardisation process' (p. 15) currently engaged in by the World Bank, the EIB and the European Bank for Reconstruction and Development.

[60]See *http://europa.eu/rapid/press-release_IP-14-54_en.htm*

[61]Production of wind, hydroelectric, wave, tidal, solar and geothermal energy. Linked to energy efficiency (district heating, cogeneration, building insulation, reduction of energy loss during transportation).

The Global Climate Change Alliance (GCCA) Created bv the EU, the GCCA supervises 51 projects in 38 states. Targeting the most vulnerable countries facing excessive deforestation in particular, it is the largest climate change initiative. Its funds come from the European budget as well as from Ireland, Sweden, Estonia and the Czech Republic. Energy is key to sustainable and inclusive growth policy.[62]

In May 2018 an Accelerated Timetable: The Commission Legislative Proposals on Sustainable Finance For the Commission[63] sustainable finance is high on the Agenda of the G20 and the Capital Market Union wants to support globally the transition for a low-carbon, climate resilient, more circular and resource efficient economy. This should allow the EU to maintain international leadership in the development of sustainable markets.

The EU made a positive and constructive contribution to the development of the 2030 Agenda for Sustainable Development. The Commission responded in June 2000 by launching the European Climate Change Programme (ECCP).

The European Union has long been committed to international efforts to tackle climate change and felt the duty to set an example through robust policy-making at home. At European level a comprehensive package of policy measures to reduce greenhouse gas emissions has been initiated through the European Climate Change Programme (ECCP). Each of the EU Member States has also put in place its own domestic actions that build on the ECCP measures or complement them. The UE wants to set out concrete initiatives on green bonds, on long term investments, and would like to propose a system to ensure transparency for investors on disclosure of non-financial and diversity information including on environmental matters, social and employee aspects, anti-corruption, bribery, respect for human rights.

In the wake of the Commission Action Plan for sustainable finance of 8th March 2018 based on the High-Level Expert Group on Sustainable Finance (E03485)[64] the Commission said its proposal for a regulation on the ESG duties of financial actors would introduce “consistency and clarity” on how institutional investors should integrate ESG factors into their investment decision-making process.

In May 2018 the Commission presented a significant package of measures as a follow-up to its action plan on financing sustainable growth. The package includes 3 proposals aimed at:

1. Establishing a unified EU classification system of sustainable economic activities

[62]Figures available at http://www.gcca.eu

[63]Cf . p. 10 Communication from the Commission to the European Parliament, the Council, The european Economic and Social Committee and the Committee of the Regions, Next steps for a sustainable European future, COM(2016) 739 final, 22th November 2016

[64]http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetail&groupID=3485&NewSearch=1&NewSearch=1&Lang=EN

('taxonomy').[65]

(a) Contribute substantially to one or more of the environmental objectives, which are: (i) climate change mitigation; (ii) climate change adaptation; (iii) sustainable use and protection of water and marine resources; (iv) transition to a circular economy, waste prevention, and recycling; (v) pollution prevention and control; and (vi) protection of healthy ecosystems
(b) Not significantly harm any of the environmental objectives set out above
(c) Be carried out in compliance with the specified minimum safeguards
(d) Comply with the following technical screening criteria, if instructed by the EC: (i) being qualitative and/or quantitative, with thresholds if possible; (ii) building upon existing frameworks, such as EU labelling and certification schemes, EU methodologies for assessing environmental footprint, or EU statistical classification systems; (iii) being based on conclusive scientific evidence; (iv) comprising life cycle analysis; (v) avoiding market distortions; and (vi) facilitating verification of compliance

2. Improving disclosure requirements on how institutional investors integrate environmental, social and governance (ESG) factors in their risk processes[66]
3. Creating a new category of benchmarks which will help investors compare the carbon footprint of their investments.[67] For the Commission it is necessary to introduce a clear distinction between « low-carbon » and « positive carbon » impact benchmarks.The administrators of low-carbon and of positive carbon impact benchmarks should equally publish their methodology used for their calculation.

3.4 The Need for a Sustainable Finance Market

What 'Climate Resilient Infrastructure'? Despite the success of Green Bonds, there is still criticism. This relates to such issues as the lack of transparency, the monitoring of 'green' commitments, rating, the risk of greenwashing highlighted by NGOs (particularly the WWF) and the need for a genuine green bond markets.[68] Here again, there are a few ideas and developments emerging under the aegis of numerous initiatives. The energy and ecological transition is part of the annual

[65] Proposal for a regulation on the establishment of a framework to facilitate sustainable investment, https://ec.europa.eu/info/law/better-regulation/initiatives/ares-2017-5524115_en#pe-2018-3333

[66] Proposal for a regulation on disclosures relating to sustainable investments and sustainability risks and amending Directive (EU) 2016/2341

[67] Proposal for a regulation amending Regulation (EU) 2016/1011 on low carbon benchmarks and positive carbon impact benchmarks, https://ec.europa.eu/transparency/regdoc/rep/1/2018/EN/COM-2018-355-F1-EN-MAIN-PART-1.PDF

[68] Malecki (2015c).

report, which presents a ‘comply or explain’ approach. The main difficulty lies in the ‘multiple interpretations’ of these green bonds.

The boom in the green bond market is changing investment patterns and investor expectations. While green bonds have always been issued by development banks like the World Bank, which has made the financing of major renewable energy projects possible (for example, solar energy in Peru and Mexico, irrigation in Tunisia), their wider application would be welcomed. Green bonds hold several advantages for investors, not just in terms of liquidity and fixed returns but also in terms of the beneficial effects they can produce. The sectors concerned are energy, transport, agriculture, forestry and water. Businesses and public service operators have also begun to issue green bonds. In France, the multinational electric utility company ENGIE has produced the largest bond issue to date (2.5 billion euros) to finance projects exploiting renewable energy sources (such as the installation of wind turbines) or focused on energy management (like smart meters and integrated district heating networks).[69] Local authorities and other public bodies that once used bond securities to raise funds for infrastructure projects have now begun to issue green bonds to support and promote environment- and climate-friendly projects.

3.5 The Need for Transparency: Essential in the Fight against Greenwashing

The Risk of Capital and Labelling Greenwashing? In France, the Energy and Ecological Transition for the Climate (Transition Énergétique et Écologique pour le Climat) label, launched by Novethic at the end of 2015, aims to guarantee the transparency and quality of the environmental characteristics of these green financial products through an independent external audit.

What about the Climate Bonds Standard? Created in 2015, the Climate Bonds Standard and Certification Scheme sets eligibility criteria according to area of activity (solar projects, wind projects, low-carbon buildings, etc.).

The Green Bond Principles Green bonds perfectly illustrate this process with the necessary step of a genuine financial green bonds market. The Green Bond Principles (GBP),[70] which were approved by more than 70 investors, banks and other issuers, present a series of recommendations in preparation for the standardisation of green bonds[71] (currently four), including the use of funds, the project evaluation and selection process, the management of the funds raised and reporting. These

[69] Mention should also be made of the green bond issuance launched by the Ile-de-France region through Euronext in April 2014.

[70] See *Green Bond Principles 2014: Voluntary Process Guidelines for Issuing Green Bonds.*

[71] Which already in fact exist with renewable energies, sustainable agriculture, sustainable transport and drinking water.

principles are applied on a voluntary basis, coordinated by the International Capital Markets Association (ICMA). All this is the result of highly involved private initiatives. The objective of transparency is the GBP's primary concern. The role of the GBP, which were created and then re-specified in 2014 and which are reminiscent of the PRI initiated by Khofi Annan, is to 'provide a non-exhaustive list of the main areas suitable for the use of green bonds (renewable energies, energy efficiency, sustainable waste management, forestry, water, agriculture)' 'Back-translated from French'.

The Deutsche Bank plays a leading role in GBP (which is a paradox given the existence of the mining sector in Germany). For example, the European Bank for Reconstruction and Development and the EIB are signed up to the GBP. China (with the Bank of China) is also invested in this area (a tool for attracting foreign capital).

3.6 *The Need for Standardisation: Essential Climate Finance Regulation*

3.6.1 What Are the Indexes?

The S&P Green Bond Index and S&P S&P ESG Pan- Europe Developed Sovereign Bond Index Some indexes have begun to emerge, such as the S&P Green Bond Index and the S&P ESG Pan-Europe Developed Sovereign Bond Index, which was launched on 8 April 2015 to measure bond performance. This index covers approximately 150 green bonds worldwide. The European green bonds market is developing gradually. The eligibility criteria for projects financed by green bonds have to be defined and then verified by a specialist organisation. Hence the World Bank has set up a selection process for projects meeting the criteria as well as a separate account reserved for the proceeds of the issuance in order to allocate these funds to eligible projects. The bank also takes into account the projects' environmental impact and ensures compliance. To help investors evaluate green bonds, private actors (mostly banks) have developed specific indexes to rate issuers and verify not only their project selection criteria but also the way in which the proceeds of the issues are managed so that use of the funds is fully transparent and operating as planned. This rating is accompanied by information on the environmental integrity of the proceeds.

The Carbon Disclosure Leadership Index This index is a list of the top 500 companies rated according to precision, transparency, understanding and fullness of response. There is also the Carbon Performance Leadership Index, which is a list of the top 500 companies rated according to their performance in reducing GHG emissions and actions taken to adapt to climate change.

The Low Carbon 100 Europe This index was created on 24 October 2008 by the NYSE Euronext stockbroker group in partnership with the NGOs Agrisud, GoodPlanet and WWF. It selects the top 100 companies for CO^2 emissions out of the 300 largest companies in Europe (included in the Stoxx 300 index) and measures their economic performance.

Some Examples of Green Bonds: China and the United States Are Leading the Field China has overtaken the United States as the biggest green bonds issuer. Shanghai Pudong Development Bank alone issued more than 5 billion green bonds at the start of the year. It is companies rather than governments and international organizations who are now dominating with thirteen of the 20 biggest issuers over the past 18 months having been companies. One of the most significant issues has come from Apple, in the first quarter of 2016, with 1.5 billion green bonds issued for projects focusing on more sustainable products. This represents the biggest issuance of green bonds from an American company to date.

Social Impact Bonds Offering more transparency, this index makes an effective link with the reality of the invested capital, giving investors precise knowledge of what is required financially to meet objectives for specific periods. There is still progress to be made, however, particularly with regard to providing better information for investors. Moreover, Social Impact Bonds (SIBs) are not structured like usual bonds. Many SIBs are based on multi-party contracts, and they are not systematically secured. The effectiveness of SIBs lies in their standardization and their accessibility to a wide range of investors.

The International Finance Corporation This corporation's report, published in April 2014,[72] clearly shows the future importance of developing green bonds, which are rarely used in France at the moment.[73] This is an international initiative. The attraction of green bonds is undeniable, but verifying their actual impact on the environment raises a number of questions. Should we therefore consider some form of verification or specific compliance to enhance their effectiveness as well as the confidence of investors and individuals who could 'vote with their money'? Green bonds will play an increasing role in supporting a carbon-free world in the crucial 20 years ahead owing to the essential development of regions in Africa and Asia.

What Kind of Green Bond Market? The case of the Luxembourg Stock Exchange. On 27 September 2016, the Luxembourg Stock Exchange announced the opening of the Luxembourg Green Exchange, a platform for green financial instruments. It became 'the world's first stock exchange'[74]to create such a platform. With this head start on its competitors, it aims to become the main sustainable finance centre in Europe and hopes to establish 'a new benchmark for the strongly

[72]See the IFC report entitled 'Definitions and Metrics for Climate - Related Activities', April 2014. Available at http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Climate+Business/Resources/

[73]See the Observatoire sur la Responsabilité Sociétale des Entreprises (ORSE) publication entitled 'Conférence bancaire et financière sur la transition énergétique', 2 June 2014: http://www.strategie.gouv.fr/sites/strategie.gouv.fr/files/atoms/files/analyses-et-propositions-orse-conference-bancaire-et-financiere-te1.pdf

[74]http://www.luxembourg.public.lu/en/actualites/2016/09/27-lgx/index.html

developing market for green securities'.[75] It reports that the issuance of green bonds has really taken off since COP 21 and that it anticipates 'enormous potential'. At the opening of the Luxembourg Green Exchange, 114 green bonds worth more than 45 billion dollars were listed.

Access to this new platform is, most notably, prohibited to securities invested in fossil or nuclear energy production and to trade that is regulated by the Convention on International Trade in Endangered Species. To be eligible, the green bonds have to meet with three 'strict' criteria. First, they have to use 'self-labelling as a green instrument or equivalent (for example, in relation to climate)', announced the Luxembourg Stock Exchange, adding that 'During the application process, the issuer must indicate clearly the green nature of the security'.[76] The second criterion concerns the use of the funds raised. The proceeds must be 'used exclusively for financing or refinancing projects that are 100% green'.[77] To establish the 'green' nature of a project, the platform relies on the ICMA's GBP or the Climate Bonds Initiative (CBI) criteria. Finally, the issuer must undertake to provide implementation reports and an analysis of investments, which should be carried out in advance by an independent third party. These ex-ante and ex-post analyses are 'an unprecedented requirement on the world's capital markets'.[78]

Luxembourg's financial market encourages 'issuers to go beyond the minimum requirements and really take advantage of this platform to create new standards for quality communication with investors'.

3.6.2 The Role of the G20: The G20 Climate Finance Study Group

The Climate Fund Inventory This is a database of bilateral and multilateral green funds that aims to combat the proliferation of climate funds. Its mission is to assist and encourage developing countries in this area by informing them of the most appropriate and accessible financial products for their needs by sector, region and field of activity.

4 Conclusion

As a result of Climate Finance Day,[79] which was held in Paris on 11 December 2017 under the aegis of Paris Europlace, the conditions for the development of climate finance will be highly favourable as a result of the close collaboration of regulators,

[75] http://www.luxembourg.public.lu/en/actualites/2016/09/27-lgx/index.html
[76] http://www.luxembourg.public.lu/en/actualites/2016/09/27-lgx/index.html
[77] http://www.luxembourg.public.lu/en/actualites/2016/09/27-lgx/index.html
[78] http://www.luxembourg.public.lu/en/actualites/2016/09/27-lgx/index.html
[79] http://www.climatefinanceday.com

public and private economic actors, and politicians, the ultimate guarantee of their concretization.

The approach taken up the recent EU proposals is relevant for institutionnal investors and asset managers. It will require these actors to disclose there strategy on ESG (environmental, social and governance) factors. The EU proposals hope attract private and public investment in renewable energy, transports, and climate issues. This general framework could foster such investment, offer long-term signals to guide investors, to direct it to clean innovation. This new Governance of the Energy Union integrates also the investment needs. The financial sector will have a key role to play in supporting climate change and the Action Plan on sustainable finance will help ton connect finance with the EU's agenda for sustainable development.

At this stage, France is in the vanguard of sustainable finance with Paris Europlace but, in the future, the supervisory authorities and central banks will have to play an active role in this sustainable finance market. New sources of funding will have to be explored such alternative ways of financing infra-structures. The ultimate test for the effectiveness of ESG factors will also depend on how these markets take sustainability strategies into account.

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Corporate Social Responsibility in Germany

Linda O'Riordan and Charles Hampden-Turner

Abstract This chapter characterises Corporate Social Responsibility (CSR) from a German perspective. It examines whether and how the German political and socio-economic stakeholder response to sustainable development differs from the practices undertaken in other countries. By reviewing its historical development, key influencing factors, and current trends, this qualitative review, based exclusively on secondary data, forms an information basis from which Germany's past CSR choices are critically investigated. The authors reason that the 'recipe' which led to the post-war German success story has paid too much attention to the Washington Consensus and does not reflect how capitalism should ideally work. Recent German scandals have born witness to the clash of shareholders maximising their income, which was done by stealth, while pretending to serve stakeholders and the environment. Germany has traditionally fast followed other countries and now is the time to pioneer again and show that a capitalism conscious of the needs of society is the best way forward. The authors call on Germany to follow the courage of her former social market economy convictions which are better adapted to post-capitalism. Asia's commendable growth rates reveal the merit of this approach. A key premise in this realisation is a mind-set transition in which decision-makers cease making choices from the perspective of the past. The authors conclude that at a corporate response level, Germany could better utilise her unique stakeholder-orientated *Mittelstand* culture by empowering creative people thereby driving innovative sustainable solutions and ultimately economic growth.

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1 Introduction

1.1 Germany's Influence on Business & Society

Germany's key role as a political and economic heavyweight in Europe underscores the considerable relevance of her Corporate Social Responsibility (CSR)[1] choices.

Germany's past success can be attributed to the integral role of her scientific and technological achievements based on an impressive history in particular before World War I, spanning a broad spectrum of scientific disciplines, including physics, mathematics, chemistry and engineering (Hampden-Turner & Trompenaars, 1993, pp. 201–208; Schmidhuber, 2010). This achievement established German researchers, ranging from Benz, Bosch, Koch, Daimler, Diesel, Fahrenheit, Fraunhofer, Gauss, Geiger, Habermas, Hertz, Heisenberg, Humboldt, Lilienthal, Keppler, Otto, Planck, Schrödinger, Virchow, von Braun, Zeppelin, among many others, as prominent global household names (e.g., Ranker, 2019). Today, scientific research involving an array of institutions, comprising organisations from industry and internationally renowned state and other research organisations (Federal Ministry of Education & Research, 2018), ensure that Germany consistently ranks among the global best as indicated by its continued listing among the top five most innovative countries in the world in the 2018 Bloomberg Innovation Index (Bloomberg, 2018).

While the successful trade relations resulting from this scientific success generates prosperity not only for Germany but correspondingly for many other countries, her commercial exchanges additionally trigger global sustainability challenges impacting people, the planet, and profits (Elkington, 1997; United Nations, 1987).[2] Persisting issues including climate change, natural resources and human rights dilemmas highlight the general need for a new sense of awareness, clear values, and innovative solutions from all decision-makers to address these challenges (O'Riordan, 2017, pp. 470–474).

Germany's past success conceivably derives from the unique mindset and the shared values inherent in the German 'social' economy stemming from her unique culture and context (Hampden-Turner & Trompenaars, 1993, pp. 201–236; Trompenaars & Hampden-Turner, 2004). The leadership choices of German industry (i.e. the decisions made by managers in big, small, and medium-sized companies) as the fundamental means by which corporations ensure their long-term economic survival, significantly impact the social and ecological operating environment. Consequently, a critical review of her past CSR record serves to establish whether Germany's previous success strategy remains effective for achieving sustainable development going forward.

[1]The concept of CSR is defined in greater detail in the terms and definitions section below. For the purpose of this introduction section, CSR is interpreted to equate with the notion of corporations undertaking sustainable strategies which take regard for people and planet, leading as a consequence to responsible profits.

[2]For further details please refer to the terms and definitions section below.

The current stress on CSR would have business extend its strategies and its conscious purpose to all stakeholders, employees, suppliers, customers, the community, society and environment, while ensuring that investors are repaid. This advice is hardly new in the case of Germany, which historically repeatedly set out in pursuit of the UK and the US with such a strategy in mind. Any fast follower can improve on the kind of capitalism it is emulating and closer relationships among stakeholders has long been the secret of West Germany's success.[3] Germany's traditional stakeholder capitalism is arguably inherently far superior to many kinds of CSR because it is part of industrial policy and not typically an isolated moral add-on, corporate window dressing, and PR. Indeed, Germany's recent monumental corruption scandal could in part be attributed to influence from Washington and neo-liberal economic orthodoxy, UK style. Nevertheless, the conscious choice by key German corporate and political decision-makers to bow to strong shareholder profit maximising influences at the expense of its other stakeholders, is no excuse for the leadership errors which were made. In the aftermath of the global economic crisis which hit Germany particularly hard[4] leading to the most severe economic decline in the history of the Federal Republic (McKinsey, 2010),[5] we propose that German decision-makers should now build on the country's strengths. This could help to steer the country back in the direction of her traditional Stakeholder Value Creation (SVC) orientation.

1.2 Chapter Overview

In this Chapter, the authors present a qualitative review based exclusively on secondary data to identify the dynamic potential for innovative sustainable solutions in the German social, ecological, and economic spheres. In the subsequent sections Germany's previous CSR record is initially outlined, after which an information basis is established of the key underpinning terms and definitions employed. The background of Germany's traditional stakeholder capitalism, its key influencing factors and trends, as well as the status quo of its CSR practices key CSR institutions are then addressed. Outlining the similarities and differences between Germany and other countries helps to build the critical examination of the country's responsibility activities to date. The Chapter concludes with a future vision of 'next level' CSR for Germany.

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[3] Germany was also a late-comer to nationalism but once its principalities joined to form a nation, increased industrial muscle was very much the theme, with federal and regional governments serving as decentralised 'conductors' of a 'symphony'. If, according to List, economic growth is an expression of a country's values and beliefs, its industries are an expression of nationhood.

[4] Even more drastically than its counterpart in any other large European country or the United States (McKinsey, 2010)

[5] The impact of the crisis on Germany's manufacturing sector has been especially dramatic as a result of the country's strong focus on exports.

2 Setting the Stage

2.1 How Well Does Germany Score on the CSR Front?

If we were to believe the strategic contribution rhetoric asserted about German companies, we might at first glance conclude that CSR in Germany is booming. For instance, the German Government claims to view Germany as a role model for sustainability. According to the Chancellor Angela Merkel, "sustainability has found its way into politics, business, and society". At a signing of the German Council for Sustainable Development (GCSD), the German Chancellor campaigned for international partnerships, the shaping of globalisation, and a pioneering role of the EU in the implementation of global sustainability goals (Bundesregierung, 2018). The 2018 Peer Review on Germany's Sustainability Strategy on behalf of the GCSD depicts Germany's sustainability vision[6]:

> A 'sustainable' Germany must be a progressive, innovative, open and liveable country. It is characterised by a high quality of life and effective environmental protection. It is integrated, inclusive and excludes no one, creates opportunities for the equal participation of everyone in all areas and at all levels. It fulfils its international responsibility (GCSD, 2018, p.11).

Building on this vision in her 2019 New Year's address to the people, Chancellor Merkel re-emphasised the significance for Germany of the values of "openness, tolerance and respect" thereby underlining her view that the country must take greater responsibility in the world and work towards "global solutions". In her speech she highlighted key international challenges stating the main issues facing Germany including climate change, as well as the demands inherent in managing migration and combating terrorism. Chancellor Merkel additionally accentuated the requirement for a multilateral allied approach to stabilise western order noting that solving these matters requires a wider viewpoint in which going forward, Germany takes a stronger stance on its convictions. In stark contrast to U.S. President Trump's isolating 'America First' tactics, the German Chancellor re-iterated the stakeholder perspective[7] inherent in Germany's sustainability vision in stating "we can resolve our own challenges best if we consider the interests of others" (ABC News, 2018; Reuters, 2018).

That Germany is sincere in such intentions can be found in the Forbes list of the top most reputable companies, several of which are German, including BMW, Bosch, Adidas, Siemens, etc. (Forbes, 2017). There is an increasing rate of voluntary social work by employees, mostly paid for by employers. Planet Value is an example of one such German corporate volunteering platform (Planet Value, 2018). O'Riordan (2017, pp. 327–355) has found that such efforts are frequently authentic. Moreover, due to its influential Green movement, Germany's high level of

[6]Based on the German Federal Government: German Sustainable Development Strategy, 2016 version, Berlin 2017, p. 18.

[7]For further details please refer to 'The Key Underpinning Terms and Definitions' section below.

ecological regulation demonstrates how it often shows more concern about the environment, than is present in other countries. Germany's *Mittelstand*[8] with their small face-to-face structures, mostly informal and to human scale, retain ethical convictions and are closer to the communities which often rely upon them. Hermann Simon regards such companies as the 'Hidden Champions' and the integrity of Germany's industrial prowess (Simon, 2009). Hampden-Turner and Trompenaars (1993) point out that German culture extols industriousness as a life-style rather than accumulating money for the purposes of later consumption. Hindsight shows how money can suddenly evaporate as in the Twenties, and in 2008 (possibly $5 trillion or more!) according to the New York Times (2014), while manufactured products last as do the skills of making them.

Based on these particular examples of stakeholder orientation, German companies could conceivably be considered to foster a culture which ultimately benefits society and the environment in many ways thereby generating economic profits as a consequence of effective stakeholder relationships.

2.2 Walking the Talk?

Despite the above positive statements on Germany's CSR performance scorecard, the noted examples of what could conceivably be interpreted as genuine goodwill stand in stark contrast with the previous scandals in which many German firms have repeatedly been involved. This implies that the claimed sustainable strategy and other actions noted immediately above did not prevent a range of formidable crises.

On closer inspection, the unscrupulous practices of leading organisations emerge, including ADAC, Acandor, Schlecker, Mannesmann-Vodafone, MAN,[9] and Siemens, among many others. They stand in the shadow of the ongoing critique regarding what has been termed "the largest industrial scandal in German history": the Volkswagen (VW) diesel emissions fraud (Produktion, 2018). News of the VW 'device defeat' scandal reached the public in September 2015 revealing how key decision-makers at the company used software to cheat in emissions tests in its diesel cars. While various organisations played a crucial role in exposing the 'Dieselgate' scandal, as it is colloquially known, suggesting that bringing a major corporation to justice could be considered an achievement of civil society (Rhodes, 2016, p. 1510), the case nevertheless demonstrates how Non-Governmental Organisations (NGOs) were not taken seriously over the years by car producers, such as VW, and others.

Most crucially however, the VW scandal signals serious issues in the system of checks and balances regarding the behaviour of corporations in Germany in general. A recent study highlighting how the events at VW are "... a good example of a

[8]The German '*Mittelstand*' refers to the small and medium-sized organisations. For further details please refer to the terms and definitions section below.

[9]A Volkswagen (VW) subsidiary.

mixture of organisational and institutional failure" (Busch, 2018, p.3) disturbingly indicates how a scandal of this proportion may likely reoccur unless changes are made to counteract the strong sway of corporate power in legislative decision-making processes. Specifically, the study identifies the lack of "... a critical interplay of forces by a range of stakeholders including corporations, unions, political actors and NGOs" as a key issue in the VW Dieselgate case (Busch, 2018, p.3). What could be interpreted as equally troubling, was the fact that before the crisis, VW was positively represented in many sustainability indices[10] with some of the highest scores possible. For example, VW was the industry leader in 2013/14 of 'Automobiles and Components' in the Dow Jones Sustainablity Index. This draws into question the reliability of rating systems many of which (e.g., RobecoSam & KPMG, CDP, Sustainalytics and FTSE4Good) prior to the crisis had highly praised VW's CSR activities only to later suspend or even delete the company entirely from their listings (Busch, 2018, p. 28).

Ominously, the events at VW are noted by many experts to have wielded further broader undesirable repercussions. According to an article in the German Newspaper *Die Zeit*, economists view the VW exhaust scandal as a burden for the label "Made in Germany" and "a sign of a declining economic power in Germany" (Die Zeit, 2017). Based on a statement by the German Trade & Invest association (GTAI), while cars 'Made in Germany' were traditionally associated with 'quality, reliability, durability, efficiency, and safety', this positive image was to some degree eroded due to scandals and revelations most notably due to Dieselgate (GTAI, 2016). The self-acclaimed technological leadership of Germany's automotive industry was accordingly eclipsed not only by the scandal itself, but triggered the realisation that other competitors, such as Toyota and Renault/Nissan, had at the time developed more advanced non-fuel technologies (Busch, 2018, p. 12).

Some economists speculate that the current growth trend could change as soon as the German car makers begin to suffer the knock-on consequences of the exhaust gas scandal and possibly experience economic losses as a result. Statements by the German Institute for Economic Research (DIW) even go so far as to suggest that the crisis in the automobile industry is a harbinger of a declining economic strength of the Federal Republic. According DIW CEO Marcel Fratzscher in a German Newspaper (Welt am Sonntag, 2017): "Germany has reached the peak of its economic performance and perhaps already exceeded it". In Fratzscher's opinion, companies invested too little—above all in research and development, and the car industry has been holding on to old technology for too long. In the first quarter of 2019, a senior Europe economist at Capital Economics, a leading independent macroeconomic research consultancy based in London, highlighted how the German economy narrowly avoided recession in the latter half of 2018 with.

[10]Sustainability indices which listed VW as best in class before the crisis included for example: The Sustainability Yearbook 2013; the RobecoSam Silver Class (RobecoSam & KPMG, 2013), the Carbon Disclosure part of the Global 500 Climate Change Report 2013; the FTSE4Good.

> . . . a pretty broad-based slowdown in growth. We've seen household consumption slow, we've seen business investment slow and we've seen export growth slow. . . . What's particularly worrying is that the early signs for 2019 suggest that a strong rebound is unlikely (Allen, 2019).

These developments highlight that the claimed sustainable rhetoric about Germany's CSR activities did not prevent a range of formidable crises. Indeed, the choices of key corporate, political, and other decision-makers potentially triggered the predicament.

A general call for action to address these issues was led by the chairperson Helen Clarke of Germany's Sustainability Strategy at an event celebrating the launch of a sustainability report in Berlin when she highlighted the benefit and opportunities of acting sustainably while at the same time stressing the need for more ambitious change and urgency (GCSD, 2018, p.11).

2.3 Key Underpinning Terms & Definitions

Having outlined Germany's claimed CSR rhetoric, highlighted the ongoing developments and issues, and having questioned the accountability of its corporations based on selected examples of its past CSR record, this section establishes an information basis of the key underpinning terms and definitions employed in the Chapter. It begins by exploring the notion of what could be considered to construe 'sustainable development' in general before more specifically addressing what this might mean when applied to the German Corporate context.

2.3.1 Sustainable Development Via Stakeholder Value Creation Principles

Creating sustainable value (prosperity, wealth and well-being) requires equity among generations, according to the UN Brundtland Report (1987). The single-minded emphasis on profits for the holders of equity overlooks those who do the actual work and must master the skills needed in the years to come. More money is extracted short-term than invested long-term. Freeman (1984) shows that wealth is created by a broad alliance of stakeholders whose rewards must be commensurate to their contributions. A triple bottom line (TBL) *and* top line (TTL) is needed (Elkington, 1997; McDonough & Braungart, 2002). Profits are the consequence of shared efforts not the purpose of them (Grant, 2006.p.41).

In line with the interpretation of the original Latin meaning of the word 'competition' (i.e., 'competere'), competitors strive together in synergy to achieve connected objectives thereby realising synergic value (O'Riordan, 2017, pp. 3, 387–388 & 423–424). Based on Aristotle's rationale,[11] the overall value outcome is better than the sum of its parts. Converting to the essential values inherent in this stakeholder-orientated sustainable development approach essentially requires the fundamental connection of allied interest groups collaboratively realising progress together resulting in the effective harmonisation of multiple goals (e.g., O'Riordan, 2017, p. 393). In this way, co-ordinated TBL/TTL outcomes are achieved including: Profits (via the development of a solid economic structure which facilitates industrialisation and reduces unemployment); People (through eliminating poverty, facilitating human health and education); and Planet (by protecting the environment).

In this Chapter, we envisage a future for Germany based on her traditional stakeholder orientation. The underlying Sustainable Stakeholder Value Creation (SVC) principles required to transition to this prospective reality have been proposed in previous literature (Ćwiklicki & O'Riordan, 2018; O'Riordan, 2017). They comprise an inclusive, collaborative, connected approach to corporate strategy enabled by a significantly transformed economic model focused on achieving sustainable development goals.

2.3.2 Sustainable Development Goals 2030

Over 30 years after its original expression in the UN Brundtland Report (1987), the urgency to achieve the ambitious TBL/TTL aims inherent in the UN Sustainable Development leitmotiv is currently more pertinent than ever. The global challenges triggered by climate change, migration, and terrorism highlighted by Chancellor Merkel in her 2019 New Year's address to the German people require innovative response from both the political and economic sphere to achieve sustainable solutions.

Building on various previous UN initiatives, the UN Sustainable Development Goals (SDGs) 2030 which were agreed in 2015, can be interpreted as a call to action for government, society, and business in all areas of our existence (Abdulai, Knauf, & O'Riordan, 2019). The seventeen new SDGs 2030 (United Nations Sustainable Development Goals, 2018) target the 5Ps (People, Planet, Prosperity (originally Profit), Peace and Partnership. They comprehensively address key areas of stakeholder responsibility ranging from poverty and hunger alleviation to improvement of health, education, and well-being; reduction of inequalities; access to clean water, sanitation and affordable renewable energy; measures to combat climate change and its impacts on natural resources, sustainable industry, innovation and resilient infrastructure; strategies to establish decent work and economic growth based on responsible consumption and production approaches; general aims to promote just,

[11] First coined by the philosopher Aristotle, the phrase: The whole is better than the sum of its parts, aptly defines the modern concept of synergy!

peaceful and inclusive societies (United Nations Sustainable Development Goals, 2018).

Mankind's ability to optimally meet these SDGs in harmony together in line with the values inherent in the stakeholder value creation principles presented in the previous section triggers comprehensive, complex, over-arching questions both in general and specifically spanning the social, technological, economic and political spheres, as well as potential others on a range of levels. Of specific relevance for this Chapter, the SDGs ask for instance: How will the German Government respond in meeting these goals? How do the SDGs influence the future role of business in society in Germany? Including for example: How will corporate entities (small, medium and large) contribute to the achievement of the goals? And how will this impact Corporate Strategy and Corporate Governance in Germany regarding Corporate Responsibility practices and their effective measurement?

Against the backdrop of these questions and their inter-related themes, the next sections serve to examine both in general and for Germany, the role of Government, policy-makers, and business as key institutions serving to meet the SDG 2030 goals for mankind.

2.3.3 The Role of the Public and Private Sector in Sustainable Development

At national level, achieving sustainable development via the TBL & TTL outcomes inherent in the stakeholder value creation principles requires an enabling environment supported both by the public and private sector functioning in sync to realise an evolved system serving effectively as a fundamental 'incubator' for the necessary transformation.

The role of the **public sector** in general as a means for encouraging sustainable development is well studied (Albareda, Lozano, Tencati, Midttun, & Perrini, 2008; Fox, Ward, & Howard, 2002; Moon, 2004) and its past achievements have been critically questioned by various scholars (e.g., Mackey & Sisodia, 2013; Reich, 2016). Against a background of stagnant or declining wages for many, coupled with declining job security and widening inequality (Reich, 2016), the call for Government to step up and address the issues facing society in general via new political solutions is growing increasingly louder. However, as stakeholder expectations grow, the delineation between the role of the public and the private sector is becoming progressively less clear.

The influence of the changing role of governments in societal matters has been widely addressed in the literature (e.g., Albareda et al., 2008; Crane & Matten, 2010, p.495; Reich, 2007). Against the background of intensifying calls for a re-assessment of the political economy and its inherent capitalist structures and system, some (e.g., ISO, 2010, p.7; Peters & Roess, 2010, p.8) suggest that governments around the world have begun to see the synergic potential of sustainable systems to concurrently enhance inclusive development, increase national competitiveness and foster foreign investment (O'Riordan, 2017, pp. 31–32). Others, such as Robert Reich (2016)[12] and Noam Chomsky (2017)[13] remain sceptical of the power, will, and capability of Government to fairly distribute the growing concentration of wealth created by markets. The opinions of these political activists serve to express the growing expectation among the people that business needs to address not merely economic, but also social challenges. This anticipation puts acute pressure on the private sector to 'step up' and take responsibility for sustainable development.

The **private sector** can be interpreted as a significant catalyst in the sustainable development agenda. In the quest to generate prosperity for current and future generations, business undoubtedly plays a key role in society not merely by creating profit and other economic wealth, such as jobs based on agency theory which focuses on exchange risk (e.g., Donaldson & O'Toole, 2007, pp. 21–36; Eisenhardt, 1989). The relevance, impact, and transformative potential of the private sector can be clearly seen in the case of the pharmaceutical industry. Through the high level of profits generated via delivering healthcare solutions, the industry's ensuing influence has been described as having "reached staggering proportions" (Rifkin, 2005, p.2). As a result, the pharmaceutical sector ranks high on the list of 'big business' organisations which "control vast resources, cross national borders, and effect every human life" (O'Riordan, 2017, p. 108). It has been described as comprising one of "the most powerful social entities on earth" (Phillips, 2003, p.1).

While no clear consensus exists regarding the precise role of private organisations in contributing to sustainable development (e.g., how commercial enterprises fulfil TBL/TTL principles), the stakeholder value creation concept presented in this Chapter emphasises a value stance focused on inclusively realising meaningful organisational purpose which first serves society (people and/or the planet) thereby generating sustainable profits. Clearly however, the prerequisite for sustainable business solutions is an enabling well-functioning system established by the public sector.

Consequently, a key prerequisite for sustainable development is the premise that *both* the public and the private sector must in the first instance adopt leadership mindset which better serves society. Applied at national level, this requires transitioning towards public sector frameworks in which political, social, and economic systems, and other pertinent systems better serve society. In the private sector,

[12]In his book entitled 'Saving Capitalism', Robert Reich highlights the disproportionate and increasing influence of wealthy individuals, as well as the executives and major actors from private organisations. The rules governing how the market is organised ensures that some groups are paid less than others. As a result, social work, teaching, nursing, caring for the elderly or children are among the lowest paid professions even though their performance generates societal benefits. While at the same time, the worth to society of CEOs, hedge fund managers, investment bankers, lobbyists, lawyers & co., may indeed be less than what the market rewards them (Reich, 2016, pp. 92-93).

[13]In his book entitled 'Requiem for the American Dream', Noam Chomsky's addresses the dangers inherent in the growing concentration of wealth in Western society. Chomsky highlights how processes in the system determine that financial markets, financial institutions, and financial elites gain greater influence over economic policy and economic outcomes thereby affecting and shaping public life (Chomsky, 2017).

commerce should serve society and not the other way around! Significantly, the innovation inherent in this mindset evolution provides intrinsic opportunities with broadened leverage for those organisations in which decision-makers choose to contribute not merely to the economic, but also to the social and environmental needs of society (e.g., Roddick, 2000, p.14).

2.3.4 Defining Corporate (Social) Responsibility

An upsurge in the literature, arising both from the topic's actuality, as well as the proliferation of associated terminologies and themes, determine that the comprehensive notions inherent in what can be labelled 'Corporate Responsibility' (CR) are frequently described in a multitude of ways. The broad-ranging issues involved in successfully integrating (TBL/TTL) principles to achieve sustainable development when fulfilling corporate objectives continually re-sparks on-going discussions, in which opinion varies significantly (e.g., Fairbrass, O'Riordan, & Mirza, 2005) regarding the exact meaning of the concept and its most appropriate label.

Sustainable management is thus often labelled 'Corporate Social Responsibility'[14] (CSR), which is generally considered to signify the most common term employed in Europe[15] to express the notion of 'responsible management'. The term 'CR' is accordingly employed in the Chapter as an 'umbrella' label signifying the voluntary response by decision-makers in companies who increasingly find themselves held accountable not only to shareholders, but additionally to other stakeholders and society at large.[16]

Stakeholder Engagement[17] is an inherent concept in CR. Highlighting that today decision-makers no longer deliberate about the question of whether to behave responsibly, but how, overall, CR is understood to depict a broad range of organisational accountability themes requiring sustainable strategies (i.e. TBL/TTL solutions).

[14]CSR is defined by the EU commission (EU Commission, 2002, p. 3) and social responsibility defined by the ISO 26000 (ISO, 2010).

[15]Apart from quotations and definitions, this Chapter adopts the terms CR & CSR synonymously.

[16]Given that not only social, but additionally broader societal, moral, and ecological, as well as other key responsibilities are implied in the practice of responsible management, of which social aspects are merely one (albeit highly salient) component, the term 'CR' is the preferred employed label in this chapter based on the rationale that it is considered to more aptly reflect the broader context of corporate responsibility beyond the social focus.

[17]Stakeholder Engagement (SE) is defined within the context of Freeman's (1984) stakeholder concept as an inclusive management approach, which encourages an organisation to involve stakeholder interests when identifying, evaluating, responding to, leveraging, and reporting on sustainability issues, challenges, concerns and opportunities. SE thereby enables organisations to appreciate, be answerable, and explain its decisions, actions, and performance in an inclusive approach to its stakeholders. As a result, SE is interpreted as a fundamental accountability mechanism in the corporate management of sustainable stakeholder relationships. For further details please refer to Chapter 2 in O'Riordan (2017).

Regardless of the terminology employed, and notwithstanding the wide-ranging debate which has been well documented in the literature (e.g., O'Riordan, 2017, 143–144), the goals of sustainable management can be understood to address some notion of responsibility when organising the factors of production (land, labour, capital and enterprise). CR can thus be interpreted as a general responsibility of companies (Jonker, Stark & Tewes, 2011, p. 88) and the leitmotif of the strategic orientation and positioning of organisations. At corporate level, leaders design strategic and operative goals to generate wealth for society via their business purpose. CR thus considers the interaction between the social and environmental interests of the corporation's various stakeholder groups.

Consequently, CR could be interpreted as the platform via which business strategies are architected with regard for ensuring a 'liveable' world for future generations. The rationale being that by following an economic approach which is conscious of its impact on both ecological and social principles, a permanently peaceful, healthy, global well-being for mankind can be secured. Organisations accordingly play a crucial role in creating stakeholder value by aligning the SDGs 2030 with commercial objectives thereby realising solutions to persistent issues, including global warming, climate change, human rights abuses, and poverty, among others, become the corporate purpose (Abdulai et al., 2019).

At operations level, there are two kinds of CR and it is important to tell them apart. There are attempts to departmentalise CR in the manner of 'Human Resources', so that there is a special add-on department for CR to which some difficult issues are referred. The unexamined assumption being that having created yet another speciality, the organisation as a whole can get on with its various tasks unaffected. It is rather like believing that humanity exists in the Personnel or CR department but not elsewhere and that "its heart can bleed" for the rest of us, while we cut corners as usual. CR belongs everywhere and is a distributed characteristic not a division of labour. Everything an organisation does must be responsible. It is not a question of doing things right in one corner office, but of doing the right thing at the top and hence everywhere. Transitioning to an empowerment mindset in which humanity is integrated into the strategy involves delegating responsibility so that stakeholders become engaged (SE). This shifts the organisational logic from a network of stakeholder relationships in which power is wielded *over* people, resulting in powerlessness, to one in which power is achieved *through* people i.e. empowerment!

CR is thus the corner-stone of the company's purpose for being and its strategy. From this perspective the corporate mission of the entrepreneur Ray Anderson was not just making carpets, it was playing his part in saving the planet by cutting emissions to zero, a much bolder shared vision and a legacy to our children. Such visions are a boost to employee morale. Viewed in this way, CR is by definition clearly more than Public Relations, or it will be cut back as unaffordable in hard times. To achieve the necessary transition, effective CR strategies require a new form of leadership engagement with the environment, natural and social.

Having defined the general concept of CR, the next section serves to depict Germany's traditional stakeholder capitalism and the status quo of its key CSR institutions.

3 Corporate Responsibility in Germany

3.1 Historical Development

3.1.1 CR in Germany Derives from its Traditional Model of Social Capitalism

Arguably Germany did not coin the term "Corporate Social Responsibility" because it has had it in large measure from its inception as an industrial nation. Germany has traditionally been more orientated to its stakeholders, i.e. employees, suppliers, customers, government, environment and lenders, than to absentee shareholders. It practices what has been called Rhineland socialist-capitalism, similar to that of France and the Netherlands. In this vision, a company is the property not exclusively of shareholders but of all those with a stake in its success or failure.[18]

In contrast to Germany's historical development, CSR as a slogan has arisen because the USA and the Anglosphere are badly in need of it. Were Germany to stick to its own model of capitalism, forged in the early years of its emergence as an industrial power, further emphasis might not be needed. To elaborate, while many well-established German companies, including Hoechst (formerly), Bayer, and Krupp, among others, had been implicitly practicing what could be considered an early form of CSR since the nineteenth century (e.g., investing in the community by financing parks, amenities, scholarships, as well as funding housing for employees, etc.), the concept of CSR is considered to have explicitly emerged in Germany in discussions in the social sciences. According to a report from the IfM (2007), the broader debate on sustainability goes back to the 1970s, when, due to ecological concerns triggered by industrial production, issues regarding the environmental responsibility of the business sector were raised. Shortly after the turn of this century, CSR also began to gain traction in Germany in the field of business economics. Driven by the European Commission's launch of CSR based on the Lisbon Strategy, CSR in Germany received new impulses with a steady growing number of initiatives resulting in a growing awareness among the public and the business community.

In their book entitled: "The Seven Cultures of Capitalism" Hampden-Turner and Trompenaars (1993) refer to the appeal of the "German model". They employ decades of research to specify how Germany traditionally exemplifies strong

[18]The idea that shareholders "own" a company exclusively, is actually quite new and dates from the Reagan- Thatcher era, when the US Business Round Table reversed an earlier decision that all the stakeholders involved in a company had the right to share in its prosperity.

universalist, integrative, and communitarian values leading to what they term "the German economic fingerprint" (Hampden-Turner & Trompenaars, 1993, p. 202). The authors identify how their research reveals a unique:

> . . .combination of [. . .] values which Germans bring to their processes of wealth creation. . . [. . .] manifested in a highly codified economic system in which the state and private enterprise cooperate in developing and regulating business activity to an extent unthinkable in the more individualistic cultures (Hampden-Turner & Trompenaars, 1993, p. 202).

3.1.2 Germany Historically Created Economic Value Via Stakeholder Connections

Still today due to the unique values inherent in the 'German model', many economic decisions in Germany are made at the meso-economic level via the interaction of the government with labour, industrial, and financial groups. In their 1993 scholarship the authors identified this collaboration as a clear source of competitive advantage, noting how:

> German-style capitalism is not simply closer geographically to the ex-communist world, it is also closer psychologically and ideologically (Hampden-Turner & Trompenaars, 1993, p. 202).

To elaborate, these differences are in part explained historically by Hampden-Turner & Trompenaars (1993, p. 205) by the fact that as a late industrialiser, similar to Japan, Sweden, and the Netherlands, Germany employed a strategy of 'catch-up' which was profoundly different from the strategy of 'innovate' adopted by the early industrialisers, Britain and the United States.

> At least seventy-five years behind Britain and thirty-five years behind the United States in setting up her first textile mills, after industrialisation, Germany spurted economically, but foundered politically and militarily. She overtook Britain economically in the first decade of the twentieth century, only to face devastating defeat in 1918 and runaway inflation as a result of repatriations and the reoccupation of the Ruhr. A short recovery ensued before the Great Depression, and then another spurt before World War II and total devastation. Once again Germany came from behind, overtaking Britain in the early 1950s and leading the countries of the Common Market by the end of the decade, during which her economy grew by a massive 8 percent per annum—Wirtschaftswunder indeed (Hampden-Turner & Trompenaars, 1993, p. 205).

Because Germany did not create the first industries in textiles, steel, chemistry, automobiles, etc. it had less need of capital from shareholders, taking high risks in new industries. The second or third steel mill is a question of fast-following procedures, already known, with long-term, low interest loans provided by regional banks, many under a political mandate to grow the local economy. As a result, German companies began with a lower cost of capital and hence lower prices. This was not her only advantage. Engineering which in Britain was largely the *ad hoc* ingenuity of pioneer technicians, such as James Watt, had become codified by Swiss and German universities and was taught to aspiring professionals. A powerful nexus between university and industry had been wrought. Practices originating in Britain and the USA were refined by German and Swiss schools. To this day Germany teaches managers within key technologies while the Anglosphere promotes MBA studies which give precedence to finance and accounting, since these are the only disciplines which are truly universal in their scope. Globalism accordingly deals with what all enterprises have in common, financial resources. But finance and accounting deal with 'things' and not 'people'. By contrast, the expression of human values is variable to the point of being unique, and national cultures express such rare qualities. Human beings by distinction are very different from machines giving rise to diverse national cultures.

Nations practicing 'catch up capitalism' tend to accept the products that richer nations want and concentrate on process rather than product innovation. They make what is in demand by better, less costly means and concentrate on the quality of their manufacturing. They often begin as small suppliers to larger companies abroad and integrate forwards over time, doing more and more of the actual work, while their customers make money but outsource productive capacity. Unlike many other advanced industrial nations, Germany has kept its manufacturing and has spawned over 3 million '*Mittelstand*', mostly suppliers to major industries abroad and private rather than public companies, typically in niche products used by customers, such as specialised machine tools, industrial robots, metal alloys etc.

Another secret of German industrial productivity is the training of blue-collar workers in technical skills. The school system delivers these to industry and higher skills earn higher salaries while Britain and the USA have de-skilled their workforces to serve machines. By reducing complexity but raising the amount of repetitive, routine operations, this leads to workforce alienation in general. Instead, German industry has a rich history in what others call "paternalism", often even providing housing, pensions and social institutions to workers. At least paternal relations have a modicum of affection, unlike the disinterested bureaucracy or the idea that workers serve machines. To this day German trades unions sit on boards and have offices assigned to them within the company. This approach exemplifies that a company of any size must have co-determination with its workforce.

3.2 The German Mittelstand

3.2.1 A Unique Style of Corporate Culture

A key aspect of German economic success is that it does not only stem from large well-known multinationals. In one of the numerous explanations for Germany's strong economic performance, Venohr, Fear, and Witt (2015) highlight what they state comprises a neglected core part of the explanation for Germany's achievement. They are referring to those firms which make up the German '*Mittelstand*', i.e., the country's small and medium-sized enterprises (SME)[19] [German: *kleine und mittlere Unternehmen* or *KMU*], which are considered to comprise the "backbone" of the German economy (Schuman, 2011). Also described as the "driving engine" of the economy or as "hidden champions" (Simon, 2009), they were termed by Welsh & White (1981, p. 18) as "big little businesses".

According to statistics provided by the German Institute for SME Research [*Institut für Mittelstandforschung* (IfM)] in Bonn (IfM, 2019b), in line with the figures for SMEs in general in the EU, German SMEs play a significant role in the German economy.[20] Based on this data, the relevance of SMEs in terms of the economy, employment, and education policy becomes self-evident and contrasts strongly with the lack of academic study on SMEs (Schmidt, 2017, p.20).

When compared with larger companies, SMEs suffer from significantly less market impact and brand awareness outside of their own customer base. Nevertheless, over the last decades many traditional German *Mittelstand* firms have re-orientated themselves towards global markets and have quite often become "Mini-Multinationals" in this process (Venohr et al., 2015, p. 6) with the ambition to become world market leaders. As a result, the Handelsblatt (2018) reports how Germany's *Mittelstand* companies include more global market leaders than those of any other nation. Their economic importance is illustrated by this translation from the German Institute for SME Research [*Institut für Mittelstandforschung*] (IfM) in Bonn:

> The economic significance of German SMEs for employment is high. Small and medium-sized enterprises (SMEs), which are mostly family businesses, account for the majority of jobs in Germany and contribute significantly to the flexibility of the economy (IfM, 2019a).

Significantly, as noted by Ludwig Erhard (Germany's former Economics Minister responsible for crafting the post-war 'Wirtschaftswunder' and the social market economy), the term *Mittelstand* does not merely apply to differences in size when compared with the larger listed companies. Their most important characteristic comprises their common set of leadership values which are typically operationalised into management practice. These can consist of features including: Family ownership and family-type corporate culture, emotional attachment, and generational

[19]While the term *Mittelstand* is quite often used as a statistical category, to classify all SMEs with annual revenues up to €50 million and a maximum of 499 employees (IfM Bonn, 2019b), it was Ludwig Erhard, the former Economics Minister (responsible for crafting the post-war (West) German 'economic miracle' [*Wirtschaftswunder*], who warned not to reduce the *Mittelstand* term to a mere quantitative and revenue-based classification. Instead Erhard emphasised the significance of qualitative characteristics which embody the *Mittelstand*, as "...an ethos and a fundamental disposition of how one acts and behaves in society" (Erhard, 1956).

[20]In 2017 over 3.6 million of all enterprises in Germany were SMEs, representing 99.6% of all German companies. SMEs employ 58% (approx. 17 million) of all employees in Germany and additionally account for more than 82% of all employed trainees. Generating 35% (approx. €2.27 trillion) of total sales in Germany, German SMEs achieved an export turnover in 2016 of just over €208bn (i.e. 17% of the export turnover of all companies in Germany). This demonstrates how SMEs contributed approx. 54% of the total net value added of all companies in Germany.

continuity; holistic, long-term focus and investment in the workforce; independence, flexibility, customer focus, and innovativeness (Handelsblatt, 2018). Moreover, because they tend to be firmly anchored in their region and to have a strong connection with their employees and the local community, their very nature inherently determines their unique value as a mechanism for achieving social responsibility objectives.

3.2.2 Competitive Advantage Via Integrity and Trust

The considerable advantage of Germany's *Mittelstand* is their small scale and huge numbers. They not only provide by far the highest employment in the nation. Studies by Hermann Simon (2009) and others show that the best thousand among them are many times more creative than big public companies, much closer to their local communities, often the major source of employment in their town or village, that their turnover and absenteeism is lower, their profitability and growth is higher, their export performance superior, and that they train employees more assiduously and promote more women. They are considerably closer to customers and sell what their machinery can do, rather than the machine itself, guaranteeing good results. They think long-term about providing incomes and occupations for their grandchildren. Ironically, they are hidden from view, since the press does not discuss them and what they make is often esoteric and obscure (such as machines for eviscerating fish or getting information from weather balloons). Never-the-less they represent the integrity of the German economy through face-to-face relationships of high trust.

All this is largely down to scale-effects. If the employee numbers are less than 120 in any one place or business unit then nearly everyone knows one another by their first names and much more about each other than in an alienating factory environment of thousands. Creativity requires the tacit knowledge of personal intimacies. Leaders develop those employees they know well and respect. They tease ideas out of them. They criticise their employee's work while supporting them as people. Thrills are found in experimentation and failures are more easily forgiven. . .and be learned from!

3.3 The German Perspective on Money

In contrast to economic systems founded on stakeholder relationships, economies dominated by their financial sectors tend to focus on making money out of industry and thereby 'take' money out of business. They extract more than they invest. Germany traditionally used money to create better industries and this is its strength. Germany believes in hard work as an end in itself, not as a mere means of getting money to consume more. Indeed, Germans are suspicious of money on its own, owing to the terrible experience of inflation in the Twenties, when a barrowful of notes was needed to buy bread and wage earners ran to shops before their wages lost even more value. According to Hampden-Turner and Trompenaars (1993) and Trompenaars and Hampden-Turner (2004), debt, credit, advertising, and gambling are practiced much less in Germany than elsewhere. The 1922 surrealist film *Dr. Mabuse der Spieler* [the Gambler] by Fritz Lang, depicts the villainous doctor going mad beneath a shower of falling banknotes. Money in Germany is seen as addictive.

What Germans prefer to money are tangible products capable of benefitting people. This may explain why they have retained manufacturing as a vital part of the economy, while other advanced nations have been content to de-industrialise. It is hard to maintain the incomes of the working class without jobs in manufacturing. These jobs tend to improve their productivity over time while services, including cutting hair, drafting wills, and delivering packages have not changed much in a century or more. What creates wealth is a whole product sold at a price greater than the sum cost of its components. BMW for instance, is more valuable than the sub-systems and parts used in its assembly, and employees, suppliers, customers, investors and governments share the proceeds of this aesthetic combination and collaboration. Wealth creation is a function of the quality of these relationships. Although it is possible to make money while destroying wealth where relationships are exploitative, it is equally conceivable to create wealth by nurturing stakeholder connections.

3.4 Germany Traditionally Invested in Skills and Infrastructure

It is common to contrast macroeconomics with microeconomics as to whether the focus in on large aggregates or particular transactions. What is unique about Germany is its meso-economics, the work of its industrial associations in maintaining the supply of needed skills. All companies in a particular industry have need of skilled manpower and the levels tend to rise with the introduction of new technologies. It is therefore in the interests of all companies in an industry to avoid a skills famine and fit the training to emerging new tasks. Scarce labour is more expensive and a barrier to growth. As Peter Drucker pointed out, we are increasingly knowledge-workers and we need higher wages for more skilled work in order to grow the economy.

Germany's economic power is considerable despite having its infrastructure wiped out by two world wars and its institutions disgraced. It caught up Britain economically by 1953-4, a victor in WW II, despite the near ruin of Germany in 1945. Part of the reason was the Marshall Plan, but the *Wirtschaftswunder* was also due to the restoration and upgrading of infrastructure. This is an often-underestimated lever for economic growth. Emerging nations in their infrastructure phase often grow by double digits for a number of years, as did Germany, Japan, South Korea, China and the Pacific Rim in general. A new road may boost the price of adjoining land ten to one hundred times, a bridge may reduce commuting time by one million hours. Such expenditures have what Keynes called "multiplier effects," and impact tens of thousands of enterprises across the region. They "connect", a factor which accountants tend to miss in attributing value to things.

3.5 Influencing Role of the EU on German CR

Within the context of the historical development and the unique style of corporate culture noted above, a report from an official research institute in Bonn states that CR in Germany has developed in line with the discourse and initiatives lead by the European Commission (IfM, 2007, p. 1). These efforts to foster CR alongside international guidelines have significantly influenced the German CR landscape (O'Riordan, 2017, p. 283). These forces have served to mainstream the notion of CSR practice as a way of enhancing competitiveness, thereby increasing general awareness and motivating many enterprises to adopt a broader TBL/TTL consideration into their business strategies (O'Riordan, 2017, pp. 294–295).

According to the IfM (2007) official report, in addition to the European commission, a great variety of protagonists furthered the development of CSR in Germany. These include a range of factors and actors at international, national, regional and local public, semi-public level, as well as private individuals and enterprises undertaking CSR initiatives which collectively strongly influenced how CSR is practiced in Germany today. Examples of influencing factors include: The legal framework and the tax system which promotes the societal involvement of private citizens, as well as of enterprises by offering tax concessions (IfM, 2007, p. 3). International organisations and guidelines include: UN Global Compact and Guiding Principles on Human Rights, the ILO, OECD, ISO, among many others (O'Riordan, 2017, p. 349).

A study by O'Riordan (2017) over a 10-year period from 2005 to 2015 addressing national effects on CR practices in Germany confirmed the homogenising influence of EU and international guidelines on national German CR practices. Despite this noted standardisation, in line with the findings from past scholarship (e.g., Habisch, Jonker, Wegner, & Schmidpeter, 2005), while the distinctions were not watertight, the study nevertheless tested for and indicated to some degree the stimulus of the national context in CSR practice. This included for instance differences due to de-centralised practices at the affiliate level of the corporation which substantiate the Rhineland socialist-capitalism model noted in the previous literature (e.g., Chapple & Moon, 2005). More specifically, at local affiliate level, the findings identified a wide diversity in Germany in the number of terms employed to express CSR, and frequent use of German terminology to address CSR language and meaning issues, as well as the repeatedly re-occurring word 'social' reflecting a strong emphasis (at least in the rhetoric) on society. The study further signalled possible differences in perceptions with respect to German decision-makers' interpretations of the meaning of 'value', as well as the role of business and individual enterprises in society (O'Riordan, 2017, pp. 283–298).

These findings indicate that despite the strong influence of EU and international guidelines on German CSR practices, the sustainable development responses of German business decision-makers within their interpretations of their stakeholder responsibilities may to some degree differ from the practices undertaken in other countries. This may be due to the national influencing factors at the political, economic, social and technological level (O'Riordan, 2017, p. 296).

3.6 CR Status Quo

3.6.1 Theoretically Understood as Integrated into the Value Chain

In contrast with the focus on Corporate Citizenship and the philanthropic approach often adopted in the US, CR in Germany today is generally regarded by decision-makers as a strategic practice aimed at managing the process and activities of the enterprise and thereby striving to realise an overall positive impact for society. Theoretically at least, this views CR as an intrinsic part of the value chain (i.e. how profits are generated within the business) rather than external generosity towards society by distributing their profits after their achievement (Crane & Matten, 2010, p. 82). This interpretation elevates the role of CR in German economics as an integrated part of organisational strategy with the capacity for building sustainable production and stable stakeholder relations. Notwithstanding these theoretical interpretations, in practice, a study by O'Riordan (2017, pp. 19 & 300–355) indicates that CR is still frequently viewed by decision-makers in Germany today as a risk-reduction strategy and a cost to the business. Crucially, this short-sightedness overlooks the innovative opportunities inherent in CR strategies for creating sustainable profits via providing solutions to needs which were not previously obvious to competitors.

3.6.2 Key CR Institutions in Germany

National public protagonists in the CR field include:

- The Federal Government including German National Parliament and the Governments of Federal States.

  Semi-Public and other Research Institutes furthering CSR initiatives include:

- The Institute for SME Research Bonn [*Institut für Mittelstandsforschung*, IfM Bonn],[21] and the Ecological Institute [Öko-Institut e.V.][22];

[21] https://www.ifm-bonn.org

[22] https://www.oeko.de/

- The Educational role of Universities in general, and specifically the output from selected illustrative research centre examples at the Universities of Lüneburg,[23] Cologne Business School,[24] and the FOM University of Applied Sciences in Essen.[25]

Various associations contributing to society's long-term viability by encouraging enterprises to get involved in and for civic society[26] include:

- The Bertelsmann Stiftung,[27] and
- Various associations of the German Economy including:
  - The Confederation of German Employers'Associations [Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA)[28]];
  - The Federation of German Industries [Bundesverband der Deutschen Industrie (BDI)[29]];
  - The Association of German Chambers of Industry and Commerce [Deutsche Industrie- und Handelskammertag (DIHK)[30]] and
  - The German Confederation of Chambers of Skilled Crafts [Zentralverband des Deutschen Handwerks (ZDH)[31]]
  - The Foundation for Product Testing [Stiftungswarentest][32]

Having established the background of Germany's traditional stakeholder capitalism model powered by its *Mittelstand* corporate culture, the next section critically examines Germany's CSR activities to date.

4 Critical Examination of German CSR

4.1 Is German CSR Similar to 'A Wolf in Sheep's Clothing'?

The 2018 Peer Review on Germany's Sustainability Strategy (GCSD, 2018) depicts Germany's sustainability vision as being well positioned for ambitious implementation of the SDGs 2030. The report positively highlights:

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[23] https://www.leuphana.de/institute/csm.html

[24] https://cbs.de/hochschule/forschung/sustainable-management/

[25] http://www.fom.de/forschung/kompetenzcentren/kcc.html

[26] For further details please refer to IfM (2007, pp.6–8).

[27] https://www.bertelsmann-stiftung.de/

[28] https://www.arbeitgeber.de/www/arbeitgeber.nsf/ID/home

[29] https://bdi.eu/

[30] https://www.dihk.de/

[31] https://www.zdh.de/

[32] https://www.test.de/

> Germany's sustainability institutions are well designed, relevant technologies are available, stakeholders are engaged, and the economic means are available to support action. Key elements of sustainable development are deeply rooted in German society and in its political system. These include social cohesion, financial stability, environmental protection, stable democratic institutions, and corporate responsibility. Since the adoption of the 2030 Agenda, Germany has been very active globally in support of implementation of the Agenda and to exchange best practices on national implementation. Therefore, global recognition of Germany's capacity for sustainability, especially of its 2017 Sustainable Development Strategy, GCDS, is high GCSD, 2018, p. 11).

Despite the positive rhetoric, is anything really changing to ensure that the necessary corrective actions to tackle the social and economic challenges facing Germany are being addressed? Going forward, will Germany 'walk the talk' and will leaders choose to take sufficient steps to address the significant global sustainability challenges facing mankind? What lessons have been learned from the past corporate scandals and which initiatives are being activated to avoid future incidents?

Improving the transparency, validity, and legitimacy of CR activities requires individual responsibility by decision-makers who are aware of the issues and intrinsically motivated to consciously strive to address the earth's serious sustainability challenges. Crucially, the recent study following the VW Dieselgate case (Busch, 2018, pp. 3–5) highlighted how changes are required to improve the critical interplay of forces involving a range of stakeholders including: corporations, unions, political actors and NGOs. This indicates that to best protect the future interests of a range of stakeholder groups, the strong sway of corporate power in German legislative decision-making processes must be reflected if a scandal of this magnitude is to be avoided going forward.

Nevertheless, new issues continue to brew. In an industry which relies so strongly on aesthetics, the appalling bad taste of the gaffe made by VW's boss Herbert Diess in early 2019 is distressing. During an internal meeting, the leader responsible for steering VW out of hot water after Dieselgate reportedly said: "EBIT macht frei".[33] In a later apology he stated his intention to emphasise the (intellectually correct) importance of the company's economic bottom line (BBC News, 2019). We hope that his blunder does not amount to a Freudian slip predicting that a corporate strategy focused narrowly on the bottom line is equivalent to 'sending the people to their death'.

Moreover, the operationalisation of EU Directives requires consideration. For instance, the corporate non-financial disclosure in management reports required by law since March 2017 provides one illustrative example of how the good intentions inherent in the various policies which have to date been executed may contain loopholes for unsuspecting audiences. To elaborate, the German Bundestag passed

[33]Unfortunately, the phrase echoes the infamous slogan on the main gate of the former German Auschwitz death camp in occupied Poland during World War II "Arbeit macht Frei" [work will set you free]. Given VW's particular historical connection with the Third Reich, the majority of Germans (and others) for obvious reasons do not interpret witticisms on this problematic part of German history light heartedly.

the law to comply with the EU Directive 2014/95/EU (non-financial reporting),[34] which aims to strengthen companies' non-financial disclosure in their management reports. The mandatory reporting is intended to provide incentives for companies to strengthen their sustainability commitment and to better assess their risks in this field (DFGE, 2019). The law stipulates that certain large capital market-oriented companies, as well as large credit institutions and insurance companies are required to report on material non-financial aspects. At a minimum, reporting covers themes including: environmental, labour and social concerns, respect for human rights, and issues relating to corruption and bribery. In doing so, the concepts pursued, the results achieved, and risks involved are required to be considered (KPMG, 2017). While the legislation strives to improve corporate transparency for a range of stakeholders, such as: Investors, suppliers, and consumers, in terms of the social and ecological aspects of the business, the required criteria and their measurement are far from standardised. Possibly due to the complexity of their operations and flexibility requirements which may complicate standardisation of non-financial disclosures *per se*, ample leeway exists for corporate decision-makers to theoretically omit key facts. As a result, instead of instigating any meaningful change in the sustainable development of corporate operations, decision-makers can theoretically (mis)use such disclosures as white-washing, public relations or marketing tactics. Hypothetically, this could lead unsuspecting stakeholders to believe that 'all is indeed well', when this is in fact not the case. Used incorrectly, such well-intended initiatives could ultimately generate increased scepticism of CR claims thereby reducing the overall credibility of authentic sustainable development practices.

4.2 If Germany cannot 'Pull out all the Stops', Who Could?

Germany's leading role in Europe underscores the considerable relevance of the CR options chosen by its leaders from both the public and private sector. As stakeholder expectations for Germany to play a leading role in the sustainability challenge will most likely increase, a GCSD report (2018, p.12) proposes eleven recommendations indicating the requirement for German decision-makers to change what they have to date failed to deliver. These suggestions include: Increasing the effectiveness of the institutional architecture charged with implementing the sustainability strategy by raising the level of ambition for what Germany can achieve; Fostering a more conducive enabling environment for equal opportunities (leaving no one behind); Strengthening the central coordination capacities and address off-track indicators promptly; Increased and more powerful parliamentary scrutiny and independency of NGOs; Revamping communications; Enhancing both the capacity for systems

[34]The German corporate non-financial disclosure in management reports law is entitled: Gesetz zur Stärkung der nichtfinanziellen Berichterstattung der Unternehmen in ihren Lage- und Konzernlageberichten.

thinking and sustainability education; Expanding budgets for and activity on tracking progress and indicators/measurement; Improvements in dealing with emerging sustainability.

Triggered by the serious developmental challenges facing Germany which were described by the German Chancellor in her speech New Year's speech to the people, and in light of the issues uncovered as a result of the VW Dieselgate scandal, a key question facing political leaders in Germany today is: whether the political and socio-economic system is currently designed to protect the most vulnerable or the most powerful in its society? More specifically, given rising social concerns regarding the increasing gap between the rich and the poor (e.g. issues relating to infrastructure and in the education system, rising health costs linked with an aging population, not to mention environmental protection and problems relating to poverty, including homelessness, affordable housing, among other social issues), how can Germany's government and policy makers, as well as the Corporate Responsibility of business optimally strive together to meet the SDGs 2030 and thereby contribute to address the required progress highlighted in the GCSD report (2018)?

4.3 The Problem about the Future Is that it Is Not What it Used to be!

Our critical examination of Germany's CSR activities indicates how instead of nourishing the 'life-sustaining unit' which connects society as a whole, along the lines noted by the Harvard University Professor of Government, Michael Sandel in the US, Germany could be drifting from a market economy to a market society. Sandel notes how in the US, the collective impact of political and economic forces adversely affects both its living quality, and none less than its future survival. Is Germany experiencing this expansion of markets and market values into spheres of life where they do not belong?

The evidence presented in this Chapter suggests that both the public and private sector in general have failed on a global scale to grasp the gravity of the social and environmental crisis facing the earth. In line with Sandel's suggestions (Sandel, 2012, p.7), a new industrial strategy is needed in which the market mechanisms and the role played by business in society needs to be re-assessed. This realisation triggers the specific question for Germany of whether the Rhineland socialist-capitalism model (which can be roughly equated with the notion of the 'social market'), is adequately functioning today as intended to further equal opportunity and the interests and protection of vulnerable members of society.

To address these criticisms, the next section urges decision-makers from the public and private sector in Germany to corrective action. It calls for a holistic review of the current political, social, and economic system motivated by the conscious choice to revive the country's traditional stakeholder capitalism model.

Powered by its *Mittelstand* corporate culture, working with rather than against the earth's natural forces, we contend that it is time for Germany to pioneer again by reviving its former social market economy convictions which are in many ways better adapted to post-capitalism than the Anglo-Saxon model.

5 Future Vision of 'Next Level' CSR for Germany

5.1 Great Optimism...

There is a source of great optimism in Germany's past successes to step up again and pioneer practical solutions to sustainability concerns. We reason that the 'recipe' which led to the post-war German success story has paid too much attention to the Washington Consensus[35] of how capitalism should work. Instead, we urge decision-makers in the public and private sector to recognise mankind's collective capability to live in harmony with the natural world. Realising that ideas can create or destroy value for others and focusing on creating sustainable stakeholder value is where the future lies.

5.2 Working with the Earth's Natural Forces...

Instead of arguing whether our world is in the peril that many think it is, we should dwell on the obvious advantage of working with the earth's natural forces instead of against them. If we can somehow join people, planet, and prosperity, then we will be far better off while leaving a healthy planet for our children's children. The evidence suggests that helping to sustain the earth is more exciting and motivating than just making more objects for 'people-who-have-everything'. Employees given this challenge will take it up with gusto. A super-ordinate goal such as rescuing the planet represents a higher purpose and gives meaning to our lives. Interface Carpets announced it would have zero emissions from its many plants by 2020 and is well on its way while making better profits than ever before and winning the admiration of the industry and even Wall Street. Michael Porter has argued that only the private sector has the ability to scale up its efforts to a sufficient size to change capitalism. Small NGOs and individual brains can never do it on their own and are all competing

[35] A set of 10 economic policy prescriptions considered to constitute the "standard" reform package intended to deal with *policy instruments* rather than objectives or outcomes. The hotly debated term was first expressed by the English economist John Williamson referring to what he considered the standard economic objectives determining the disposition of policy instruments including: Growth, low inflation, a viable balance of payments, and an equitable income distribution (Williamson, 2002).

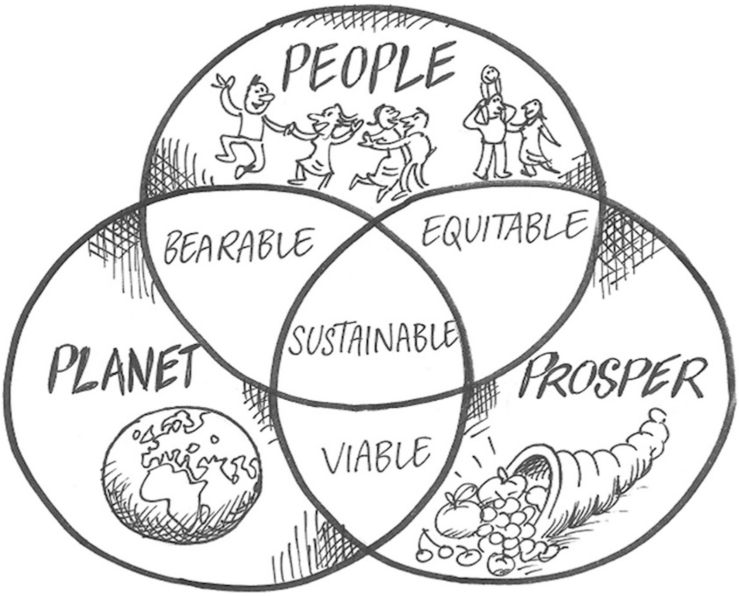

Fig. 1 Triple bottom line. Source: Elkington (1997)

for funds with their begging bowls out. They lack resources and momentum (Fig. 5.1).

Elkington's Triple Bottom Line (TBL) from his book Cannibals with Forks (1997) reminds us that it is the shared strategies of large corporations, bringing their stakeholders with them, which have the scale to solve global problems. How we relate to the earth which is our habitat is crucial. Evolution is about fitting into our environment and sustaining it while it sustains us. Sunlight, wind, and tide are eternal forces that cost us nothing save the technologies of capture and storage which grow more efficient over time. We look to a future where energy costs ever less, where if we bless the earth, it will bless us, where the human animal preserves all species, where extinction stops.

People, Planet, and Prosperity (sometimes rendered as Profit) are a series of overlapping spheres, capable of being pushed together to create more shared space. They not only co-exist, they synergise, so that people share in improving the planet and generating prosperity. The Planet and its natural forces including sunshine and wind help us to Prosper, and Prosperity including all People, not the few rich, serve as stewards of the Planet. The place where all three circles overlap spells out SUSTAINABILITY and the larger this area the better. Crucially, we can only Prosper if the relationship between money and our Planet is VIABLE. The Planet can only accommodate so many people so that this relationship must be BEARABLE. Finally, the relationship between People and Prosperity must be EQUITABLE. TBL assumes a stakeholder form of capitalism, not just shareholders concerned with their own Prosperity, and that the meaning of work involves all three objectives. It is endorsed by B (Benefit) Corporations and by the Conscious Capitalism movement. Audit companies including KPMG are trying to assess the True Value of infrastructure projects and their impact on the environment.

5.3 *The Time Is Ripe for Change*…

A key premise for creating this new tomorrow is the need for decision-makers to cease making choices from the perspective of the past. While this may prove difficult in Germany's risk averse culture (Trompenaars & Hampden-Turner, 2004), achieving the necessary paradigm shift requires new mindsets and methods based on innovative business models regarding the role of business in society (O'Riordan, 2017). As the *leitmotif* of the strategic orientation and positioning of organisations, Sustainable Stakeholder Value Creation via a Circular Economy shift involves comprehensively, inclusively, and purposefully implementing integrated processes via partnerships to promote synergic sustainable effects for people by people to ensure long-term prosperity (profits).

Signs that this might be underway were reported in the Financial Times (February 6th, 2019) which stated that after three decades of neo-liberal restraint, with Germany endorsing the Washington Consensus, German politicians and business groups are coming to the view that the nation needs an active Industrial Strategy led by government, which harks back to the way Germany emerged as an industrial nation in the nineteenth century. This is partly a response to the success of Chinese state capitalism and the rise of technological disruption undermining the nation's engineering prowess. The new German vision which is moving closer to the French, proposes a state investment fund and a policy of not allowing major German companies to fall into foreign hands. France set up such an entity in 2008. Much of this initiative comes from Peter Altmaier, the Economics minister, who has published his National Industrial Strategy, 2030. He wants European competition laws changed to encourage "national and European champions," to help the best companies thereby making them even better globally, rather than bailing out the worst. Amid the debate among the various parties, the Social Democrats and the Green Party view such moves as essential to combatting climate change, the major challenge of our century.

Altmaier believes that Government plays a key coaching role for national champions. Revitalising the crucial role of Government for business based on vigorous competition combined with an increase into basic research is a clear necessity to make Germany all the more competitive. This applies to many areas including the car industry and solar power.[36]

[36]German car-makers owe much to Federal and Regional governments and VW Beetle emerged from a publicly owned company, perhaps the world's leading success by a publicly owned entity (now privatized), up there with the BBC.

Germany's past stakeholder-orientated model requires revival to better leverage the abundant range of disruptive forces in the social, political, and economic sphere to re-position Germany's current focus on manufacturing towards future-orientated technological solutions. The effectiveness of its federal system in achieving the necessary change requires review. On the social front, the rising gap between the rich and the poor needs urgent attention. From an ecological perspective the concepts inherent in a circular economy (Ellen MacArthur Foundation, 2016) hold the qualities needed to address many of the current disconnections in the mechanisms linking business and society which are perilously threatening to endanger mankind's very future survival on this planet.

5.4 Managing the Challenges and Dilemmas at Corporate Level

Against the background of the many challenges and dilemmas facing corporate decision-makers when attempting to connect their own interests with the broader interests of society and the environment, identifying how to leverage the resources of the firm to most optimally address the sustainable development challenges highlighted in the relevant SDGs 2030 for Germany is a complex management task. It is further complicated by the subjective nature of the multi-dimensional expectations involved in this emerging field. As a result, responsible management remains an ambiguous endeavour (O'Riordan, 2017, p. 7). Aptly described by Leisinger (2002) as attempting to "nail jelly against a wall", because it is difficult to define, CR persistently remains a matter of vivid debate, the overall outcome of which is challenging to measure, and therefore problematic to justify as a strategic approach using conventional financial management or accounting methods (Jonker, O'Riordan, & Marsh, 2015).[37]

Due to the elusive nature of CR, past scholarship offers mixed evidence of debatable merit to specifically prove why (or that) responsible management is beneficial to business (e.g., Rost & Ehrmann, 2015). Possibly because of the various debates on the subject of what CR precisely is and how to best label it, a wide range of diverse terms are employed to express the concept. Consequently, CR remains a controversial subject with no clear consensus on the business rationale for *why*, as well as *how* precisely to implement responsible behaviour into the business sphere (e.g., Crane & Matten, 2010; Reich, 2007). Nevertheless, for decision-makers today the key challenge is no longer about the question of *whether* to behave responsibly, but *how*. When addressing this challenge, business decision-makers face a

[37]A key practical challenge for those attempting to manage responsibly is establishing what actually 'counts' as responsible behaviour and who defines this. These questions are complicated by the varying interpretations of progress and value creation inherent in a TBL/TTL stakeholder approach to business. For further details please refer to O'Riordan, 2017 pp. 6-8.

complicated harmonising task when attempting to unite the economic interests of their enterprise with the broader interests of society and the environment (O'Riordan, 2017, p. 7).

Sustainable wealth creation among stakeholders depends on the quality of relationships which are rarely countable and hence frequently under-estimated. Can finite resources be managed so that they create infinite additional resources? Can individuals enrich groups and groups develop individuals? Many are familiar with the tragedy of the commons (Hardin, 1968) where public goods are over-grazed, over-exploited and atrophy. But ideas can also create new realities which enrich all parties to a shared enterprise and conjure something tangible out of nothing but thoughts. Of course, we are in part self-interested but serving the interests of others is the surest way of gaining resources for ourselves. We must consider how we can benefit all stakeholders, employees, suppliers, customers, community and environment and let the reciprocity of all these parties take care of our own needs to prosper. At the end of this process--but not at its beginning—there will be greater returns for investors too. We do not know what stakeholders might accomplish until we have treated them as generously as we can. Such people are not costs but opportunities, not so much tragedy as potential (Grant, 2006 p. 41).

5.5 A Plan for Sustainable Action

5.5.1 Realising the Missing Links in the Need for Change

German Society must recognise the fundamental need for change in three key areas. First, in the way in which energy is generated. Second, in consumer behaviour. Third, in education and awareness programmes on Sustainability and CSR issues.

While the responsible role of corporations in the quest to realise this transition is frequently debated, we advocate that sustainable development of this magnitude cannot be achieved without the powerful impulse of responsible responses from corporate decision-makers. The required change poses such monumental challenges that it cannot be realised by corporations alone without the involvement of a range of additional stakeholder groups. The premise for sustainable development in Germany compels a mindset transition by many stakeholders including:

- **Corporations**: If corporate decision-makers continue to (ab)use their power to lobby Government members to change the 'rules of the game' in favour of their own commercial interests thereby ensuring their own benefit at the expense of other stakeholder interests—that is cheating!
- **Governments**: If decision-makers do not have the courage to adopt a long-term perspective and act in the interests of the most vulnerable—that is deception!
- **Policy Makers**: If policy-makers continue to design market mechanisms which allow the collective impact of political and economic forces to adversely affect

the living quality of society, the future survival of mankind is at stake—that is short-sightedness!

- **Financial Institutions**[38]: Corporations require capital to produce goods and services. Consumers can only choose what corporations provide. If investors persist with their narrow profit-maximising decision-making models at the cost to society and the environment, they are encouraging an out-dated economic approach. By denying change they are blocking those with the mind-set needed to transition to sustainable solutions—that rewards apathy and reduces consumer options!
- **Media/Social Media**: If those who play a key role in disseminating transparent facts and consistently highlighting sustainability concerns reduce their task to speedily regurgitating unchecked negative polemic—that is lethargy!
- **Society**: If people refuse to recognise that the earth is reaching its limits in sustaining life on this planet because of a lack of human consciousness—that is thoughtless, unwise, and potentially lethal!
- **Educators:** If knowledge institutions maintain their specialisation trend, focusing on economic models of profit maximisation and other short-sighted, disconnected 'solutions' which ignore the impact of their social consequences on the 'bigger picture'—the planet will be reduced via market mechanisms to a commodity with an expiry date!

5.5.2 Realising Sustainable Development Via Connected CR

The inherent challenge in the needed transition requires altering the current logic of how each stakeholder group interprets value. A prerequisite for realising[39] the needed change lies in connecting the various interests via a common objective. This involves consciously reflecting on the underlying values regarding how value is defined, created, and distributed. In this new scenario, responsible choices will necessitate a range of new approaches spanning a broad spectrum of stakeholder groups:

- **Corporations**: Decision-makers could realise that commerce must serve society, and not the other way around. By embracing responsibility [i.e. accepting accountability for the impact of their actions on a broad range of stakeholders], organisations could develop long-term sustainable relationships with those groups (e.g. customers, employees, suppliers, etc.) upon which they depend for realising sustainable profits—that is good business!
- **Governments, Policy-Makers & Financial Institutions:** Decision-makers could take the initiative to architect a fair and just society by uniting the involvement of the population. By choosing sustainable and transparent frameworks

[38] Private equity/State or public-owned financial Institutions and other investors.

[39] Note: Realising implies *both* the meaning of 'awakening' to the needed change *and* 'achieving' it!

which distribute equitable rights, positions, and resources based on the TBL/TTL principles (Elkington, 1997; McDonough & Braungart, 2002) and the Veil of Ignorance (Rawls, 1971), a new social and ecological order could emerge with a fairer distribution of the wealth created!

- **Media/Social Media:** Decision-Makers could reflect on their role in shaping 'reality' by considering the impact of the news they circulate, appreciating their powerful potential to change perceptions (e.g. buying decisions). This new 'sight' could significantly trigger change in the behaviour and attitudes of the citizens in society!
- **Society**: Individual citizens as the ultimate decision-makers in society could begin to realise the power of their collective influence and become more outspoken thereby impacting the top and bottom line of commercial organisations. As consumers, employees, and suppliers, among other groups, when we choose to buy products and services, or to spend our time in the service of employers, we are in fact voting for those corporations. We could be more aware of the corporate behaviours and strategies we choose to support!
- **Educators**: People who call themselves 'teachers' and 'researchers' could consciously reflect on how their field of competence is connected in the broader sense to the quality of life of those who are influenced by their work!

5.5.3 Applying Stakeholder Theory in Practice for Sustainable Development

Collaboratively, stakeholder groups could work together to awaken the time-honoured values which Germans traditionally brought to their processes of wealth creation. Why not re-enact a new *Wirtschaftswunder* by re-kindling the unique qualities inherent in the social market economic system originally conceived by Erhard? A stronger focus on Stakeholder Engagement (SE) and Stakeholder Dialogue (SD) is required to realise this new vision for next level Germany in which government begins to acknowledge the increasing sentiment of the people to realise sustainable change. Within the context of Freeman's (1984) stakeholder concept, SE & SD signify an inclusive approach, which encourages the involvement of stakeholder interests when identifying, evaluating, responding to, leveraging, and reporting on sustainability issues, challenges, concerns and opportunities. SE thereby enables decision-makers from all stakeholder groups to appreciate, be answerable, and explain its decisions, actions, and performance to the other stakeholders in the network. We view SE and SD as fundamental accountability mechanisms in the management of sustainable stakeholder relationships.

To achieve the new vision, leadership is required. On the corporate front, the German *Mittelstand* culture combined with the Rhineland 'social market' notion could be re-ignited to function as intended thereby furthering equal opportunity and the interests and protection of vulnerable members of society via the co-ordinated energies of a powerful stakeholder network actively striving together to promote positive impact. The success stories of many German companies are intrinsically connected with the needs of the people. The state and private enterprise could co-operate in developing and regulating business activity in the interests of the people and the planet as the route to commercial profits. Synergy ensuing from stakeholder relationships in harmony could flourish in a realist form of utopia (Bregman, 2016).

Sustainable development could even help companies. Alliances could take the form of collaboration between green NGO's and major companies, with the former paid to monitor the latter. While companies will continue to make mistakes, so long as they intend well they should be helped by feedback to improve. It is not easy but good-will efforts are essential and fraud fatal. The NGO which appeals for funds from volunteers would expand by being paid to monitor efforts. We also need an alliance between consumers and companies with the latter wearing a Good Earth-keeping icon on their packages. If as few as 25% of consumers prefer ethical companies marketing would change for ever and rivals would have to follow!

5.6 *Some Future-Gazing Scenarios*

5.6.1 Appreciating the Opportunities

Germany is the EU's largest and most successful economy. The EU with a population of more than 700 million people is a significant buying block in the world based on consumer spending figures. While the United States is the largest consumer market in the world and China, currently at third place, is catching up.[40] Going forward, any company operating globally will have to play by these country's standards and regulations. If the planet is to be saved—and that is by no means certain—then Germany within the EU can decree what products pass muster and which do not. When operating according to EU standards these might as well be world standards. It simplifies things. This is why the ISO norm is so well recognised. Germany is in a position to show what standards are possible via the Deutche Industrie Norm [DIN] and can co-operate with its business partners to rule what norms are required. This might influence other nations to reach these standards. This would be good for the planet and for German competitiveness. It could lead to ever higher environmental and social standards if the USA, China, and Russia were to see the value in adjusting.

In 5 to 6 years' time we are going to reach the Tipping Point. According to The Guardian (2016), this is the point at which renewable energy costs no more than fossil fuel energy. The 7% to 8% of the population prepared to pay more would be joined by the 93% to 92% eager to save money. While there are hiccups—similar to the problem of energy storage and the intermittent effectiveness of sun and wind—

[40]According to the World Bank's databank of World Development Indicators for Household Final Consumption Expenditure in 2012.

there is every reason to believe that the cost of renewable energy will only fall in perpetuity. This is because renewable energy is free and with us for ever and the cost of energy capture and storage will improve and grow lower over time as technology improves. If Germany is the first in Europe to reach the Tipping Point it will greatly prosper and a small subsidy would move that point towards the nation and move the winning post closer. (China has been plotting for years and will almost certainly be first). Today fossil fuel energy costs more than fifteen times its 1971 price so the change will be massive.

5.6.2 Recognising the Risks

We have to realise that the effort to save the planet is an emergency akin to World War, save that our planet in its adverse reactions will do the killing. We need emergency powers and only governments with democratic mandates can do this.

Following the principles of stakeholder theory, the government should not resemble a Referee, blowing his whistle and pelted with missiles, but the Coach of the winning team, plotting strategy with its leading companies, as China, Singapore and South Korea have been doing for years. The Coach helps the best companies do even better, rather than salvaging the worst. If leading *Mittelstand* companies were to join a confederation, they could be included. In the race to the Tipping Point Germany has the chance to come a good second, after China which has geared up. If companies look like winning they should be helped to win sooner and gain more. Such stakeholders are highly influential in the manner of the conductor of an orchestra.

Much can be learned from the US Department of Defence. Over the last century it has been the rocket booster of the US economy. Weaponising World Wars I and II, the Cold War, the wars in Korea, Vietnam and Iraq, not to mention the space-race, at one point 4% of GDP. Germany needs the same kind of efforts but of course to save lives . . .not to kill. Weapons are a major source of high tech but so are environmental projects.

5.6.3 Unleashing the Potential Via Research

It has been recently shown that every new feature of the Apple I-phone arose from basic research funded by the US Federal government and CERN (e.g. Singer, 2014, p. 16). This was applied to the private sector but grew out of efforts by the public sector. The Internet itself was initially a defence project, a way of communicating if the US was attacked. Nor does the government 'dominate' when it convenes meetings. It holds forums at which basic research initiatives are described and private companies lay strategies to use these and suggest what might be preferable. Governments can waive taxes on the kind of motor vehicles or aircraft they want to promote. For instance, tax breaks on private jets in the US are 'cooking the planet'.

By contrast, in Singapore with taxes of $4 thousand or more on some cars these inducements are large and persuasive.

5.7 Remembering the Connections

5.7.1 A Holistic Approach Enabled by New Investment in Infrastructure

Nearly all environmental policies are based on whole systems. Electric cars are no use without charge points, repairs, batteries, mechanics and noise to warn pedestrians. Green cities need to be designed from scratch. Products whose 'waste' makes another product need planning ahead and clear labelling. It is possible to lift city parks to roof-tops and turn cities into green lungs of the earth. The hanging gardens of Babylon were one of the seven wonders of the world, a visit to Stuttgart can give a taste of a green city-scape.

We need Exhibitions of the Future to convey ideas-in-animation and these are good ways of making the insubstantial substantial and protecting intellectual property and ideas in general. We need to bring Crowd Funding to mass media and TV and let the public invest in environmental products by calling into programs. What about making carrier bags out of fish-food not plastic and nourish rather than poison oceans? Since plastic is imperishable turn it into Lego-style bricks and re-use it.

5.7.2 Leveraging the Unique Mittelstand Stakeholder-Orientated Qualities

In these examples of potential new scenarios, corporations could mediate between government and citizens on environment, climate change, energy and social issues. In realising this change, the inherent characteristics of the *Mittelstand* enterprises in Germany can serve as key catalysts for change. The unique stakeholder-orientated qualities of the German *Mittelstand* culture could be leveraged to amplify expectations surrounding those qualities which embody their ethos and behaviour in society i.e. their common set of inclusive leadership values which are typically operationalised into management practice. Their strong contribution to a range of TBL/TTL stakeholder interests require greater recognition, replication, and focus in the addressing stakeholder dilemmas. Overall, further focus and research is required to appreciate their "hidden virtues". More specifically, because given their size, which determines that they are often not required by law to publicly disclose information, further research is particularly relevant particularly in light of the fact that they are typically considered as black boxes (Schmidt, 2017). Furthermore, additional research is required in the role of the *Mittelstand* in CE paradigms, CSR and sustainability!

5.7.3 Investment in Research to Lead the Way

Transforming strategic corporate responses requires empowering creative people thereby driving innovative sustainable solutions and ultimately economic growth. We need studies to find out whether cleaner air reduces admissions to hospitals. We might find that cleaning up saves (not costs) money. We might find that a subway takes ten thousand private cars off the streets, shortens commuter times and pays us five times over. We will discover none of this unless we ask. Infrastructure could hold keys to a better life. The magnetic levitation trains in Japan run late—by an average of 22 seconds!

6 Conclusion

6.1 The Human Footprint Is Creating Multiple Wicked Challenges!

Experts in the field including the world-renowned leader in environmental stewardship, David Attenborough stated in a recent interview with the Duke of Cambridge that it was "difficult to overstate" the climate change crisis (Attenborough, 2019). Environmental change is happening ever-faster and threatens to destabilise society. If the world fails to act, researchers warn of significant and dangerous changes[41] potentially causing price spikes driving civil unrest, while increases in levels of migration would strain societies. Combined, these factors could overload political institutions and global networks of trade (IPCC, 2018).

6.2 Addressing Wicked Problems Via the Dilemma Methodology

The highly complex web of issues creating these multiple challenges have been described as 'wicked' problems. Problems receive a 'wicked' label when their nature is highly ambiguous with no obvious or reliable solutions (e.g. a solution that works in one timeframe or context might not work in another). Additionally, wicked problems are frequently symptoms of other problems, meaning that addressing one typically uncovers more challenges.

Wicked problems trigger situations in which difficult choices must be made between different possible options. The 'dilemma' label applies to situations in

[41]Many disruptions will arise as the consequences continue to amplify, including rising sea levels and significant changes to ocean temperatures and acidity. For instance, the ability to grow crops such as rice, maize, and wheat, among others, would increase problems with food and water supplies.

which wicked problems are solved. Dilemmas address complex decision-making choices where creative strategies are required to reconcile opposite value outcomes in unique decision-making situations. Dilemma methodology is relevant in society for policy-makers, as well as for corporate decision-makers in business and strategy. Unravelling dilemmas necessitates a problem-solving design approach which appreciates the requirement for solutions which are not by definition 'true or false' but 'better or worse'. Consequently, their solution calls for new problem-solving methodologies and methods (Hampden-Turner, 2009).

6.3 Wicked Problems Require Wicked Solutions

Human impact has reached a critical stage and threatens to destabilise society and the global economy. Highlighting how politicians and policymakers have failed to grasp the gravity of the environmental crisis facing the Earth, a range of reliable sources progressively warn of a potential deadly combination of factors (IPPR, 2019). A report released in October by the Intergovernmental Panel on Climate Change (IPCC)—the leading international body evaluating climate change—held that the above-noted effects could only be stopped if the world made major, and costly, changes.

As the window of opportunity to avoid catastrophic outcomes is rapidly closing, the authors recommended key shifts for sustainable action. This calls for reflection in political, economic, and social understanding on issues including the scale and pace of environmental breakdown; the implications for societies; and the subsequent need for transformative change.

In the words of David Attenborough (2019):

> We are now so numerous, so powerful, so all pervasive, the mechanisms we have for destruction are so wholesale and so frightening that we can exterminate whole ecosystems without even noticing it . . .It's not just a question of beauty or interest or wonder, it's the essential ingredient, . . . an essential part of human life is a healthy planet.

Instead of the lip-service to CR and the sustainability challenges facing mankind demonstrated in the German VW Dieslegate Case where corporate decision-makers secretly cheated to maximise profits thereby disgracing themselves with the public when they were called out, the authors conclude that future of German CSR depends on the willingness of her decision-makers to claim the moral high ground. Recent examples include the controversial decision to let in so many immigrants [as a possible ongoing attempt to atone for Nazism], and in public policy acclaiming stakeholder capitalism which Germany has always had. Europe is a huge market. The peace between two of its largest members, Germany and France is the longest since the Pax Romana. The rules Europe makes jointly can still save our planet, indeed, given the current context of Trump and Brexit, the only other hope is China.

In summary, we warn of the danger of viewing the natural world in opposition to commerce. Fixing this short-sighted error requires a broader, more imaginative perspective where we have to begin to realise the need to connect the natural with the social, economic, and political system.

6.4 The Stakeholder Value Creation Solution to Wicked Problems

The premise for realising the sustainable value outcomes is a change in perceptions about stakeholder relationships and how stakeholder value is created. The crucial prerequisite for achieving this transition is for decision-makers from the public and private sector to cease making disconnected choices from the perspective of the past profit-maximising logic. Concurrently protecting and promoting a range of stakeholder interests requires a transformed strategic mind-set regarding the way value is created by corporations. Instead of struggling against their competitors as if they were their ‘enemies’ in the ‘battlefield’ of the marketplace as is the case in the current shareholder-orientated approach, stakeholders collaborate as value co-creators co-operating via relationships with further stakeholders in other network entities. Via the conscious choice to transition to this innovative, synergic, harmonised logic, consistent, coherent, synchronised possibilities are made possible leading to an ultimate higher yield for all as a consequence.

The authors conclude that Germany could better utilise its unique stakeholder-orientated *Mittelstand* culture to transform its strategic corporate responses by empowering creative people thereby driving innovative sustainable solutions and ultimately economic growth.

6.5 This Is Not America!

The German political and socio-economic stakeholder response to sustainable development differs from the practices undertaken in other countries. In collaboration with other EU member states, it is time for Germany to pioneer again by reviving its former social market economy convictions which are better adapted to post-capitalism.

Similar to the Human Relations Movement in the US where relations are notoriously weak, concepts such as CSR are coined by people who do not have enough of it. Germany had CSR as part of its national strategy of catching up Great Britain and did not need to moralise. CSR works when it is part of overall strategy, both national and corporate and fails when it is piety and a PR add-on. Frederick List saw wealth creation as a form of nationalism and as helping to form the German nation. It was a deliberate government-led effort to catch up Great Britain. It joined banking to industry, workers to managers, universities to private companies, and government to industry associations. They all joined together to industrialise. Historically, armaments played a great part in the process, as has the military industrial complex in the USA. Weapons require university research and high tech but so do social and environmental and social projects. Today Germany can repeat these efforts but this time to save lives . . .not to kill.

Aided by the Marshall Plan, Germany also benefitted twice from the destruction of its infra-structure in World Wars. After the fall of the Wall, the economy was again boosted by the integration of the former East German states. Rebuilding infrastructure leads to fast economic growth as emerging nations show with a new road raising the value of adjoining land 50 times. Germany typically has low gambling, low debt and credit, as well as an inherent distrust of money following periods of high inflation. Her people's preference for tangible out-puts of manufactured objects resulting in very high added value, especially for blue-collar labour, means that banks define themselves as there to lend to business, rather than make money from money by speculating.

Germany's recent slip-ups testify to the insidious nature of the Anglo-Saxon model, which has great political influence in the world. One of the advantages in coming-from-behind, more recently seen in East Asia, is that managers and workers prosper together as they catch up. In contrast, the UK tried to reduce wages and created a very hostile labour force with an anti-capitalist creed. The Green Movement in Germany is very strong by international standards and its *Mittelstand* culture is exemplary. List held that nations create wealth from their values, hence, a penchant for Chemistry and Engineering leads to excellence in these fields. The time has come to take responsibility and foster a holistic awareness of the essential role of a healthy social and ecosystem in sustaining life on this planet.

CR in Germany based on stakeholder values signifies a future in which demand creates the offer and the few do not dictate what is unfair for the many. Stakeholder groups including individual citizens in their role as customers and employees hold the power to drive the transformation if they are willing to act responsibly. This grass-roots mind-set transition would send a monumental message to the corporate world, to banks, services and that manufacturing industry, triggering the much-needed wake-up call that the time is ripe for change!

6.6 Realising the Value of CR for Commercial Success

Realising the value of CR is a crucial step in the aim to achieve the necessary progress on the extravagant scale required to meet the SDGs 2030. As a prerequisite to striving together in the new form of collaborative competition advocated in this Chapter, this realisation process inherently involves *both* understanding the situation, as well as achieving the expected aim. The Sustainable Stakeholder Value Creation logic presented in this Chapter proposes one solution for realising responsible behaviour. This value creation logic interprets stakeholders as value co-creators co-operating via relationships with further stakeholders in other network entities.

Achieving sustainable commerce can be viewed as an essential part of the quest to respond to the pressure of a range of rising stakeholder expectations. Responding to this pressure (and thereby meet the SDGs 2030), emphasises the 'ability' of the company to do so. The 'Response-Ability' of Corporations addresses the capability/ competence of organisation's relating to the synergy and harmony in the relationships and communications between corporations and their stakeholders. As political, social, demographic, economic, and technological developments, among other factors, continue to snowball and further impact societal expectations on the role of business to address these challenges, acting responsibly requires effective stakeholder engagement.

Radical action is needed! Working together, the collaborative efforts of Corporations, Governments, Policy Makers, Financial Institutions, the Media, Society and Educators are required to tackle the wicked challenges at hand. Major investments and incentives to improve consumer options are needed. This includes renewable energy and public transport, stainable food sources, environmentally friendly pasttimes, and policies to reduce commuter times. To encourage sustainable solutions: Carbon taxation should be placed on corporations selling products which pollute the environment more than necessary. Consumers are not switching to sustainable options partly because they are still unaware of the impact of their actions but also because they cannot afford it. Taxing consumers further on necessities which they rely on to survive and/or earn a living is not the answer. As certain groups in society have become increasingly wealthy through the mechanisms of capitalism, incentives are now required to construct a system in which those with money do not obstruct others from also achieving wealth. New financial invest models are needed aimed to serve the less well off.

The ability to achieve this transition highlights the relevance of corporate responses connected in synergy with other key stakeholders from politics, economics, academia, and civil society in general. Crucially, this triggers the very real challenge for business managers to decide how, on a day-to-day practical basis, to lead, manage, and operationalise their firm's 'Response-Ability' to its various stakeholders in its field of impact (O'Riordan, 2017). By realising the connections: Can political and economic power be transformed to create rather than to destroy sustaining healthy ecosystems? And can decision-makers in Germany together with other EU members lead the way in Europe by constructing the new social market system so urgently needed for the planet's survival. For all our sakes we urge that decision-makers begin to change the way they think about wealth and its fair distribution, about reasonable expectations on performance, about taxation as an enabling mechanism, and about new harmonised ways of realistically architecting a sustainable future.

> It is lack of human consciousness that has rendered mother earth, the very basis of our existence, into a commodity with an expiry date—we must act now. (Sadhguru)

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Corporate Social Responsibility in Hungary

The Current State of CSR in Hungary

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Abstract In this chapter the different drivers of CSR policy and activities are highlighted, and the present state of CSR in Hungary is described.

The chapter is structured in the following way: after a short introduction to CSR in general and in the EU (first part), the study introduces the history and present state of CSR policy in Hungary, which has been highly influenced by EU-level policy and Hungary's EU membership. This (second) part presents the main sources of legislation: especially the Hungarian National Action Plan on CSR. Afterwards it discusses the Action Plan's main topics and priorities, as well as its connections to the EU-level CSR policy, and finally describes to what extent the Action Plan meets the expectations of the business sector. Furthermore, an explanation is provided as to why responsible employment constitutes the main vertical priority of the Action Plan, and why economic development and environmental protection related issues are given lesser importance.

The third part of the chapter reviews recent research on the main topics, motivators and obstacles of CSR in the Hungarian business sector. The emergence of the UN's Sustainable Development Goals (SDGs) and the issue of sustainability as such have enabled companies to take a holistic approach to CSR and have also provided new challenges for them to meet. In the scope of the pertaining discussion, explicit and implicit forms of CSR are distinguished.

In the fourth part of the chapter, diverse trends of sustainability reporting are described in their capacity as the main communication and disclosure tool of CSR. During the economic crisis many companies discontinued to issue such reports, but the topic got a new impetus when sustainability reporting was linked with the EU legislation at the end of 2016, when Hungary adopted the Directive on disclosure of non-financial and diversity information (2014/95/EU).

Finally, it is observed that in Hungary the pressure from stakeholders is weak, and they expect increased state-level intervention and control in CSR issues.

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Furthermore, companies' motivational drivers are not clear: business case related considerations seem to preserve their continued importance. As for international initiatives, SDGs are the newest and they have been gaining significance since their appearance; even so the shift from explicit to implicit CSR is only partly visible.

1 Introduction

Corporate Social Responsibility (CSR) is a complex, multi-faceted phenomenon situated on the borderline between business and society. The concept, which was originally elaborated with reference to large companies, today includes social, economic and institutional changes and exerts an increasingly greater impact on business life. According to the Oxford Handbook of CSR (Crane, McWilliams, Matten, Moon, & Siegel, 2008:3), the literature dates the appearance of CSR to the 1950s, and it rose to its actual prominence in the 1990s.

The idea of corporations' social responsibility appeared much earlier in USA than in Europe. This difference rests on historical and political dissimilarities. The welfare state and the strictly formulated, explicit legal system fulfilled those tasks that are now included under the label 'corporate responsibility' in Europe. At the same time, responsibility in USA was more likely to fall on companies and their managers from the very beginning.

It is important to emphasize that the actual interpretation of corporate social responsibility depends on a given country's social and political traditions as well as on its norms and expectations, not merely on the era in question. "Corporate social responsibility is actually a synthesizing concept that serves different aims and values between different national frames" (Jonker & Schmidpeter, 2005:377). This means we cannot speak about a single CSR interpretation in Europe until the end of the 1990s despite the fact that such a single interpretation of CSR has always existed in USA.

Matten and Moon (2008) emphasise the differences in institutional frameworks as far as Europe and USA are concerned, but such differences are also perceptible among different European countries. Scholars differentiate between explicit and implicit forms of CSR. By explicit CSR, they "...refer to corporate policies that assume and articulate responsibility for some societal interests" (Matten & Moon, 2008:409), while implicit form of CSR is "motivated by the societal consensus on the legitimate expectations of the roles and contributions of all major groups in society, including corporations" (Matten & Moon, 2008:410).

1.1 CSR in the EU

An explicit frame of corporate social responsibility surfaced in European countries in the middle of the 1990s, and the development of such a frame was led and driven by the EU. In the scope of this process, an increasing number of organizations addressed the topic (CSR Europe, established in 1995 became their umbrella organization), and more and more consulting firms and periodicals appeared. It was also at that time that CSR was institutionalised in large companies, which was concurrently coupled by CSR-related communications and policy adoption at both member state and EU levels, and an increase in the role of CSR was visible in the spheres of education and the media.

From 2001 on, the EU regarded CSR as a means of maintaining higher business performance and competitiveness (EC, 2001). That is the reason why the development of explicit CSR in Europe, in some way, overshadowed implicit CSR, the moral case and the basis of business ethics. László Zsolnai (2004), who-jointly with József Kindler-established the Business Ethics Center in Budapest University of Economic Sciences in 1993, urged the foundation of a new capitalism with moral reform constituting a crucial part of this renewal. "Modern capitalism has detached itself from the social and cultural norms of the society, and it actually even conquered them" (Zsolnai, 2004:49). According to the currently so prevalent market fundamentalism, everything could be reduced to market value: even CSR itself. In connection with this, Bouckaert (2006a) refers to the "ethics management paradox", which is described as a scenario when companies use CSR to create even higher profits. He criticizes the EU for its pragmatic and technocratic approach, although he acknowledges that the EU caused the CSR question to shift into the mainstream dialogue in 2001, which constituted an important milestone in the European history of CSR. In addition, Bouckaert (2006b) claims that if ethical decisions are made to promote competitiveness or profit generation rather than to embody real commitment, ethical activity will stop when there is no business case any longer. Such a scenario causes selective blindness in the case of managers and results in distrust in the case of stakeholders.

Bouckaert's prediction proved right when the 2008 crisis fundamentally eroded trust in the economic–financial system's capability for self-correction. The crisis evidenced that the current financial system was not appropriate for handling and controlling global money flows, and that a more powerful regulation was necessary (Argandona, 2009). In addition, the 2008 crisis had adverse impacts on CSR: as a consequence of financial constraints CSR budgets and activities decreased, while CSR, in its capacity as a means of self-regulation and government policy, became more important than ever and has fundamentally changed EU policy.

Simply phrased, CSR is the responsibility undertaken by enterprises for their impact on society (EC, 2011). This definition is relatively new and sounded revolutionary after the economic crisis. At the strategic policy level, the EU insisted that CSR was no longer voluntary for companies and started to argue for this claim using the implicit reasoning rather than the explicit one.

Foreshadowing this change in EU policy, ISO published the ISO 26000 standard in 2010, which defines CSR as the responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparency and ethical behaviour. Obviously "voluntarism" no longer appears in this definition, just like it is missing from the new EU-level definition mentioned above. In Hungary, "[i]n March 2013, the Parliament adopted the new National Framework

Strategy on Sustainable Development for the period 2012-24. The strategy emphasises the need for increased local embeddedness of companies and their supply chains and the advancement of CSR" (Győri & Kun, 2016:130).

This responsibility exists even if the company does not want to undertake it. In this new approach, CSR is a not a menu for choosing some topics from, but a holistic rethinking of the role of business. Thomé (2009:3) writes: "CSR must re-shape itself and instil confidence in its fundamental importance to corporate and market sustainability".

In Central and Eastern Europe and in Hungary, the history of CSR was shaped by the socialist system until 1989, and by the ensuing political transition afterwards. At the beginning of 1990s "the unethical use of opportunities is typical in business life" (Angyal, 1994:53). This was the state of affairs and situation when multinational companies and—at the policy level—the EU itself started to influence and mould the business life of transition countries and started to determine the principles and actions of CSR. The present study will introduce the CSR related aspects of this process.

Below, the history and the policy of explicit CSR in Hungary are presented first. Then it will be argued that despite the significant change in approach at the EU policy level, the re-shaping process described by Thomé (2009) can only partly be seen in practice both as far as Europe and Hungary are concerned.

2 The History and Present State of CSR Policy in Hungary

In Hungary, awareness about CSR and sustainability is relatively high among companies, the government and the society. In fact, a process of streamlining has taken place since the 2008 crisis: some CSR advisory firms have vanished, and the number of sustainability reports has diminished. At the same time, surviving companies and their intellectual output are getting more mature and comprehensive. New topics of sustainability are addressed in companies: e.g. UN SDGs have been given high importance. Before introducing the current state of CSR in Hungary, the past and history of CSR will be presented.

2.1 Transition to Market Economy and CSR

The relatively short history of CSR in Hungary started a few years after the 1989 political transition, and has strongly been influenced by the former socialist economic era and the early 1990s. During socialism and after that period, violating the norms had become the new norm.

"The serious economic crisis that accompanied the transformation of the CEE countries during the early 1990s was not advantageous to social, community or human investments on a company level. The transformation from a centrally planned 'socialist' economy to a market economy offered opportunities for the management of firms to get rid of excessive social spending, which was obligatory in the former planned system of so-called 'socialist firms'... At the same time, foreign investors and privatising actors, who were seeking low cost economies, were also less committed to the corporate social responsibility approach" (Segal, Sobczak, & Triomphe, 2003:62-63).

This era had many people on the losers' side; and even the winners did not think in the long term. It was at this time that a negative image of corporate leaders started to take shape: corporate leaders were not seen as trustworthy, and the notion of profit was still dubious in the eyes of many citizens (Deák, Győri, Báron, & Ágoston, 2006).

2.2 The Role of Multinational Companies

Thanks to the stabilization of the economy and improvements in the legal framework governing employment and the environmental impact of economic actors, since the mid-1990s companies have slowly come to be more concerned with their social responsibility. It was around this time that foreign companies with a long-term commitment to the Hungarian economy started to import their models of CSR for use in their Hungarian subsidiaries. Given this situation, they fortunately provided good examples for local firms as well.

The activities of multinational companies have been the main incentive for the promotion of CSR in Hungary; yet the demand by stakeholders for responsible companies and products did not grow as fast as it was expected (Nielsen, 2018). While in developed countries consumers force business actors to reduce—or to compensate for—the negative impacts of their activities, in Hungary it was primarily business actors that propelled and advanced the CSR process, as stakeholders—especially consumers—failed to realise their own interests or the interests of the wider society. After the long paternalistic period of socialism, Hungarian society has become overly individualistic. The reason for this may be that community actions were all too frequent during the socialist era: Hungarian society is yet to learn that such actions can be positive as well. Another vestige of socialism is the pessimistic feeling that people do not have the power to bring change and must accept any current situation. In addition to all this, as mentioned before, entrepreneurs and corporate leaders were not trusted by the society, so community actions organised by them were certainly regarded suspicious (Csillag, Győri, & Matolay, 2018).

The situation improved during the 2000s, e.g. many civil society initiatives and actors appeared (besides international ones there are some Hungarian actors like KÖVET—Association for Environmentally-conscious Corporate Governance founded in 1995, or the Association of Conscious Consumers established in 2002), but the lack of stakeholder interest is still a major constraint concerning Hungarian CSR. Besides the expectations of the parent companies, other foreign actors—like competitors, international organizations (UN, GRI, ISO, CSR Europe,

Table 1 Hungarian policy papers on CSR—own framing

Issue date	Document and/or organization	Significance
2005	Hungarian Ministry of Employment and Labour bulletin on CSR and the importance of the value, reputation and security of labour	Plan of a "social trademark". Plan of a workgroup to be responsible for developing tools for dissemination, measurement and evaluation of CSR. Not realized.
2006	Hungarian Government, Government Resolution No. 1025/2006 (III. 23.) on the Reinforcement of the Social Responsibility of Employers and on related Stimulation-purpose Measures	The resolution complies with EU-level obligations, and it demonstrates the government's commitment to participating in developing CSR.
2008	Recommendations of the Economic and Social Committee on CSR	The goal was to incorporate the conclusions of the 2007 UNDP CSR research into governmental work. Not many of the conclusions were implemented, but in principle they were transposed into the 2015 Government Resolution.
2015	Government of Hungary, Government Resolution No. 1201/2015. (IV. 9.) on the Priorities and Action Plan of Corporate Social Responsibility	Implementation of EU strategy 2011-14, National Action Plan. The three main vertical priorities "according to the contemporary social and economic situation" are: economic development, (responsible) employment and environmental protection.
2016	Government of Hungary, Paragraph 95 of Act C of 2000 on accounting	Transfer Directive 2014/95/EU into the Hungarian law: non-financial reporting for large companies
2018	Ministry of Foreign Affairs and Trade of Hungary, Voluntary National Review of Hungary on the Sustainable Development Goals of the 2030 Agenda	Comprehensive overview of those different national policies, strategies, initiatives, and best practices that are related to the realisation of SDGs

WBCSD) and potential or existing investors—have been the main motivators of CSR initiatives. Nevertheless, the role of the government is significant as well. Table 1 presents the main Hungarian policy papers and documents related to CSR.

2.3 Hungarian CSR Policy Development

The Hungarian Government published its first CSR Decree in March 2006, which reinforced employers' social responsibility and provided measures to stimulate it. The Decree complies with EU-level requirements, and it demonstrates the government's commitment to participate in developing CSR.

In 2007 UNDP conducted research in seven post-communist countries (Poland, Hungary, Lithuania, Slovakia, Croatia, Macedonia, Bulgaria) and Turkey about the situation of CSR with the aim of spreading the idea in this region. In the scope of this research, mixed random and expert-defined sampling was used: experts were to choose best practices thereby promoting the presentation of some good practices. The Hungarian picture showed a relatively favourable situation: e.g. 51.6% of the examined companies had some CSR strategy (separately or within their corporate strategy), 38.7% had performance management indicators on CSR topics, and 87.4% reported initiatives for stakeholder engagement (mainly related to employees and consumers) (Győri, 2007).

One of the main results of the research was that the role of the government in spreading CSR was not sufficiently emphasized in Hungary. However, as we can see from Western European examples, governments as well as the civil society can have a huge impact on the spread of CSR. As for governments, their role should be to create an environment conducive to CSR, rather than making direct interventions. Providing incentives—tax breaks, grants or support for national CSR research projects—was projected to meet the needs of companies.

Based on the results of the UNDP research and bearing in mind the opinions of organizations dealing with CSR, the Economic and Social Committee published its recommendations on CSR based on international conventions and guidelines in 2008. The study emphasized the role of the state in fostering CSR, but recommendations were also formulated for the civil sector and the media.

Hungary's EU membership significantly defines Hungarian CSR policy. According to the EU policy valid as of 2008, corporations voluntarily participate in the formation of a better society and clearer environment by practicing CSR. Voluntarism—i.e. states and organizations only make recommendations on CSR to companies in an environment characterised by the lack of specific laws or sanctions—was a central part of the EU's CSR policy during the 2000s: communications emphasized the presence of potential business case and the right of corporations to select their favourite topics and causes to support. The Hungarian recommendations were built on the business case, thereby creating "win-win" situations, which proposals and scenario mirrored EU-level documents valid at that time. In fact, such recommendations were never formally adopted or implemented.

"The first National Sustainable Development Strategy (NSDS) was adopted in 2007 and the National Council for Sustainable Development (NCSD) was established in the autumn of 2008. The NCSD is a parliamentary institution and its members include politicians and representatives of business, science, religion, trade unions and the civil society" (Győri & Kun, 2016:130).

From 2008 on, CSR belongs to the Ministry for National Economy (in 2018 this Ministry merged with the Ministry of Finance). One expert, the CSR coordinator of the State Secretariat for Labour Market and Training is member of the EU's CSR High Level Group and is responsible for following and tracking the changes in common policy. This position also entails the coordination of professional proposals from various ministries and managing dialogues with stakeholders.

Among Hungarian companies, environmental issues are more favoured as they can produce relatively measurable and fast results. Environmental topics are followed by employee issues, while transparency is given lesser importance

(BCSDH, 2013). Furthermore, the New Széchenyi Plan pays particular attention to green economic developments and the challenges of the twenty-first century, such as energy saving, energy efficiency, energy security and renewable sources of energy.

2.4 Hungarian National Action Plan on CSR

In 2012 and corresponding to the renewed EU policy, the State Secretariat for Labour Market and Training started to work on the Hungarian National Action Plan on CSR. Every affected ministry participated in the consultation process and NGOs and academic experts also voiced their suggestions. The topics were lifted from the recommendations of the Economic and Social Committee (see Table 1), but were re-prioritised "according to the contemporary social and economic situation". The three main vertical priorities in the Action Plan (issued in 2015) are: economic development, (responsible) employment and environmental protection.

The primary focus is on employment as:

- the leading ministry is responsible for labour market and employment;
- employment is one of the main foci of the Hungarian Government from 2008 on and especially from 2012 onwards;
- there are no additional financial resources allocated to the Action Plan, therefore already financed programmes and applications were accumulated for the purpose of the elaboration of the Plan.

In the Ministry of Human Capacities, a workgroup was formed with the participation of 47 companies that have signed strategic agreements with the Government. They made some very interesting and useful comments and recommendations on the future improvement of the Action Plan. NGOs wrote a handbook including tools and good practices for SMEs and organized an event entitled CSR Marketplace 2015 with responsible employment in focus. As the next step, at the end of 2016, Hungary adopted the Directive on disclosure of non-financial and diversity information (2014/95/EU, European Parliament, 2014) practically without any modification (Parliament of Hungary, 2015).

Then, at the beginning of 2017, the Government accepted a 2-year evaluation report of the Action Plan. Concerning the first priority (economic development), there were two main fields of action: a climate-friendly city program and expanding the social economy. It the scope of the second priority, the Action Plan targets shaping attitudes on equal opportunity and the employment of disadvantaged workers (especially among SMEs, where the topic is not so well-known) (Csillag et al., 2018).

The Secretariat is currently working on the renewal and redrafting of the Action Plan. A research project on the state of CSR and on the needs of companies was conducted at the end of 2017, but responsible employment remains the main focus. Within it, equal opportunities and sustainability are the global targets. As of the beginning of 2019, there is no published and publicly available information on the adoption date of the renewed Action Plan. That means that the first version from 2015 is still valid. After some organizational changes in governmental structure, the topic currently belongs to the Ministry of Finance. The three main vertical priorities of the Action Plan have remained the same: economic development, responsible employment and environmental protection, out which employment is the most significant one in its capacity as the Hungarian Government's general priority.

The topic of sustainability—as a framework of CSR—belongs to the Ministry of Foreign Affairs and Trade, which in 2018 produced the first Voluntary National Review of Hungary on SDGs. According to the document, companies' main responsibilities about SDGs are the following: participating in education (e.g. by offering dual education programmes, trainings), providing better working conditions and workplace diversity, as well as reducing environmental pollution.

3 Motivators of and Obstacles to CSR in Hungary

In order to describe recent studies and their results on CSR, it is important to identify the initiators and providers of such studies and likewise the aim, focus and outcome of the studies are to be specified. Concerning the initiators, we can distinguish three different types of studies.

As for the first group of studies, umbrella organisations of big, usually multinational companies (e.g. Business Council for Sustainable Business Development) or professional organizations (e.g. Hungarian PR Alliance)—sometimes jointly with or with support by different institutions or bodies of the Hungarian State (e.g. Ministry for the National Economy)—conduct large-scale studies. Those studies are usually very practice-oriented and aim to provide companies and/or governmental policy-makers with insights; theoretical background of CSR and questions of academic importance are often not so relevant in such publications (e.g. BCSDH Reports 2013, 2014, 2015, 2016, 2017, HBLF, 2012, HPRA, 2016, MNE, 2016, 2018a). As for the second group of studies, studies based on international research projects connected to some field of CSR produce Hungarian data and country-specific results: such studies usually allow for drawing international comparisons, sometimes with reference to longitudinal issues. Also, large consultancy firms provide international (and Hungarian) data on CSR or on non-financial reporting issues. These studies are often based on theoretical models, using validated questionnaires, but their scope is very limited (e.g. KPMG, 2017). Thirdly and finally, Hungarian research groups or individual researchers (e.g. PhD students) conduct studies focusing on special areas of CSR. Those studies are usually theory-based and, as a rule, are not representative (e.g. Bank, 2017; Benedek, 2017; Csillag et al., 2018; Géring, 2015; Pataki, Szántó, & Matolay, 2015; Rátz-Putzer, 2015).

After mapping related reports and articles, seven issues characteristic of the present state of CSR in Hungary have been identified. These are described below.

3.1 Multinationals and Large Companies as Most Influential Players

Based on his quantitative and qualitative studies, Bank (2017) indicates that multinationals and large state-owned companies are the most active as far as explicit CSR is concerned, and they also play an important role in creating patterns for Hungarian CSR. However, even multinationals do not generally have a dedicated budget or strategy for CSR in Hungary. CSR can be part of the basic strategy of the parent company, but often CSR is not a serious issue at the Hungarian subsidiary in practice. CSR activities still tend to be ad-hoc, depending on the situation, and are often shaped by the leader of the company. HPRA (2016) also indicates that only 40% of large companies and 20% of SME-s have written CSR strategies; in the case of multinationals, main initiatives very often come from the parent companies. Among others, personal values and leaders' level of altruism can have fundamental influence on corporations' CSR activities (Benedek, 2017).

3.2 Existing but Still Underdeveloped Systems

HBLF (2012) results indicate that in Hungary—similarly to other transitional economies—the codes of ethics and ethical institutions are underdeveloped. The main purpose of the existing codes is to provide guidelines for employees, to declare ethical commitment and to develop corporate cultures. Emphasis is usually laid on protecting the interest of companies; other factors, such as meeting the expectations of stakeholders and improving the competitive positions of the company play an insignificant role (contrary to the findings of KPMG's global survey, 2014). Géring (2015) also suggests that formalization of CSR practices is uneven. Furthermore, HPRA (2016) indicates that aims and key perfomance indicators (KPIs) connected to CSR are not part of the performance evaluation systems.

3.3 Continued Focus of CSR Practice: Environmental Issues

Based on the 2017 report of BCSDH, environmental responsibility and sustainability remain the most important focus areas in Hungary (81% of the companies claimed to be engaged in such issues), followed by the strategic approach. Connected to environmental focus, 71% of the companies operate environmental management systems (30% of them has ISO 50001), 63% of the companies have carbon reduction strategies, but only 21% of them cooperate with suppliers on sustainability initiatives. Summarizing Hungarian CSR research in the last decade, Géring (2015) points out that, next to environmental directives, issues connected to employees and employer branding are also significant. Other studies also indicate that gender initiatives and family-friendly practices are the most frequent internal initiatives (HPRA, 2016), which are sometimes coupled with employment programmes for people with disabilities (Csillag et al., 2018). In addition, Csutora, Kerekes, and Tabi (2014) note that diversity issues less frequently appear in CSR practice in Hungary than in the international sample used for Csutora et al.'s research.

3.4 Influence of Stakeholder Groups: Great Expectations towards the State

Companies operating in Hungary claim that the State has an important role in encouraging CSR activities, especially by providing economic incentives (HPRA, 2016). 52% of Hungarian companies believe that the State and legal regulations have the strongest influence on corporate operation (15% is the global data), while other stakeholders (such as consumers, clients, employees and competitors) exert much weaker influence. At the same time, 70% of Hungarian companies believe that balancing between the interests of different stakeholders is the mission of companies (BCSDH, 2016). Bank (2017) concludes that NGOs' presence and influence are much weaker in Hungary than in Western Europe and that their role in society is marginal, so they cannot contribute to the spread of CSR. For instance, the Hungarian Association of Conscious Consumers has been aiming to support and strengthen sustainable and responsible consumption and corporate operations since 2002, but consumers' decisions are still driven by price, quality as well as other factors of self-interest (Braun and Partners, 2011). Companies claimed that the main reason why they do not prepare non-financial reporting is that nobody requests such documents (BCSDH, 2016). Csutora et al. (2014) also conclude that the society does not have much influence on CSR, because community involvement and participative methods in sustainability management do not have a long tradition in Hungary. The paternalistic legacy of the previous socio-political regime still has an impact on current attitudes towards stakeholder involvement (Bodorkós & Pataki, 2009).

3.5 Lack of Knowledge: Within Companies and in the Society

Based on the results of HPRA (2016), it can be concluded that employees in Hungary do not know SDGs. Upon discussing the obstacles to the development of sustainable value chain strategies, BCSDH (2017) suggests that a lack of knowledge seems to be the biggest hindrance.

3.6 Unclear Motivation behind CSR Activities and Communication

Based on her quantitative research, Rátz-Putzer (2015) claims that the majority of companies still consider CSR only as a communication tool and use it merely for positioning themselves in a more favourable light. Csutora et al. (2014) claim that in Hungary external communication on environmental and social activities (e.g. sustainability reporting) as well as on environmental and social-oriented cost management (e.g. using cost-effective recycling products) lag behind external communication in other countries. In similarly fashion, Pataki et al. (2015) examined the online CSR communication of 10 large companies and showed credibility problems especially with respect to the retail, telecommunication and construction industries.

4 The State of CSR Disclosure in Hungary

The provision of non-financial information of various foci can be presented in several diverse ways. Companies can produce non-financial reports under different names (e.g. Environmental Report, HSE Report, Sustainability Report, CSR Report, etc.). These names indicate the widening of the concept of non-financial performance and CSR. When companies first started to publish stand-alone non-financial reports over twenty years ago, such reports focused on environmental (emission and discharge, waste management) as well as on health and safety (injuries, fatalities) issues. As the concept of sustainable development gained ground, the content of these reports also changed in reflection to this (Corporate Register, 2013). From 1997 on, when the Global Reporting Initiative (GRI) was founded, there has been a more for the accountability and harmonization of content in non-financial reports. Today there is a larger credibility of GRI reports in Hungary as well.

The first Hungarian non-financial report was issued in 1996 by MOL Hungarian Oil and Gas Company, and that very company was also the one to issue the first integrated report in 2008. Integrated report means that the financial and non-financial disclosures are combined, which indicates a higher level of sustainability engagement on the part of the company in question.

After the 2008 crisis, there was a large decrease in the number of non-financial reports issued in Hungary, which can be explained by a drop in stakeholder demand and by budget cuts. The proportion of externally audited reports decreased as well, but there was an overall improvement in the use of GRI (sustainability.hu, 2019). In 2014, 39 companies prepared some kind of sustainability report, and in 2017 the same figure was 28 (the peek number was 71 in 2009).

However, according to a KPMG study, Hungary is one of the countries where CSR reporting rate is higher than the global average (72%-89%). Although in 2015 84% of the companies under the scope of the EU Directive on disclosure of non-financial and diversity information published CSR reports, in 2017 the same number fell to as low as 77% (KPMG, 2017). KPMG's survey includes N100 and G250 companies, and relied on CSR and financial statement data available in both global and local reports published by such companies.

4.1 Integrated Reporting

Integrated reporting brings together material information about an organisation's strategy, governance, performance and prospects in a way that it reflects the commercial, social and environmental context within which the organisation in question operates. Such reporting leads to a clear and concise articulation of a company's value creation story, which is useful and relevant to all stakeholders. Integrated reporting encompasses Integrated Thinking, because such reporting is as much about how companies do business and how they create value over the short, medium and long run as it is about how this value story is reported (IIRC, 2011).

An increasing number of organizations support integrated reporting all over the world and in Europe. In Hungary, there is no official database about companies publishing integrated reports. Some of the companies, mainly multinational and large enterprises (like MOL Group—Hungarian Oil and Gas Company or Hungarian Telekom) and public interest entities (like the MVM Group—Hungarian Electric Utilities), prepare such reports.

4.2 Use of GRI

In 2017, 2014 GRI reports were published in Europe: out of this 28 were issued by Hungarian companies. Interestingly enough, in Europe 806 reports are so-called non-GRI reports, whereas in Hungary out of the 28 published reports 18 is non-GRI (http://database.globalreporting.org/search/, 2019).

Non-GRI reports are the kind of sustainability/integrated reports that do not satisfy the database requirements of the GRI-Standards report type. At the same time, non-GRI also refers to such sustainability/integrated reports in which the organization discloses information on its economic, environmental, social and/or governance performance, but in which there is no reference to these data being based on GRI Guidelines or GRI Standards (GRI, 2018).

8 of the 28 companies published reports according to GRI–G4 (published in 2013 and valid until 30 June 2018), while Hungarian Telekom published its report according to GRI-Standard, and Coca-Cola Hungary issued its report "citing-GRI". In this context, "citing-GRI" means either of the following: 1. the sustainability/integrated reports in question make explicit reference to the fact that they are based on the GRI Guidelines (G3, G3.1 or G4) but actually lack GRI Content Index.1; 2. the sustainability/integrated reports in question published after 1 July

2018 still refer to the old, no-longer-valid G4 Guidelines (which the situation is in the case of Coca-Cola Hungary's report as well).

From the 28 published reports 8 was prepared by MNEs (multinational enterprises), 14 was issued by large entities and 6 was published by SMEs. The sectors that publish the most of such reports are: financial services (4 reports), public agencies (3 reports), energy or water utilities (3 reports), telecommunications (2 reports), food and beverage products (2 reports), energy (2 reports) (http://database.globalreporting.org/search/, 2019).

In fact, today—in 2018 and 2019—we are not very far from the mid 2000s, when multinational corporations usually did not care to publish Hungarian-language versions of their social responsibility policies or social and environmental reports (Fekete, 2005). Hungarian subsidiaries usually provide data for their parent companies for global reports, but there are few reports with relevant Hungarian topics and data.

4.3 Non-financial Information in Financial Statements

EU law requires large companies to disclose certain information on the ways they operate and manage social and environmental challenges even if they do not issue a proper non-financial report outlined above. The provision of such information is envisaged to help stakeholders to evaluate the non-financial performance of large companies, and encourages these enterprises to develop a responsible approach to business. The European Commission's guidelines on implementing the 2014/95 EU Directive reflect the principles of integrated reporting by way of encouraging businesses to adapt their existing reporting to this Directive in an attempt to reflect the broader, long-term vision of their company and to give an account of both the resources they are using and their relationships (Eurosif, 2018).

In Hungary the rate of the companies that are not SMEs (but large entities) is only 0,87% (ksh.hu, 2019). From this data and knowing the Hungarian accounting regulation on different reporting formats, it can be concluded that very small rate of the Hungarian companies publishes annual reports. The relevant part of the companies publishes simplified annual reports or micro-financial statements.

Thus non-financial information published by Hungarian companies can cover only a very small part of the companies in question. From the perspective of non-financial information published, the above-mentioned 5% means even fewer firms as, according to the Hungarian Accounting Act, companies with public interest shall report non-financial information in their financial statements.

Paragraph 95/C of Act 2000. C. on Accounting (passed by the Parliament at the end of 2016) defines—in conformity with the 2014/95 EU Directive on disclosure of non-financial and diversity information—the criteria concerning the categorisation of public interest entities based on their total assets, net sales revenue and average number of employees. If such economic entities reach these threshold criteria, they have to publish, in their annual business reports, a non-financial statement

Table 2 Public interest entities, 2017. Published by the Hungarian Ministry of National Economy in 2017 (MNE, 2018b)

Public interest entities	
Credit/financial institutions	51
Investment firms	16
Insurance companies	22
Listed entities	43
Total	132

containing as extensive information as necessary for understanding the company's development, performance, as well as position and impact of its activity, minimally relating to environmental, social and employee issues, respect for human rights, as well as anti-corruption and bribery matters (while concurrently respecting business and trade secrets).

There are other laws that regulate the classification of public interest entities. Accordingly, public interest entities are classified as any of the following: entities trading their securities on a regulated market of any Member State of the European Economic Area, credit and insurance institutions, investment firms and the investment management companies of issuers of investment units (Table 2).

The financial statements of these companies are audited by external auditors, so the information and data contained therein are verified.

Such non-financial statements of public interest companies shall minimally contain:

- a brief description of the company's business model;
- a description of the policies and the outcomes of the policies pursued by the company in relation to environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, including implemented due diligence processes;
- a description of the principal risks related to the company's operations and the management of these risks including its business relationships, products or services in relation to environmental, social and employee matters;
- non-financial key performance indicators relevant to the particular business.

Although non-financial statements/disclosures are not equal to non-financial reports (either in their quality or in their quantity of data), the EU—with the help of the Directive—again expressed the significance of non-financial performance and sustainability impacts characterising business life. "There has been strong growth in CR reporting across a number of EU countries. While the full effect of the EU Non-Financial Reporting Directive is not expected to be felt for another two years or so, it is possible that awareness of the Directive has helped to boost reporting rates in some EU countries. In line with the Directive, companies that do not disclose their social, environmental and Board diversity policies can be named publicly. This risk of reputational damage may already have convinced some non-reporters to start reporting with more expected to follow suit" (KPMG, 2017:16).

In essence, non-financial disclosure is an important step towards sustainability, but it does not guarantee the improvement of non-financial performance. In the coming years, the intriguing question is to what extent the EU will expect smaller companies to prepare non-financial statements, and how this will affect the economy's non-financial, social and environmental performance.

5 Conclusion

From the results of the theoretical and empirical research as well as based on the databases consulted, the following conclusions can be established concerning the state of CSR in Hungary.

Hungary meets the requirements set out in the EU Directives and other documents, but the issue of CSR is not in focus at the level of national policies and there are continuous changes as far as the nominated responsible ministry is concerned. In turn, stakeholders expect support from the government—mainly through business incentives—in order to foster the improvement, spread and publicising of CSR.

At the level of multinational companies, there are initiatives for producing CSRs, but such CSRs are required and managed by the parent companies. Unfortunately, commitment to CSR is not deeply-rooted, the allocated budget for CSR practices is low and the information flow and interrelations between CSR and financial reporting are not effective. After the 2008 crisis there was a large decrease in the number of non-financial reports issued in Hungary, apparently due to less stakeholder demand and budget cuts.

Some of the multinationals publish integrated reports but the number of such reports—even in light of the total number of multinational companies—is low, and the structure of such reports is not unified, which makes the assessment of their quality and their comparison rather questionable.

The situation of publishing non-financial statements/disclosures is improving due to the implementation of the EU Directive. Concerning this, it must be highlighted that non-financial statements/disclosures have a narrower content, lack specific indicators, but are always verified by external financial auditors. On the other hand, non-financial reports can cover many issues without any regulation concerning their content. At the same time, it must also be noted that the most significant non-financial reports are based on GRI, use its general and specific indicators and also have external verification.

Despite the holistic perspective exhibited by international guidelines and initiatives, some sustainability issues are still more popular than others among companies. In fact, environmental issues are given preference as such actions can produce relatively measurable and fast results; such issues are followed by employee issues, while transparency is given lesser importance.

A change in companies' stakeholder focus is also visible: while before the crisis external stakeholders (consumers, investors, state) were the main target groups of CSR actions and communication, recently CSR has mainly served the purpose of employer branding.

In their capacity as the newest international framework, UN SDGs are gaining increased significance, but they are surrounded by a massive amount of uncertainty and insufficient information as far as their use, both within Hungarian companies and among Hungarian stakeholders, is concerned.

Based on the above, it is concluded that there is a halt in CSR policy introduction in Hungary, but the same is true at the level of the EU as well: after the productive 2000s, which saw a lot of communication and guidelines concerning this topic and after the impressive new 2011-2014 strategy with its complex action plan (Enterprise 2020 on smart, sustainable and inclusive economy; European CSR Award Scheme; non-financial reporting, etc.), in practice the re-shaping process from explicit to implicit CSR can only partly be seen.

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Corporate Social Responsibility in Italy

Corporate Social Responsibility in Italy: Current and Future Developments

Selena Aureli, Maria Gabriella Baldarelli, and Mara Del Baldo

Abstract The chapter aims to provide a picture of the most relevant developments regarding CSR that have occurred in the last decade in Italy from a theoretical, institutional and practical perspective. It includes a preliminary analysis of latest Italian academic studies that have investigated the CSR concept and CSR practices among Italian companies, while also pointing out the institutional and political conditions that favoured the development of CSR at the national and local level. In this regard, both national and regional laws and norms are considered. Subsequently, the chapter addresses the most important initiatives on CSR, both at a private and public level, involving both large companies and SMEs. This work contributes to the description of the position of CSR in Italy, where several private and public approaches coexist and frequently take the form of Territorial Social Responsibility. Finally, it critically discusses the 'Italian model of CSR' in the current scenario and provides insights on Italy's future path toward the UN Sustainable Development Goals.

Keywords Approach · CSR · Italy · Sustainability · Literature review

Attributions: The chapter is the outcome of a common research effort, however Del Baldo is responsible for Sects. 1 and 4, Baldarelli is responsible for Sect. 2 and Aureli is responsible for Sects. 3 and 5.

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1 Introduction

CSR has been discussed in Italy for many years, not only at an academic and scientific level but also at a political and operational level. However, Italy was not a pioneer—as in the case of France—in imposing specific obligations addressed to companies aiming to regulate their behaviours and corporate reporting on CSR and sustainability. Nevertheless, Italy has proven to be a relevant player in triggering and promoting both the CSR discourse and its implementation. In fact, in the last few decades, several initiatives have been launched by national and local public authorities, as well as by private organizations (e.g., the GBS-the Italian Study Group on social reporting).

Therefore, the purpose of this chapter is to provide a synthetic overview of the Italian 'CSR journey' in theory and practice and trace the state of the art of CSR development, to allow an international interlocutor to approach the Italian reality and easily understand its specificities.

In detail, the paper is structured as follows. By adopting a historical, interpretative perspective, section 2 points out how the CSR construct has been perceived in light of the theoretical and conceptual frameworks that characterise the Italian accounting tradition. Section 3 presents a literature review that focuses on the analysis of papers published in the last decade in Italian academic journals and periodicals belonging to the field of economics to investigate the evolution of the CSR discourse and identify the arguments made and theoretical background used by business and accounting researchers to describe the current debate on CSR in Italy.

Subsequently, section 4 proposes a brief picture of the normative context and a list of the key CSR initiatives carried out on a national and regional basis, in order to point out the institutional and political conditions that have favoured the development of CSR practices in Italy. Moreover, it offers an overview of the programs undertaken by qualified actors in disseminating CSR and orienting companies towards sustainability-oriented actions and strategies. Finally, section 5 summarises the main findings of the analysis.

2 Historical, Scientific Background and Conceptual Framework on CSR in Italy

CSR became a relevant topic of investigation among Italian academics mainly in the late 1980s, just after the seminal contribution of Freeman (1984) on the stakeholder theory and the rise of business ethics (Wartick & Cochran, 1985), following the international debate on the perils of adopting Friedman's (1971) stockholder theory of the firm. However, from a theoretical point of view, the Anglo-Saxon CSR was not directly transferred to Italy has been analysed and interpreted in light of existing domestic conceptual frameworks.

As suggested by several authors (Contrafatto & Rusconi, 2005; Moscarini, 2009), the Italian *Economia Aziendale*[1] has always emphasised that companies have the function of satisfying individual and collective needs and not the goal of maximising profits. Since the work of Zappa (1954), the founder of *Economia Aziendale*, was proffered, the company has been conceived as a "system and a socio-economic institution" (Alexander, Adamo, Di Pietra, & Fasiello, 2017). This systemic vision means that the company is a synergic unity of elements and relationships that interact with each other and with the broader economic and social system. Therefore, the incorporation of CSR and its idea of a firm's interdependence with stakeholders within the Italian context appeared almost natural.

Direct and indirect references to the social responsibility of companies can be found in the works of Onida (1939), Cassandro (1953), Ardemani (1968) and Ponzanelli (1975). More than 50 years ago, while elaborating on this systemic vision, Masini (1964) developed a company concept linked to the satisfaction of all subjects contributing to the survival and development of the business system. On the contrary, in the same years, the Anglo-Saxon accounting tradition appeared to contrast with CSR as it used to emphasise the company function of remunerating risk capital. The proximity of *Economia Aziendale* and CSR is also highlighted by Rusconi (2010), who observed many similarities between the ideas put forth by Freeman (1984) and the contribution of the Italian professor Coda (1984, 1988), who both consider ethics and business actions inseparable.

The work of Coda (1988) identifies, for Italy, the shift from the first phase of academic studies attempting to provide a definition of social responsibility to the second phase of research, when social responsibility started to be seen as a constraint to company objectives and an integral part of its strategic orientation, thus having a relevant impact on company profitability. During this phase, Italian authors began to investigate the relationship between CSR and company's competitiveness.

For example, Matacena (2005) highlights how companies can benefit from an increase in productivity and efficiency through the improvement of employees' quality of life and the enhancement of the quality of relationships with stakeholders. He puts forward an alternative model on how companies should produce and distribute results taking into account the conflicts of interest of different stakeholders to improve company performance and obtain consensus and legitimacy.

Similarly, after having investigated 487 Italian SMEs, Molteni (2004) highlighted the need for companies "to develop a greater awareness of the different ways to establish positive relationships with their stakeholders and of the positive impact that investments in social responsibility generate on corporate performance".

After the study of Molteni (2004), most research efforts in Italy were aimed at empirically investigating corporate behaviour and the practical deployment of CSR

[1]Economia Aziendale is an academic field of research that can be equated to the body of knowledge concerned with Accounting and Management, officially recognised by the Italian Ministry of Education and University and separated from Economics, Finance, Marketing and Human Resource Management.

in different types of companies, from SMEs to non-profit organizations and listed companies (Perrini, 2006; Perrini, Pogutz, & Tencati, 2006). The empirical results pointed out a richness of initiatives among Italian SMEs, often informally developed and communicated through the adoption of social reports, sustainability reports or CSR certifications. This occurrence gave rise to the concept of ‘sunken CSR’. In addition, the diffusion of an intrinsic orientation over an extrinsic one was assessed (Del Baldo, 2010, 2012; Del Baldo, 2017; Jenkins, 2004; Looser & Wehrmeyer, 2015; Perrini et al., 2006), thus claiming the need to be attentive to moral behaviours implemented by small-sized companies. In this sense, the problem of how the company should communicate and engage with stakeholders through the adoption of accountability tools was pointed out (Arena, 2006; Bagnoli, 2004; Rusconi & Dorigatti, 2006).

Compared to the international debate on CSR, the Italian literature has somehow covered and reinforced the same key topics on the field of research:

1. The definition of CSR and the relationship between CSR and ethics (see for example the works of Cavalieri, 2008; Gatti, 2002; Matacena, 2005; Rusconi, 1997; Sacconi, 1991; Sciarelli, 2007; Zamagni, 1997);
2. The relationship between CSR, value creation and competitive advantage (Molteni, 2004; Perrini & Tencati, 2008), following the discourse of Porter and Kramer (2002, 2011).
3. The analysis of CSR practices and CSR disclosure, which includes the evaluation of social reporting. The discussion on social reporting was initially started by Matacena (1984) and Rusconi (1988) and then analysed by Perrini (2003), Molteni (2004), Gabrovec Mei (2004), Hinna (2005) and Andreaus (2007), who tried to assess the impact of reporting practices on company performance or compare the content of reporting with actual behaviour (Molteni & Lucchini, 2004) to detect possible greenwashing or window dressing practices.

Despite such similarities, there are also new and original contributions developed by Italian researchers. In particular, there is a type of responsibility proposed by some Italian economists (Bruni & Zamagni, 2004; Zamagni, 2003) called ‘corporate civil responsibility’ that allows for “balance productive combinations with human combinations” (Sorci, 2006). This civil dimension refers to something different from and more profound than the social dimension of CSR (Del Baldo, Baldarelli, & Ferrone, 2015). Behind civil responsibility is the concept of a civil economy based on the exchange of equivalents, redistribution of richness and reciprocity, which inject ‘humanism’ into the economy. According to this perspective, attention to people and the common good should not be considered as something outside or against the economic rules of efficiency and profitability. Civil responsibility is aimed at supporting the integral development of the company in all its dimensions, namely: the economic and competitive development, as well as the development related to the growth of individuals and the socio-environmental development (Sorci, 2006). Such a viewpoint lies in a shared system of values (Rusconi, 1997, 2007) that are of a moral and ethical nature. Therefore, values have to do with equity, honesty, fairness, loyalty, justice, altruism, gratuity and the “logic of happiness”

(Baldarelli, 2005; Bruni, 2005; Gui & Sugden, 2005). In other words, they have an anthropological construct (Catturi, 2006) and underpin the so-called 'person-centred approach' (Garriga & Melé, 2004; Melé, 2002) applied to the governance and management system, thus affecting the relationships with internal and external stakeholders and promoting a company's responsible conduct and strategies.

There is not a single school of thought on social responsibility in Italy, and the concept of CSR evolved and is probably still evolving.

At the international level, CSR has somehow developed into sustainability and the concepts of Corporate Citizenship, Corporate Stakeholder Responsibility and Political CSR (Bhaduri & Selarka, 2016; Gond & Moon, 2011). This happening has created a fragmentation of interests that move away from CSR. Consultants and practitioners first used corporate citizenship as an equivalent to CSR following Carrol's (Carroll, 1998) work, but after the review of Matten and Crane (2005), corporate citizenship gained an 'extended view' and began to overcome CSR. Similarly, the position of Freeman, who sees CSR as more limited in scope compared to the concept of the stakeholder theory, which addresses all different corporate responsibilities (and not only company responsibility toward the local community and society at large), has favoured the rise of studies focusing on the stakeholder theory and sustainability (Carroll, 2008).

To the best of the authors' knowledge, there is no recent review on Italian studies to help us understand whether there is the same shift from CSR toward sustainability and corporate citizenship in the Italian literature. Therefore, we aim to describe the latest research on CSR as published in academic journals to answer the following questions: Is Italian academia moving away from the CSR concept rooted in the tradition of *Economia Aziendale* to embrace new concepts (e.g., sustainability) developed at the international level? Have Italian researchers stopped elaborating on the CSR construct to prefer focusing on empirical research investigating company practices?

The following sections describe the review of the literature that analyses articles from Italian journals published in the last decade. Recent CSR initiatives and projects launched by private and public actors are also mapped in order to provide a complete picture of the current status of the CSR debate in Italy.

3 Latest Italian Studies on CSR

3.1 Literature Review Criteria

Researchers can use different methods to execute a literature review (Petticrew & Roberts, 2008). Structured and systematic literature reviews are the most used techniques when the researchers' aim is to formulate general statements and evaluate, critique or develop existing theories (Massaro, Dumay, & Guthrie, 2016). However, the aim of this study is not to make a point about a particular problem, its goal is to provide a summary of the arguments made and the theoretical

Table 1 The trend of articles published in Italian journals

No. of articles per year	
2018	5
2017	10
2016	8
2015	6
2014	6
2013	9
2012	15
2011	17
2010	9
2009	19
2008	27
2007	37
Total	**168**

background used by business and accounting researchers to describe the current debate on CSR in Italy. Consequently, this is not an overarching literature review. Nonetheless, the criteria for inclusion and exclusion in the review are explicitly stated below and consistently implemented such that the outcome can be considered objective and replicable by other researchers in the future.

The literature review draws from two national databases: ACNP (Italian Periodicals Catalogue) and ESSPER (Database of Periodicals created by the National Association of Italian Libraries), to follow the suggestions of Yin (2014) and Modell (2009), who recommend integrating two or more data sources to increase literature review reliability. The title field of the article was used for the search and had to include the following terms: “social responsibility” or “corporate responsibility”, either in English or its Italian translation. Both singular and plural forms were considered, together with verbal forms and alternative terms (e.g., acronyms) used to describe the same phenomenon. Only periodicals and journals belonging to the macro field of economics were included. The outcome resulted in more than 400 articles. Subsequently, in order to investigate the latest debate on CSR, articles were filtered according to the time of publication (only articles from 2007 to 2018 were considered). Then, journals with a local diffusion (e.g., newsletters or periodicals published by local banks or regional authorities) were excluded. The result is 169 articles classified in the following sub-fields: management[2] (163 articles), economics (18), banking & finance (15), sociology (13), miscellaneous (12), politics (7) and engineering (1).

Findings indicate that CSR received great attention in 2007 and 2008 (Table 1), which seems to have diminished in recent years. The journals that have the highest number of studies dealing with CSR are ‘Rivista Italiana di Ragioneria e di Economia Aziendale’ (‘Italian Review of Accounting and Management’; counting

[2]Management is a broad category that includes accounting, marketing, strategy and personnel sub-fields. One journal can be classified in more than one sub-field.

10 papers), ‘Sociologia del lavoro’ (‘Sociology of work’; 11 papers) and ‘De Qualitate’ (‘Quality’; 11 papers). The text analysis of all 163 article titles indicates that management, ethics, small and medium-sized enterprises, networks and innovation are the key topics investigated in the sub-field of management. Text analysis also suggests that many studies use a case study approach to investigate CSR, but also theoretical papers are quite diffused. The presence of 76 articles (out of 163 articles) appeared in journals addressed to entrepreneurs, not-for-profit organizations, specialists on work safety and human resource management, indicating that CSR is not a topic limited to the academic area and has attracted the interest of several communities of practitioners.

To focus on the debate developed by the Italian scientific community of accounting and management, we searched our database of 163 articles for top quality journals officially recognised by the Italian Academy of Economia Aziendale (AIDEA). Only 33 are published in top quality journals. These works have undergone a detailed examination of the content. All three authors performed manual coding of content articles, as researchers’ triangulation is one of the most important forms of control that may reduce bias (Yin, 2014). Coding was necessary to perform the thematic analysis that allowed us to identify the three following themes: the definition of CSR used by Italian authors, the theories used or developed and the research methods adopted to inform their studies.

3.2 Findings

The review of the 33 articles that can be classified as national-relevant contributions of scientific-quality carried out by researchers in business and accounting refers to the following journals: ‘Rivista Italiana di Ragioneria e di Economia Aziendale’, ‘Piccola Impresa/Small Business’, ‘Management Control’, ‘Financial Reporting’, ‘Symphonia-Emerging issues in Management’, ‘Contabilità e Cultura aziendale’, ‘Azienda pubblica’, ‘Economia & Management’, ‘Impresa Progetto’. CSR received constant attention (an average of 3,5 articles every year) from 2007 to 2017, with the exception of 2014 and 2015 when no study dealt with CSR. Interestingly, five out of the 33 articles are written by foreign professors (e.g., Freeman, 1984; Patten, 2013) who were invited by Italian journal editors.

Most of the articles written by Italian researchers are theoretical contributions (16 out of 28) that appeared in the first years of observation (concentrated from 2007 to 2010). Empirical studies include several case studies (6 papers), some surveys and one experiment.

The main topic of discussion in conceptual papers is the elaboration on CSR in light of different theoretical frameworks and its interrelations with business ethics and the stakeholder management theory. The Italian system vision of companies still plays an important role in Italian academia but mainly in the early studies of the period examined (Cafferata, 2009; Cavalieri, 2008; Ferrando, 2010; Russo, 2007; Rusconi, 2007). The ‘system firm theory’ conceives the firm as an entity that has the primary purpose of satisfying needs that refer to varying actors or stakeholders of the society. Therefore, it contributed to building the idea that CSR is something intrinsic to the company's business and easily unites with the stakeholder theory as demonstrated by the several papers (12) that use this theoretical framework to inform their study. Reference to business ethics is less common, as Italian authors recognise that CSR is related to ethics, but it also differs from it (Cavalieri, 2008). Despite its domestic origin, the use of the concept of civil economy is even rarer (only adopted in the work of Baldarelli, 2009).

In the articles examined, CSR is often described referring to the work of Carrol (Carroll, 1998) and the European Commission's definition of 2011 to emphasise that social responsibility is a more comprehensive concept than philanthropy and does not mean being responsible only toward local communities and society at large. CSR is often used as an 'umbrella concept', in which the different dimensions of social, environmental, financial and governance responsibilities are considered together (Allegrini & D'Onza, 2011; Gandolfi, 2012). Consequently, CSR is sometimes replaced, used as a synonym or integrated with sustainability (Del Baldo & Demartini, 2016). As happened at the international level, several Italian researchers (see, for example, Buscarini & Masia, 2011; Salvioni & Astori, 2013) have shifted their attention from CSR to sustainable development as a broader vision of company responsibilities. In other terms, CSR is conceived as a firm's attempt to achieve a balance between economic, environmental, and social imperatives (Pisano & Distefano, 2016).

However, the prevalence of the 'social orientation' of CSR is not finished. CSR as responsibility toward the society is still used in studies focusing on small and medium-sized enterprises (Balluchi, Furlotti, & Anna Petruzziello, 2011). When the object of research is the Italian context made by a myriad of SMEs, CSR is still mainly described as company practices addressed to the local community and specific stakeholder categories like employees and the actors of the territory. On the one hand, this limited the scope of CSR to its social responsibilities (Freeman & Dmytriyev, 2017), but on the other hand, it had the merit to favour the development of innovative ideas like the Territorial Social Responsibility (Del Baldo, 2009; Del Baldo & Demartini, 2016). Looking at territories where SMEs proliferate, researchers found the diffusion of CSR strategies and activities oriented toward society at large, including charity, volunteering, environmental efforts and ethical labour practice. This is possible because CSR is promoted by the territory itself, i.e., networks of local actors that share the aim to improve the quality of life of all individuals and organizations belonging to the local community (Fazio, 2009).

When looking at the empirical studies among the 33 articles, unfortunately, the reference to a specific theoretical framework is sometimes missing. Also, the definition of CSR can be absent (see Izzo & Magnanelli, 2012) or eventually operationalised to a list of initiatives or measures required by international organizations like ISO or the GRI that researchers check by reading documents or submitting questionnaires to enterprises (as in the case of Albano, Marchiori, & Scalia, 2012). Different from what happened in the past, CSR reporting is not the main object of investigation in the empirical works of the last decade. Only the study of Gandolfi (2012) analyses reporting practices. Governance issues are more prevalent among the latest Italian studies (Allegrini & D'Onza, 2011; Del Baldo, 2009; Del Baldo & Demartini, 2016; Salvioni & Astori, 2013). Few empirical studies offer a mere description of CSR initiatives and the level of CSR awareness in the companies surveyed (Albano et al., 2012; Balluchi et al., 2011), while the only experiment found refers to the consumer attitude toward company CSR activities in order to investigate CSR's relation with company reputation and ethical consumption (Pisano & Distefano, 2016).

Regardless of their merits or deficiencies, the number of empirical investigations did not increase in the last few years. Therefore, we cannot state that Italian researchers are more interested in verifying theories through field work compared to the past, nor can we claim that they have stopped elaborating on the CSR construct as demonstrated by the work of Minciullo (2016), which discusses CSR as corporate citizenship, and the work of Brondoni and Mosca (2017), which puts forward the idea of Integrated Corporate Social Responsibility originally developed by Freeman, Wicks, Harrison, Parmar, and de Colle (2010).

A more in-depth look into the latest studies suggests that Italian researchers tend to be more influenced by international streams of research compared to the past. Reference to the tradition of *Economia Aziendale* is decreasing, and Italian researchers seem to embrace new concepts developed at the international level like sustainability, corporate citizenship and political CSR (as reported by Gallinaro, 2012).

4 The Institutional Framework of CSR in Italy

This section presents a brief analysis of the Italian institutional and political framework and points out the factors that affect the development of CSR at a national and local level. First, the evolution of public initiatives is considered, which can be categorised in three stages. Second, the most important projects on CSR promoted by private subjects are described.

4.1 The First Stages of CSR in Italy: The Normative Framework

Among the institutional and political initiatives that aim to 'trigger the journey' toward CSR in Italy, one should mention the following pillars:

- The national CSR-SC (Corporate Social Responsibility—Social Commitment) Project issued by the Italian Ministry of Labour and Social Policy in 2003 (Baldarelli, 2007; Italian Ministry, 2003)[3];

[3]http://www.welfare.gov.it/csr

- The system of the Chambers of Commerce that activated CSR branches throughout the national territory to offer companies concrete support[4];
- The National Contact Point for the dissemination of OECD guidelines set up with the Law No. 273 of 12 December 2002 by the Ministry of Economic Development;
- The benefits granted by INAIL (National Institute for Insurance against Accidents at Work) to companies investing in CSR (a reduction in the contribution rate was introduced in 2005);
- The multiplicity of local CSR initiatives carried out locally.

Concerning the first pillar, the Italian Government played a key role in promoting the CSR culture among companies through training and information activities and the creation of a CSR Forum National; priorities were identified in collaboration with NGOs and other stakeholders (including businesses) and annually transposed into an Action Plan. The aim was to disseminate socially responsible behaviours among companies, independently of size and sectors, and develop CSR policies. The project introduced a modular set of key indicators that can be adopted voluntarily to measure and report CSR performance and a reward system (including fiscal incentives) for the companies that adhered to the project. Moreover, the Government carried out moral suasion interventions through the publication of reports for the dissemination of best practices (Italian Ministry of Labour and Social Policies, 2002). The described good practices were inspired by the European policies aimed at enhancing both sustainability and CSR-oriented entrepreneurial behaviours.

Concerning the fifth pillar, several initiatives have been developed at a regional level, some of which are included in Table 2. Before the adoption of a national plan, several Italian regions felt the need to trigger CSR practices based on the involvement of private and public entities (Baldarelli & Parma, 2007; Fugazza, Pandini, & Gostner von Stefenelli, 2006; Molteni, Antoldi, & Todisco, 2006; Paloscia, 2007; Peraro & Vecchiato, 2007). Perrini et al. (2006) provided the first systematic account of the various CSR experiences. Some of them were promoted by private businesses like reporting and certification systems, as well as some instances of ethical finance (ethical funds and rating systems). The public sector promoted other initiatives. These include national and local projects (carried out at a provincial and regional level) aimed at spreading best practices of CSR.

4.2 The Second Step: The Italian Regional Model of Territorial Social Responsibility

Starting from 2011, the Italian Government began to devote a specific section of the Action Plan on CSR to territorial issues (Ministero del Lavoro e delle Politiche

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[4] http://www.csr.unioncamere.it

Table 2 Examples of public-private experiences implemented at a regional level

Italian regions	Territorial paths of CSR
Tuscany	This region started the "Fabrica Ethica project" for the dissemination of the SA 8000 certification among SMEs in 2000, providing training and information support services and the financial provisions (Paloscia, 2007).
Umbria	Two regional laws were approved in 2002: Law No. 20, which implemented a regional register of SA8000 certified companies and Law No. 21, which provided for "Interventions for the certification of quality systems, environmental compliance, safety and ethics in Umbrian companies".
Emilia Romagna	The CSR Program "Chiaro, Scuro, Regolare" on the safety and quality of work. A research project for the Social Quality Brand of companies. The experience of Modena's districts moving toward a local sustainable development, focused on the improvement of the environmental quality, economic well-being, social cohesion and innovation (Sancassiani & Frascaroli, 2009). The creation of a responsible economic district in the Province of Rimini (Sbraccia, 2010).
Marche	The "SIRM project" started in 2005 by the Centro Formazione Marche (a consortium including 120 companies from the Marche) with the support of the region. It allowed for the creation of ethical, territorial networks and synergies among institutions, companies, entrepreneurial associations, stakeholder groups and the society at large, promoting and encouraging the adoption of best CSR practices by the local companies and deliver a first set of indicators to allow SMEs to map out CSR practices (Regione Marche, 2006). The 2009–2010 "I.Re.M. project" (Responsible Companies in the Marche Region) aimed to implement the local social responsibility model involving a larger number of companies and categories of local stakeholders. The memorandum of understanding was signed in 2013 by the Regional Council of Marche for the creation of an interregional CSR network (including several Italian regions) aiming to define shared social responsibility paths to be implemented at a regional level.
Campania	The Department of Industry of the Campania region has initiated an exploratory investigation of models and best practices in the field of CSR locally.
Veneto	The "Veneto Responsible Laboratory", a regional network for CSR, started in 2002 as a non-profit association based in Padua, to promote a business culture oriented towards CSR through the diffusion of best practices involving SMEs (operating in local clusters), administrators, not-for-profit and civic organizations.
Lombardy	The "Brianza development network" set up a consortium (Sviluppo Brianza, 2009) to enhance the socio-economic quality in the territory formed by some Municipalities, the Province of Milan, the Milan's Chamber of Commerce, business associations, trade unions, the third sector, multi-utility firms and the credit system. The "Piacenza's experience", created with regional Law No. 17/2005, implemented the theme of CSR and sustainable development through "The Regional Mark of Social Quality" (Monaci, 2007). The experience of the Milano area in creating an open model, involving several local institutional partners (companies, entrepreneurial associations, trade unions) to face labour and socio-economic issues through CSR (Colombo, Landini, & Paolini, 2006).

(continued)

Table 2 (continued)

Italian regions	Territorial paths of CSR
Sicily	The "CSR-Vaderegio project", financed by the European Commission, involving the Agenda-Social Responsibility (Edimburg, Scotland), The Flamish Ministry of Labour, the Novia Salcedo Foundation (Bilbao, Spain) and the Italian Association Euro (Palermo, Sicily) aims to spread the knowledge and the implementation of CSR projects at a local level. "The Etiqualitas project" that includes the Regional Observatory of Environment of Sicily (Osservatorio Regionale Siciliano per l'Ambiente—ORSA) and various local public institutions and cooperatives.

Sociali, Ministero dello Sviluppo Economico, 2012). The plan includes different but synergic actions for the central, regional and local administrations that are informed by the following guidelines:

- Increase CSR culture, both for companies and citizens, using instruments and actions that give visibility to virtuous companies, such as rewards and specific registers;
- Favour transparency and the dissemination of economic, financial, social and environmental information;
- Support companies adopting CSR, providing them with incentives, fiscal advantages, administrative simplification and through the promotion of socio-environmental criteria for public tenders;
- Encourage CSR initiatives through social enterprises, third sector organizations, active citizenship and movements;
- Promote CSR through internationally recognised instruments and international cooperation.

In other terms, the Italian Government began to favour Territorial Social Responsibility (TSR), also introduced in EU policies in the same period (EU, 2009). TSR is founded on a common set of values shared by economic, social and institutional stakeholders within a territory oriented to improve the community's quality of life and pursue sustainable growth (Del Baldo & Demartini, 2012a, Del Baldo & Demartini, 2012b; Demartini, 2009; Demartini & Del Baldo, 2015; Matacena & Del Baldo, 2009; Peraro & Vecchiato, 2007). It is a relatively new concept that marks the shift from a micro-level corporate social responsibility to a meso level, since the subject of socially oriented actions and strategies is no longer a company, but rather the community belonging to a territorial area. TSR is founded on shared values that nurture the social capital of a local context (Idowu, Schmidpeter, & Fifka, 2015). In such a framework, the public administration's action is flanked by that of other stakeholders involved in responsible conduct processes:

- Companies (i.e., the engine of CSR promotion policies);
- Trade associations;
- The national system of Chambers of Commerce;

- Trade unions;
- NGOs (e.g., third sector, active citizenship and civil organisations) and
- The financial system (by means of the Forum for Sustainable Finance, the Italian Bankers Association-ABI and The Ethical Finance Association-AFE).

TSR represents a distinctive trait of CSR development in Italy, capable of generating social innovation and co-designing the socio-economic context at the local, regional and national level. "CSR effectiveness in society and economy requires institutional contexts that enable actors to enact socially responsible principles and practices as values in business, education, finance, investment, trade, governance, taxing, pricing, consumption and use of environmental assets and services, as well as applying and developing social capital and creativity" (Ashely, 2012b: 182). Accordingly, "TSR is based on a mutually reinforcing alignment of multilevel and multi-actor social responsibilities, which requires cross-organizational and inter-institutional governance and policy models of social responsibilities among different social spheres" (Ashely, 2012a: 162).

Such a multi-level approach represents a key driver in CSR development that enables social innovation (Ashely, 2010a; Ashely, 2010b; Ashely, 2012a; Ashely, 2012b; Gerencser, Van Lee, Napolitano, & Kelly, 2008; Osburg & Schmidpeter, 2013; Walker & Schmidpeter, 2015; Winter, 2006). This assumption may be extended to the achievement of the UN's Sustainable Development Goals (Ki-Moon, 2015; GRI, United Nations Global Compact and WBCSD, 2015) that, in regional contexts, needs to translate into effective actions and concrete instruments suited to companies and in particular SMEs (European Commission, 2015).

4.3 The Third Step: Towards the Sustainable Development Goals (SDGs)

Italy played a key role in all the phases of the UN negotiation that led to the adoption of the 2030 Agenda (September 2015) and the SDGs. In particular, Italy took over the vice-presidency of the Rio+20 Preparatory Committee and participated in the SDGs Working Group. Moreover, Italy carried out a leadership role during the EU presidency semester (2nd half of 2014) in a complex negotiation phase.

After the approval of the 2030 Agenda, various initiatives, including the monitoring of the SDGs, were promoted by the Italian Prime Minister, the Parliament, the Regions and several local public authorities.

At the national level, a legal, regulatory framework on sustainable development was defined (Law No. 221 of 28 December 2015). This framework was an upgrade of the national strategy for sustainable development, a specific chapter addressed to the "blue growth" of the marine environment. On November 16, 2016, the "2017 Budget Law in light of the Agenda 2030 objectives", urged by ASVIS (Italian Alliance for Sustainable Development), introduced the criteria for integrating SDGs into national policies for the future of the country. The draft of the National

Strategy for Sustainable Development was presented by the Ministry for the Environment on March 2017 after being discussed with the civil society. According to the 2030 Agenda, Italy's Voluntary National Review describes the national sustainable development strategy aimed at structurally addressing environmental, economic and social issues (i.e., energy strategy, renewable infrastructure). The Italian Government has also participated in the international High-Level Political Forum, for the SDGs' monitoring. Finally, an amendment to the Budget Law was approved on 28 July 2016, aimed at envisaging the application of equitable and sustainable welfare indicators (Bes) selected by an ad hoc Committee.

With reference to initiatives launched by regional and other public authorities, we can mention that on the occasion of the G7 Committee on Environment held in June 2017, all the mayors of Italian metropolitan cities signed the "Bologna Charter for the Environment", an agreement that employs the most important Italian cities to achieve environmental objectives according to the SDGs. In this regard, a comprehensive regional analysis on the achievement of SDGs ("Lombardia 2018 Report", Polis-Lombardia, 2018) has been disseminated at a regional level. The SDGs objectives were operationalised in the Lombardy territory and compared to the ones performed by the 21 OECD countries. In addition, the National Institute of Statistics (ISTAT) was appointed by the UN to create and monitor the SDGs statistical indicators for Italy on December 2016 and, in the same year, ISTAT integrated its annual Bes report (Report on Equitable and Sustainable Well-Being) with new indicators on sustainable development.

4.4 Initiatives Submitted by Key Associations

In Italy, various associations have played a relevant role (and still currently contribute) in building a framework conducive to the dissemination of CSR. Among these we can cite: the GBS Group (the Italian Study Group for establishing Social Reporting Standards), which aims to be the Italian standard setter for social and environmental reporting; the ISVI (Institute for Business Values), whose goal is to spread a new business culture through collaboration between the scientific and entrepreneurial world; and Sodalitas Foundation, which supports the national dissemination of good company practices that are annually awarded.

The GBS is a not-for-profit organization that was founded in Milan in 1998,[5] whose members include experts belonging to the academic and scientific world, as well as professionals, practitioners, audit companies and institutional partners such as CNDCEC (National Council of Chartered Accountants and Professional Accountants) and ASSIREVI (Italian Association of Auditors). The GBS mission is threefold: (1) promote scientific research on social reporting; (2) develop and spread a scientific culture on corporate social responsibility and sustainability and

[5] www.gruppobilanciosociale.org

(3) promote, both in theory and practice, social reporting. Over the years, the GBS has released several documents (GBS standards and guidelines)[6] that consist of ‘soft regulation’ tools addressed to public, private and nonprofit organizations of different sizes and sectors. Moreover, it collaborates with the Network for Integrated Business Reporting (NIBR) to spread the practice of integrated reporting (IR) (Del Baldo, 2017). The GBS is included among the early organizations that recommend non-financial disclosure. Its first Social Reporting Standard (GBS, 2001) was presented in Rome in 2001 at the National Council of Economy and Labour (CNEL-Consiglio Nazionale dell’Economia e del Lavoro). The ABI (Italian Banks Association) first adopted the GBS principles for social reporting in the financial sector, and an increasing number of social and sustainability reports have been released by Italian organizations in accordance to the GBS standards. The GBS activities include participation in national and international bodies, consortiums and joint ventures; the organization of study groups to improve knowledge on social accounting and accountability; the realisation of meetings, seminars and conferences; the dissemination of CSR reporting practices through the publication of books, magazines and newsletters.

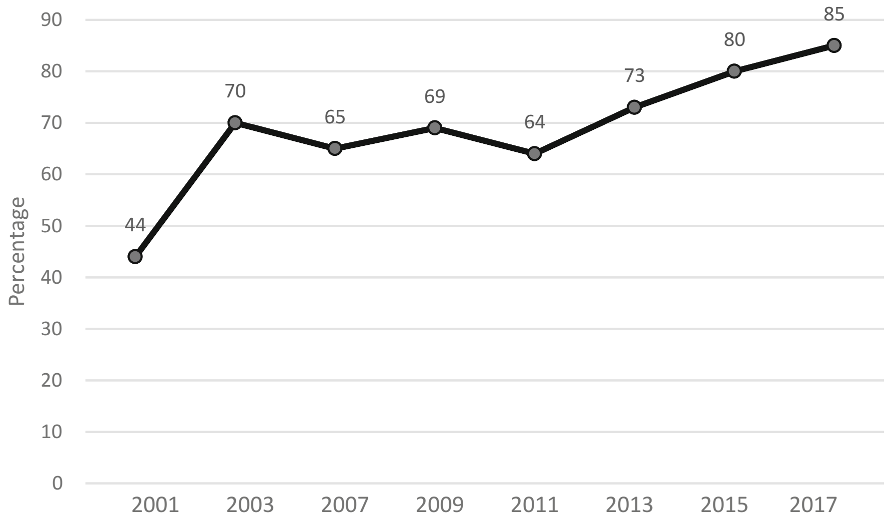
The ISVI[7] promoted the National Observatory on CSR (*Osservatorio sulla Responsabilità Sociale delle Aziende*) in collaboration with other organizations (Sodalitas). Its goal is to provide an updated picture of cases relative to private, public and not-for-profit companies marked by innovative, responsible behaviours relative to the following features: stakeholder engagement, governance, community, environment, human rights, sustainable development, finance, as well as accountability, auditing and reporting practices. It adheres to the European database on CSR managed by the European Business Network for Social Cohesion (EBNSC).

The Sodalitas Foundation[8] was set up in 1995 by Assolombarda, the largest regional industrial association in Italy, and a group of companies and managers. This network currently represents the first organization in Italy to develop CSR. It aims to educate others to generate shared social values and promote the culture of partnership oriented toward sustainable growth, inclusion and cohesion and community development through many initiatives carried out in collaboration with not-for-profit organizations and social enterprises, public institutions, the educational world and other public and private stakeholders. The annual Sodalitas Award represents the most well-known Italian event to disseminate best practices in companies.

[6]The GBS standards are: GBS, 2001, 2005, , 2013 and other documents released by the GBS are directly accessible from the Group’s website.

[7]www.isvi.org

[8]http://www.sodalitas.it



Base: 400 companies surveyed

Fig. 1 CSR trends—Number of companies adopting CSR initiatives. Base: 400 companies surveyed

4.5 The Empirical Investigations

This final section briefly introduces the main non-academic research on the diffusion of CSR in Italy. After the national survey of Molteni and Lucchini (2004) on 3600 Italian firms, several other studies (conducted by trade associations and Chambers of commerce in collaboration with universities) began to address CSR diffusion among SMEs and family businesses. The investigations were carried out using national representative samples (Molteni, Pedrini, & Bertolini, 2006; Russo and Tencati, 2009), regional samples (Longo & Mura, 2005; Longo, Mura, & Bonoli, 2005; Pulci & Valentini, 2003), multiple or single case studies (Molteni, Antoldi, & Todisco, 2006) or regional ones (Del Baldo, 2010; Matacena & Del Baldo, 2009).

The VIII CSR Report provides the most recent picture of the current state of CSR practices by Socialis (Osservatorio Socialis, 2018), which records a continuous growth of corporate sensitivity toward CSR among medium and large companies (Fig. 1). In the last 16 years, corporate practices have constantly been expanding and marked a growth rate of 40%. Business investments have mainly been addressed to: saving energy (47%); new technologies to limit pollution and waste (39%); optimisation of business processes and/or products (38%); enhancement of recycling (35%); improvement of company organization, contracts, structure and internal services (28%); and collaboration with universities (27%).

The report indicates that CSR practices and strategies mainly focus on environmental sustainability and employees (welfare activities), while attention to sustainable products and processes and the safeguard of culture and cultural heritage are the least frequent. Primarily, topics are tied to waste, sustainability and pollution issues and then on social and moral issues (i.e., integration and equal opportunities; scientific and health research). The most widespread standards include the ISO 14001 norm (on environmental impact), followed by ISO 26000 (impact on society and the environment), and the ethical code, adopted by the 50% of the companies. Finally, both the social and sustainability reports are among the most diffused accountability tools adopted by the companies.

5 Discussion and Final Considerations

The purpose of this work was to provide a synthetic overview on the Italian 'CSR journey' both in theory and practice, tracing the state of the art of CSR development on a scientific, political and operational level.

The review of recent academic literature seems to indicate that Italian academia is moving away from the CSR concept rooted in the tradition of *Economia Aziendale*. The CSR discourse is often seen in the light of the stakeholder theory (being the dominant theory applied in the CSR studies examined), while the theoretical constructs of business ethics and the civil economy are less frequently adopted. CSR is often used as an 'umbrella concept', in which the different dimensions of social, environmental, financial and governance responsibilities are merged and sometimes used as a synonym or integrated with sustainability. Scholars' contributions elaborate on the CSR construct embracing new, broader concepts such as sustainability, corporate citizenship and political CSR. As has happened at the international level, many Italian scholars have shifted their attention from CSR to sustainable development as a more comprehensive vision of company responsibilities. Thus, even in Italy, we note that the concept of CSR is implicitly evolving toward sustainability. This occurrence allows us to argue that, in the last few decades, Italian researchers have been more influenced by international streams of research than in the past, which is also demonstrated by the will of editors to invite foreign researchers to write in their journals in English.

However, the traditional 'system firm theory'—which conceives the firm as an entity whose primary purpose is to satisfy the needs of multiple stakeholders due to its socio-economic role—still plays a relevant role as demonstrated by the studies that still focus on the 'social orientation' of CSR. This traditional theoretical construct marks the role of the firm as a socio-economic actor and is directly linked to the development of new interesting concepts and research paths.

On the one hand, as pointed out by the empirical research and the several institutional initiatives listed in the previous sections, the Italian theoretical construct had the merit to favour the development of innovative ideas like the Territorial Social Responsibility. In fact, among the emerging ideas derived from the traditional

CSR-socio centric approach are both the concept of Territorial Social Responsibility and its practical implementation. In this regard, drawing from the map of the CSR initiatives and projects launched by actors embedded with local areas, TSR represents a specific operationalisation of the Italian behaviour towards CSR and a distinctive 'Italian model of CSR' in the current international scenario. From the political and managerial perspective, the TSR model, based on local governance promoted by networks formed by public and private actors, is a manifestation of multilevel and multi-stakeholders governance that generates policies oriented toward responsibility and also sustainability. The presence of collaborative and solid relationships among public and private for-profit or not-for-profit organizations facilitates the creation of mixed and synergic networks that contribute to facing problems of a complex nature such as the one addressed by the SDGs, being micro and meso-communities involving stakeholders playing different roles.

On the other hand, when the object of research is the Italian context made by a myriad of SMEs, it is not surprising that CSR is still described as company practices addressed to the local community and specific stakeholder categories like employees and the actors of the territory. Although not discussed in the articles examined, the entrepreneurial/managerial orientation towards the common good is so relevant that it increasingly drives the choice to formally address CSR issues by transforming the company into 'società benefit', that is, a benefit corporation (recently recognised in Italy by Law 28 December 2015, No. 208). Benefit corporations can be considered as a new tool that allows for the traditional manifestation of CSR; they are for-profit entities that are voluntarily and formally committed to creating a social and environmental benefit, in addition to their for-profit motives.

In summary, although the CSR debate in Italy has been broadening in theory and practice to converge into the 'mainstream' sustainability discourse, the traditional socio-centric viewpoint continues to originate interesting perspectives that can be preserved as they represent distinctive features that facilitate the international orientation towards sustainability and give new insights into global issues and challenges.

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Corporate Social Responsibility in the Republic of Moldova

Eugenia Busmachiu and Lilia Covas

Abstract Corporate Social Responsibility (CSR) has recently become a developing subject in the Republic of Moldova. CSR is frequently addressed in local publications, emphasizing the importance and timeliness of implementing appropriate social policies, since Moldovan companies are not familiar enough with the impact of CSR and implied opportunities for establishing a positive reputation of the company on the market, gain loyalty to the brand, etc.

Currently, the perception of the CSR notion varies in the Republic of Moldova. The population, largely influenced by the former socialist ideology, expects businesses to solve social problems instead of the state. It is assumed that companies must take responsibility for the social protection, including rest and treatment packages and create various facilities for well-being at work. In turn, many business people consider that their social responsibility lies with job creation only, by providing employees with middle wage standard and paying taxes. Thus, social responsibility is conceived more as philanthropic activity in the entrepreneurs' mindsets.

During the development of the CSR concept in the Republic of Moldova, various studies have been carried out in this field. The latest highlight that companies prioritize social actions in employee-oriented initiatives, followed by actions for the benefit of the community and less attention paid to consumer issues. Thus, a very small number of companies are involved in customer and disability-oriented services, prophylaxis of professional diseases, etc. Businesses treat them as additional costs, not taking into account that these initiatives can have a positive impact on economic performance.

Although we cannot yet speak of significant achievements in CSR, it's been steadily developing mainly in companies with foreign or mixed capital. As they are not limited to philanthropic actions, but alone initiate social sensitivity projects, focused on interaction with stakeholders and addressing serious social problems.

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1 Introduction

The Republic of Moldova is a country located in Eastern Europe, associated with the European Union in 2014. The transition to a market economy has been slow due to the challenges of implementing socio-economic reforms, the collapse of the industrial sector and political tensions following the disintegration of the Soviet Union. The population is three million (according to the 2014 census) (NSB, 2017). The country's population suffers significant demographic changes characterized by low fertility rates, rather low life expectancy and aging population, with economic and social implications, such as social security. Migration from the Republic of Moldova has progressively increased and the number of working age population currently abroad is estimated at 1/3 (NSB, 2016).

In such circumstances, the importance of any instrument capable of facilitating the country's economic development and enhancing the well-being of the population increases. The experience of the Western European countries shows that the integration of the Corporate Social Responsibility (CSR) implemented model into the operational activity of the companies increases the country's regional competitiveness and investment attractiveness, increases labour productivity, contributes to solving environmental and human rights problems, etc. (Expert-Grup, 2011).

Corporate Social Responsibility is not a new term. Moreover, it is a moral value that has existed for centuries, aimed at doing good to others. But it is the approach that is new—doing well by granting mutual benefits. In fact, many entrepreneurs know instinctively that "doing the right thing"—serving customers, taking care of staff morale, being careful with suppliers, being good neighbours and protecting the environment—means good business sense. However, in the last few years, other incentives for corporate social responsibility have emerged, including pressure from stakeholders: customers, local communities, local authorities, banks, financiers and insurance providers, etc.

The purpose of this study was to investigate the issues related to the implementation of CSR actions within Moldova's economic units and their effect on the level of competitiveness and sustainable development. Activities and tools have been developed specifically to raise awareness and improve knowledge about CSR.

The paper is structured in two parts. The first part of the study represents a review of the specialised literature, studies and analyses conducted in the Republic of Moldova, in order to identify certain peculiarities of social responsibility specific to the companies within the country. The second stage—a survey conducted through a structured interview—between February and May 2018 among 28 Moldovan companies that have implemented CSR activities over the past years. The carried out research plays an essential role in understanding the mechanisms and the role of the responsible behaviour of Moldovan economic units in the contemporary society, the latter generating a competitive advantage at local, regional, national level, as well as capacities for economic regeneration and revitalization.

2 CSR in the Specialised Literature

Discussions on CSR are very common in the specialised literature, emphasizing the importance and timeliness of implementing appropriate social policies, as domestic companies are in a situation where they can lose ground in competitive terms, against companies growing by implementing innovative actions and getting closer to customers. However, social responsibility programmes are an incentive for innovation and a good marketing tool. Only the positive correlation between economic and social interests can effectively contribute to the sustainable development of both the community and the economic units. According to Hristea (2011, p. 57), corporate social responsibility is a way of sustainable development whereby companies choose to treat environmental and social issues as integral parts of their business operations. The paradigm of corporate social responsibility now supports the idea that involving companies in social programmes actually contributes to their financial competitiveness (Cretoiu, 2015).

According to the definition given by Expert-Grup (2005, p.10) SCR represents a set of actions by which companies do more than performing their pecuniary obligations. They adhere to certain corporate values, trying to demonstrate that they can effectively contribute to solving social problems. Companies believe that by assuming these responsibilities, they not only demonstrate efficiency in solving social problems but also build a positive image and even invest in their own future by educating generations of loyal consumers.

Companies conduct social responsibility activities of various forms: donations, sponsorships, volunteering, programmes to promote a certain cause, etc. From the separate ad-hoc activities, well-established social responsibility strategies were incorporated into the general corporate strategies. Changing the contributions of economic units in this field has prompted the emergence of a variety of terms: corporate citizenship, corporate philanthropy, corporate social responsibility. Unlike philanthropy, CSR does not represent single, circumstantial actions of an individual. CSR activities involve communication companies, long-term relationships with stakeholders and the community, interposing management objectives (strategies, human resources) and marketing (branding, brand loyalty, customer loyalty schemes).

The CSR concept means going beyond the full compliance with legal requirements by investing “additional” resources in human capital, in the environment, and in dealing with stakeholders. But what dissuades most the social involvement of the contemporary business environment is the loss of sight of the real benefits of SCR materialization strategies (Cismas & Stan, 2010).

In the case of the Republic of Moldova, this concept has still limited application in the corporate management, and if implemented, we find it predominantly within foreign or mixed-capital companies, provide a leading example to local companies. They are not limited to co-participation in philanthropic actions organized by NGOs, but they initiate projects with high social sensitivity, based on interaction with the interested persons and addressing serious social problems.

During the implementation of the CRS concept in the Republic of Moldova, certain investigations have been carried out in this field. Among the first studies we can mention the "Assessment of Corporate Social Responsibility in the Republic of Moldova", conducted in September-November 2005 by "Expert-Grup" Analytical Centre. The results of the investigation indicate that CSR and CSR practices are at an early stage and are being promoted by a small number of local and foreign, medium and large companies. CSR practices and public reporting on the CSR are limited to a few sectors and the situation does not differ fundamentally other countries in the region. Moldovan companies have a certain sense of social responsibility. Their social responsibility encompasses wide areas, ranging from internal towards employees and shareholders, to investing in community development and charity. But usually these initiatives are somehow separated from what companies see as their core business. At the social level, these initiatives are separated from one another and, even more importantly, they are not brought to public attention.

Although a large number of enterprises in the Republic of Moldova conduct certain CSR activities, they do not find it necessary to make their social policies public. There are frequent cases when companies have fancy web-sites, but they do not communicate anything on their social activities.

In most cases, corporate social behaviour is based on strategic decisions. As a result, many companies define their competitive advantage in terms of social responsibility. Although this attitude is quite new, it has been taken over by the Moldovan companies as well.

International organizations are increasingly oriented towards promoting this concept and have a beneficial influence on the social policies of the domestic companies. A special role is played by the UN Global Compact.

The Global Compact Local Network (MGCLN) was launched in Moldova in November 2006, initially comprising 14 national and multinational companies of different sizes. These companies have adhered to universal principles on the protection of human rights, labour and environment standards by guaranteeing the respect for and promotion of social responsibility within the Moldovan community. Subsequently, the number of companies that joined the GC increased considerably.

Due to UNDP initiative and support, various activities were conducted: seminars, conferences, trainings aimed at increasing the level of awareness of local entrepreneurs about the benefits of responsible social behaviour. For these reasons, UNDP experts Lilia Covas and Aurelia Braguta elaborated in 2009 the paper entitled "Corporate Social Responsibility: Practical Aspects", which provides a synthesis on CSR in the Republic of Moldova and theoretical support in the process of elaborating social responsibility programmes at corporate level. Moldovan enterprises—members of the Global Compact Local Network acted as subject matter in the study.

The studies carried out in the Republic of Moldova, especially during the last decade (Expert-Grup, 2005, 2011; Buciuscan, 2010; Grigoras, 2011; ASEM, 2011; Cretoiu, 2015; ODIMM, 2017) highlighted various aspects of CSR activities.

The analysis of domestic social practices, in terms of social responsibility, shows that much of the actions implemented by companies are reduced to philanthropic activities. However, the experience of developed countries shows that these are a starting point in the evolution of CSR policies. If, initially, philanthropic actions are based on spontaneous and dispersed reasoning, the development of the given activity correlates with the company's strategy and its desire to improve in the most related areas.

CSR is a very dynamic concept that constantly improves with new ideas and undergoes continuous transformations. And if at the beginning of the last century this concept was growing slowly, without support by the business community, it is now treated as a fundamental business philosophy in most developed countries. In its evolution, the term social responsibility has taken various approaches: (1) social obligation, (2) social response, (3) social responsibility (Mercioin, 1998).

According to the first approach, the role of businesses in the society is reduced to generating profits, within the limits of the legislation. Due to the fact that the society admits the existence of enterprises, the *social obligation* of businesses is generating profits. According to the second approach of social responsibility—the *social response*, the enterprise is meant not only to provide society with goods and services, but also to take care of some of the existing social problems related to environmental protection, fighting unemployment, etc. Spending on social and philanthropic programmes reduces current profit, but leads to long-term favourable social circumstances and a steady income. In this case, the social response is seen as voluntary and is often directly determined by social pressures. However, an economic unit that reacts to a social response as a result of boycotting groups or consumer pressures cannot be treated as socially responsible. The concept of social response has now matured into *social responsibility*. Corporate responsible behaviours are anticipatory, preventive and not just reactive or restorative, meaning much more than social obligation or social response. Social responsibility includes adopting a position of support for public issues, actions in favour of disadvantaged groups, anticipating the future needs of society and actions to meet them, working with the government on existing legislation, and anticipating desirable legislation.

Unfortunately, many of the Moldovan companies are still only at an initial stage of the SCR—a social obligation, which only appreciates the benefits of implementing certain legislative provisions (for example: ensuring good working conditions, environmental non-pollination etc.). If the company decides to evolve from the original model of responsible behaviour to other interaction patterns, it is more likely that it will choose philanthropy and neglect SCR. Only mature companies—most of them with foreign capital—adopt SCR principles independently of their involvement in philanthropic activities (Expert-Grup, 2011). For these, the distinction between philanthropy and SCR is obvious, as the purposes of certain activities are different. These companies have annual budgets, delegated functions and sometimes concrete plans for implementing SCR principles, as well as concrete expectations about the results they can generate.

The study, which interviewed 119 managers who have a bearing on social responsibility actions, highlights that most of the existing SCR programmes are focused on building a positive image of the company with few attempts to provide employee benefits, or to address the social problems stringent in the community

(Buciuscan, 2010). The emphasis is not on building a better workforce by improving morale, teamwork, and developing employee skills. The same idea is found in the study, carried out in the framework of 33 economic units in the Republic of Moldova, indicating that the least CSR actions applied are the encouragement of employee participation and granting opportunities to team members (Grigoras, 2011).

Often, the SCR concept is confused or associated with corporate volunteering. The study (Buciuscan, 2010) indicates that 67.6% of the MGCLN member companies and 36.6% of non-MGCLN companies understand the SCR concept as a voluntary enterprise action to help the community, resulting in a national average figure of 46.2%.

A summary of the situation regarding the volunteer activity in the country are presented in differnt studies (Zacon, 2017; Procopie, 2012). The authors believe that volunteering involving business employees in community issues offers these people an opportunity to gain a wider perspective on society that excludes ignorance, indifference, insensitivity and stereotypes. Through corporate volunteering, people get involved in issues they were not aware of, raise the level of understanding of community issues, provide more social services and increase the number of beneficiaries.

However, the analysis of the current status shows that corporate volunteering in the Republic of Moldova is at its initial stage and does not have adequate functioning mechanisms and tools. In the Republic of Moldova, the voluntary sector has little political influence, most host institutions are not prepared to provide a positive experience for employees acting as volunteers, there is no safe place to fund initiatives that would increase the number of volunteers and there are no volunteer centres.

According to Fonari and Ostaf's analysis (2010, p. 3), one of the obstacles is the wrong perception of the population on volunteering and the lack of a culture of volunteering. As there is no strong volunteering culture in developing countries, including Moldova, the need for promotion of civic activeness and for capacity building in volunteering management is obvious. Moldova works on building its own interactive model on developing a volunteering culture in the country, which would be applicable throughout Eastern Europe.

3 Social Responsibility in the SME Sector

The first companies that noticed the benefits associated with adopting a SCR model were large corporations (including transnational) and regional networks associated with them. Later, the example was successfully taken up by smaller companies and the term began to spread in transition countries in Central and Eastern Europe in the late 1990s and early 2000s (Expert-Grup, 2011). The same idea is supported by Tatarusanu (2016, p. 220), who states that the SCR term was applied especially in relations with large companies, which should take into account the needs of all stakeholders while making decisions, and these should be integrated into the general corporate strategy, so that the society which is providing the necessary resources benefits from the results generated by businesses.

But within the global economy, not only large corporations are called upon to implement socially desirable behaviours, but smaller businesses can also benefit from the same competitive advantage if they adopt a clear socially responsible position (Cretoiu, 2015).

In the case of small and medium-sized enterprises (SMEs), the concept of social responsibility is less applied in business managerial activities. Most domestic enterprises face difficulties in accepting and implementing corporate social responsibility standards, as few methods are used to modify entrepreneurial perceptions.

However, ODIMM, which is a central public organization set up to contribute to the development of the SME sector, has a special role in the dissemination of the SCR concept among SMEs. For 9 years, ODIMM together with its local partners has been organizing the "SME—Model of Corporate Social Responsibility" National Competition. The main purpose of this contest is to promote the SCR concept and motivate local entrepreneurs to actively engage in social responsibility actions on four strategic principles such as employee responsibility, environment, market and community.

SCR is a managerial tool that enables businesses to reach sustainable development. Therefore, several studies have been initiated by various institutions in order to identify the perceptions of SME entrepreneurs with regards to the concept.

In order to determine the level of awareness and implementation of SME-specific SCR practices as well as to highlight the effect of these practices on the level of competitiveness and sustainable development of SMEs in the Republic of Moldova, the "Social Responsibility of SMEs"study was conducted within the Academy of Economic Studies of Moldova (ASEM). The survey was conducted during August–September 2010 on 184 entrepreneurs and managers of small and medium enterprises (SMEs) from multiple localities of the Republic of Moldova. The research was carried out within the "Management of the economic competitiveness of the Republic of Moldova in the context of globalization and European and regional integration" project, financed by the Academy of Sciences of the Republic of Moldova.

Similarly, in determining the extent to which entrepreneurs perceived the need for SCR activities and the willingness to engage actively in their realization at the local level, ODIMM organized an online research in July 2017 on 64 entrepreneurs, of which 41% were women.

Although the above-mentioned studies have been carried out at different times and by different institutions, however, the results show many similarities and common tendencies:

1. Awareness in the SME sector of the SCR concept is still quite low: the survey conducted in 2010 by ASEM revealed that most of the surveyed entrepreneurs (about 92%) have general knowledge of SCR, of which only 33% conduct CSR activities. The study conducted in 2017 by ODIMM found that every second respondent stated that they are aware of SCR concept, 30.1%—partially aware and only 17.5%—unaware.

2. It has been noticed that the SCR concept is addressed differently: 4.0 percent of respondents treated SCR as a way of supporting foundations or NGOs, 39.7%—as a volunteer action aimed at helping the community, and 30.5%—charity shares. Only 17.8 percent perceive SCR activities as ways to improve the company's image. Moreover, 5.7% of respondents treat these activities as actions imposed by local authorities (ASEM, 2010).
3. We believe that the existing perceptions regarding SCR actions contribute to the formation of a hierarchy of the reasons, which determines the Moldovan entrepreneurs to undertake social actions. According to the results of the ASEM study, the most common motivation is the desire to build a positive image of the enterprise—55.3% of the respondents, followed by CEO ethical behaviour (altruism)—36.2%, and the establishment of good relations with Government authorities—35.1% of respondents.
4. The results of the researches show that the concern for SCR activities relies neither with the company's legal form, nor its business activities. According to analysis, the highest motivating factor is the entrepreneur's desire and openness for such type of activities. The ASEM survey found that the selection of priority areas for SCR actions was largely driven by the company's manager—79%, 3%—based on personal preferences, 2% of respondents mentioned the Marketing and PR Departments, 1%—HR Department.
5. In this connection, the research carried out by ODIMM identified a correlation between the entrepreneur's age and the duration of the enterprise's activity and their likeliness for SCR activities. According to the survey results, 50% of entrepreneurs aged over 45 say they are doing SCR activities versus 21% of those aged 18–44. Companies with up to 5 years' experience less SCR activity—only 18%, but in companies that have been active on the market for more than 5 years, this indicator is up to 65%.
6. Also, the correlation between the size of the companies and their involvement in social actions has been identified. It is noteworthy that 82.4% of medium-sized enterprises are more active in social responsibility activities, followed by small businesses—72.0% and micro enterprises—49.1% of respondents (ASEM, 2010). A fact confirmed by the ODIMM study, 2017, which finds that the size of the company by number of employees has an increased influence on the decision whether or not to perform SCR activities. Thus, small businesses are more active in performing these activities than micro enterprises interviewed. This can be explained by the fact that with the development of the business, the management of the company is not limited to the economic aspects of the business, but it also starts to pay some attention to social and environmental issues.
7. SCR activities can be conducted in various ways. Direct help and volunteer activity are considered as the most efficient by the Moldovan entrepreneurs. At the same time, support for community development and activities for employees were found to be the most frequent SCR activities carried out by entrepreneurs (ODIMM, 2017). The ASEM study in 2010 identified labour-related activities carried out within SMEs (employee services—34.04%, teaching, trainings—

28.19%), and the protection of the employees' health—25.53%), followed by activities aimed at community development (aid to the poor—33.51%, cultural activities—27.66%, collaboration with the educational institutions—27.13% etc. .), market oriented activities (customer satisfaction analysis—29.26%) and environmental orientation (17.02% environmental protection actions).

8. With regard to environmental protection, respondents of the survey conducted in 2010 considered it as one of the most important. In fact, environmental protection proved to be given lower attention by businesses. Many entrepreneurs consider that their business operations have insignificant impact on the environment.
9. It should be noted that entrepreneurs are aware of the existence of several barriers in the implementation of social programmes. The main barriers are "lack of necessary funds"—40.2%, as well as "lack of knowledge in SCR"—19.4% of the answers. A very small percentage of respondents believe that SCR activities are inefficient—only 3% (ODIMM, 2017).
10. Local entrepreneurs do not communicate about their socially responsible activities because they consider it a lack of modesty or they can be accused of using a cynical marketing trick. Thus, only 16 percent of respondents mentioned that they communicate to people outside the organization about their social policies, 40 percent partially and 38 percent do not communicate and do not consider it necessary. Some believe that a SCR-related communication is a prerogative of large businesses. And for others, responsible social work is something so natural that it should not be communicated to the public (ASEM, 2010).

Thus, by generalizing local SME practices in social responsibility activities, we can conclude that the SCR concept is in its early development stage, characterized by the predominance of philanthropic actions. Business and social activities are scattered. Aid is granted more often in cash or in products, in accordance with the personal preferences of the top manager.

4 SCR Trends Within Moldovan Enterprises

Having the intention to know the current situation for SCR in the Moldovan enterprises, regardless of their size, we conducted a survey through a structured interview. The study was conducted within 28 local enterprises, selected by probabilistic method and layered sampling. The poll was conducted at the companies' headquarters with representatives of the top management.

The basic criteria when selecting companies were the business areas and the size of enterprises. Thus, 46% of the total number of enterprises were large companies, and 54%—small and medium-sized enterprises. The companies analysed relate to 10 fields of activity, mostly manufacturing, wholesale and retail, transport and storage, hotels and restaurants, etc.

In order to be able to carry out a broader analysis of the level of involvement of companies in SCR activities, they were divided into social and environmental activities.

4.1 The Social Dimension

Taking into account that SCR actions are mostly voluntary and can be widely diversified, the social indicators have been structured in five types of responsibilities to the main company stakeholders. In the attempt to structure this wide field, the most common stakeholders that companies interact with, regardless of their field of activity are: employees, consumers, the community.

Five types of actions were identified under each type of responsibility that are more often conducted by companies. Respondents were also given the opportunity, if necessary, to fill in with their own initiative (Table 1).

A company's social indicators were determined by calculating the number of social initiatives made by the economic unit in a given period of time.

Upon analysing the responses concerning the social dimension, it was found that companies tend to be more active in *employee-targeted actions*—33.1% confirmed taking such initiatives, followed by *adapting to changes in the community*—23.3%, and *safety and health at work*—18.8% (Fig. 1).

A very small percentage of companies claimed to conduct *social activities towards community development*—13.7% and *initiatives aimed at consumer protection* registered a lower share—11.0%.

Of the total number of social actions undertaken by the companies surveyed, almost all of them consider it necessary to ensure *equal opportunities at work* and *the balance between professional and private life*, with a share of 96.4%. Various companies make efforts to *improve working conditions*—78.6% and to *train and develop the staff*—78.6% (Fig. 2).

However, a very small number of companies are involved in customer-oriented services, disability, prophylaxis of occupational diseases, etc. Businesses treat them as additional costs, not taking into account that these initiatives can have a positive impact on economic performance by gradually changing the perceptions of employees, consumers and the community towards the company as a fair and responsible entity.

4.2 The Environmental Dimension

The environmental dimension of business activities heavily depends on innovation and responsibility within companies. But the benefits of prudent environmental behaviour are not only favourable to society, but also have multiple benefits for the entity: reduced production and maintenance costs, etc.

Table 1 The social dimension of the company

Stakeholders	Type of responsibility	Types of actions
Employees	Social actions towards employees	1. Staff training and development; 2. Informing employees and their involvement in company decision making; 3. Responsible and fair remuneration or financial support for employees, providing social packages to employees; 4. Balancing work and private life, granting childcare allowances to employees; 5. Equal opportunities (gender, age, ethnicity, religion).
	Ensuring safety and health at work	1. Improving working conditions; 2. Increasing job satisfaction; 3. Medical service to company personnel; 4. Promoting a preventive culture aimed at achieving a high level of occupational safety (prophylaxis of occupational diseases); 5. Active promotion of employees who are inactive due to permanent or temporary diseases or disabilities.
Consumers	Consumer protection	1. Protection of customer identity; 2. Offering products or services aimed at protecting consumer health; 3. After-sales services or other SCR services; 4. Special facilities for customers with certain disabilities; 5. Promotional services and counselling.
The community	Adapting to changes in the community	1. Taking responsibility for ensuring high employment rates; 2. Reorganizing work processes (contributing to the employment of low-skilled workers); 3. Good relations with local business partners (preferential conditions); 4. Collaboration programmes with state organizations, professional associations, other non-governmental organizations; 5. Sustainable cooperation with local authorities.
	SCR activities towards community development	1. Organizing actions to help socially vulnerable groups; 2. Programmes for supporting children and adolescents; 3. Participation in programs for the restoration and protection of cultural and historical objects; 4. Sponsoring sports, cultural or educational demonstrations and organizations; 5. Support for major investigations and campaigns.

The source: Developed by authors

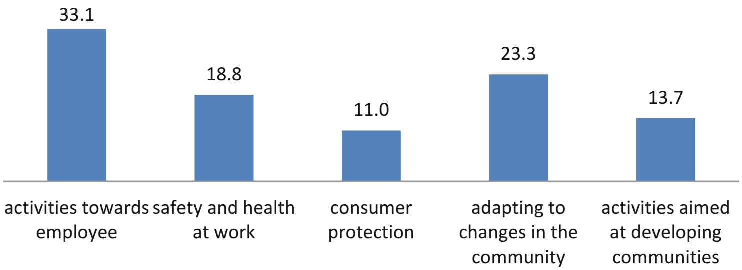

Fig. 1 Share of social activities conducted by the respondent companies. The source: Developed by authors

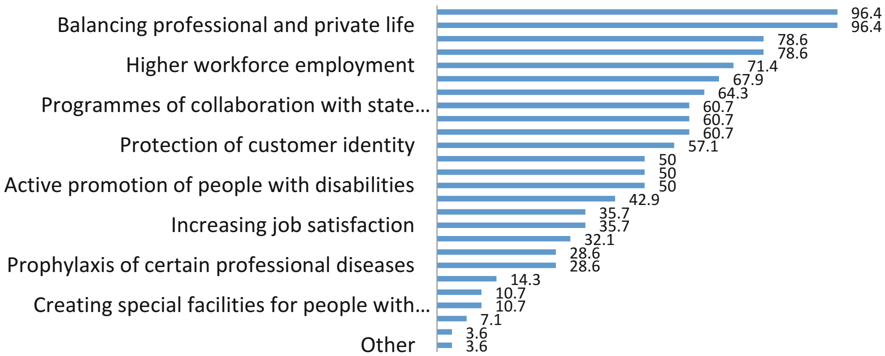

Fig. 2 Types of social initiatives by companies. The source: Developed by the authors

The environmental indicators in the study are also structured into five types of corporate responsibility for environmental protection. Each responsibility consists of five possible actions (Table 2). Companies can carry out an unlimited number of voluntary initiatives.

The environmental indicators are determined in a similar manner by calculating the number of initiatives made by the company over a certain period of time.

The data gathered in the study shows that companies are launching a series of environmentally-friendly actions that go beyond legal requirements. Out of the five types of environmental responses proposed, certain trends emerged. The highest share was registered by actions aimed at the *efficient use of resources*—27.3%. We believe that this is also driven by economic interest. It is positive that 25.3% of respondent companies conduct *voluntary actions aimed at protecting the environment in the community*. A large number of companies are making efforts in *waste recycling*—24.7% (Fig. 3).

But there are quite a few companies' initiatives to *reduce waste and pollution*—12.6%, as well as the analysis of *environmental issues when designing production processes or products*—10.1%.

Table 2 A company's environmental dimension

Type of responsibility	Types of actions
Effective use of resources	1. Reduced use of raw materials; 2. Energy savings by increased efficiency of its use; 3. Water savings; 4. Eco-innovations; 5. Optimal and rational use of means of transport.
Reduction of waste and pollution	1. Initiatives to reduce indirect consumption of water, energy, materials (paper); 2. Reduction of greenhouse gas emissions per product unit; 3. Reducing emissions of harmful substances per product unit; 4. Reducing the ratio between the products sold and the amount of packaging; 5. Empowering the public and employees to behave more responsibly in terms of environmental protection (I.e. collecting used portable batteries).
Waste recycling	1. Separate collection of waste; 2. Waste recycling initiatives resulting from the production process; 3. Water recycling and re-use initiatives; 4. Energy recycling initiatives; 5. Packaging recycling initiatives.
Environmental issues when designing production processes or products	1. The existence of certified environmental management systems according to ISO 14000; 2. Initiatives to reduce the negative environmental impact caused by company products / services (recyclable packaging); 3. Initiatives for low-energy products and services; 4. Applying an "environmental assessment"of suppliers with respect to their environmental standards; 5. Informing business partners, customers, or society about environmental issues.
Voluntary actions aimed at protecting the environment in the community	1. Green office; 2. Company's landscaping; 3. Protected habitats on the company's land; 4. Planting green areas in the community; 5. Supporting community-based programmes to protect the environment.

The source: Developed by the authors

The results of the survey show that Moldovan companies pay less attention to the environmental aspects as opposed to the social ones (Fig. 4). The most frequently performed actions include: *planting green zones in the community*—67.3%, *company landscaping*—60.7%, *efficient use of raw materials*—46.4%.

A very small number of companies take some initiatives in *informing business partners about environmental issues, empowering the public and employees, making more responsible environmental protection, applying environmental assessments to suppliers,* etc. These are activities that do not require considerable financial

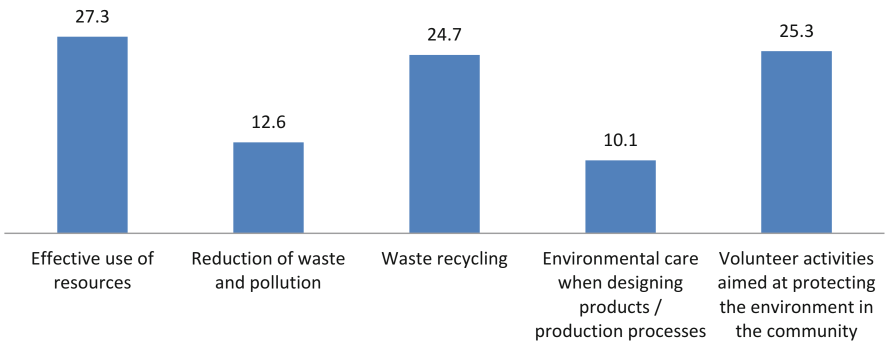

Fig. 3 The share of environmental activities conducted by respondent companies. The source: Developed by the authors

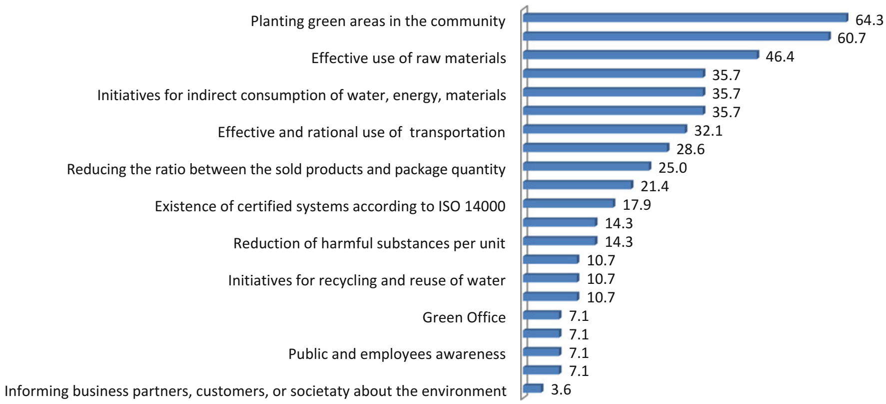

Fig. 4 Types of environmental initiatives by companies. The source: Developed by the authors

resources but can have a beneficial impact on the image of the economic units and on the economic performance of the enterprises.

5 Conclusions

The studies analysed in this paper enabled to outline certain national features in the implementation of SCR practices.

Currently, the perception of the SCR notion at national level differs. The population, largely influenced by the former socialist ideology, expects companies instead of the state to solve social problems. It is assumed that companies must take care for the social protection of the population, including rest and treatment packages, housing, creation of various facilities for workplace comfort, etc. Since most companies cannot afford this, there was established a negative attitude towards businesses and their leaders.

Also, many business people consider their social responsibility to be reduced only to job creation, middle work payroll and tax liabilities. In the mentality of the society, responsibility can be expressed by the formula "you have to share" and it is perceived more as a philanthropic activity. Thus, for local enterprises, the issue of social responsibility is both new and well-known.

However, in recent years it has been observed that SCR practices follow a positive trend at national level. The main actors in this field are businesses, but there is also some involvement by the government, the media and NGOs. Leaders in social activities are foreign and mixed companies, which provide an example to local enterprises.

At this stage, businesses in our country prioritize their SCR actions on initiatives towards employees, followed by actions for the benefit of the community and less attention is paid to consumer issues. Among the SCR activities more is done within the social dimension and less initiatives are taken towards the environment.

While multinational companies have gradually begun to develop their own culture of social responsibility, the SCR concept is less known among small and medium-sized enterprises in the Republic of Moldova. In most cases, public authorities at central, local and regional level are developing insufficient activities to promote the SCR concept to the benefit of the communities in which they operate. Thus, involvement in social responsibility campaigns is extremely low.

Among the difficulties that negatively influence the achievement of SCR activities by local companies, the following can be highlighted:

The negative influence of the transition period to a market economy, which is characterized by inhibited social programmes and the general tendency within companies to avoid the social infrastructure;

- There is no full understanding of the meaning of the SCR concept, which causes a negative attitude of certain companies' management towards social programmes, considering them as an inefficient use of the available financial means and a waste of time.
- Lack of awareness by company management of the relationship between SCR and the opportunities of building a positive reputation on the market, gaining brand loyalty, as well as underestimating the economic benefits, by both the companies and the stakeholders, of social and environmental programmes implementation.
- The low level of the business culture among the Moldovan business community, which does not enable fair assessment of business activities in terms of observance of the ethical norms.
- The lack of a well-founded state-level policy aimed at supporting companies' SCR practices, by providing tax incentives for such activities.

In order to successfully carry out SCR activities, the social responsibility policy must be properly organized, in order to avoid typical mistakes in this area. It should be noted that the analysis of the relevant experience of Eastern European states indicates that there are many similarities in the business practices and mistakes made. According to the study conducted by the Charities Aid Foundation in Russia (Tkachyuk, 2004), there are several mistakes which cause failure of social programmes implemented by companies (they are not treated by the society as concerns of the socially responsible business):

- One of the typical mistakes made by companies when expressing responsibility towards the society: **the reaction to a certain issue, but not its solution**. Instead of paying environmental taxes, companies may change the existing technologies.
- Slightly effective from this point of view—**projects based on the indications of local authorities** (instead of identifying which causes certainly need to be supported, companies follow indications by the officials).
- **The lack of transparency of social activities**, when it is not clear who, how and what are the donations made for by companies is similarly useless to a company's image.
- And the last mistake—**financing objects, instead of programmes**. In many instances, instead of supporting, for example, poverty-fighting programmes, companies choose to do charity for the benefit of "popular" objects (churches, monasteries), carrying out an honorary mission, but more often not stringent to the society, i.e. supporting children's nursing homes or providing useful training courses for the unemployed.

High efficiency of social programmes' implementation can only be achieved by avoiding these mistakes and taking into account the interests of all stakeholders.

SCR means more than donations / sponsorships. It is a strategic concept that involves first of all the integration of the company stakeholders' concerns into the business practices, concerns that are translated into: employee satisfaction, health and safety at work, energy saving measures, prevention of harassment or abuse of any form, the responsible management of raw materials, ecological acquisitions, contribution to solving social problems within the community, etc. Thus, we can conclude that Moldovan companies may be moving a bit slower but in the right direction in terms of attitude towards the society and the environment.

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Corporate Social Responsibility in North Macedonia

Florida Veljanoska

Abstract The overall development of the society and its' improvement toward higher economic, political and cultural stage, leads to shift in boundaries and change in the way in which the society functions. Profit is no more the main objective of the companies, but the enterprises have included the social agenda as their key corporate driver.

Although the idea of Corporate Social Responsibility (CRS) is widely accepted in developed countries, it is very little practiced in developing, and especially in transition economies. Namely, the companies in these countries have gone through restructuring process, and are still struggling to survive. Furthermore, the transformation from socialist economy to a market economy has resulted in creating a form of "wild capitalism".

Republic of North Macedonia as a transition country has gone through the same processes as the other transition economies. The CSR concept was introduced for the first time in 2002, through the activities of international organizations. However, the real actions, projects, agendas, baseline studies have followed in the period after 2006. Today, the CSR concept is mainly promoted by the multinational corporations, which with large companies have invested in North Macedonia. SMEs have still very low level of knowledge about the CSR concept, its' advantages, importance and benefits. Most of them are not even aware that some actions that they are taking are related to the CSR concept.

The chapter gives broad presentation of the CSR concept in the Republic of North Macedonia. It begins with a description of the historical perspective of CSR development in North Macedonia. Then a review is given of some of the most important activities, projects related to the CSR, which were implemented by the international organizations, government and other public institutions. The chapter uses results from the previously conducted interviews, surveys, questionnaires, but it also carries out its' own researches about the way in which the most successful companies in North Macedonia are practicing CSR in reality.

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1 Introduction

Today, the corporate social responsibility is among the greatest challenges for the companies, worldwide. Today, the profit is no longer the only objective of the firms, the companies have changed their agenda, and now they are trying to be profitable and socially responsible in the same time. Today, almost all corporations have included the social agenda in their everyday activities. Today, the consumers, the buyers are aware about the CSR, and they constantly put pressure on the companies to become more socially responsible. In developed countries large companies are not the only ones which are socially responsible. Medium sized, as well as small companies have also included the social agenda in their everyday activities. Simply, the public awareness about the importance of CSR is on its' highest level, and the general public is constantly putting pressure on companies to be more socially responsible. It is simple, if the companies are not socially responsible, they may fail on the market. Actually, many multinationals have felt the consequences of not being socially responsible.

Although the practice of socially responsible businesses is general rule in developed countries, the situation in developing countries is quite different. That particularly applies to transition economies, due to many reasons. First, the companies went through the process of structural transformations and they were struggling to survive many years. North Macedonia as a transition country was not facing only problems related to the harmonization of its law system, but as well as problems in establishing a new system of values, which will be acceptable for the majority. It is normal that when a company faces problems such as reduction in sale, losing markets or loss, to be concentrated on staying alive, rather than on being socially responsible. Namely, the companies faced volatile business climate, weak enforcement of consumer rights and widespread corruption in the past 3 decades. Second, in the previous system, only the government was responsible for implementing socially responsible projects. That is, the firms have learnt that the government is the one that supposes to take care of social responsibility, and they still expect that the government should lead such activities. Third, the transformation from socialist economy to a market economy has resulted in creating a form of "wild capitalism", when everybody tries to "eat" the competitor and to conquer the market without respecting ethics and moral and without practicing responsible behavior. Finally, the general public awareness about the importance of CSR is at very low level, and the companies do not face pressure neither from the customers, nor from the mediums, non-governmental organizations or from the government institutions.

As a consequence, the concept of CSR was introduced in North Macedonia very late. Actually, CSR concept was primarily introduced in 2002, in the time when this concept was actively applied in developed countries, as well as in other developing countries. Since the concept of CSR was introduced too late, it is reasonable to expect that the level of CSR practicing in North Macedonia lags behind the other countries. However, the objective of this chapter is to determine the level of CSR awareness in the country, to find out whether the companies know what CSR means and whether they include social agenda in their everyday activities.

In order to get reliable picture we have distributed questionnaires to UNGC members from North Macedonia and to companies which are listed on the Macedonian Stock Exchange. Also, we have established direct communication with some SMEs, with an intention to determine whether they clearly understand the term CSR and whether they are involved in any manner in CSR activities. We must emphasize that we faced difficulties in the process of collecting data. The companies were not very responsive, and the great part of them was not even ready to start a communication and to disclose information about their CSR practices. In this occasion we would like to thank Komercijalna Banka AD, which was very open in sharing its' CSR experience, as well as the Macedonian Chamber of Commerce for their tight collaboration and for helping us in collection data for different CSR indicators.

This chapter is organized as follows. In the first part it will be given a historical review of activities related to the CSR, which were introduced in the Republic of North Macedonia. In the second part we will give a review of already conducted researches. In the third section the role of different stakeholders will be elaborated and finally in the fourth section will be given the results of research. The chapter will finish with conclusion, in which the inferences of this chapter will be presented.

2 Historical Review of the CSR Activities in the Republic of North Macedonia

Unlike developed countries and great part of developing countries, the concept of CSR was unknown in North Macedonia in the '90s. The companies, the government and overall the whole country were struggling to overcome many serious challenges and problems. The government faced very serious economic problems, such as hyperinflation, extremely high rate of unemployment and stagnation, and as a result the last thing about which the government thought was to promote the concept of CSR. From the other side, the companies have lost their traditional markets in ex-Yugoslavia, the process of privatization had just started and the only think in the managers' head was how to keep the company alive. The situation in the country was extremely difficult, and the process of structural reforms and society transformation created a form of "wild capitalism", where everybody tries to survive, using legal, but as well as forbidden measures.

In such situation, it was expected that neither the government, nor the media or non-governmental institutions were prepared to promote a concept of CSR. So, it was necessary the initiative for rising the CSR awareness to come from outside, or more precisely from international organizations. As a result, the concept of CSR in North Macedonia was introduced very late in 2002, through the activities of international organizations, such as World Bank, Institutions of the World Bank Group, UNDP and USAID. Before this period CSR term was almost unknown to the general public. The companies, media, non-governmental institutions did not take in to account the concept of social responsible behavior in their work. The government, as a major institution did not pay any attention on CSR and did not take any measures to promote, stimulates or practice social responsible behavior.

The first activity was in March 2002, when the six-week Interactive Future Leaders' E-Conference on CSR was held at the Faculty of Economics, University SS. Cyril and Methodius in Skopje. As a follow-up to the conference, participants from the University held a round-table discussion about the establishment of CSR in the country, a written document on the subject was prepared, and a book was published.

In November 2003, also at the Faculty of Economics in Skopje, SS. Cyril and Methodius University a public presentation "Corporate Social Responsibility—Towards Sustainable Business" was held. The presentation was supported by the World Bank Institute.

In the period April 2003 till January 2006 fully funded project by the USAID was implemented. The focus of the project was on establishment of Corporate Government Council and on introducing the necessary changes in Company Law. Although the center of attention of this project was not the CSR, the project was an important link in the process of development of CSR. Namely, the project provided much useful information related to the CSR and also was very important for rising awareness about CSR among many different stakeholders. Finally, this project was very important for establishing tripartite public-private body, called "National Entrepreneurship and Competitiveness Council".

Staring from 2004, the National Global Compact Network has organized several conferences, workshops and other training events in North Macedonia in order to promote the ten principles endorsed by the UN. In 2006 a couple of meetings were held in order to prepare a basic document for proper functioning of CSR and finally the constitution of Advisory Board was finalized in October 2006. In the same year the Act of the network was approved and the action plan, also. Currently, the Global Compact Network Macedonia is comprised of 49 companies, non-governmental organizations and other members.

In December 2006, North Macedonian network of the Global Compact and the Environmental program of UNDP have organized a workshop on Environmental Principles of the Global Compact and implementation of the Integrated Pollution Prevention Control (IPPC). Another project that was related to the CSR was USAID funded Business Environment Activity in 2006 whose purpose was to improve the country's business and investment climate.

International Finance Corporation in 2006 launched a regional project on improving corporate governance in South East Europe. The purpose of the project was to introduce a better corporate governance practices in private companies and banks in North Macedonia, Albania, Bosnia and Herzegovina, Montenegro and Serbia, thereby improving their ability to attract investment. Among other objectives of this project was to prepare the region, including North Macedonia for potential entry in EU and international markets.

One of the most important steps in promoting CSR activities is the establishment of National Coordinative Body for Corporate Social Responsibility in 2007, as well as the creation of National Agenda 2008–2012.North Macedonia was the first country that established national body for CSR in the region, and the 3rd in Europe, after Denmark and Lithuania.

The establishment of National Agenda for CSR is considered as the crucial step in promoting CSR. Yet, the real outcomes of the agenda implementation are not confirmed, still. The reason is that the Ministry of Economy is responsible for keeping track of the implementation of CSR through the annual progress of updates to the Government, which looks like a simple list of conducted activities, rather than a full evaluation of effectiveness and policy impact. Despite this, although there are provisions in the Agenda that the CSR reporting is compulsory first and foremost for the state owned enterprises, the Ministry of Economy who is in charge for including such provision in the Company Law, did not do it, because it considered that it would be too burdensome for the companies, and so avoided the implementation of such provision. In spite of generally emphasized role of National Agenda for CSR, in reality many provisions deliberately were not applied, and so the National Agenda looks strong on paper, but not in the practice.

Also worth mentioning EU funded project CIP—The frame program for competitiveness and innovation 2007–2013. In the scope of this program, there were 3 subprograms: Frame program for entrepreneurship and innovation; Program for Supporting Information Technology Policies; Energy Intelligence. The results from this project were very satisfying and despite other benefits, many publication were published (about reporting, handbooks, guidebooks), that were very helpful in overcoming the greatest obstacle for CSR development—the shortage of knowledge and information.

Among the newest projects is the USAID funded project—Project for development of business ecosystem. The Memorandum of this project was signed at the beginning of 2018.

At the end of this part, the general statement will be repeated once again. The concept of CSR was introduced in North Macedonia very late. Consequently, CSR is still perceived as a relatively vague concept by majority of the companies, and in most of the cases it is equated with donations, sponsorships and philanthropy. Therefore, CSR is commonly considered as an obligation for the profitable companies. In the very limited number of companies, mostly the MNC and large companies, CSR is perceived as a strategic commitment of the company. In part of other cases CSR is perceived as a suitable tool for occasional promotion of the company and in large part as an unnecessary or even worse as an unknown activity that only disrupt the regular functioning of the company.

3 Research Review

Since the concept of CSR is still vague in North Macedonia, it is normal that there are not many researches related to this concept in the country. In fact, there is very limited number of studies which have elaborated the concept of CSR in North Macedonia. Furthermore, since the concept was introduced very late, all existing studies are not older than 10–15 years.

The proof that the concept of CSR is new and not completely known in North Macedonia is the research conducted by the Institute for Sociological, Political and Juridical Research, which showed that 21.65% of the companies in North Macedonia have never heard about the concept of CSR, 48.45% of surveyed enterprises have heard about CSR, but they do not know how to define the term, and only 29.9% of the enterprises answered that they are fully familiar with the term CSR. The results of this study are defeating. Namely, 70% of the surveyed enterprises have never heard or they do not know the exact meaning of the term CSR. It is impossible to believe in future enviable CSR development in business sector, when generally companies are not even aware of the real meaning of the CSR concept. Same study also argues that the companies equal CSR with donations and sponsorship and they think that CSR activities are supposed to be according to the company's possibilities and that CSR is not a component which supposes to be integrated in the company's strategy. So, generally the managers practice CSR concept in a manner which is sufficient to meet the legal requirements. This can be confirmed with a statement of one manager of medium sized chemistry company, who answered that the main CSR challenges are the regular payment of salaries, tax liabilities and suppliers, as well as timely delivery of products.

On the other hand, the general perception of many managers is that, CSR is obligation only for the profitable companies. Namely a manager of one bank has answered that "it is too early to think about implementation of CSR, because the overall business clime is overburdened with other priorities which are tough to realize.[1]

In the Baseline study[2] it is emphasized that the unreliability of the legal and judicial institution are among the main factors that affect businesses' confidence and their readiness to accomplish social and environmental responsibilities.

Generally the results from the previous research have shown that companies which want to be socially responsible put an accent on certification. However, the real outcomes of the certification are not confirmed, and some studies[3] suggest that there are companies which see the certification only as a good promotion, by putting the certificate on the wall, without real benefit in practice. The analysis of the

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[1]Coordinative Body for Corporate Social Responsibility. (2008). *National Agenda for Corporate Social Responsibilityin the Republic of Macedonia 2008–2013.* Skopje

[2]Mzavanadzeet, N. et al. (2007). *Baseline Study CSR in Macedonia.*

[3]*Baseline study on CSR Practices in the new EU member states and candidate countries.* (2007). United Nations Development Programme. Public Policy and Management Institute.

certification in relation to the type of the company has shown that MNCs are more prone to certification. The same is true for the big companies. On the other hand, small and medium sized enterprises (SME) consider that certification is too costly.

Among the most important aspects that can have strong influence on CSR development is the public disclosure. Public disclosure positively influence on CSR, since the companies can track their progress and since all stakeholders are well informed about the way in which certain company takes care of environment and wider community. That puts stronger pressure on companies to become more socially responsible and to increase their corporate social engagement. One study[4] has shown that regarding the public disclosure, the companies usually restrict themselves to the legal minimum. Great part of the companies (75.4%) which were interviewed in this study, answered that they do not have history of CSR informing, while approximately 1/5 are in process of establishing such practice. So, the companies in North Macedonia usually restrict public disclosure to legal minimum. As for the MNCs which are located in North Macedonia, they answered that they provide CSR data to their headquarters and that these information are later included in group-level reports. The other study[5] has also confirmed the low level of CSR reporting in North Macedonia. Namely, the study has underlined that there is very limited use of internationally recognized standards in developing reports in North Macedonia. The study has confirmed that subsidiaries of MNCs in North Macedonia provide data to a Group Center, but they do not prepare local country or regional report.

What refers to the CSR strategy, the previous study[6] has found that almost 46% of the banks in North Macedonia do not have CSR strategy, nor do they envisage developing one. CSR is not an integral part of their business strategy, nor is it seen as an instrument for achieving their strategic goals. Same study has analyzed the reasons for non-satisfactory level of CSR development in North Macedonia, and according to study they are:

– Lack of understanding of the concept of CSR, and its scope;
– Volatile business climate (companies are focus on short term business strategies and practices, opposite to the long term focus, due to the instability and uncertainty of the business climate);
– Lack of socially responsible investors;
– Low level of awareness and weak enforcement of the consumers rights and lack of consumers activism;
– Weakness in the corporate governance;
– Lack of dominant model of corporate governance.

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[4]Stamenkova Van Rumpt, J. (2011). *CSR in Macedonia: Country Report*. University of Oslo. Research Report Series No. 2011–14.

[5]Idem, pg.

[6]Ristovska, M. (2010). *Socially responsible conduct of companies in transition economies: The case of Republic of Macedonia*". Analele Stiintifice ale Universitatii "Alexandru Ioan Cuza din Iasi – Stiinte Economice. 57, 235–244.

The author of the same study also argue that North Macedonia ranks very low in CSR development, in comparison to the other countries, in terms of legal and political environment, and among other reasons for that is the weakness in implementation capacity of the national government.

In one study[7] research was made on 500 different companies in North Macedonia (micro, SME and large) and through questionnaire were investigated the different aspects of CSR in North Macedonia. The study has shown that the main reason for CSR practicing in SME is image building, while the main reasons for CSR practicing in large companies are economic motivations and increased employee's satisfaction. The same study has also shown that SMEs practice CSR in the form of donations, while large companies in the form of sponsorship. Large companies consider that they need more training in order to improve competitiveness, while SMEs consider that they need more training in preparation and disclosing financial information, CSR policies, implementation of ISO 26000 and preparing reports in accordance to the Global Compact Initiative (UNGC) principles.

Since the practicing of CSR is on lowest level among SMEs and the general perception is that they are not completely aware about the meaning of CSR concept, we will mention one research[8] which was conducted on 122 SMEs, by distributing questionnaires. Before we present the results from this research, we must refer to precaution, because the research was conducted on companies that attended CSR presentation, which means that it was conducted on companies which already were familiarized with the term CSR. The limitation of the results is because the key group of companies, the one that were not informed about, were not included. The results have shown that 71% of examined companies have heard about CSR, 14% have heard, but they do not know the real meaning of the term, and 15% have never heard. It is interesting that 86% of surveyed companies consider that they may have benefits from CSR. As for the main benefits from CSR activities, majority of respondents answered that the greatest positive effects from CRS activities are better reputation (21%) and better quality (21%).

According to the Baseline study the weaker point in the CSR practice is the performance management. Namely only 8.2% of the examined companies have already established proper system of performance management, while 39.3% are in process of. The majority—52.5% of the respondents answered that they have not demonstrated any effect in this respect.

[7] *Corporate Social Responsibility for all: National Review Report – Macedonia.* (2015) Skopje.

[8] Stamenkova J. (2011). *CSR in Macedonia: Country report.* University of Oslo. No. 2011–14.

4 The Role of Different Stakeholders on CSR Development in the Republic of North Macedonia

It is clear that the main objective of the companies is to maximize their profit. So given the objective, it is understandable that the companies are trying to reduce the costs, including the costs which are related to the CSR activities. Obviously, if there is not any pressure from different stakeholders, the companies won't be interested to invest in activities which are related to the CSR. Consequently, the stakeholders are the ones who can play a major role in CSR development, by putting constant pressure on companies to include social agenda in their everyday activities. This is especially important in developing and transition economies, such as Republic of North Macedonia, where great part of the companies are not even aware about the meaning of the term—socially responsible company. In order to achieve better performances in CSR, there has to be stronger pressure on companies from different stakeholders, in order to become more socially responsible.

4.1 The Role of the Government

The elaboration of the role of different stakeholders will start with government, since the government needs to have the most important function in CSR promotion and development, especially in ex-communist systems, where there is a tradition of government leadership in policy driving. The general perception in business, as well as in the public at large in these countries, is that the social responsibility is a government obligation. Furthermore, given the European Union aspirations, Republic of North Macedonia needed to commit itself to promotion of CSR as a factor of competitiveness and sustainable socio-economic growth, which means that the government put an accent on promoting CSR policies. Despite these remarks, the fact is that the systematic government incentives and initiatives for social and environmental performances are missing. Additionally, although there is National Coordinative Body for CSR, within the Economic Social Council of the Government of the Republic of North Macedonia which deals with CSR issues, and Sector for Encouraging Social Responsibility in the frame of the Ministry of Economy, still unlike the other countries, there is not anybody that has a lead role in CSR promotion and which is solely responsible for tracking CSR results. Of course if there is not strictly responsible body for CSR, it is hard to track the improvement in performances and to follow the accomplishment of CSR obligations of the companies.

Overall, there are two ways how the governments worldwide regulate CSR: heavily regulated and voluntary nature. In North Macedonia the second alternative is accepted and the government is tolerating the companies in their irresponsible behavior. There are also cases where although some measures are foreseen in National Agenda, as the most important CSR document, such provisions are not included in the law, and so the companies are not obligated to follow certain rules, which are part of the agenda. The main reason for that is that the companies went through the process of transformation, restructuring and privatization, they were struggling to survive long, and the government was not willing to put any additional pressure on them to be anything more than profitable. Such government behaviour reflected bad on labour rights and working conditions, consumers' rights, pollution, etc.

Furthermore, the great concern is the fact that some of the CSR indicators are mostly dependent of the government behavior, actions and policies. For example, the corruption, freedom of media, equality in various aspects (gender, nationality, religion, etc.) are solely reliant of government. It is unreliable to expect the companies to avoid corruption, when there are many accusations for corruption against government officials. So, instead of triggering the social responsibility, in some areas the government is pulling back the process.

We can generally say that government must promote as soon as possible CSR initiatives on national and local level. In addition new regulation, tax incentives, subsidies must be introduced. New forms of spreading information and including CSR in education must be applied urgently. Despite that, the government needs honestly to implement all regulations related to the CSR. Namely, although North Macedonia was among the first countries in Europe that has established the National agenda, still many measures which were foreseen in the agenda weren't concretized in certain law, and so it all looks more like a verbal commitment, without real willingness to become a rule of law.

4.2 The Role of International Organizations

We have mentioned previously that the international organizations have played the pioneer role in introducing CSR concept in North Macedonia. Consequently, in the absence of projects and activities supported or implemented by the international organizations, the situation with companies' involvement in CSR activities would have been poorer.

The concept of CSR in North Macedonia was firstly introduced by World Bank Institutions, UNDP and USAID. They implemented many projects in cooperation with local higher education institutions, civil society, government, business community and media. The main focus of their projects was on raising the awareness about CSR, organizing trainings and seminars for North Macedonian companies, but also financing sustainable and green projects. In the past years the companies which were applying for finance from international financial institutions (in most of the cases the banks are intermediaries) are obligated to include the sustainable development and green component in their projects, in order to get money for those projects. That is very clever, unimposing, but smart way to stimulate the companies to be more socially responsible.

Generally, in countries where CSR is not well developed, it is expected that the government should play the major role in CSR promotion. It must be noted that in

Table 1 Number of complains to Organization for Consumer Protection in North Macedonia in the period 2005–2018

Year	Total number of complaints
2018	2886
2017	1816
2016	3658
2015	2697
2014	3263
2013	2621
2012	2650
2011	3300
2010	2659
2009	3528
2008	4304
2007	4122
2006	3944
2005	3823

Source: Annual Report, Organization for consumer protection, different years

North Macedonia, just as in the other developing countries, CSR activities are mostly donor driven and there is limited involvement of government. Even though the donor driven capacity building programs bring benefits to great number of companies, especially SMEs—which mostly need support, still those programs cannot reach complete supply base, and as a result many SMEs are left without technical support. Despite that, external funded programs frequently lack strategic access, and the final result is the absence of ideas how to make projects sustainable after the project cycle is finished. Besides that, those programs have limited capacity in sharing the project experience on other sector, without external finances. Also, most of the initiatives miss coordination and there is no possibility of mutual learning. All that can lead to inefficiency and unnecessary duplication of the programs. These notes do not mean that the role of international organizations' is underestimated, contrary they only warn about certain risks in case of inadequate government participation in the whole process.

4.3 *The Role of Consumers*

In general there is a low level of awareness about the consumer issues and rights in the Republic of North Macedonia. Unfortunately, the consumers are not well informed about their right, and in the same time the "power" of Organization for Consumer Protection is very poor. In addition the data about the work of Organization for Consumer Protection will be presented (Table 1).

It is clear that the general perception of the consumers is that very often they are manipulated by the merchants and that they frequently buy products that do not correspondent with the desired ones. In spite of that, the number of complaints submitted to the Organization for Consumers Protection is very low. Moreover, the number of complaints does not have an increasing trend, but the opposite, it is unstable and in the period 2005–2008 had more complaints from the consumers, than now. Actually, the lowest number of complaints was in 2017. Surely, that the confidence of the customers has not risen and that rising confidence is not the reason for lower number of complaints. In fact, this is another fact which is an evidence of low level of consumer awareness. Despite that, the consumers are not well informed about the importance of certain standards and labels on the products which indicate the quality and security of the products. As a result, the companies are not under pressure to invest in standardization and to assure the quality of the products, since that would probably not bring an increase in sale. On the other hand, the certification cost money and increase the price of the products, and given the bad economic condition in the country, the consumers are not ready to pay higher price for more secure and better quality products. Namely, the consumers care about the environment and poverty in the world, but it is questionable whether they are ready to convert their care to actual willingness to open the wallet, when it comes to buying decision. That additionally reduce the pressure on companies and the main driving force for company's socially responsible behavior—increased sale, is missing. It is to expect that if the consumer awareness about CSR does not increase, better performances in CSR cannot be expected. Of course, that the role of other stakeholders is very important, but still their influence is limited. Namely, the influence of the government is limited on meeting the legal requirements, the influence of international organizations is only in the period when certain project is active, but the influence from the customers is unlimited. Specifically, if the consumers are aware of CSR, they will choose products on market in accordance with that and only socially responsible companies will survive. That would definitely be the best way to force companies to include the social agenda in their everyday activities and to be more socially responsible. Otherwise, if their investments are not rewarded on the market, and consumers do not make any distinctions between products from socially responsible and socially irresponsible companies, nobody will invest in CSR projects and activities. As conclusion, many measures, activities and projects must be undertaken in order to better inform the consumers about their rights, to inform them how to recognize the qualitative and secure products on the market. Also, as economic condition in the country improve and living standard increase, the greater purchasing power of consumers will allow them to buy more expensive products, but with better quality and more secure. That will put great pressure on companies to be more socially responsible.

At the end, it is important to emphasize that the government is also very responsible for low level of awareness of the customer. Namely, the government supposed to determine the ecological and social labels for certain groups of products and accordingly to inform the customers about the meaning and importance of this signs and labels. Unfortunately, because of the lack of systematic government action, there were not satisfactory measures in this relation. It must be underlined that in the period after independence and in the years later, the government conscious escaped to promote such measures. There were two reasons for that. The first one is that almost all companies were struggling to survive, and it was unreasonable to ask them to mark the ecological and social aspects of the product. Secondly, the customers had extremely low level of living standard, and they were not ready to pay higher price for more secure and ecologically and social eligible products. However, the situation is much improved and companies are on their feet now, and the government supposed to have introduced many measures for rising awareness about the importance of buying secure and healthy products. Furthermore, different kind of campaign should have been organized to inform the customers that they can contribute for better environment and health, by buying products from environmentally and socially responsible companies.

4.4 The Role of Media

The role of media is also very poor. It has not fulfilled its mission to bring to light the irresponsible business practices. Overall, the general insight is that there are strong ties between media and business—political factors, which further inhibit the revealing of irresponsible practices. The proof of the strong political influence on media is the press freedom index in North Macedonia, which is very high. Namely, North Macedonia is ranked 99, out of 180 countries according to the Global Press Freedom Index.[9] Generally, the pressure of media is concentrated on pollution, while the other aspects of CSR are not well covered. Very rarely the media reveal some scandals related to the labor rights and corruption, which is very defeating, when it is known that violation of labor right and the widespread corruption are common. It is definite, that nowadays the Media are very important tool in raising the awareness about certain issue. The "voice" of media is spreading very fast and has unlimited range of influence. Media reports and news can be very influential in creating bad image of socially and environmentally irresponsible companies and in the same time a perfect advertisement for the CSR responsible companies.

Although the impact of media on CSR is very limited, there are some examples worldwide, where due to the media pressure many companies have changed their behavior, or opposite certain positive examples which were presented on media, have stimulated other companies to practice positive experience. Such examples were present in North Macedonia, too. Namely, the instance of Vitaminka Company, Prilep is an evidence for that. To be precise, last year the company has promoted that it will partially extend the maternity leave for three mothers. That is, 3 months after the maternity leave, new mothers will only need to work four hours, instead of eight hours. This measure was shown in all media in the country and attracted great attention from the public. The positive atmosphere caused many companies to accept that practice, and in the period of only one week other companies have announced

[9]https://rsf.org/en/ranking?#, 25.04.2019.

that they will accept that policy—Makprogres, Fitofarm, Evropa, Zur Markets, etc. This is a very good example how the media can stimulate the companies to be more socially responsible. If this policy which was implemented by Vitaminka was not presented in the media, it wouldn't have any impact on other companies' policies. However, the Medias in North Macedonia are still very concentrating on reporting about political issues and policies, and they do not consider SCR as a topic that would attract much attention from the general public. Consequently, their impact on CSR development is very poor.

4.5 *The Role of NGOs*

Although there are many NGOs in North Macedonia, the role of civil society in promoting corporate social responsibility is very limited, since there is negligible number of projects related to CSR. In general, the civil sector is underdeveloped when we consider its' role on CSR development, in comparison to the Western European countries. Generally, there are two groups of NGOs that focus on CSR issue:

– Watch dog role—these NGOs only monitor the CSR activities and are a kind of public critics of actions of individuals, companies or are lobbying for necessary legislative changes.
– NGOs for promoting inter-sectoral partnership and corporate philanthropy. These NGOs are more prone to direct engagement in CSR initiatives.

The most important NGO which deals with CSR issues is "KONEKT". The main objective of this NGO is the promotion and stimulation of sponsorship and donations, and in the same time spreading the idea among companies that social responsibility can be an efficient tool that will lead to more effective and long-term development of North Macedonia. Konekt is the only Macedonian NGO that is a member of the United Nation Global Compact Initiative (UNGC). Considering the important role of this NGO in CSR development, we tried to contact this organization in order to get more information, by email. Unfortunately, we still have not received any feedback from them.

Other important NGOs in North Macedonia are the ones which are dealing with pollution issue. Namely, Macedonian towns are among the most polluted cities in the world. It happened many times in winter, that the capital Skopje is the most polluted town in the world. What worries is that this is happening constantly in the past years, and unfortunately nothing has been improved. NGOs are also connected with certain political structures in the country and their "voice" is regrettably depended of the political party in power. That is the reason why nothing has been enhanced and the country notes records in pollution.

Another civil society organization that is important for CSR is the Organization for consumer protection. The role of this organization is to raise the awareness about the consumers' rights and to organize campaigns and write publications about the

Table 2 Number of NGOs, members in UNGC

County	Number of NGOs which are members of UNGC, in relation to the total number of UNGC members
North Macedonia	1/12
Albania	2/4
Bosnia and Herzegovina	4/7
Montenegro	2/4
Serbia	19/48
Bulgaria	11/44
Croatia	3/37

Source: https://www.unglobalcompact.org/what-is-gc/participants, 25.04.2019

consumers' rights. Unfortunately, in comparison to this kind of organizations in the other European countries, consumer organization in North Macedonia is underdeveloped. Regrettable, great part of the consumers is not even aware of existence of such organizations, they feel unprotected and they do not know that there is a place where they can ask for their broken consumer right. There is a great need for organizing big informative campaign for the general public, by which the people will be informed about the existence and role of this organization. More about this NGO was presented previously in the part about the role of the consumers.

Finally, the proof that NGOs in North Macedonia have very poor influence on CSR development in the country is the number of NGOs which are members of UNGC—the mostly known CSR network. In addition the number of NGOs members of UNGC in North Macedonia, in comparison to the other neighboring countries, will be presented (Table 2).

The presented table confirms the statements about the low level of NGOs involvement in CSR activities. Unlike the other countries where there are more NGOs, members in the UNGC network, in North Macedonia there is only one civil society organization, member of UNGC. Conversely, in Bosnia and Herzegovina 57% of UNGC members are NGOs, in Albania and Montenegro 50%, in Serbia 40%, etc.

4.6 Business Organizations

Since the companies are facing huge problems and are trying to stay alive, it is understandable that the primary objective of business organizations is to raise the voice of the companies and to help them stay alive. As a consequence the business organizations were not involved in promoting CSR concept as much as business organizations in developed countries are. The exception is the American Chamber of Commerce in Macedonia (AmCham) which is highly involved in promoting CSR activities in the Republic of North Macedonia. Namely, AmCham has promoted many projects which are related to the CSR. Despite that, AmCham has organized two conferences about CSR and also is publishing a magazine which very often covers topics that are related to the CSR. In the scope of the AmCham there is a special committee for Community Engagement & Responsible Business Conduct, that has implemented many projects and activities related to the CSR. The most important are the Companies Giving Back in Macedonia database, which was launched in June 2016 (more than 200 CSR Projects implemented, including 44 companies), "**Open a Door" internship program for students from low income families, which started in 2015 and Guest speaker program with the Faculty of Economics Career Center, which started in 2015 (the aim of this project was to organize f**ormal and informal training on job searching strategies, interviewing skills, networking, public speaking/presentation skills, teamwork, and more).

The other business organizations also have important role in promoting CSR activities. The involvement of Economic chamber is mainly in helping the companies in process of certification and gaining the environmental EXE certificate, which is evidence about the good performances of SMEs. Through this process Economic chamber contributes in the process of informing SMEs about the importance of being socially responsible and helps them in becoming more socially responsible. Also, the Economic Chamber provides much important information related to the CSR activities and is among the greatest sources of such data. The chamber additionally tries through many events, during the meetings to raise the awareness about CSR among the companies, no matter of their size. The two most important business organizations in the Republic of North Macedonia—Economic Chamber of Macedonia and Macedonian Chamber of Commerce are members of the UNGC network, and are devoted to 10 principles of UNGC. The Economic Chamber of Macedonia was also one of the primary sources of information for this research.

5 Results of CSR Analysis

In order to get reliable picture about the CSR in North Macedonia we have carried out a comprehensive analysis about the CSR development in North Macedonia. In some areas we have also performed comparison in relation to the other neighboring countries. Also, a questionnaire was distributed among the companies in North Macedonia from different regions, with different size and history in practicing CSR activities. In the analyses were included the companies which are and which used to be a part of United Nation Global Compact Initiative, the listed companies on the North Macedonian Stock Exchange (MSE), as well as companies that have never practiced CSR. General picture is that the companies were not ready to share their CSR practice and policies. Fraction of the communicated companies did not even answer on the request for information, other part have refer us on the UNGC report for that company and only one company—bank "Komercijalna Banka" AD Skopje, has given us broad elaboration about CSR activities, invested funds, disclosure, etc.

The results will be presented separately for different areas, which are important for CSR.

5.1 Labor Issues

There are different indicators related to the labor issues. The first one is gender equality in labor force. North Macedonia is ranked on 106th place, which is very poor performance. Only Bosnia and Herzegovina ranks lower than North Macedonia, while the other neighboring countries show much better performances. For instance, Bulgaria is ranked on 37th place, Croatia 58th, Montenegro and Serbia 77th and Albania 92nd. The data suggests that North Macedonia has problems with gender equality and that strong actions from different stakeholders—especially government, must be promoted in order to improve the woman equality in the country.

As for the unemployment rate, the situation is very similar. More specifically, only Bosnia and Herzegovina has higher rate of return, while all the other countries from the region, have lower rate of unemployment. The young unemployment is also very serious problem for North Macedonia. Till 2005, the country had the highest youth unemployment in the whole region, above 60%. In the period after, there was slight improvement, but still youth unemployment is high, counting nearly 46% in 2017. Same as other labor indicators, only Bosnia and Herzegovina has higher youth unemployment than North Macedonia. The only difference is that from the countries in the region, Greece has almost same youth unemployment rate as North Macedonia, generally due to the debt crisis and implemented structural reforms in that regard.

Generally, it can be said that North Macedonia is ranked very poor in relation to the labor indicators. The thing that especially worries is the youth unemployment, and the missing actions intended for improving this situation. The government is pointing out the reduction in the unemployment rate, but the fact is that this result is a consequence of implementing different methodology and especially due to the high rate of immigration.

5.2 Environment

In general, CSR indicator which generates the greatest attention from different stakeholders is the environmental issue. Above, we mentioned that the most important stakeholders are "silent" and they do not put enough pressure neither to the government nor to the companies to be more socially responsible. However, the opposite is true for the environment. Namely, NGOs and media are very "loud" in regard to the environmental issues. In spite of that, some major improvements are not recorded, at all. Contrary, many North Macedonian cities, especially the capital

Skopje is very often among the most polluted towns in the world. More concretely, during the winter PM particles in the air in most of the days were higher than 400. Considering the fact that every concentration of PM above 300 is accounted as hazardous, it is clear that the people are under constant risk of getting some serious disease. Tetovo, Gostivar, Bitola, Strumica and other North Macedonian cities also have very high concentration of PM during the winter, which pose a serious risk to human health. One cannot blame the companies for that, because there is a lack of systematic government policies and actions. The companies which were considered as the greatest polluters were temporarily closed, but the situation did not improve at all. That is to say that wood heating and traffic remain the major concerns. Here will be presented some environmental indicators.

According to the CO_2 emission per capita, North Macedonia has CO_2 emission below Serbia, Croatia, Greece and Bosnia and Herzegovina and higher than Albania. As for the environmental performance index, North Macedonia has better score than Serbia and Bosnia and Herzegovina, but on the other hand worse score than all the other countries—Albania, Croatia, Bulgaria, Greece, and Montenegro.

5.3 Transparency and Business Environment

Among the most serious challenges for the government over the past years was combating corruption. Although this problem was considered as a serious obstacle in the countries' Euroatlantic aspirations, no government showed honest volition to suppress the corruption. On the other hand the corruption is recognized as one of the greatest threats for good CSR practices. The data about Corruption Perception Index (CPI) for 2018 is an evidence for our statements. Explicitly, CPI ranking position of North Macedonia is 99th. In relation to the other Balkan countries, only Albania has shown poorer performances, while all the other countries, although have ranking higher than 70th (except Croatia), they all showed better position than North Macedonia. What especially worries is the deterioration of the position on CPI scale. To be precise, CPI ranking of North Macedonia was constantly improving till 2014, when North Macedonia was on the 64th position, with a score of 45. Since then the situation is worsening, and unfortunately the current score is 39 and 99th position.

Another important indicator of business environment in relation to the CSR development is the competitiveness index. The global competitiveness index shows that just as in the case of the other indicators, North Macedonia is ranked very low. To be exact, only Bosnia and Herzegovina has shown poorer performances, while all the other countries have higher competitiveness index than North Macedonia.

It is also important to mention "Ease of doing business" ranking, where all the countries are assessed according to different economic performances. Thanks to many positive measures which were implemented in North Macedonia, the country has sharply improved its' ranking, and now not only that is ranked on best position among the neighboring countries, but is ranked on 10th position out of total 190 countries.

As for the transparency and business environment it can be said that combating corruption still remains the greatest issues in the country. The corruption impede business investments, especially foreign investments, and as a results the companies—both domestic and foreign are not concentrated on long-term development, but opposite are trying to maximize their short-term profit. That finally results in refraining from CSR activities and projects. As an inference, the government is solely responsible for widespread corruption and bribery, and finally for non-satisfactory level of CSR development in North Macedonia.

5.4 *Corporate Governance and Performance*

5.4.1 Accounting and Auditing Standards

Corporate governance has direct link to responsible competitiveness, transparency and reduction of corruption. It is very important in countries, such as North Macedonia where corruption is a serious issue, to have an effective management and appropriate accounting and auditing standards as an assurance for ethical behavior of firms and the attitudes governing business-government relations. Since reporting and auditing is very important, the strength of auditing and accounting standards is extremely important. Current North Macedonian strength of auditing and accounting standard index is 4.4, out of 7.5. The highest score was in 2014, when accounted 4.84. In comparison to the other neighboring countries North Macedonia stands very good. Namely, only Bulgaria has better ranking, with a score 4.6, while all the other countries showed poorer performances in auditing and accounting.

5.4.2 Disclosure of Information: Reporting

The best way to track the individual improvements in CSR performances among the companies is the disclosure of CSR information, by preparing CSR reports. In order to get more information about the disclosure practice in North Macedonia, we have examined whether North Macedonian companies practice disclosure of CSR data. So, as to get reliable results we have collected information through direct communication with the companies or by web page. We have included in our analysis institutions which are part of UNGC, as well as the companies which are listed on the Macedonian Stock Exchange. We have also established direct communication with some SMEs. Overall, the SMEs do not practice CSR disclosure, and the reporting is limited to small part of SMEs, which are forced to report their CSR activities either because they are making export or are part of the supply chain of large companies which demand that their suppliers comply with codes of conduct that cover social

Table 3 Disclosure of CSR data among the companies in North Macedonia

Super listing	Stock listing	Mandatory listing
Total Companies 1	Total companies 27	Total companies 76
Prepares detailed CSR Report 1	No information about CSR on web 12	No information about CSR on web 23
	General Information 11	General Information 15
	Detail information 1	No web page 33
	CSR Report 2	CSR Report 3
	CSR Report on Group level 1	CSR Report on Group level 2

and environmental practices. In both cases, the SMEs are under pressure from external stakeholders to carry out reporting, because otherwise they will lose their clients. Also, there are 6 SMEs part of UNGC, which are obligated to prepare annual CSR reports, according to the guidelines of UNGC, in order to demonstrate their progress in regard to respecting 10 UNGC principles.

MNCs in North Macedonia are preparing CSR reports, since that obligation is imposed to them by their parent company and is a part of the global group strategy. In the most of the cases, MNCs do not prepare separate CSR reports for affiliates, but the data about affiliates' engagement in CSR promotion is included in company's group report.

During the research we have searched through the web sites of the companies, and we noticed that MNCs in North Macedonia, which enter through Greenfield investments, do not have separate web site for North Macedonian affiliate, but only one general web site. So, although these companies are a kind of triggers of CSR behavior, it is extremely difficult to find information for their CSR activities in North Macedonia. Contrary, MNCs which enter through mergers and acquisitions have country web sites, and generally provide detail CSR data.

As for the large domestic companies, it can be said that generally the reporting in North Macedonia is at very early stage and limited number of companies perform CSR reporting. The main reason among these companies for reporting CSR data is either the reputation, or because they are asked by customers, business partners or activist group. Explicitly, our research has shown that the companies that were part of the Global Compact Initiative conduct CSR reporting, since that is obligation for each UNGC member. As for the other group of analyzed companies—the companies which are listed on the Macedonian Stock Exchange we got the following results (Table 3):

As it is presented on the table, the only super listing company—Komercijalna Banka AD—Skopje, prepares detailed CSR report. Despite that, during our communication we got detail information from this company about its' CSR activities. Actually, this company was the only company that has completely and in detail answered our questionnaire. Worth mentioning that unlike the other companies, Komercijalna Banka AD has revealed also the information about annual amount of CSR investments. This company is a good example for all the others how CSR is supposed to be included in the company's strategy and how the companies need to develop their own CSR strategy. Komercijalna Banka AD, also have Coordinative Body for CSR and practice CSR agenda through many activities, such as sponsorship, donations, education, volunteering, labor rights, etc.

As for the other companies which are on the stock listing, it can be concluded that almost half of them do not provide any CSR information on their web page. Only two companies prepare CSR reports, while foreign companies disclosure CSR information on group level. One company is a part of Global Compact Initiatives and prepares CSR reports according to UNGC instructions, while the other company is disclosing data about CSR in the annual report of the company, where there is special part dedicated to CSR activities.

As for the companies which are mandatory listing, it can be said that nearly 45% do not have web page at all. 32% of the companies have web page, but do not publish any information about CSR, nearly 20% publish only general information and 3 out of 76 prepare CSR report.

The general conclusion is that the results are disappointing. Not only that surprise us the fact that great part of the listed companies do not publish any CSR data, but devastating is that 45% of the mandatory listed companies do not have web page at all. It is apparent that nowadays the primary source of companies' information shall be provided on web, which means that vast part of the analyzed companies do not provide any online information to their stakeholders.

The reason for low level of CSR reporting among listed companies is that the listed companies on the Macedonian Stock Exchange (MSE) have an obligation to regularly disclose consolidated and unconsolidated audited financial statements and Annual report of operation, within 7 days of the acceptance by the Shareholder Assembly, but they are not obligated to prepare nor to publish the environmental reports. Naturally, if there is not such obligation for companies, they will not publish. In fact, companies limit their activities to legal requirement, and only small part of the companies publishes data which are not requested by the law.

Worth mentioning that this year only 2 large companies are members of UNGC. The reason for that is because UNGC impose some fee to large companies and consequently large companies withdrew from UNGC. Therefore, currently there are 12 participants in UNGC network from North Macedonia. 6 of them are SMEs, two local business associations, one NGO and one academic institution. As for the large companies, one is domestic company and the other is foreign ownership.

The involvement of MSEs in UNGC is very important, since they learn more about CSR, they taught how to prepare CSR report and finally they get what they mostly need—the knowledge about CSR concept and about the most appropriate way to practice CSR in the small company. The true is that very small part of the SMEs are involved in UNGC network, but still it encourages the increasing interest from SMEs for familiarization with the concept.

5.4.3 Members in Unite Nations UNGC Network

Another important indicator for corporate practice and performances is the number of companies which are members of some globally recognized CSR network. As UNGC is the best known CSR network in North Macedonia, we have analyzed how many companies from North Macedonia are members of this network. Till the beginning of 2019, there were 16 companies, of which 12 were companies, 1 was business organization, 1 was NGO and 1 was municipality. Since there were some changes in UNGC policy regarding the payment of annual fee, 10 out of 12 large companies withdrew from UNGC network. Currently, there are 12 UNGC members from North Macedonia, of which 6 are SMEs, only 2 are large companies (1 domestic and 1 foreign company), 2 are business organizations, 1academic institution and 1 NGO. However, new trend of involvement of SMEs in UNGC is a very good sign, and supposes to be a start for further CSR development among SMEs.

For comparison, the data about the members from the other neighboring countries will be mentioned:

- Albania has 4 members, of which 2 NGOs, 1 SME and 1 large company;
- Bosnia and Herzegovina has 7 members, of which4 NGOs, 1 company, 1 SME and 1 foundation;
- Montenegro has 4 members, of which 2 NGOs and 2 local business association;
- Serbia has 48 members, of which 19 NGOs, 12 companies, 9 SMEs, 3 Business associations, 2 Academic institutions, 2 public sector association, 1 Foundation.
- Bulgaria has 44 members, of which 11 SMEs, 11 NGOs, 10 companies, 4 Academics, 3 Business organizations, 5 foundations;
- Croatia has 37 members, of which 13 SMEs, 13 companies, 3 NGOs, 3 Academics, 3 Business Organizations, 2 Cities.

North Macedonia has more members in UNGC network in comparison to the Albania, Montenegro and Bosnia and Herzegovina, but sharply less than Serbia, Bulgaria and Croatia. It is notable that in contrast to the other countries, North Macedonia has extremely low number of NGOs in the UNGC network. Above, we mentioned that there is very limited pressure from NGOs on government or on companies to include the social agenda. The extremely low number of NGO, which are members of the UNDC, is in line with the previously elaborated statement.

5.4.4 CSR Awards

CSR awards can be extremely important tool in promoting awareness and improvement in CSR practices. Since 2007, the Ministry of Economy of the Republic of North Macedonia is organizing annual CSR awards. The awards are granted in 5 categories: Relations with employees; Ethical management; Market relations; Relations to the environment and Investments in community. Since 2014 the Ministry has announced new type of award intended for the most inventive practices.

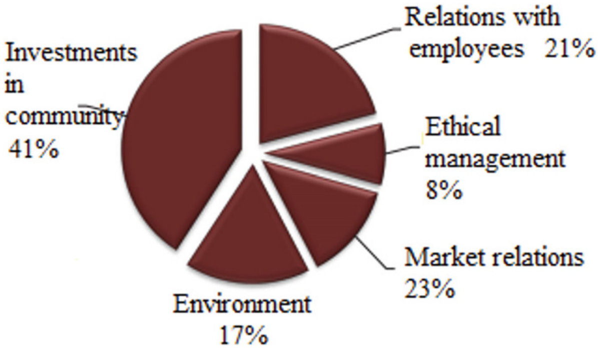

Fig. 1 CSR Award applications by category 2007–2017. Source: Ministry of Economy of the Republic of North Macedonia

The awards are granted separately to the SMEs and large companies. In the past 11 years, 575 applications were submitted, from more than 170 SMEs and large companies. Additionally, we will present the distribution of award applications by category (Fig. 1).

According to the submitted applications in the past 10 years, it is notable that the companies were mostly active in the field of investments in community, where were submitted more than 40% of the total applications. Then follow market relations and relations with the employees. The category which is neglected is ethical management, for which were submitted only 8% of the applications.

Since 2013, this award event has exceeded the national borders and became a part of the initiative which was supported by the European Commission—European CSR awards. Since then, 1 large and 1 SME which have realized project jointly with some non-profit organization and which have won the highest points from the jury are representing North Macedonian companies in front of the European public on ceremony in Brussels. The important of this event is not because North Macedonian companies have the opportunity to present their CSR projects and activities in front of the European public, but the opportunity to meet European companies with long experience in practicing CSR policies and to learn from them, is priceless. Also, this event is a good opportunity for increasing the innovation and for practicing some CSR projects which proved to be successful in other countries. The expectations are that this event will have huge positive influence on North Macedonian CSR development.

Even though, there are some opinions that CSR awards do not influence on CSR development, the reality shows quite the opposite. This event is a way of tracking the CSR projects for companies which are ready to be engaged in CSR processes and activities. That is especially useful for SMEs, because those events are also an opportunity for sharing experiences, exchange of good practices and creates some degree of pressure on SMEs as well as on large companies to increase funds for CSR projects.

6 Labour

In the following part some data about labor will be presented. We must mention that many years the labor market in North Macedonia was underdeveloped, due to the disturbed balance between labor supply and demand. Although, in the past years the situation is slightly improved, yet the misbalance is still present. It is true that parallel with the rise in overall CSR awareness, the care about labor rights has also increased. In order to discover the CSR engagement in relation to the labor, we will consider 2 indicators: extent of staff training and number of companies using SA8000. The first indicator reflects to which extent the companies are investing in staff retention and career progression and the second indicator is the first auditable social certification standard, which promotes decent working place.

According to the first indicator, North Macedonia is ranked on 96 place.[10]Albania is ranked on 37 place, Montenegro 98, Bulgaria 117, Croatia 122, Serbia 134 and Bosnia and Herzegovina 136. Generally, it can be said that all countries in the region, except Albania, share the same experience and are ranked very low in regard to the extent of staff training. As it was already mentioned, all the countries went through the process of transformation and restructuring, which causes great misbalance on the labor market. That situation caused very little attention on labor rights, decent work places and on improvement of staff performances. It is normal that if the company does not consider that its' employers will be employed on long term, will not invest in employees abilities and performances. That is exactly what is happening in North Macedonia.

Unfortunately, the situation is even worse in relation to the SA8000. Namely, there isn't any company in North Macedonia that has SA8000. Unlike North Macedonia, there are 2 companies certified with SA8000 in Albania and Croatia, 24 in Bulgaria, and 56 in Romania. This is defeating, considering the fact that there are many confections, footwear and other labor intensive factories, where it is extremely necessary SA8000 standard to be implemented. The reason for that is because this standard is a guarantee for protection of basic workers' rights, prevention of child labor, forced and compulsory labor, it is a guarantee for healthy and safety workplace, it is an assurance for nondiscrimination, collective bargaining, etc.. Unfortunately, neither company in North Macedonia commits to respect these provisions.

7 Environment

Environment is extremely important part in developing CSR agenda in North Macedonia. Namely, the country is among the mostly polluted countries in the world during the winter, and that is why environmental agenda is very important

[10]*The Global Information Technology Report: Innovating in the Digital Economy.* (2016). World Economic Forum, Geneva.

Table 4 Number of ISO 14001 certified companies on the Balkan, in the period 2009–2014

Year		2009	2010	2011	2012	2013	2014
1	Albania	1	/	11	18	34	37
2	Bosnia and Herzegovina	87	100	148	174	141	150
3	Bulgaria	565	999	927	1.375	1.373	1.761
4	Croatia	469	451	488	745	828	951
5	Montenegro	18	15	25	16	24	26
6	Serbia	298	318	573	736	762	901
7	North Macedonia	45	62	91	146	131	137

part of the overall CSR agenda. In order to determine environmental development in North Macedonia, we will consider the following two indicators: Number of companies using ISO 14001 and number of companies registered in EMAS.

7.1 *Number of Companies Using 14001*

ISO 1400 specifies the requirements for an environmental management system which an organization can use to boost its' environmental performances. ISO 14001 is essential for an organization seeking to manage its' environmental responsibilities in a systematic way that contributes to the environmental pillar of sustainability. ISO 14001 is very important environmental standard and the companies which have adopted this standard are committed to improve quality, transparency and consistency of CSR activity. Therefore, ISO 14001 can be used as a good indicator of the companies' willingness to support the idea for "preserving the environment". In addition, the information will be given about the numbers of companies which are using ISO 14001 standard.

We must emphasize that it was extremely difficult to provide information about ISO 14001 certified companies by country, since there is not any publicly available database for ISO 14001 companies. We only succeeded to provide such information for the period 2009–2014. The data from the Table 4 suggests that except Albania and Montenegro, all the other country which were included in the analyses have higher number of ISO 14001 certified companies, than North Macedonia. On the other hand, Bosnia and Herzegovina although leg behind North Macedonia in most of the other CSR indicators, has more ISO 14001 certified companies than North Macedonia. Also, Croatia and Serbia have 8 times more ISO 14001 certified companies than North Macedonia and Bulgaria 12 times more.

Although the adoption of the ISO 14001 standard is voluntary and the companies are not obligated to implement this standard, it is extremely important for the government to boost the companies to use this standard. In this manner the companies will be able to improve and track their environmental performances, to set their environment objectives and goals and subsequently to monitor and measure the realization of such objectives and goals.

7.2 Number of Companies Registered in Eco-management and Audit Scheme (EMAS)

EMAS is a management tool, which is very significant for the companies and other organizations, because it enable them to evaluate and report their environment performances. In fact, EMAS obtains a website with a search function, where the public can track the number of the companies and organizations that are registered in certain country. Unfortunately, there are not any companies or organizations from North Macedonia which are registered on this scheme. From the neighboring countries Bulgaria has 30 companies and 16 organizations, registered on EMAS, Greece 1025 companies and 18 organizations, while all the other countries, just like North Macedonia, do not have any registered company or organization on EMAS.

8 Standardization

The implementation of international standards is another very important indicator of CSR development in certain country. Certification is extremely important, since the companies, organizations and institutions need to accommodate themselves and implement many provisions in order to get the certificate on their wall. On the other hand, certification is very expensive and usually it is not affordable for SMEs, which do not have neither money nor human and technical resources for certification. The government gives subsides to the private companies which adopt NASSR, ISO or HALAL system. These subsides are partial compensation of the costs for introduction, maintaining and modification of NASSR system and introduction and certification of HALAL and ISO standards. Although these measures seem quite good, still there are problems, such as problem with timely payment of subsides from the government. Also, very serious obstacle is the fact that the companies need to initially cover the total amount of the expenses by themselves, and after the government is paying the partial compensation of the costs. Unfortunately, in general SMEs are not able to provide by themselves finances for certification, and at the end the final result of these measures is not so satisfactory, especially when it comes to SMEs. The other form of stimulating certification that was promoted by the government is giving advance to certified companies, in the process of public procurements.

Certification is particularly useful in countries where in supply chain companies collaborate only with the partners which maintenance certain standards, important for their field of work. Also, certification is predominantly important in countries where customers are used to check labeling, before buying the products. Since, these two conditions are not very typical for North Macedonia; the companies are not very excited to invest in certification.

With the incrementing the inflows of the foreign investments in the country and with the globalization of the domestic companies the situation supposes to improve. The reason is because MNCs demand that their suppliers comply with code of conduct supply chain, which cover social and environmental practices. Globally, this way of spreading reasonable social and environmental behavior is very common and many MNCs influence on their value chain members by that technique. MNCs consider developing countries as a "high risk sourcing zones", and because they do not want to risk their global image, they only buy certified sustainably produced products. In order to be sure about that, they also conduct strong scrutiny on their suppliers that comes from developing countries. It is expected that such policies which are adhered by MNCs, will force North Macedonian companies to put greater accent on certification, in order to escape multiple assessments, such as self-evaluation, questionnaires, monitoring and auditing processes.

The following standards are important, in regard to the CSR:

- ISO 9001—Quality management
- ISO 14001—Environmental management
- OHSAS 18001—Health and safety management system
- SA 8000—Social accountability international
- ISO 20000—IT service management
- ISO 22000—Food safety management
- ISO 27000—Information security management.

As it was mentioned previously, in 2014 137 companies were awarded with ISO 14001 standard and neither company SA 8000. In 2014, 446 North Macedonian companies were awarded with ISO 9001—quality management standard. Unfortunately, there is not any database for the number of accredited institutions, organizations and companies in North Macedonia and therefore it is very difficult to provide information about the number of certified institutions. There are many certified body, but the most important is the Economic Chamber of Macedonia where till now have been certified 164 institutions with ISO 9001, 41 institutions with ISO 22000 and 17 with ISO 14001.

At the end it is important to note that one of the greatest companies in North Macedonia in pharmaceutical sector—Alkaloid AD, has been awarded the Fair wild certificate for its teas from botanicals portfolio. That is very important, considering the fact that companies from only 11 countries in the world succeeded to accomplish the condition, for this certificate.

Ultimately, it is important to note that the fact that still there is not any available database for standardization in North Macedonia is an evidence for non-satisfactory level of awareness about the importance of standardization among North Macedonian companies. The government supposed to play the lead role in developing such database, in order to promote the certification and to provide more information for the companies.

9 Conclusion

Although integrating social and environmental issues into everyday business activities and relations with stakeholders is familiar practice for the companies in the developed countries, such practice is still vogue and not completely known for the

North Macedonian companies. The practice to sacrifice profit for the sake of certain social interest unfortunately is still unacceptable for the majority of the North Macedonian companies. The main reason for that is the late introduction of the concept of CSR in North Macedonia. In fact, the term CSR was firstly introduced in 2002, and the real projects, actions, activities, started even later in 2007. That is much later even in comparison to the other developing and transition economies.

The main reason for the late introduction of the concept was poor economic and political condition in the country. After independence from Ex-Yugoslavia, the country suffered from extremely high rate of unemployment, hyperinflation, negative GDP rate, instability and many other issues and problems. On the other hand, the companies lost their traditional markets in Ex-Yugoslavia and were forced to dismiss from work many employees, they recorded huge losses, and the only thought in their heads was how to stay alive. The whole process of transformation and restructuring looked like everything was allowed in order to survive and created a form of "wild capitalism". In such situation, it was impossible to promote socially responsible behavior. Actually, neither the government, nor the companies were interested for that.

The first initiatives for CSR in North Macedonia came from international organizations. UNDP, World Bank Institutions, USAID and the European Union were especially involved in that, and thanks to them, the idea of CSR was spreading among the government institutions, companies, NGOs, business associations, media, etc. Later the government, in most of the cases in collaboration with some international organization, started to be involved in CSR, also. The greatest step was the establishment of Coordinative Body for CSR and the creation of CSR Agenda.

Although the government is now more concerned in promoting CSR, still the results are not satisfying. Consequently, the government measures are not sufficient, and the final result is defeating. Namely, it is true that there is a great improvement in the last 10 years, but still the overall picture about CSR is inadequate. In order to be achieved major improvements, a greater commitment from the government is needed. Specifically, there is a general image that the government is still protecting the companies. It promotes certain measures in the Agenda, but they are not translated in the appropriate law. The analysis showed that the majority of the companies are only trying to meet the legal minimum, and only small part of them take more CSR actions, then what is required by law. Accordingly, the government must consider the option to slightly change the CSR policy, from voluntary regulation to moderate regulation of CSR. Indeed, excessive regulative is not desirable, but the government needs to create environment where the businesses will adopt CSR practices. That is needed, because North Macedonia is ex-communist country, where almost all policies were driven by the government. Therefore, companies are get used to accomplish what the government ask, and not to take their own initiative.

Another very important stakeholder is the consumers. Given the poor living standard in the country, the consumers do not put any attention on buying secure and healthy products. Although the awareness about the importance of corporate social responsibility has risen slightly among the consumers, still they are not ready to convert their care about CSR to actual willingness to open the wallet, when it comes to buying decision. This situation is discouraging companies from investments in CSR activities and producing healthier and more secure products, since their socially responsible behavior will not be rewarded on the market. It is expected that when the living standard improve, the customers will put more attention on buying secure and healthier products.

The media is also very silent in disclosing companies' socially irresponsible practices. Though, the violation of labor rights, corruption and problems with a rule of law are widespread in North Macedonia, due to the business-political relations between the media, companies and government, many scandals are not publicly presented on media. That cause very limited pressure from media on government and companies. Similar is with the NGOs. In contrast to the other neighboring countries (in some countries more than 50% of the UNGC members are NGOs), in North Macedonia only 1, out of 12 UNGC Macedonian members is NGO. That is very defeating, concerning the fact that in many countries NGOs are the major drivers of CSR activities and projects.

Generally, among the business sector MNCs in North Macedonia are leaders in promoting CSR activities and projects. They are pursuing their global CSR strategy and submit annual reports to their parent companies. Although they are triggers of CSR activities, it is hard to find information about these activities, since they do not publish local report, but their activities are part of the CSR reports on a group level.

The greatest improvement is achieved among the large companies, especially among the biggest ones. Some of them, like Komercijalna Banka AD, for instance, can be assessed as a very good, even in comparison with some of European companies. However, the overall situation is still poor and CSR practice lag behind the companies from other countries. It is expected that as Macedonian companies enter into European market, they will be forced to be more socially responsible, since EU Commission demands implementation of socially responsible behavior of one of the globally accepted system of CSR for all companies which will to work in the EU market.

The worse is the situation among the SMEs. Namely, except some "exceptions" SMEs commonly do not even know, what exactly CSR mean. The "exceptions" are SMEs which are exporters or SMEs that are suppliers of the MNCs, and which are obligated to comply with the code of supply chain of the MNC. For the rest of SMEs, according to this research the greatest disadvantage is the shortage of information about CSR. Majority of the SMEs have either never heard about CSR or have heard, but they do not know the complete meaning of the word. In a situation when the majority of the companies equalize CSR with sponsorship, donations and philanthropy, it is understandable that the greatest problem is shortage of information. Moreover, they generally perceived CSR as company's cost and they do not consider the opportunity that sometimes CSR can save money. Reducing packing materials, minimizing transportation costs and installing energy-efficient lighting are cutting more. Furthermore, worker who works in descent conditions can be much more productive and useful than the disappointed one.

Thus, it is crucial that the government takes many actions and organizes many informative campaigns in order to raise the overall awareness about the CSR concept. And the local government must be involved as well, in order to extend the coverage of the campaign and the information to reach greater audience.

It is very important for further development of CSR to introduce projects that stimulate CSR reporting. Public disclosure is among the best ways of promoting CSR, since it is a tool for tracking annual CSR activities and improvements. Furthermore, the judgment criterions must be developed, with an intention to assess CSR performances of each company. Besides, CSR database should be developed in order to know which enterprise and in what amount has supported CSR activities.

Finally, the companies must understand that CSR is not what they do with their money once they made them, but the important point is how they make their money.

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Corporate Social Responsibility in Poland

Economic and Political Context of Development of Corporate Social Responsibility in Poland

Anna Cierniak-Emerych, Ewa Mazur-Wierzbicka, and Magdalena Rojek-Nowosielska

Abstract The chapter *CSR in Poland* presents selected issues of corporate social responsibility which constitute the current field for discussion conducted by scientists and business entities.

The corporate social responsibility is a relatively new concept in Poland, only recently present in the public discourse. The chapter will outline the implementation of the CSR concept in Poland, which is influenced by the socio-economic situation, history, and the activity of social actors as well. There will be also described the foundations on which Polish CSR is basing. In this context it is important to mention about the entities and their activities which give the main tone to the development of CSR in Poland. The background for discussing the indicated issues will be the relationship between CSR and the category of company's stakeholders, including, in particular, the so-called internal stakeholders (managers, employees) and external stakeholders and their expectations related to the functioning of the enterprise.

The situation in Poland will be also presented in reference to the results of empirical own research carried out with the diagnostic survey method and using the questionnaire as a research tool. The survey was conducted in 2014, on a sample of 386 enterprises. Discussing the results of this research will have an introductory nature to this chapter—it will indicate what (according to the surveyed entrepreneurs) may be classified as responsible behavior in business. Referring to the results of the mentioned research, there will be also given the answers to the question whether the company, as an entity operating in a competitive market, should engage in meeting the needs and expectations reported by the company's stakeholders (even if the needs go beyond the basic area of the company).

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Considerations carried out in the chapter will allow to identify characteristic trends, challenges as well as threats and barriers for CSR in Poland.

1 Introduction

Those who believe that socially responsible activity in Poland was initiated after 1989 are wrong. It should be noted that already in the middle of the nineteenth century such practices were observed in the territory of today's Poland among entrepreneurs, which certainly demonstrate their social involvement as a manifestation of activities consistent with the CSR concept. One example is a well-known Polish capitalist and philanthropist Hipolit Cegielski (1813–1868), who was also a teacher, philologist, doctor of philosophy, publisher, social activist, and industrialist. Cegielski combined knowledge and great personal culture with humanistic and liberal ideals and a deep understanding of material matters and economic development of Polish lands, which were an important element of organic work supported and developed by him in Poznań (Janicki, 2019).

The post-war period (1945–1998) of the socialist economy significantly was characterized by neglecting all activities concerning the sphere of entrepreneurship and the development of private business practice in Poland. Activities that could be associated with social responsibility were severely marginalised. The situation began to change slowly from 1989. During the period of the transformation of the Polish economy, (1990s) one of the main problems to be solved was to restore confidence in entrepreneurs. Unfortunately, the Polish government's initiatives were mostly oriented towards the development of the economic sphere, leaving the entire social environment on the sidelines. This led, among other things, to an increase in unemployment rate, impoverishment of society, social stratification, while the lack of adequate legal regulations resulted in the emergence of many loopholes that were e.g. conducive to corruption. This translated into the perception of Polish entrepreneurs, often associated with dishonest practices. The direct consequence of these tendencies was the lack of trust in entrepreneurs. Restoring confidence in the private sector in Poland was a difficult and long-term process. A noticeable positive change in the approach to private entrepreneurs took place with the economic development (PARP, 2011). Poland's accession to the European Union was of great importance for the reinforcement of entrepreneurship and the improvement in social trust.

2 Pathways to Corporate Social Responsibility

According to Rok, there are three main ways that have led to the emergence and development of the concept of corporate social responsibility (2004). They can also be related to the development of CSR in Poland (Table 1).

Table 1 Pathways to the creation and development of CSR in Poland

Pathway to CSR	Characteristics	Polish reality
The concept of eco-development which provided the basis for the development of the concept of sustainable development in the 1980s	In the context of enterprises, their integrity with society and the environment was particularly emphasised, whereas economic development was started to be approached in a holistic way, i.e. apart from economic indicators, social and environmental factors were also taken into account.	After significant negligence in the area of environmental protection typical of the period of socialist system, the focus was placed on: *state level*: introduction of regulations concerning standards of immissions and emissions, environmental fees and taxes; *corporate level*: investments in the area of environmental protection; introduction of voluntary commitments (Responsible Care Program, Cleaner Production Program, ISO 14000 series of standards (in particular ISO 14001), EMAS); introduction of eco-innovations and eco-products.
Social pressure	Through e.g. environmental protection movements, consumer movements or movements to defend animal rights, society have expressed more and more objections to the companies' taking various measures only for financial profits; they postulated a change in such an approach used by companies as it was against the proper functioning of society.	During the transformation period, a low level of social capital (regardless of whether it is referred to social trust or social involvement) was observed, with a slightly upward tendency occurring with the increasing social and economic growth; lack of strong social movements, concentrating citizens' activity in areas important to them, forming solidarity and social activity, controlling the commercial sector and forcing its responsibility; consumers (mostly) with low environmental and social awareness, guided mainly by the price criteria when making purchasing decisions, which translated into e.g. sporadic consumer boycotts or other social actions.
Business self-regulation	In the case of enterprises, this mainly concerns taking actions by the establishment of a grassroot-level social movement in order to reduce fraud	Main activities undertaken by enterprises: charity, the tendency for transition from charity to sponsorship,

(continued)

Table 1 (continued)

Pathway to CSR	Characteristics	Polish reality
	and corruption in business towards transparency in running a business; it is also important to build good relations with customers and consumers and use good practices.	establishment of corporate foundations, Supporting employee volunteering, socially engaged marketing. The above activities were mainly limited to building positive relations mainly with the local community.

Source: elaborated based on: (Rok, 2004; Mazur-Wierzbicka, 2014, 2017a, 2017b; Jastrzębska, 2016)

Due to the above mentioned historical and cultural developments, it can be considered that CSR is a relatively new concept in Poland. This concept appeared in Poland when international corporations entered the Polish market. The corporations, operating based on specific norms and standards, implemented them in their branches in Poland, also in terms of socially responsible activities. Attention should also be paid to the phenomenon of double standards of social responsibility, observed especially among corporations (a discrepancy between what companies declare and what they actually do in terms of responsible business), or to the Polanyi's Paradox (1944) (how is it possible for the market to function effectively without the simultaneous disintegration of society), associated with the development of corporations on the global market (Durning and Ryan, 1997; Robbins, 2006).

It is also justified to indicate references to corporate social responsibility in legal acts. There is a direct reference in the Constitution of the Republic of Poland to the idea of corporate social responsibility. The Constitution of the Republic of Poland of 1997 does not contain provisions defining corporate social responsibility, but it provides norms which are a direct source of values for CSR, especially in the area of individual rights and freedoms (Chapter II of the Constitution contains a catalogue of freedoms, rights and duties of man and citizen, which is a source of responsibility of entrepreneurs also in the field of CSR) (Konstytucja, 1997). According to Article 30 of the Constitution of the Republic of Poland (where it is stated that "The inherent and inalienable dignity of the person shall constitute a source of freedoms and rights of persons and citizens. It shall be inviolable. The respect and protection thereof shall be the obligation of public authorities") and Article 31 of the Constitution of the Republic of Poland (which shows that freedom of the person is subject to legal protection and that everyone is obliged to respect the freedoms and rights of others and that no one must be compelled to do that which is not required by law) rights and freedoms of the person cannot be disregarded, undermined by individual entities as part of their activity. Article 32 of the Constitution indicates that everyone is equal before the law and everyone has the right to equal treatment by public authorities (Konstytucja, 1997), which is very important in the context of the idea of CSR in terms of conducting business activity and respecting human rights. Furthermore, attention should be drawn to Article 32(2), which states that no one should be discriminated against in political, social or economic life on any ground. The principle of equality contained in Article 32 of the Constitution of the Republic of Poland was further developed in Article 33, concerning the principle of equal treatment of women and men. There are also references in the Constitution of the Republic of Poland (especially in Chapter II) to labour relations and issues regulated by labour law (e.g. Article 24 (concerning the fact that work is protected by the Republic of Poland), Article 65 (including references to the protection of: the right to freedom of choice of work, profession and place of work, prohibition of employing children under 16 years of age, defines the functioning of the minimum salary and establishment of the state obligation to implement policies aimed at full and productive employment of citizens) (Borowicz, 2002) and Article 66 (contains regulations establishing the right to safe and healthy working conditions and the right to days off work and paid annual leave).

In addition to the provisions of the Constitution, there are a number of provisions concerning activities directly and indirectly related to CSR in other legal acts (e.g. Labour Law, Trade Union Act, Environmental Protection *Law*). However, it is important to be aware that corporate social responsibility should consist in the voluntary implementation of additional practices that go beyond the obligations arising directly from legislation.

Despite the fact that direct references to CSR are present in many legal acts, there is still no specific and practically implemented national action plan for business and human rights developed by the Polish authorities.

However, there have been some government initiatives oriented towards CSR issues. Thus, as part of the implementation of international standards for CSR in Poland, the Minister of Economy issued the ordinance of 9 July 2014 on the establishment of the Team for Corporate Social Responsibility, took the initiative to build a dialogue and exchange of experiences between public administration, business, social organizations and academic institutions in the field of corporate social responsibility (Zarządzenie, 2014). In 2016, the Team for Sustainable Development and Corporate Social Responsibility was established by the ordinance of the Minister of Development of 21 September 2016. As an auxiliary body of the Minister of Development and Finance, the team supports the Minister in actions for corporate social responsibility. To some extent, the work of the team represents a continuation of the work of the Team for CSR operating in the Ministry of Economy. The team for Sustainable Development and Corporate Social Responsibility had to face new challenges, including cooperation and dialogue with stakeholders (e.g. entrepreneurs, non-governmental organisations, trade unions, public institutions and civil society entities) in terms of activities undertaken for sustainable development and responsible business conduct. The Responsible Development Plan, the Responsible Development Strategy and the 2030 United Nations Agenda for Sustainable Development play an important role in this respect.

The development of CSR in Poland is supported by individual international and non-governmental organizations. Among international organisations, the particular place is occupied by e.g. the World Bank, UNDP, International Business Leaders Forum, and, among Polish NGOs: Academy for the Development of Philanthropy, Business Ethics Centre, Responsible Business Forum, Centrum CSR.PL, National Chamber of Commerce. It should be noted that the first organization that addressed the problems of responsible business in a comprehensive manner was the Responsible Business Forum (FOB—Forum Odpowiedzialnego Biznesu) established in 2000 on the initiative of economic, academic and non-governmental environments. Since then, the forum has constantly popularized knowledge about CSR, supported by the initiatives to promote CSR, good socially responsible practices and monitored the market by publishing the annual reports "Responsible Business in Poland. Good Practices" (in the report from 2017, there were descriptions of 1190 good practices: 639 new and 551 long-term[1] practices, that is, 39% and 32% more practices respectively than in the 2016 report) (FOB, 2017), conducted research projects, and organized numerous meetings with business representatives. Since 2002, the forum has been a national partner of CSR Europe—a network of organisations promoting the concept of responsible business in Europe. FOB operates in accordance with the adopted mission, which is to promote the idea of responsible business as a standard used in Poland in order to increase the competitiveness of enterprises, social satisfaction and improve the condition of the environment.

A significant role in the development of CSR in Poland can be attributed to the first stock exchange index in Central and Eastern Europe based on socially responsible companies—the RESPECT Index, which debuted on the Warsaw Stock Exchange on 19 November 2009. The aim of the index was to attract interest of listed companies in management based on the principles of corporate social responsibility as a tool that leads to an increase in the value and to promote the highest standards of management in public companies in economic, environmental and social aspects (Uchwała, 2009). The role of the index was mainly to emphasise the investment attractiveness of companies in terms of, inter alia, their reporting quality, level of investor relations, information governance, corporate governance, and high standards in the areas of the market and customers, management systems, environmental management, personnel policy and CR policy (Uwarunkowania. . ., 2012). The first RESPECT index consisted of 16 companies, whereas the twelfth (announced by the Warsaw Stock Exchange on 12 December 2018) contained already 31 companies. Since the first publication in 2009, the RESPECT Index increased its value by 70% (http://respectindex.pl/aktualnosci).

An important role in the Polish reality of CSR was played by the issue of reporting, especially since 1 January 2017, when a non-financial reporting obligation

[1]The analysis of the practices reported in the context of sustainable development goals shows that the most frequently mentioned goals were: Goal 4 (Ensure inclusive and equitable quality education and promote lifelong learning)—332 practices; Goal 3 (Ensure healthy lives and promote well-being for all at all ages)—224 practices; Goal 8 (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all)—136 practices; Goal 12 (Ensure sustainable consumption and production patterns)—102 practices. The fewest practices concerned Goal 14. Life below water (FOB, 2017).

was imposed on entities of public interest meeting the following requirements: firstly, the average annual employment per entity or a group must be at least 500 employees; secondly (financial condition), the total assets of the balance sheet must be above EUR 20 million or net revenues from the sale of goods and products above EUR 40 million. This is a consequence of the implementation of the non-financial disclosures: Directive 2014/95/EU, which aims to "increase transparency, materiality, consistency and comparability of non-financial disclosures", while it is intended to increase disclosure of information and non-financial data by some large entities in all European markets.

Despite the fact that the interest of Polish organizations in the concept of corporate social responsibility is growing, a number of shortcomings of Polish CSR can be indicated. These include an unsatisfactory number of organisations publishing CSR reports (although an upward tendency can be observed in this area). Another problem is the apparent lack of strong civil society organizations (resulting from a relatively low social and civil activity of Poles), which could competently and effectively monitor the activities of enterprises on the Polish market (cf: Polskie i szwedzkie. . ., 2011). Emphasis should also be paid to unsatisfactory awareness of corporate social responsibility of consumers, who to a large extent are guided by the price of a product or service when making purchasing decisions. The underdeveloped consumer movement in Poland does not exert enough pressure on enterprises to encourage socially responsible activities. The level of knowledge of entrepreneurs about CSR among entrepreneurs and the role that the CSR concept plays in modern business is also relatively low. The above deficits are mainly determined historically (the era of the Polish People's Republic, years 1952–1989), economically (in the face of the threat to the existence of a business entity, ethical issues are coming to the background of entrepreneurs' interest).

The major directions of activities that should be taken in order to disseminate CSR among Polish entrepreneurs and their stakeholders and to eliminate the identified deficiencies. According to Filek (1996) include:

- elimination of many barriers to CSR, such as: acceptance of petty fraud, bureaucracy and strengthening processes of law improvement and building a law-abiding society,
- changes in the law adapted to the needs of the developing economy, taking into account European CSR standards,
- education: economic, social, consumer, legal and CSR education,
- creation of incentives for Polish entrepreneurs that encourage the implementation of CSR principles,
- permanent presentation of good examples of the use of CSR together with a media campaign on the resulting economic and social benefits,
- inclusion of non-governmental organizations in CSR activities—development of participatory democracy.

In conclusion, when analysing the development of the CSR concept in Poland, it can be divided into several stages (Table 2).

Table 2 Stages in CSR development in Poland

Stage	Years	Characteristics
I	1997–2000	Complete lack of interest in the CSR concept.
II	2000–2002	CSR aroused reluctance, and sometimes even objections and aggression from the majority of business leaders or economic journalists, convinced that the free market is a cure for all problems.
III	2002–2004	Increased interest in, and even fashion for, public declarations of recognition of the role of ethics and social responsibility as the foundations of any self-respecting company.
IV	2004–2005	Development of concrete yet partial projects, covering selected, significant areas of company operations.
V	2006–2007	Trying to link CSR with other strategies implemented in the company: communication strategy, personnel strategy, marketing strategy, or, for example, corporate governance strategy. This stage was full of chaos and confusion, because various animosities occurred between different departments in companies, differences in organizational culture, or simply differences between sectors.
VI	2008–2010	Verification of the quality and effectiveness of CSR strategies already implemented by organisations.
VII	2010–2012	Inclusion of dialogue with stakeholders in the non-financial data reporting cycle.
VIII	2012–2014	Looking for new measures of activity effectiveness (e.g. LBG model for measuring social engagement) and increased interest in CSR in government administration.
IX	Since 2014	Combining CSR with social innovation and new phenomena in economics, e.g. sharing economy, collaborative economy, and social economy.
X	Since 2017	Non-financial reporting obligations for public-interest entities meeting specific requirements.

Source: elaborated based on: (Społeczna odpowiedzialność…, 2007; Panek-Owsiańska, 2016)

As far as the future of CSR in Poland and direction of its development are concerned, there are some global trends which will also affect Poland. The main ones include (FOB, 2015):

- development of social capital, in particular building social trust and strengthening cooperation (determinants: Vision 2050, Generation Y and Z management in the context of ethical business activities)—business involvement in social activities and its impact on the environment is of great importance for generation Y (The Deloitte Millennial Survey, 2017),
- increased importance of non-financial reporting (determinants: striving for greater transparency of companies' activities, enforced by e.g. consumers; development of integrated reporting, i.e. one that combines reporting on financial and non-financial issues; EU's non-financial disclosure directive, in force since 2017, imposing an obligation to report on a large group of companies),
- development of the concept of sustainable and intelligent cities (determinants: environmental, social, technical and organisational challenges due to observed

adverse trends, e.g. ageing population, growing social inequalities, inadequate urban infrastructure, or the displacement of greenery from urban space),

- increasing the importance of human rights, respect for them by the company in its daily business activity.

3 Stakeholders and Their Role in Shaping Corporate Social Responsibility

When considering corporate social responsibility in Poland, the reference to the definition of corporate social responsibility cannot be neglected. Various attempts have been done in the literature to define social responsibility. With reference to the CSR concept considered from the perspective of the Polish economic practice, and in particular to the results of empirical research presented in the further part of this study, it is worth referring here to the definition adopted by Sokołowska, who argues that: "social responsibility in a sense of the desired state or act means an economic, legal, ethical and philanthropic obligation of the company with respect to internal and external social groups (and individuals), it can be the subject of deliberate, rational and institutionalised action, which can become a source of a competitive advantage" (Sokołowska, 2013). The fact that this definition attaches particular importance to the impact of the company on groups and/or individuals leads to the conclusion that the essence of social responsibility is connected with specific obligations of the company towards a complex group of stakeholders.

The definition of CSR proposed by the European Commission has a similar meaning. It combines social responsibility with voluntary consideration of social and environmental issues by companies. It should be noted that this responsibility should make it possible to manage relations with the various stakeholder groups that have an impact on the functioning of the company (European Commission, 2001).

Nowadays, the view that companies must be aware that they operate in a specific environment characterized by their relations with *stakeholders* has become more and more established (Bielski, 2002). These relationships have an impact on the reputation of the company, its long-term results and ultimately on its position in the market (Mendel, 2001). Achieving the expected results of the company's activity—in the aspect of the company's activity oriented towards the implementation of the assumptions of social responsibility remains related to the implementation of individual expectations (interests) of individual stakeholders. Therefore, it is becoming important to ensure a comprehensive identification of the stakeholders, their role with respect to the enterprise, with particular focus on recognition of their expectations. Cannot forget the necessity of social reality, including the legitimacy of listening to the stakeholders, who are the most important to the enterprise (Crozier, 1993).

Obłój, defines stakeholders as institutions and organisations that meet the following conditions: they have their stake in the organization's operation (e.g. in decisions, in outcomes) and are also able to exert effective pressure on the organization. Furthermore, this author suggested that the analysis of stakeholders should concern in particular the power of pressure from stakeholders (authority), their legitimacy and the urgency of stakeholder demands (2007).

In the literature of the subject, stakeholders are classified according to various criteria. One of the most common divisions of company stakeholders enumerates external stakeholders *(outsiders*) and internal stakeholders *(insiders).* The company's environment contains outsiders i.e. customers, suppliers, partners, financial institutions, insurance firms, local governments and potential (for a specific organization) employees. Furthermore, the group of internal stakeholders most often includes business owners, hired managers of various levels and employees including specialists, executive level employees (Gableta and Cierniak-Emerych, 2008).

The division of stakeholders into outsiders and insiders refers to the classic approach to the company and its environment. It is also worth mentioning the categories followed by the author Paliwoda-Matiolańska (2009):

- consubstancial stakeholder, who co-create the enterprise through their work,
- contractual stakeholders, whose relationship with the enterprise is based on a formal contract,
- contextual stakeholders, who represent care for the common good, such as e.g. the environment, security, etc.

It is worth noting that contractual and contextual stakeholders are in fact stakeholders related to the company's environment. Furthermore, the group of consubstancial stakeholders is formed by insiders.

In practice, taking socially responsible actions in enterprises requires precise definition of persons and/or groups to which they are oriented, together with identification of their needs and expectations. Such a correct identification of stakeholders and their needs is conducive to the effective implementation of the goals set in relation to CSR.

In this context, it is increasingly often emphasized that decision-making in an enterprise, especially if it is "away" from those who are directly affected by its effects, does not fully meet the requirements of the contemporary market and customers, and, from the standpoint that we are interested in here, socially responsible activities. This puts emphasis on the legitimacy of seeing a special role of internal stakeholders in the company, especially employees. Satisfying the expectations of individuals employed in a given company should be treated not as a "costly duty", but as an important motivator conducive to, among other things, inspiring the trust of employees and, consequently, their identification with the organizational goals.

Observing business practice shows that the expectations of owners and top management are generally similar. They concern such problems as profit maximization, development of the enterprise, shaping its corporate image, but also the problems of providing the staff with a sense of employment security, or a satisfactory level of remuneration.

Against this background, it is worth noting the formulations presented in scientific publications, indicating that the scope of recognition and respect for the interests of employees is still insufficient under conditions of business activity in Poland. It is relatively often stated that although the employee interests are taken into consideration in practice, this is most often observed during conflicts or social unrest. It is only in such circumstances that employers become more aware of the links between recognising and respecting the interests of employees and achieving the company's objectives (cf. Gableta 2003, 2012; Towalski, 2001).

However, employees as stakeholders in the company hope that the company will respond positively to their expectations. With primary approach (*homo economicus*), these expectations concerned remuneration for work (cf. Wawrzyniak, 2002). At present, however, it is more and more often reported that employees expect the employers not only to fulfil their duties resulting from the formal employment contract, but also from the obligations concluded through the psychological contract (Bukowska, 2006). An employee starts cooperating with a given company usually rejects other job opportunities. Therefore, they expect not only a certain level of remuneration, but also, among other things, a sense of comfort at work and especially a sense of absence of danger to health and life at workplace, i.e. safe working conditions (Cierniak-Emerych, 2005).

At this point it is worth emphasizing that it is working conditions and the respective level of work safety in the company that are attached a specific importance in international norms and standards. On the one hand, they constitute guidelines for actions taken in order to make the concept of social responsibility a reality. On the other hand, this happens through the opportunities of using standards of normalization or reporting, which are a specific tool for evaluation of the implementation of this concept in the company. It is worth mentioning such documents as: SAI SA8000:2008 *Social Responsibility: Requirements*, as well as OHSAS 18001:2007 *Occupational health and safety management systems: Requirements*.

One of the most comprehensive documents referring to the concept of corporate social responsibility is the standard PN-ISO 26000:2012 *Guidelines for social responsibility*. PN-ISO 26000 is one of three documents recommended by the European Commission to European companies to implement social responsibility.

In PN-ISO 26000:2012, the attention is drawn to the fact that the CSR concept is a multifaceted problem. Therefore, among other things, the standard indicates its key areas. From the standpoint of promotion of safe and healthy working conditions, the area concerning the work practices should be considered especially important. This area includes employment and industrial relations, working conditions and social protection, social dialogue, health and safety at work and employee development and in-service training. Taking these elements into account in the process of managing the enterprise's labour potential favours the formation of working conditions that contributes to the implementation of the CSR concept in the enterprise (PN-ISO 26000:2012).

In view of the above, it seems reasonable to cite the results and empirical studies[2] indicating that one of the most important interests that employees want to pursue in the company is a sense of safety of working conditions, considered mainly in the context of occupational safety and health. The aim is to ensure safe and hygienic material working conditions, including physical, material, chemical and biological formation of the working environment in accordance with legal regulations. The aim is not to expose people's health and life to harmful effect in the working environment and to prevent and reduce the extent of such harmfulness. The latter should be associated, among other things, with the care of employers for the use of personal and collective protective equipment by their employees, such as helmets, safety glasses, etc. Furthermore, it is considered important to choose appropriate forms of organisation of working time, not exceeding the daily working time, etc.

The results of a survey conducted in Poland in 2014 by Universum among university students (Najlepsi pracodawcy…, 2014) are interesting from the standpoint of the interests related to ensuring the safety of working conditions considered in the present study. The number of university students surveyed was about 23.5 thousand people. More than 20 thousand of them indicated their dream employers. The 2014 Ideal Employer ranking was created based on these indications. The companies in which young Poles would like to work the most were presented. The results showed that: "For young Poles, the working conditions in the company are becoming more and more important". "Most probably this is the beginning of a long-term trend that has been observed for a long time in Western European countries. This is where employers offering a high culture and a friendly working environment win" (Najlepsi pracodawcy…, 2014).

On the other hand, the results of the survey conducted by Randstad Agency in 2014, also continued in the following years, indicated that over 8000 Polish women and men participating in the survey were convinced that the employers should first and foremost ensure a high level of salaries and employment security. However, respondents also increasingly stressed the need for guaranteeing decent working conditions in this context. This issue was associated by 80% of respondents with the notion of employer's honesty. In other words, the honest employer, and consequently the socially responsible employer, represents in the opinion of respondents a kind of a guarantor of safe working conditions and decent salary (Kto jest…, 2015).

The position of employees as stakeholders of the company used in the present discussion does not diminish the importance of the other stakeholders, both insiders

[2]The studies discussed concerned the interests of workers and the conditions under which they were respected in companies. The research was performed by the Department of Labour and Industrial Relations (currently the Department of Labour and Capital) of the Wrocław University of Economics in 2009–2018. In 2009–2011, the research was done using the financial resources funded within the research project of the Ministry of Science and Higher Education No. NN115 134,434. The results of the survey allowed for demonstrating the type and scope of interests reported by the employees. They also became the basis for considering the attitudes towards respecting them in the companies surveyed, located mainly in the Lower Silesia region (for more details see e.g. Gableta M 2012). The survey analysed more than 300 companies.

and outsiders. It should be noted that the interests of all stakeholders connected with the enterprise should be identified at the same time, and then attempts should be made to respect them. At the same time, it is important to conduct a dialogue with stakeholders focused on the most important issues from the point of view of social responsibility. This dialogue may take various forms, including meetings with stakeholders, stakeholder forums, etc.

Equally important as conducting a dialogue is building relations with stakeholders through the use of communication tools, conducting consultations with stakeholders and establishing forms of partnership with them. As already stressed above, in order to make it possible, it is necessary to become convinced about about the legitimacy and even the necessity of recognizing and respecting the expectations of stakeholders.

4 Enterprise as an Entity Meeting the Needs and Expectations of Stakeholders in the Light of the Results of Empirical Research: CSR Perspective

4.1 Research Methodology

The aim of the empirical considerations presented in this part was to answer the question whether the company, as an entity operating in a competitive market, should be involved in meeting the needs and expectations reported by the company's stakeholders (even if the needs are beyond the core area of the company's activity).

In order to obtain an answer to such a question, a research tool was developed, with the structure referring to Kohlberg's stages of moral development (Kohlberg, 1973). The intention behind the reference to Kohlberg was the fact of obtaining additional information (other than merely yes/no answers). According to the Kohlberg's approach, people categorized into the lowest stage (pre-conventional) motivate their behaviour with a desire to avoid punishment or to receive a prize. Values, behavioural patterns, ideals or an ordinary conformist attitude do not matter in this case. Such an attitude is classified as the second stage of moral development (conventional). Persons who can qualify for this stage can be described as those who are willing to be socially accepted and abiding by the existing rules and laws. The highest stage of moral development (post-conventional) is observed in people who are guided by internalized norms and values in their behaviour. These are people who are internally convinced of the rightness of the decisions made. The possible punishment or reward and opinions of others (including the negative ones) do not matter to them. They act in a certain way because that is what the internal system of values dictates them to do (see more: Rojek-Nowosielska, 2014).

By reference to Kohlberg's levels of human moral development, the research tool was developed in such a way that the basic answers "yes" or "no" were additionally

Table 3 Possible responses and their reference to Kohlberg's levels of moral development

Possible answers	Level in Kohlberg's model
No, it is not necessary to be involved	Pre-conventional
Yes, because it can improve the corporate image	Conventional
Yes, being an honest citizen/business entity one has to help others	Post-conventional

Table 4 Structure of the research sample in terms of the level of employment

Level of employment	Absolute values	Relative values (%)
Up to 9 people	226	54.1
10 to 49 people	74	17.7
50 to 249 people	60	14.4
Over 250 people	58	13.9
Total	418	100.0

accompanied by a commentary which indicated the intentions and allowed for explaining the reasons for the respondent's choice of a given answer (Table 3).

In addition, respondents had the opportunity to indicate the answer, which provided information about the inability to take a position on such a question and ticking: "I have no opinion". The study employed a diagnostic survey method using a questionnaire as a research tool. The survey was conducted online. With a database of companies with 38,390 records, an invitation to participate in the survey was sent to the companies. The most of the responses were given in 2014. Due to the fact that access to the tool was permanent (through information on the website), entities wishing to participate in the survey were able to fill in the questionnaire form at any time and provide answers to the questions asked. Therefore (without specifically sending invitations to participate in the survey), additional responses were received from 32 companies by the end of 2017.

4.2 Characterization of the Respondents

The survey examined 418 entities operating in Poland. Micro-enterprises constituted the largest number, i.e. over 54% of the respondents (Table 4), followed by a dozen or so percent of small, medium-sized and large enterprises (employing more than 250 employees).

Taking into account the form of ownership of the entities participating in the survey, enterprises from the private sector were in the substantial majority (almost 89% of respondents) (Table 5). A few percent of entities from the public and mixed sector (both public and private) were also found in the research sample.

Respondents participating in the survey were also diversified with regard to the origin of capital (Table 6). The biggest group was the entities with only domestic capital origin (343 companies, which accounts for slightly more than 82% of the

Table 5 Structure of the research sample in terms of the form of ownership

Form of ownership	Absolute values	Relative values (%)
Mixed, with advantage of private ownership	12	2.9
Mixed, with advantage of public ownership	7	1.7
Private sector	371	88.8
Public sector	28	6.7
Total	418	100.0

Table 6 Structure of the research sample in terms of the origin of capital

Origin of capital	Absolute values	Relative values (%)
Mixed	45	10.7
Only national	343	82.1
Only foreign	30	7.2
Total	418	100.0

Table 7 Structure of the research sample in terms of the year of establishing the enterprise

Year of establishing	Absolute values	Relative values (%)
Before 1989	54	12.9
After 1989	355	85.0
No information	9	2.1
Total	418	100.0

research sample). The smallest group was respondents with only foreign capital origin (7.2%).

When conducting research on the Polish market, it is worth analysing the year of establishing the enterprises, especially in the context of the systemic transformation that took place in 1989. The social, political and economic changes that were observed at that time undoubtedly had an effect on business entities' functioning at that time.

The vast majority were enterprises established after the transformation, i.e. after 1989 (Table 7). They accounted for 85% of the respondents. Several entities refused to indicate the year of establishment of the enterprise. Therefore, the data shown in Table 5 contains the item "no information" (this situation concerns 9 enterprises, which in the overall sample represent slightly more than 2.1% of the respondents).

4.3 *Discussion of the Results*

When dividing the enterprises surveyed by the number of employees, an interesting variation in the answers can be observed (Table 8). The highest percentage of indications (67.2% in a given category) came from large enterprises employing more than 250 employees. In their opinion, the company should be involved in meeting the needs and expectations of stakeholders. At the same time, it is worth

Table 8 Structure of responses to the research question according to the number of employees (the question was: whether the company, as an entity operating in a competitive market, should be involved in meeting the needs and expectations reported by the company's stakeholders (even if the needs are beyond the core area of the company's activity)

	I have no opinion		No, it is not necessary to be involved		Yes, because it can improve the corporate image		Yes, being an honest entity one has to help others		Total	
Employment	Absolute values	Relative values	Absolute values	Relative values	Absolute values	Relative values	Absolute values	Relative values	Absolute values	Relative values
Up to 9 people	6	2.7%	14	6.2%	115	50.9%	91	**40.3%**	226	100.0%
10 to 49 people	2	2.7%	4	5.4%	43	58.1%	25	33.8%	74	100.0%
50 to 249 people	4	6.7%	4	6.7%	29	48.3%	23	38.3%	60	100.0%
Over 250 people		0.0%	2	3.4%	39	**67.2%**	17	29.3%	58	100.0%

noting that the motivation for such opinion (according to the answers) is not to discourage stakeholders and to preserve or improve the current corporate image. Such an answer was characteristic for all the entities in this category, regardless of the number of employees.

It is also worth noting the structure of respondents' answers, who are characterized by traits attributed to the highest level of morality according to Kohlberg. The largest number of indications in this category of answers was found for micro-enterprises (40.3% of respondents). This can be explained by the widespread belief that the social responsibility of micro-enterprises often results from an internal conviction that such activities should be taken. These initiatives are not forced by formal procedures (because usually they simply do not exist in such entities) and result from the internal needs of specific people.

In the case of the form of ownership in the enterprises surveyed, the most frequent indication was the opinion that it is necessary to get involved in meeting the needs and expectations reported by the stakeholders, resulting from the desire to maintain a good corporate image of a given entity (Table 9). Nearly 68% of the respondents from the public sector chose this answer.

Furthermore, it is worth noting the respondents with the mixed (with a predominance of private ownership) form of ownership. Among these entities, the dominant answer was the necessity for engaging in meeting the needs and expectations of the stakeholders, but motivated by honesty in everyday business operations. However, the percentage of this category of respondents is not high in the general research sample. Therefore it is difficult to explain the reasons for such a result, but this result may be an interesting guideline for setting the objectives for further research in the field of corporate social responsibility.

The results concerning the origin of capital allow for observation of another correlation: the highest number of indications among the respondents was recorded for the answer that suggested the necessity of engagement in meeting the needs and expectations of company's stakeholders (even if the needs go beyond the core activities of the company) but motivated by the corporate image (Table 10).

Furthermore, the largest number of these answers comes from enterprises with only foreign capital (66.7% of responses) and with a mixed source of capital (57.8% of responses). This would suggest an opportunity to explain such a picture of reality that there is an effect of foreign entities on the views of the necessity of engaging in social initiatives undertaken by enterprises, even if they go beyond the core activities of the company.

The last category taken into account in the analysis is the year in which the company was established (Table 11).

The obtained data show that both enterprises established before and after 1989, in the vast majority (55.6% and 53.7% of indications, respectively), supported the necessity for the involvement in meeting the needs and expectations of company's stakeholders (even if the needs go beyond the company's core business) and indicated the motivation to adapt to social expectations or else it could affect their corporate image.

Table 9 Structure of responses to the research question according to the form of ownership

Form of ownership	I have no opinion		No, it is not necessary to be involved		Yes, because it can improve the corporate image		Yes, being an honest entity one has to help others		Total	
	Absolute values	Relative values	Absolute values	Relative values	Absolute values	Relative values	Absolute values	Relative values	Absolute values	Relative values
Mixed, with advantage of private ownership		0.0%		0.0%	5	41.7%	7	**58.3%**	12	100.0%
Mixed, with advantage of public ownership		0.0%		0.0%	4	57.1%	3	42.9%	7	100.0%
Private sector	11	3.0%	22	5.9%	198	53.4%	140	37.7%	371	100.0%
Public sector	1	3.6%	2	7.1%	19	**67.9%**	6	21.4%	28	100.0%

Table 10 Structure of responses to the research question according to the origin of capital

	I have no opinion		No, it is not necessary to be involved		Yes, because it can improve the corporate image		Yes, being an honest entity one has to help others		Total	
Origin of capital	Absolute values	Relative values	Absolute values	Relative values	Absolute values	Relative values	Absolute values	Relative values	Absolute values	Relative values
Mixed	2	4.4%	4	8.9%	26	**57.8%**	13	28.9%	45	100.0%
Only national	9	2.6%	17	5.0%	180	52.5%	137	39.9%	343	100.0%
Only foreign	1	3.3%	3	10.0%	20	**66.7%**	6	20.0%	30	100.0%

Table 11 Structure of responses to the research question according to the year of establishing the enterprise

Year of establishing	I have no opinion		No, it is not necessary to be involved		Yes, because it can improve the corporate image		Yes, being an honest entity one has to help others		Total	
	Absolute values	Relative values	Absolute values	Relative values	Absolute values	Relative values	Absolute values	Relative values	Absolute values	Relative values
Before 1989	2	3.7%	2	3.7%	30	55.6%	20	37.0%	54	100.0%
After 1989	9	2.5%	22	6.2%	191	53.8%	133	37.5%	355	100.0%
No information	1	11.1%	0	0%	5	55.6%	3	33.3%	9	100.0%

5 Conclusion

The analysis of the empirical study results shows that in each separate category, the dominant answer is the desire to preserve the existing or improve the already developed image. Such responses dominate among entities distinguished by the number of employees, as well as by the form of ownership, the origin of capital and the year of establishing the enterprise. Having such results of empirical research and referring to the Kohlberg's stages of moral development, it can be made an attempt to state that the dominant motive when making various decisions in an enterprise is the desire to "fit in" the conformist trend of views in a given society. This is a safe approach because the risk of "exposure" is low. In other words, an entity operating in a competitive market, if it engages in pro-social activities, which do not result directly from the basic area of enterprise's activity, it sees the possibility of an advantage, even image-related. The conventional level achieved is a good starting point to intensify further efforts of all entities—participants of socio-economic life, aiming at shaping conscious communities not only within the issues of corporate social responsibility.

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Corporate Social Responsibility in Romania

CSR in Romania: Evolution, Regulations, Practices and Reporting

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Abstract The topic of the social responsibility has a long footing in different societies around the world, and also in the Romanian society, especially in the last 10 years. Indubitably the transition to a decentralized economy started in 1990 and the accession as an EU member state in 2007 change a lot the Romanian society, business environment and corporate governance culture. Thus, corporate social responsibility (CSR) has increased and it is nowadays an item to take into consideration on the corporate agenda in Romania. This chapter describes how CSR evolved in an emerging economy as Romania and what specificities presents in this sort of environment. It all begins with the emerge of CSR in Romanian after 1990, then the national regulations concerning CSR are analyzed, followed by the status of CSR practices and reporting especially in the case of listed companies. However, in the last decade the practices on corporate responsibilities have improved in Romania along with the markets' evolution, with the market's demands and the change in costumers' behavior.

1 Introduction

Corporate Social Responsibility (CSR) is one of the crucial components for the sustainable development of an entity, including issues like ethics, business responsibility, and the relationship with employees, customers, shareholders, suppliers and local communities, as well as in terms of a positive financial result long. More concisely, "corporate social responsibility is a concept whereby companies integrate social and environmental concerns in their business operations and their interaction with their stakeholder voluntarily" (Commission of the European Communities,

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2001, p. 6). Socially responsible manner behaviour is increasingly seen as essential to the long term survival of companies (Adams & Zutshi, 2005).

CSR is often regarded as referring to the CSR activities and CSR reporting. The CSR activities refer to actions, plans, projects developed by the entity. The entities communicate their activities to the third parties in their annual reports, or separate CSR reports mandatory or voluntary depending on the jurisdiction legislation. Both CSR's components are related but in the same time are functioning independently, CSR activities without being reported are not known, and even if a company want to produce a CSR report, without activities is content-less.

Governments worldwide are increasingly demanding companies to report, and seven countries have already introduced laws requesting mandatory CSR reporting (Norway, Denmark, France, Netherlands, Sweden, Australia and India).

In the European context, long before the commencement of the Directive 2014/95/EU corporate sustainability reporting has always been considered a voluntary act. Entities voluntarily developed different reports concerning these issues following or not a specific framework to disclose environmental and social information. The most widely used standard is the GRI (Global Reporting Initiative). It proved very useful to organise CSR data and thus it is used by a considerable number of the reporting companies worldwide. Other frameworks used include AccountAbility's AA 1000 Standards, ISO 26000 and the policy initiative recommended by the United Nations Global Compact. CSR reporting is considered "The process of providing information designed to discharge social accountability" (GRI, 2011).

CSR reporting is about to gain momentum in the EU, especially after the introduction of the Directive 2014/95/EU. It lays down rules for large companies to disclose specific information on social and environmental impacts of their operations. The Directive, which has been ongoing implemented into national laws by its member states, becomes active from 2017 onward in the case of Romania. Before and moreover after the Directive 2014/95/EU issuance, conceptual and empirical research on the emerging CSR reporting practices has received growing attention from researchers, practitioners, and policymakers across various disciplines.

One may consider that the development of the concept of CSR could be associated with the evolution process of the society, which is requiring more transparency increasingly from entities and additional corporate responsibility for their activities. Reporting non-financial indicators, represent the first step towards companies' transparency (Crisan-Mitra & Borza, 2015).

In this vein, CSR is a new and challenging concept for a post-command economy. During the first decade of Romania (after 1990), the market economy starts, the strongly under-capitalised Romanian citizens and economic actors seek to maximise their immediate incomes and tend to neglect the long-term perspectives, but, a learning process was initiated and fostered by various actors (Korka, 2005). In this context, the research analyses the status of CSR practices in Romania from different angles: emerging of CSR in Romania, actors involved in regulation, implementation and promotion of CSR and some of the best practices of companies.

Our study identifies the main characteristics of CSR in an emerging economy where companies often make very little voluntary disclosures (Belal & Cooper, 2011).

2 Emerging of CSR in Romania

In Romania, the concept of CSR emerged only after the 1990s with the advent of several NGOs, particularly humanitarian ones, founded with the support of international public or private institutions (Stancu, 2012). An infusion of CSR culture was promoted as a means for the reconciliation of economic, employment, social and environmental interests (Korka, 2005).

The CSR related debates started to be promoted in companies and educational institutions, but also the civil society and the media. For example, Open Society Foundation together with the "Capital" weekly magazine actions with an aim to awake and make effective the interest of consumers and of investors for their capacity to influence in a decisive way the general improvement of the social and environmental background of the community and to the strengthening of social cohesion and community awareness and responsibility (Korka, 2005).

This phenomenon was followed in 2000 by major reforms as part of the preparation for the EU accession, reforms that influenced the involvement of small and large companies in CSR activities which consisted largely in improvement or replacement of production technologies with more "friendly" environment, and social measures that targeted the employees or the company (Zapciu, 2015). In order to respond to the need for convergence across Europe, the "acquis communautaire" related to CSR has to be as soon as possible, internalised effectively. That means to adopt similar regulations, and tax incentives as EU member states have, measures that stimulate and encourage companies to formulate and implement their socially and environmentally responsible policies (eventually to assist them in the design of the first attempts to introduce CSR in their current business administration).

One of the first initiative, belonging to USAID back in 2002, support a CSR project in Romania aiming at clarifying the concept for local managers and at assisting them to implement first attempts of CSR in their business plans. In this respect, World Learning Inc. PTP Romania has been involved as a consultancy agency, and the Chamber of Commerce and Industry was chosen as an appropriate local partner, as it has a nation-wide coverage. Five MNCs operating in Romania have presented their CSR experience with local communities: McDonald's, Kraft Foods Romania, Procter & Gamble, Cisco Systems and Eli Lilly (Korka, 2005).

Another initiative is CSR Romania (www.csr-Romania.ro), initiated in 2006 by the Romanian foundation Forum for International Communications. The Forum was among the first non-governmental organisations in Romania to provide in-depth focus on the concept of corporate social responsibility by establishing a dedicated platform called CSR Romania with the aim to offer Romanian companies space to exchange knowledge and learn about CSR, to mainstream CSR in business and to strengthen the stakeholder dialogue.

The implementation of responsible practices has become stronger after the EU accession and was driven mainly by the involvement of multinational companies that have transferred their practices and organisational culture from the headquarters to a local level (Băleanu, Chelcea, & Stancu, 2011; Dura & Drigă, 2017). Multinational corporations that entered the Romanian market and currently operate successfully their local or sub-regional businesses have a critical mission in demonstrating their interest and availability for the host community concerns and needs. Big multinational companies with establishments in Romania, including Unilever, Coca-Cola, Lafarge, Raiffeisen Bank, Holcim and Philip Morris, Carpatcement, P&G, Zentiva, Orange, Vodafone, and Petrom OMV have introduced CSR to the country. Among the first companies that published CSR reports in Romania were: Petrom OMV, GSK, Raiffeisen Bank, Ursus Breweries, Heineken, Auchan and Siveco which proves that large companies start to pay more and more attention to Romanian stakeholders.

Besides the transfer of knowledge and best practices in the country, a different kind of companies and "responsible industries" was developed after the European integration—the companies whose business objective itself is "to be responsible". These companies are engaging in activities which by their nature bring benefits to the environment and communities, and their "responsibility" comes as an indirect result of the goods and services they produce/provide. The most relevant examples in Romania include the renewable energy industries and waste management, rural tourism or eco-tourism, and marketing of organic or ecological products.

The responsible corporate behaviour was evaluated initially in Romania based on commercial image and reputation considerations of and not in terms of sustainable development and the needs of stakeholders. In the last years, an increase was noted in the implementation of the second approach, the responsible practices being increasingly associated with long-term success, directly proportional to the community development, the environment and welfare practices and the relations in their sphere of influence.

Still is still very much in development as a business strategy in Romania. It is primarily an international business that has embedded the principles of CSR so firmly in its business operations. Nevertheless, concepts such as fair pricing, good working conditions and social commitments are increasingly becoming elements of the business practices of local enterprises.

3 Status of National Regulations Concerning CSR in Romania

Romania is a member of the International Labour Organization (ILO) and has ratified the most recent ILO conventions concerning child labour, trade union rights and forced labour and was the first European country to ratify the Kyoto Protocol at the United Nations Framework Convention on Climate Change (UN FCCC). Although Romania is not a member of the Organisation for Economic Co-operation and Development (OECD), it does subscribe to its guidelines.

After Romania's integration into the European Union, significant improvements were made to the normative acts concerning the protection of the environment, the health and safety of employees, the social inclusion of people with disabilities, voluntary work and civil protection, and transparency and anti-corruption (Săvoiu et al., 2010).

Public authorities have taken a series of efforts towards increasing the awareness of CSR in Romania, particularly after the elaboration and the dissemination of a National Strategy to Promote Social Responsibility in Romania 2011–2016 (Romanian Government, 2011). There were developed, in this context, many important initiatives and events in the Romanian business environment: seminars, conferences, studies. Also, there were designed websites devoted to one or more specific CSR issues: the prevention and reduction of pollution of the environment, equal opportunities for men and women and the elimination of discrimination at work, the promotion of road safety, emerging organic market development, encouraging research, art, culture or sport. With regards to the actual involvement in CSR-type initiatives, the number of projects involving institutions increased.

The Ministry of Environment is a specific authority of the central public administration, with juridical rights, in direct subordination of the Government, with the mandate to elaborate the Government strategy for environmental protection and water management and to coordinate its implementation on the national level, in order to ensure sustainable development. Romania being concerned for environmental protection through the prevention, limitation and elimination of some effects that have a negative impact on the environment, established in 2001, also an Environmental Guard, responsible for monitoring the environment, the prevention and the banning of contraventions.

In the same vein, it was encouraged the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS). The Ministry has organised several events that focused on the training of the institutions involved in applying the provisions of the EMAS Regulation, "facilitating access to information on the main components and objectives of EMAS and the advantages of the EMAS registration which lead to environmental and business performance".

A significant aspect is that Romania endeavoured to finalise its own revised National Sustainable Development Strategy and present it to the European Commission before the end of 2008. Implementing the National Sustainable Development Strategy has become a priority for policy action in the Government Programme.

Another important step ahead for CSR evolution in Romania was the issuance of the National Strategy to Promote Social Responsibility for the period 2011–2016 emphasising the priorities, objectives and main directions for implementation and including SWOT analysis of Romanian CSR. The significant strengths mentioned are: the increasing interest of society/community towards CSR, the relative novelty of CSR concept for the Romanian Public, the involvement of MNCs and (some) of the large Romanian companies in CSR programs/initiatives and the continuous increase of CSR initiatives and the gradual implementation of the best practices in this field at national level, the growing number of consumers choosing products/ services provided by social responsible companies. As weakness is considered the follows: CSR is little understood within the Romanian society, the insufficient development of a domestic business culture based on moral values (also influenced by the high corruption level), superficial involvement in CSR activities; the leading causes of social problems are ignored and therefore not adequately addressed, socially responsible investments and acquisitions are poorly put in practices, the stakeholders exhibit an insufficient capacity to direct/guide the CSR programs to work in their best interest, the relative absence of extensive studies, research, and sociological assessments on the level of understanding of CSR and the application of CSR programs in Romania. Opportunities are the follows: the importance attached to CSR at European Union and international level, the opportunities to learn and adapt the best practices and the experiences of developed countries in CSR field, development opportunities and competitive advantages for Romanian companies (mainly SMEs) on European and/or international markets, the financing resources offered by the European Union for CSR initiatives or for initiatives including a CSR component, the positive public attitude towards the companies involved in the community/society. Threats presented are the absence of coherent public policies to promote CSR, a weak and incoherent legal framework, problems in applying the existing regulations, insufficient support and involvement of public authorities in promoting and applying CSR (including the lack of budgetary funds allocated toward this goal).

Reporting the responsibility practices has become increasingly important for companies, and starting with 2014/95/EU Directive on the obligation of big companies to annually report a series of non-financial information and information on diversity, for EU companies with more than 500 employees becomes mandatory. This Directive supports corporate reporting as a means towards better integration of sustainability within business models. The EU Member States were required to transpose the directive into their national law by 6 December 2016, thus requiring big complying with the Directive's provisions starting with the financial year of 2017.

The European Directive is now transposed in Romanian legislation which provides companies with a more stable framework for transparency. The Order No. 1.938/2016 present precisely in the same manner as is presented in the EU Directive the following elements: reporting framework, disclosure format, safe harbour principle, diversity reporting required and adapted the following elements:

definition of a significant undertaking and of public interest entity, report topics and content, auditor's involvement, and noncompliance penalties.

In public interest entities are included: listed companies, credit institutions, insurance and reinsurance undertakings, non-bank financial institutions, payment institutions and e-money institutions, privately managed pension funds, financial investment services companies, national/state owned/companies, companies with full or majority state capital, self-managed public company.

The report must include the follows features: environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters. The Romanian regulation makes additional mentions of specific topics for each matter in paragraph 492 (6) (7):

(6) The non-financial statement shall contain, about environmental matters, details of the current and foreseeable impact of the entity's operations on the environment and, where appropriate, on health and safety, the use of renewable and non-renewable energy, greenhouse effect, water use and air pollution. As regards social and personal aspects, the information provided in the non-financial declaration may refer to actions taken to ensure the following: gender equality, the implementation of the ILO's core conventions, working conditions, social dialogue, respect for workers' rights to be informed and consulted, respect for trade union rights, health and safety at work, dialogue with local communities and/or actions taken to ensure the protection and development of these communities. Concerning human rights, the fight against corruption and bribery, the non-financial declaration may include information on the prevention of human rights abuses and on instruments put in place to combat corruption and bribery.

(7) The non-financial statement also includes the consequences on the climate change that the entity has and the use of the goods and services it produces, as well as its commitments to sustainable development, the fight against food waste and the fight against discrimination and the promotion of diversity.

According to the EU Directive, the report shall contain a description of the undertaking's business model, company policies relating to nonfinancial matters, and the outcomes of those policies, principal risks related to nonfinancial matters and business activities, any non-financial KPIs which are used. This information shall be presented in the administrator report, or a separate report published alongside the administrative report or within six months of the balance sheet date, made available on the undertaking's website and referenced in the directors' report. The report may rely upon an international, EU-based or national reporting framework.

Additional aspects included refers to: comply and explain the principle, safe harbour principle, diversity statement, auditor's involvement: the presence of statement and consistency check of disclosures as part of the review of the management report and fines specified in the Accounting Law no.82/1991.

Starting with 2019, for all entities with more than 500 employees the nonfinancial statement will become mandatory (OMFP 3456/2018).

The legal reporting requirement will certainly influence companies to become more active in CSR activities and set their strategies and directions. With the market growing steadily from 1 year to another, the Romanian CSR scene is becoming more mature as companies look for long-term interventions rather than quick-fix actions (BR, 2016). “Still many of them have not identified their stakeholders in order to develop an effective and reliable CSR strategy which takes into account the stakeholders’ expectations. In many companies’ views, CSR is only about charity and sponsorship. However, a positive development is that we have seen an increasing willingness in recent years for businesses to be involved in community life,” says Diaconu, director environmental services at KPMG Romania (BR, 2016).

During the whole period, from the introduction of CSR concept in Romania till now, many NGO was involved in promoting and sustaining CSR culture and challenging companies to become more socially responsible and awarding and recognising their activities. For example, the specific CSR Romanian site Social Responsibility (www.responsabilitatesociala.ro) presents annuals top companies with CSR activities’. Also, companies providing services in this area developed dedicated websites. Concerning the website promoting CSR, there are two dedicated websites: www.responsabilitatesociala.ro since 2006 and www.csrromania.ro affiliate of CSR Europe since November 2011. Others websites, blogs and database that includes information regarding CSR in Romania are Responsabilitate—Sociala.org, CSRMedia, Acționăm Responsabil.ro, and ŞtiriONG (www.csrmedia.ro, www.actionamresponsabil.ro, and www.stiriong.ro). The website www.responsabilitatesociala.com extensively presents suitable practice examples of multinational companies that conduct businesses in Romania and are socially responsible. CSR Romania (2010) developed a portal presenting and advertising very well the experience of Romanian and international organisations in this area. Such companies in our country have initiated several projects and initiatives.

4 Status of CSR in Romania

The analyse of the CSR’s status refers to their role in economy, companies’ practices concerning their activities and reporting, CSR perception, is based on a desk research of (a) studies conducted by different professional organisations, CSR promoters organisations and academia, (b) specialised CSR websites and (c) companies CSR practices displayed on their websites.

4.1 CSR Role in the Economy

CSR is considered as an appropriate tool for enhanced competitiveness of Romanian and foreign capital companies in the domestic market (Băleanu et al., 2011), but also as a means to improve community responsibility and availability of the locally operating MNCs and for all large, medium and small sized enterprises with public or private capital (Korka, 2005).

Analysing the top 100 Romanian companies, ranked according to indicators such as market capitalization (if the company is listed on the stock exchange), financial performance in recent years, value of transactions conducted on the market, and level of debt and market shares, Băleanu et al. (2011) analyze the degree of the most valuable Romanian companies practice CSR and its beneficiaries and describes the main areas of action and specific instruments of intervention. The results outline the fact that firms engage in CSR activities to a relatively great extent (49% of the companies). They adopt a vision of CSR exclusively centred on the firm and the competitive advantages that derive from CSR activity. Companies prefer inexpensive intervention instruments and prove weak coordination with other social and political actors (Crisan-Mitra & Borza, 2015).

Moreover, by empirically analysing a large sample of 160 companies acting on the Romanian market, Iamandi (2012) emphasises the clear connection between corporate CSR communication and involvement in social initiatives, taking into account five central CSR communication-related issues: CSR site, CSR report, CSR listing, CSR budget and CSR survey. The results highlight both the declarative/prescriptive and practical/descriptive perspectives of CSR communication in Romania, showing that the Romanian CSR market is reaching its full maturity. In more specific terms, the majority of the investigated companies are already using different types of CSR participation, marking the transition from CSR just for commercial purposes to CSR for long- term strategic use.

Another issue related to CSR role in the economy refers to the CSR impact on the different profession. For example, Albu, Albu, Girbina, and Sandu (2011) analyse the role of accountants within the CSR, with an emphasis on the Romanian case. Via literature review and job-offer analysis, they investigate the existence of CSR practices in Romania and its implications on the accounting profession. Findings reveal that such practices are developed to an incipient but increasing extent in Romania. Romanian accountants are increasingly called to transpose the general framework of CSR, which is legal compliance, communication with stakeholders and performance measurement, thus leading to an increase in the importance of the accounting function in an organisation.

CSR education in universities plays a vital role in developing a CSR culture at the national level and preparing the students for market needs. By a comparative study, Grabara, Dura, and Drigă (2016) explored the issue of CSR education within Romanian and Polish context and noticed a lack of research on the effectiveness of CSR courses in Romania as well as in Poland. Further on, their empirical study reveals the main factors that determine the level of CSR awareness among Bachelor graduates from a Romanian university. However, the subject of CSR within Romanian universities is under-researched. Only a few papers addressed the issue in recent years (Anca, Aston, Stanciu, & Rusu, 2011; Burcea & Marinescu, 2011; Dima, Vasilache, Ghinea, & Agoston, 2013; Dumitrașcu, Feleagă, & Feleagă, 2014) and their conclusions seem to acknowledge the idea that academic institutions have not fully assumed their role in the development and support of CSR concept and practices in Romania. The most plausible motivation behind the phenomenon consists in the fact that the Romanian higher education system is still lethargic and inflexible, imposing many restrictions to initiatives aiming at curricula modification (Dima et al., 2013). However, distinguishing components of the topics (such as business ethics, quality management, occupational safety and health) represent critical ingredients of the curricula for many Bachelor and Master programs, founded most often in the field of Business, Social Sciences and Engineering (Anca et al., 2011).

4.2 CSR Practices

In Romania CSR practice we can find all the six distinct forms of CSR (Bibu, Năstase, & Gligor, 2010): (1) corporate promoting of social causes, in which the company provides financial resources and other support, fundraising and volunteering to focus upon social issues; (2) marketing associated with social causes, in which the company donates a certain percentage of the income from a given period in favour of supporting social causes; (3) corporate social marketing, through which the company supports the efforts to change the social behaviour oriented towards health improvement and/or public safety, protecting the environment or the welfare of the community; (4) corporate philanthropy, through which a company directly supports a social cause or a charity action in the form of material or financial donations, granting scholarships, facilities or services of various categories; (5) community volunteering, in which a company stimulates its employees and business partners to become involved in social projects to support the community, an NGO or a cause; and (6) socially responsible corporate practices, which involve a strategic approach to CSR issues through the commitment of the company to voluntarily improve its methods of doing business in such a manner as to lead to sustainable development of the community and to contributions that increase the quality of life. Relevant case studies presented on the online platform ResponsabilitateSociala.ro demonstrate that there are sufficient examples within the MNCs of Romania for each type of CSR approach noted above.

Even if there are examples found for each of six distinct forms of CSR, the development of the field of CSR is still at its early stage. While MNC and large Romanian companies have gradually developed a culture of responsible behaviour, in many cases CSR is still associated with philanthropy and focuses on donations, sponsorships and public relations activities. The areas that are most often covered by CSR initiatives in Romania include child welfare, education, art, religion, the environment and sports. The CSR initiatives are not limited to investing in the community, but they also include responsibilities to the sphere of influence and customers, as well as employee welfare. Depending on the community, some causes such as child welfare and education services, services for at-risk social groups or the religion are more often approached than other types of initiatives. The most critical areas of CSR projects implemented by companies in Romania during the 2007–2019 were in the following areas of social involvement (www.responsabilitatesociala.com):

1. social (community): Petrom OMV, Germanos Telecom Romania, GlaxoSmithKline (GSK) Romania, Holcim Romania, JT International Romania, Orange Romania, LaborMedPharma, The Rompetrol Group, Vodafone Romania, Zentiva, and A&D Pharma;
2. education: Orange Romania, OTP Bank, Banca Comercială Română, RBS Romania, Petrom OMV, Coca Cola HBC, SIVECO Romania SA, Carpatcement Holding, and Holcim Romania;
3. culture: Apa Nova, Coca Cola HBC, Banca Comercială Română, JT International Romania, MOL Romania, SIVECO Romania SA, Smithfield Prod, UPC Romania, Vodafone Romania, and Zentiva;
4. environment: Petrom OMV, Orange Romania, MOL Romania, Coca Cola HBC, Cosmote, Dacia Groupe Renault, JT International Romania, LaborMedPharma, and Terapia Ranbaxy.

The instruments of CSR are most commonly considered to include: codes of corporate conduct, social investment, and social and environmental auditing. There are also companies with an adopted strategic approach by integrating CSR in their basic practices, thus influencing the company's decisions and activities (Iamandi, 2012).

4.3 CSR Reporting

The non-financial voluntary and in particular CSR reporting birth and propagation are related to the development of democracy and economy (Lungu, Caraiani, Dascălu, Turcu, & Turturea, 2016). Only in the 1980s, the environmental issues became prevalent, due to the high level of risks associated with the impact of economic activities on nature's degradation (Dura, Dringa, & Păun, 2019). Then the sustainability and social responsibility had spread in the 1990s when the holistic approach emerged, and the triple-bottom-line reporting acknowledged the interplay between economic, social and environmental facets of business (Idowu, Dragu, Tiron-Tudor, & Farcas, 2018). CSR reporting in Romania is studying through the role of the stakeholders in its institutionalization (Guşe, Almăşan, Circa, & Dumitru, 2016), or in relation with the Directive 2014/95/Eu (Dumitru, Dyduch, Guse, & Krasodomska, 2017) or specific issues like environmental information disclosure (Caloianu, 2013; Istrate, Robu, Pavaloaia, & Herghiligiu, 2017) CSR reporting impact on companies' employees (Dumitrescu & Simionescu, 2015) financial performance (Hategan & Curea-Pitorac, 2017) or firm value (Gherghina & Vintila, 2016).

The evolution of CSR reporting is revealed using the studies conducted on Romanian companies. Since 2017 the CSR reporting was a voluntary exercise on the national level. In the focus of CSR reporting are first of all large companies, and MNC listed of no listed followed by SME case.

In 2007, studying the narrative reports of a recently privatised Romanian business, Bogdan, Ioan, and Sandu (2007) observe that following the company's privatisation, management started to account for issues related to its social responsibility.

Then, the case of Bucharest Stock Exchange (BSE) listed companies is the most explored (Ienciu, 2013; Jindrichovska & Purcarea, 2011; Dumitru, Ionescu, Calu, & Oancea, 2011; Dumitrașcu et al., 2014; Hategan, Sirghi, Curea-Pitorac, & Hategan, 2018; Dura et al., 2019).

On their study, on the evolution and the quality of environmental reporting across Romania companies listed on the BSE in period 2006–2008, Ienciu (2013) consider that companies provide general information regarding their environmental impact, information which is incomplete and irrelevant to the users. The study capture the pre-EU Romania's accession period, with the implementation of specific European environmental policies and the introduction of new European programs for financing environmental protection activities (the structural funds), led to a positive evolution of environmental reporting. As for the type of information provided, Romania companies restrict themselves to supplying general information (environmental management, environmental policies, environmental targets and objectives), neglecting information related to environmental risk, costs and obligations.

Using a comparative approach between Romania and Poland, Jindrichovska and Purcarea (2011) analysed the little tradition of CSR and the current state of CSR reporting development in both countries, and also some best practices. In Romania, were used companies from the energy sector and a significant shipyard, representing the approach of Romanian heavy industry sector. For Romania, the authors consider opinion, more systematic regulatory approach may be adopted.

A recent study, performed by Hategan et al. (2018) debates the balance between the traditional goal of a company to earn the profit and the nowadays sustainability goal. They identify how strong the correlation between CSR and profit is, and how companies behave in the periods they have losses, whether they continue to do CSR activities, they reduce the activities, or they give them up. The main results emphasise that the companies which implement CSR activities in a greater extent are more profitable in economic terms.

Moving from general to particular, from the whole CSR report to Occupational health and safety issues disclosed, Dura et al. (2019) analyse the GRI 403: Occupational health and safety standard elements presence in corporate social responsibility reports of Romanian companies. Their outcomes substantiated the idea that occupational safety and occupational health issues are highly important for managers who activate in the industrial sector and acknowledge the risk of physical hazards occurrence. Moreover, subsidiaries of multinationals operating in Romania, benefit from the experience gained by their parent companies in terms of OHS reporting, but they still have to make many improvements in their practices, in order to comply with the international reporting standards.

5 Conclusions

The current development of the concept of CSR could be associated with the evolution process of society, which is requiring more transparency increasingly from companies and additional corporate responsibility for their activities.

Like many other concepts implemented, CSR approach has been assimilated more due to the trend imposed by developed economies and less as a necessity acknowledged by the Romanian native business community. CSR in Romania is a concept initially introduced (or instead imposed to their respective branches) by MNCs (Iamandi, 2012); and in the cases of Romanian owned companies might be rather an imitation of the international practices.

In the early stage of CSR adoption in Romania, the use of CSR practices is determined mostly by commercial reasons, and not by ethical ones, directing their efforts towards attracting external stakeholders, for better visibility on the market. CSR is still perceived as not relevant and irrelevant for the business, mainly by the Romanian owned companies. This context determines companies to develop CSR activities that tend to become more a formality without content and reliability in the long term (Crisan-Mitra & Borza, 2015).

The CSR in Romania is still at an early stage of development, despite the increasing number of CSR initiatives; as Băleanu et al. (2011) showed, CSR is still punctual and targets relatively disparate activities with reputational aim; CSR seems to be developed slightly due to the fact that it is perceived as 'politically correct' within the European Union, and fashionable (Pop, 2016).

It could be considered that through imposing a reporting obligation companies are mainly urged to engage in CSR activities as a whole. This social trend can also be observed at the state level, legislators paying increased attention to potential developments, something that will most likely generate new regulations in the field.

Also, the trend of integrating CSR as an overall business strategy across the company can also be observed in an increased number of corporate actors. This development might be considered a general aspiration and stabilisation of the concept at the society level. As a result, the inclusion of a socially responsible business model as a fundamental strategy of a company ought to become a standard. The process will require that companies reconsider their approach, giving up sporadic and inconsistent involvement in CSR, through various humanitarian or environmental campaigns, to assuming it as a permanent business model.

For sure, the starting with 2017, when the EU Directive enters in force, the CSR disclosure will increase. But in the same time, to become effective, this action must be followed by internal activities inside the companies, as to adopt ethical codes of conduct, to report on their financial results and their socially and environmentally responsible initiatives, to have fair conduct in the competition for new clients and to promote a transparent dialogue with the local community.

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Current Practices of Corporate Social Responsibility in Serbia

Ivana Mijatovic, Ana Horvat, and Biljana Tosic

Abstract Serbia has the specific tradition of Corporate Social Responsibility (CSR) due to the still ongoing transition from planned and central to the market economy. Previous research showed that the concept of CSR is broadly perceived more in the context of philanthropy and financial support. In the last decade, practices of multinational companies which operate in Serbia have a high impact on how CSR is practiced and perceived in Serbia. We analyzed publically available reports and evidence related to the CSR practices of the top 100 companies operating in Serbia. Content analysis was conducted to determine how they practice and perceive CSR. To explore association within attributes of companies with areas and beneficiaries of their CSR practice we used Mann-Whitney and Kruskal-Wallis statistical tests. The main findings presented in this chapter indicate that companies operating in Serbia generally perceive CSR practices in five main areas: Environment, Education, Health, Sports, and Volunteerism. Further, companies in Serbia are most familiar with CSR practices related to the environmental area, as well as, the volunteerism, and they recognize the local community, society in general, and vulnerable groups as main CSR beneficiaries. Company size and location are not proven to be in association with areas and beneficiaries of CSR practices. However, the MNCs have more categories of CSR beneficiaries comprehended, and they tend to develop CSR practices in which they consider the influence on society in general.

1 Introduction

Corporate Social Responsibility (CSR) was initially defined in relation to the social obligations of companies (Bowen, 1953). According to (Carroll, 2016) and the CSR pyramid, CSR "encompasses the economic, legal, ethical, and discretionary

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(philanthropic) expectations that society has of organizations at a given point in time”. All four dimensions or components of CSR need to be understood as separated, but interconnected (Carroll, 2016). Furthermore, the importance of all CSR dimensions is not equal. CSR programs “deal with various stakeholder concerns in multiple dimensions, and corporations are faced with the same question of how to allocate their limited corporate resources to balance multidimensional performances” (Wang & Juslin, 2012). Ethical business needs to be understood in relation to the responsibility of all shareholders and stakeholders.

CSR practices can be reactive and proactive. Reactive CSR practices are a response to internal or external pressures from different actors: owners and/or stakeholders, government, employees, society, public, etc. Proactive CSR practices can be based on the internal belief that social responsibility and environmental responsibility need to be integrated into business practices and that adequate CSR is a way for improving performance and create new business opportunities (Lindgreen, Swaen, & Maon, 2009).

The evolution of the CSR as the concept (Carroll & Shabana, 2010; Golob, Turkel, Kronegger, & Uzunoglu, 2018; Lee & Riffe, 2017; Murillo & Lozano, 2006; Zhao, Zhang, & Kwon, 2018) came to the state that it can be said that CSR is globally accepted and focus should be on observing practice (Idowu, 2016). It is not so much about how CSR is defined, it is about how CSR is socially constructed in a specific context (Dahlsrud, 2008). As a predominately western concept, based on the market economy and advanced countries’ societal context, the adoption of CSR differ significantly among countries.

The aim of this chapter is to provide insight into the current CSR practices of the top 100 companies operating in Serbia. The main research questions are: “How CSR is practiced and perceived in companies operating in Serbia?” and “Do size, multinational affiliation and location influence the difference in areas and beneficiaries of the CSR practices of the observed companies?”. In order to explore how CSR is practiced and perceived in different organizations throughout Serbia, it was necessary to identify, quantify and prioritize the top 100 companies operating in Serbia, according to their business income. After the introduction, the chapter begins with a comprehensive literature review, thus aiming to emphasize the distinctions in how CSR is practiced and perceived in different countries. The next section of the chapter is dedicated to the research methodology. The results on how CSR is practiced and perceived in contemporary organizations throughout Serbia follow. Finally, the chapter provides some concluding remarks.

2 Literature Review

2.1 Cross-National Differences in CSR

CSR practices are considered to be an important driver for achievement companies’ competitiveness and sustainability (Battaglia, Testa, Bianchi, Iraldo, & Frey, 2014;

Mahmood & Humphrey, 2013; Rodriguez-Melo & Mansouri, 2011; Saeidi, Sofian, Saeidi, Saeidi, & Saaeidi, 2015). CSR is emphasizing the need of companies to consider the expectations of all stakeholders and shareholders to minimize their negative impact on the environment and society (Idowu, 2018). Accordingly, companies worldwide have employed CSR practices to meet these increasing requirements (Blowfield, 2005; Lee, 2008). However, there still remain questions about whether companies should go above and beyond their legal obligations and voluntarily develop CSR initiatives (Prieto-Carrón, Lund-Thomsen, Chan, Muro, & Bhushan, 2006).

Nowadays, the concept of CSR is linked with the process of globalization (Gjølberg, 2009). However, in spite of a global dimension of CSR practices, their understanding and employment differ considerably between countries. For instance, a comparative study between Europe and the United States of America emphasized the immense differences between companies on each side of the Atlantic (Matten & Moon, 2008). Recent studies indicate that MNCs, NGOs as well as international standardization organizations, tend to harmonize their CSR practices in different countries but that the cultural (Perry, 2012) and the institutional context of a particular country have still an important role in defining CSR practices (Halkos & Skouloudis, 2016; Sobczak & Coelho Martins, 2010). Clearly, there are cross-national differences between social issues of CSR, as well as, the environmental aspects (Esteban, Villardón, & Sánchez, 2017). National governments still take an important part in promoting the CSR concept, so companies should find a balance between national traditions and international influences when defining their CSR practices (Halkos & Skouloudis, 2016; Sobczak & Coelho Martins, 2010). Esteban et al. (2017) indicate that companies worldwide apply similar CSR practices, but the level of their understanding and development depends on the national institutional context (Lattemann, Fetscherin, Alon, Li, & Schneider, 2009). Moreover, several recent studies revealed that national institutions influence the CSR programs companies tend to employ (Ike, Denis Donovan, Topple, & Masli, 2019; Kinderman, 2012; Knudsen, 2018; Whitford & Provost, 2019).

Initially, relevant research on CSR practices has concentrated mostly on environmental concerns, and later, other aspects of CSR started to gain attention. Loosemore, Lim, Ling, and Zeng (2018) indicated that four main areas in which companies from Singapore, Australia, and New Zealand, focus their CSR practices are: "occupational health, welfare and safety; ethical business practice; environmental management; and social responsibility". Companies in China generally recognize and practice CSR in education, occupational health and safety, and the environment (Gerson, 2007; Wang & Chaudhri, 2009). In India, Sharma and Kiran (2012) identified major CSR initiatives in the areas of health, education, and the environment. In Brazil, Bagur-Femenías, Martí, and Rocafort (2015) recognized the CSR practices in the areas of public health, education, the environment, and human rights. Liao et al. (2018) conducted a comparative analysis of CSR practices of the US, the EU, and China companies and found several differences among them. Accordingly, companies have to operate under some social environment and they have to be responsible for the environment they operate in (Sharma & Kiran, 2012). For instance, Chinese companies are more focused on the local community, the EU companies focus on organizational governance, while the US companies emphasize shareholders' interests (Liao et al., 2018). Further, recent research revealed that companies have developed their CSR practices through sports sponsorship (Kulczycki, Pfister, & Koenigstorfer, 2018) in order to achieve a good reputation (Djaballah, Hautbois, & Desbordes, 2017; Misener & Mason, 2010). Also, companies tend to develop their CSR practices in volunteerism (Lorenz, Gentile, & Wehner, 2016). Companies' volunteerism programs could be the mechanism through which employees get involved in CSR practices as internal stakeholders (Jones, 2010). Namely, companies' CSR practices in volunteerism increased employees' loyalty (Jones, 2010), because they enhance greater pride in organizational membership, lead to greater customer loyalty (Plewa, Conduit, Quester, & Johnson, 2015), and enlarge companies' reputation (Cycyota, Ferrante, & Schroeder, 2016; Russell, Russell, & Honea, 2016). However, the majority of authors agree that the general focus of CSR is on environmental and social issues.

2.2 CSR Reporting

Reporting on CSR practices is becoming crucial for companies to demonstrate their commitment to social and environmental issues (Abu Qa'dan & Suwaidan, 2018; Adams, 2004) and the employment of voluntary codes of conduct (LeBaron & Rühmkorf, 2017). There are three types of CSR report: regulated by the government, issued by a particular stakeholder, and voluntary (Golob & Bartlett, 2007). The European Union (EU) has developed several legal instruments to promote CSR among member states, such as the European Commission's Green Paper (Commission of the European Communities, 2001). The importance of CSR reporting has resulted that governments in some EU countries have developed mandatory reporting on CSR practices for their companies (Bergmann & Posch, 2018; Reverte, 2015). The Global Reporting Initiative (GRI) was established to reduce the increasing number of different frameworks for sustainability reporting worldwide (Willis, 2003). In 2016, the GRI launched the global framework for CSR reporting, which enables visibility and transparency on companies' CSR practices. Also, there are other CSR initiatives like management systems certification (European Eco-Management and Audit Scheme—EMAS; Occupational Health and Safety Management System—OHSAS 18000; and Social Accountability 8000—SA8000) and the UN Global Compact (Graafland & Smid, 2019; Sartor, Orzes, Di Mauro, Ebrahimpour, & Nassimbeni, 2016). Although, to provide a globally accepted standard for reporting on CSR, GRI included elements of other standards such as ISO 14000, SA8000, and AccountAbility 1000—AA1000 (Hopkins, 2012). The way companies address CSR reporting is influenced by countries/regions in which they operate (Golob & Bartlett, 2007; Hooghiemstra, 2000). However, national becomes global, as well as reporting on CSR, and could from national level connect and contribute to GRI (Golob & Bartlett, 2007).

2.3 CSR Practices in Serbia

In Serbia, there is a long history and tradition of building endowments (e.g. churches, orphanages, schools) by wealthy individuals who shared their wealth with local communities and society in general (see more in Mijatovic, Miladinovic, & Stokic, 2015). CSR, as a concept, is relatively new in Serbia and was promoted mostly by multinational companies (MNCs) operating in Serbia (Vlastelica Bakić, Mijatović, & Marinović, 2016). Furthermore, MNCs operating in Serbia were proponents of CSR reporting (Mijatovic & Stokic, 2010).

However, the business practices and the CSR practices in Serbian companies were often performed and reported as separated (Krstic, Trbovic, & Draskovic, 2018; Mijatovic et al., 2015). A study by Krstic et al. (2018), based on responses of 92 managers from companies operating in Serbia, aims at exploring the integration of CSR in the strategic management of observed companies. They revealed that core business operations and CSR projects were not connected, CSR practices are fragmented and disconnected with business practices and strategies.

Findings of the study of Sarcevic (2018), based on a survey of perception of managers from 50 randomly chosen Serbian companies, show that managers perceive CSR as a voluntary supplement to their everyday business practices which are mostly related to financial philanthropy and sponsorship. Moreover, the same study indicated that MNCs have employed more matured practices of CSR, as they perceive the relationship with shareholders important, thus they are more interested in improving it. The study confirmed that environmental protection is perceived as the most popular area among managers.

Findings of the study of Omazic and Banovac (2014), based on analysis of publically available reports of 40 companies in Bosnia and Herzegovina, Croatia, Serbia, and Slovenia indicated that companies are more transparent in the area of information related to the core business than in the area of reporting about their environmental and social impacts or relations.

3 Methodology

3.1 Problem Definition and Research Questions

The aim of this chapter is to provide insight into the current CSR practices of the top 100 companies operating in Serbia. The main research questions are:

RQ 1: How CSR is practiced and perceived in companies operating in Serbia?
RQ 1.1: What are the main areas of CSR practices?
RQ 1.2: Who are the main beneficiaries of CSR practices?
RQ 2: Is there any association among the size (number of employees), ownership (multinational/domestic), location (level of economic development of a county), and areas and beneficiaries of the CSR practices of the observed companies?

RQ 2.1 Is there any association among the ownership of the company and areas and beneficiaries of the CSR practices?

RQ 2.2 Is there any association among the size of the company and areas and beneficiaries of the CSR practices?

RQ 2.3 Is there any association among the location of the company and areas and beneficiaries of the CSR practices?

3.2 Data Collection and Data Analysis

Prior to determining the top 100 companies, the analysis conducted by the Serbian Business Registers Agency (SBRA), included data for 97.430 companies that operate in Serbia. The top 100 companies were identified according to the basic financial data that these companies have reported in the regular annual financial statements for 2016. As in many relevant and recent studies on CSR (Campbell, 2003; Campopiano & De Massis, 2015; Lock & Seele, 2016) a content analysis was conducted to determine how CSR is practiced and perceived in the 100 most profitable companies in Serbia. The final sample consisted of publically available data related to CSR and sustainable CSR practices. The data related to CSR and sustainable CSR practices were collected from companies' websites, relevant NGO websites as well as public media. The data related to size, location, and ownership were collected from publically available reports (Serbian Business Registers Agency (SBRA), 2016). Data search was performed with the following keywords: ("Corporate Social Responsibility", "CSR", "CSR" + "Serbia", "CSR" + "Practices", "CSR" + "MNC", "CSR reporting"). The data were collected from October to December 2018.

The data analysis was extensive, especially as it was conducted by synthesizing all the identified CSR practices to present how CSR is practiced and perceived in Serbia. For each company, we identified CSR practices in relation to the specific areas of CSR, thus sorting collected CSR practices into the areas. For each identified CSR practice sorted into a specific area, we identified beneficiaries. This way, we managed to identify the most common CSR practices, together with the areas of CSR, as well as the main beneficiaries. In a similar vein, Carroll and Shabana (2010) tend to identify the different areas of CSR and sort out companies' practices in terms of these different areas, categories, or kinds of CSR (Carroll & Shabana, 2010). Furthermore, to highlight identified CSR practices from the top 100 companies operating in Serbia, we used software for creating word clouds, the Wordle. To explore association within attributes of companies with areas and beneficiaries of CSR practices we used Mann-Whitney and Kruskal-Wallis statistical tests.

4 Results and Discussion

4.1 CSR Practices in Companies Operating in Serbia

According to the data collected for the top 100 companies operating in Serbia, we identified five main areas in which observed companies most frequently practice CSR: Environment, Education, Health, Sports, and Volunteerism. Based on the same data we determined three main groups of beneficiaries of CSR practices in Serbia: Local Community, Society in General, and Vulnerable Groups. Data on CSR practices were collected from 48 domestic companies and 52 MNCs. Relationship between areas in which observed companies develop their CSR practices is presented in Fig. 1.

To emphasize the importance of the main CSR areas and CSR beneficiaries that emerged from the collected data, we created word clouds, using the *Wordle* software.

4.1.1 CSR Practices Related to Environment

The most common reported area of CSR practices in observed companies is related to the environment. The main beneficiaries of those practices are the local community or society. A significant number of domestic companies (43.75%), as well as the majority of MNCs (63.46%), reported practices related to environmental protection. Most of those practices can be classified as: investing and carrying out environmental projects or taking measures for environmental protection by adopting environmentally-friendly technologies to reduce the negative impact on the environment. This is in accordance with the findings of (Ike et al., 2019) which acknowledged "waste material/water; air pollution; water supply; noise; green procurement" as critical issues regarding the environmental CSR practices. Minimizing the negative impact (Doni & Ricchiuti, 2013) has a high priority for observed companies. Those practices can be systematized as:

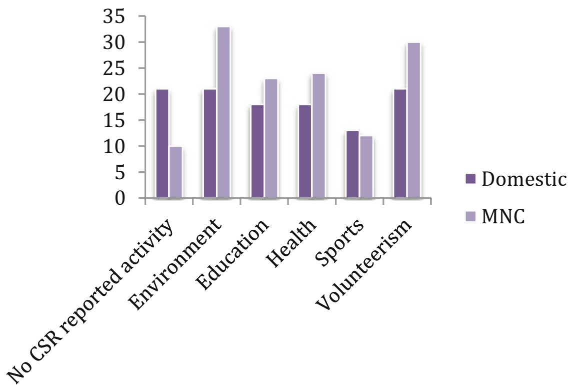

Fig. 1 Relationship between Ownership and Areas of CSR

- Industrial wastewater is purified and filtered, thus preventing adverse effects on groundwater and surface waterways,
- Air protection is provided by efficient operation of ventilation and dust collection system, which includes all emission sources,
- Carbon-footprint reduction,
- Water stewardship,
- Waste minimization,
- Good agricultural practices, and
- Forest protection.

In large companies, environmental practices are often characterized by the creation of new environmental management structures, as well as the new environmental management programs such as "Green Office", "Green Network" or "Green Thinking". In line with this argument, Babiak and Trendafilova (2011), acknowledged the motives of executives engagement in these programs as "the societal norm". In Serbia, these programs are often concerned with the sustainable management of raw materials, conservation of natural resources, and biodiversity. Large companies also tend to understand the potential business impact of environmental threats, such as climate change and water scarcity. In the context of their CSR practices, companies often report significant investments into innovative technological solutions, new equipment, and modernization of the existing one, as objective evidence of improvements related to the reduction of adverse effects of production processes on the environment (Montiel, 2008).

When it comes to the main beneficiaries, domestic organizations usually develop their environmental practices within the local community (39.58%), while MNCs have beneficiaries among the local community (44.23%), and the society in general (19.23%).

The visual interpretation of the data collected for the CSR practices within the top 100 companies operating in Serbia, related to *Environment* is presented in Fig. 2.

4.1.2 CSR Practices Related to Education

Out of a total number of domestic companies, 37.5% reported their CSR practices in the area of education, while, in the case of observed MNCs, this number reaches 44.23%. CSR practices related to education take various forms, ranging from supporting and assisting professional conferences and fairs, organizing an interactive education for citizens, providing help to scientific and educational institutions, and supporting talented students.

Dominant beneficiaries in this area are university students. Observed companies have reported practices that can be systematized as:

- Providing scholarships for the best students in Serbia,
- Launching of mentoring and internship programs to encourage student's personal and professional development,
- Identification and cultivation of young talents in Serbia, and

Fig. 2 Wordle of CSR practices related to the area of *Environment*

- Successful cooperation with schools, faculties, and universities throughout Serbia.

With the development of such programs that promote and stimulate the education and training of young people throughout Serbia, observed companies claimed their commitment to society and the development of young, future decision-makers and drivers of the future. However, the findings of Sobczak, Debucquet, and Havard (2006) suggest that not all future decision-makers and drivers of the future share the core values underpinning CSR (Sobczak et al., 2006).

When it comes to education, in the context of reported CSR practices, it can be noticed that even though reported CSR practices are mutually beneficial for all the stakeholders and interested parties, most CSR practices are still related to promoting companies as a favorable employer and are just a part of employer branding strategy. This critical issue has also been stressed by Rangan, Chase, and Karim (2015) in relation to the increasing pressure for contemporary organizations to perceive CSR as a business discipline, thus expecting that every CSR practice delivers business results (Rangan et al., 2015). In line with this argument, the same authors found out that CSR practices are often initiated in an uncoordinated way, usually without the engagement of the CEO (Rangan et al., 2015).

When it comes to the main beneficiaries, domestic companies tend to focus their CSR practices on the local community (35.42%), while MNCs promote these practices mostly within the local community (38.46%), but also within the society in general (5.77%).

The visual interpretation of the data collected for the CSR practices within the top 100 companies operating in Serbia, related to *Education* is presented in Fig. 3.

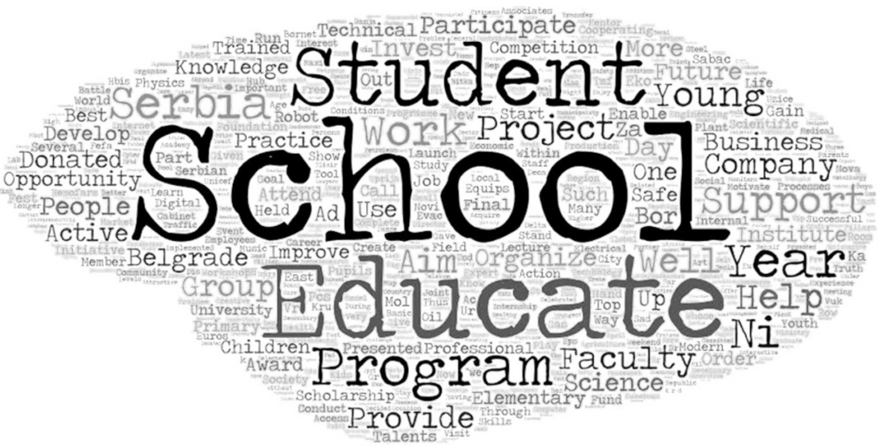

Fig. 3 Wordle of CSR practices related to the area of *Education*

4.1.3 CSR Practices Related to Healthcare

In recent times, in Serbia, there has been a considerable expansion of CSR practices in the healthcare area. The most frequent practices in this area can be systematized as:

- provision of the financial support for children's health treatments which cannot be provided in Serbia,
- giving donations to healthcare institutions in Serbia,
- support an employment program for disabled persons (Kuznetsova, 2012), and
- support to the social inclusion of vulnerable groups such as children, pregnant women, and people with disabilities, in Serbia.

By engaging in public actions related to the provision of financial support for children's health treatments which cannot be provided in Serbia, and giving donations to the largest healthcare institutions in Serbia, domestic companies (37.5%), as well as MNCs (46.15%) remain consistent to its tradition to initiate and help various humanitarian practices which ensure a healthier and better life for vulnerable groups and organizations that coordinate support to those groups. Moreover, the provision of financial support for health treatments, as well as, support for the social inclusion of vulnerable groups has increasingly being recognized within the broader context of the equitable distribution of healthcare (Snyder, Dharamsi, & Crooks, 2011). In Serbia, companies continuously help vulnerable groups and persons with disabilities with significant commodity donations. However, only a few of the observed companies support employment programs for disabled persons. They believe it is essential for every organization to contribute to this category of the population and recognize them as a significant part of CSR initiatives (Kuznetsova, 2012). One of the most important segments of their CSR practices is certainly facilitating the

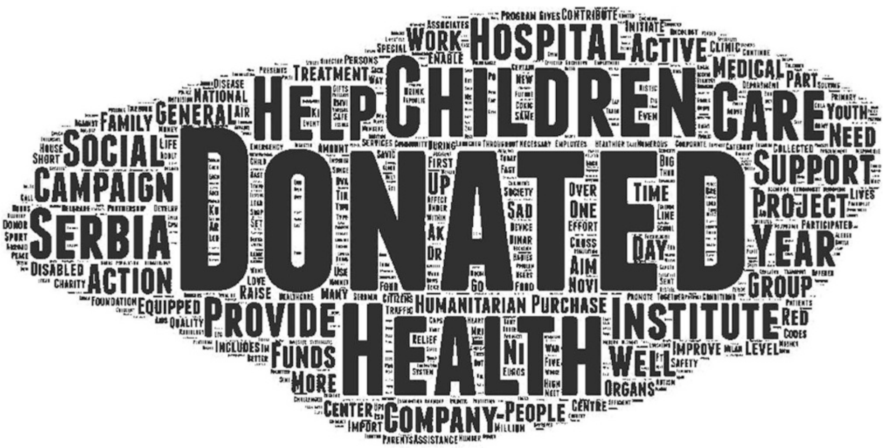

Fig. 4 Wordle of CSR practices related to the area of *Healthcare*

realization of the right to work and to career development for socially challenged categories of citizens, people with disabilities, and vulnerable groups.

When it comes to the provision of assistance in health treatments and giving donations to the largest health care institutions in Serbia, domestic companies across Serbia usually tend to provide assistance within the local community (6.25%), while MNCs tend to expand their presence within the local community (15.38%) as well as the society in general (3.85%). However, vulnerable groups are the most common beneficiaries when it comes to the healthcare practices of CSR. Out of the total number of domestic companies that develop their CSR practices within healthcare, 29.17% are focused on vulnerable groups and organizations, while out of the total number of MNCs, this number amounts 26.92%.

The visual interpretation of the data collected for the CSR practices within the top 100 companies operating in Serbia, related to *Healthcare* is presented in Fig. 4.

4.1.4 CSR Practices Related to Sports

Sport, especially collective sports (e.g. football, basketball, volleyball, handball, and water polo) are very popular in Serbia. Employing CSR through engagement through sport has been recognized as a means of achieving a socially acceptable image (Bason & Anagnostopoulos, 2015). Observed companies reported mostly financial donations to sport organizations as CSR practices. Those practices can be systematized as:

- providing a financial donation to the Olympic and Para-Olympic Committee of Serbia (e.g. Volleyball, Handball, Water polo, Shooting, and/or Athletic Federation of Serbia), and

Fig. 5 Wordle of CSR practices related to the area of *Sports*

- providing a financial donation to the top athletes in achieving results at regional and international competitions.

Previous relevant and recent research has named several streams for the employment of CSR practices through sports which included financial donations (Sagawa & Segal, 2012; Smith & Westerbeek, 2014). Further, the results of Plewa, Carrillat, Mazodier, and Quester (2016) show that sports sponsorship could enhance the CSR social image of the sponsor company. Financial donations to the Olympic and Para-Olympic Committee of Serbia are typically provided by large MNCs which operate in Serbia. Domestic companies usually tend to take part in popular sports manifestations which are organized throughout Serbia (27.08%), while MNCs tend to support the first-class athletes and clubs as well as promote the idea of a healthy lifestyle (Bason & Anagnostopoulos, 2015) and fair play (23.08%) (Godfrey, 2016). When it comes to sports, domestic companies are focused only on the local community (27.08%), while MNCs are focused on the local community (17.31%), and the society in general (3.85%). However, despite the significant contribution of observed companies in sponsorships and donations to different sports organizations, other practices and practices related to CSR in sports were not identified in data sources.

The visual interpretation of the data collected for the CSR practices within the top 100 companies operating in Serbia, related to *Sports* is presented in Fig. 5.

4.1.5 CSR Practices Related to Volunteerism

In recent times, volunteerism has become increasingly popular (Mañas-Viniegra, 2018), which has been promoted by domestic (43.75%) as well as MNCs (57.69%) across Serbia. Different companies in Serbia carried out a range of philanthropic and volunteering campaigns seeking to give impetus to empathy and bolster initiatives and positive values. By recognizing the possibilities for continuous volunteering and employees' involvement in various campaigns (Cycyota et al., 2016), some of the observed companies have founded different humanitarian associations of employees which primarily deal with such voluntary issues. A study by Glavas and Piderit (2009) reveals that employees' engagement in volunteerism is greater if they consider companies as responsible citizens.

In recent years, the scope of these associations has been extended to other practices concerning the wider community, such as:

- provision of social assistance to endangered, children without parents and the delivery of humanitarian help in emergency situations, and
- raising awareness of the social importance of blood donation, organ donation, and environmental protection.

In line with this argument, thousands of various objects that brighten the everyday life of the children, such as toys, social games, school utensils, sweets, hygiene, and/or sanitation, have been distributed to children without parents throughout Serbia. Through strategic and partnership-based projects, some of the observed companies initiate and support effective, sustainable, and developmental solutions on the entire territory of Serbia.

Additionally, domestic companies are also involved in such humanitarian projects, but their involvement often includes raising awareness of the importance of blood donation, organ donation, and environmental protection. Their charitable giving and community investments are generally focused on access to education, empowering women, economic opportunity, as well as, disaster preparedness and relief efforts within the local community (0.23%) and the vulnerable groups (20.83%). The MNCs often support their employees in voluntary programs as they are socially engaged in these programs through different initiatives. In a similar vein, Caligiuri, Mencin, and Jiang (2013) emphasized the fact that the involvement of employees in such voluntary programs is more valuable if these programs are international. Through the social partnership, companies in Serbia support social initiatives and humanitarian practices within the local community (26.92%), the society in general (1.92%), as well as the vulnerable groups (28.85%).

The visual interpretation of the data collected for the CSR practices within the top 100 companies operating in Serbia, related to *Volunteerism* is presented in Fig. 6.

4.2 Association Between Attributes of Organization with Areas and Beneficiaries of the CSR Practices

Within the aims of this chapter to explore current CSR practices in Serbia, first, we placed our attention on the relationship between ownership and a number of different

Fig. 6 Wordle of CSR practices related to the area of *Volunteerism*

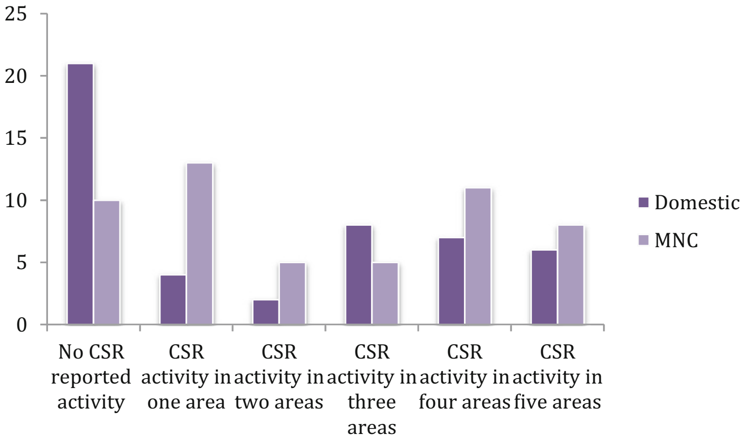

Fig. 7 Relationship between Ownership and the Number of CSR areas

areas of CSR in which observed companies are developing adequate CSR practices (see Fig. 7).

We can conclude from Fig. 7 that domestic companies, in most cases, do not have CSR practices (64.58%). Otherwise, they usually tend to develop their CSR practices in three different areas. Furthermore, MNCs most often promote their CSR practices in one of four different areas. In line with this argument, the majority of MNCs have developed suitable CSR practices in the environmental area (63.5%), as well as, volunteerism (62.5%).

To explore the association between ownership, areas, and beneficiaries of developed CSR practices, we conducted a Post Hoc Mann-Whitney test for pairwise

Table 1 Parameter values of CSR areas and CSR beneficiaries for different ownership of the organization, Mann-Whitney test

Variable	Category	Mean ± SD	Median	M-W sig.
CSR areas	Domestic	1.89 ± 1.94	1.00	0.11
	Multinational	2.35 ± 1.81	2.00	
CSR beneficiaries	Domestic	0.94 ± 0.93	1.00	0.03*
	Multinational	1.33 ± 0.81	1.50	

*$p < 0.05$

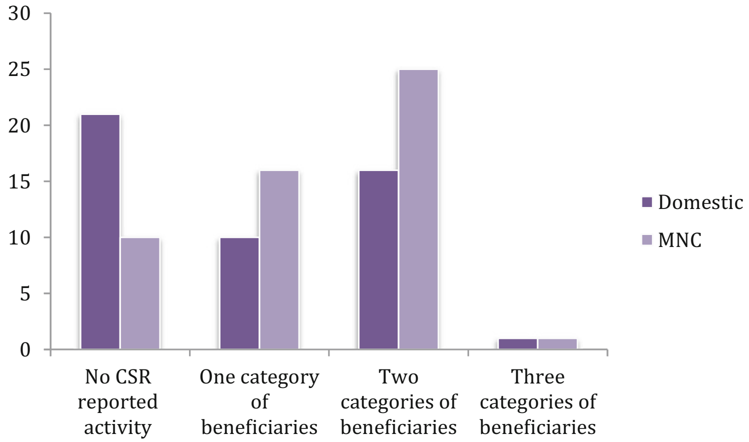

Fig. 8 Relationship between Ownership and Beneficiaries of CSR

comparison. Table 1 shows the parameter values and the results of the Mann-Whitney test for CSR areas and CSR beneficiaries, in relation to different ownership of companies. Category Domestic covers 48 companies, and category Multinational 52.

The results indicate that there is no statistically significant association between Ownership and the Number of different CSR areas ($Z = -1.59$, $p = 0.11$; see Table 1). Our data did not provide evidence that Ownership results on a specific Number of CSR areas in which these companies are currently operating. Otherwise, there is a statistically significant association between Ownership and the Number of different categories of beneficiaries of implemented CSR practices ($Z = -2.17$, $p = 0.03$; see Table 1). Namely, there is a difference in a Number of different CSR beneficiaries between domestic companies and MNCs, and by criteria given by (Cohen, 1988) the influence is small ($r = 0.22$). The impact could be interpreted as *if the organization is multinational it would have more categories of CSR beneficiaries comprehended*. The relationship between Ownership and Beneficiaries of CSR practices of companies operating in Serbia is presented in Fig. 8.

We can conclude from Fig. 8 that MNCs, in most cases, have two different categories of beneficiaries comprehended. These results may suggest that MNCs better recognize and understand who could be beneficiaries of their CSR practices.

Table 2 Parameter values of CSR areas and CSR beneficiaries for different size of companies, Kruskal-Wallis test

Variable	Groups	Mean ± SD	Median	K-W sig.
CSR areas	Up to 250	1.61 ± 1.85	1.00	0.41
	250 to 750	2.21 ± 1.79	2.00	
	750 to 1500	2.14 ± 1.82	2.00	
	Over 1500	2.43 ± 2.04	3.00	
CSR beneficiaries	Up to 250	0.87 ± 0.92	1.00	0.36
	250 to 750	1.29 ± 0.89	1.50	
	750 to 1500	1.09 ± 0.77	1.00	
	Over 1500	1.25 ± 0.93	1.50	

$^{*}p < 0.05$

To explore the association between different Sizes of companies and the Number of CSR areas and CSR beneficiaries, we have performed the non-parametric Kruskal-Wallis test. We have defined four groups of companies according to the Number of employees. The first group covers companies up to 250 employees (23 companies), the second covers companies from 250 to 750 employees (28 companies), the third from 750 to 1500 (21 companies), and the fourth covers companies over 1500 employees (28 companies). Table 2 represents the parameter values and the results of the Kruskal-Wallis test for the number of CSR areas and CSR beneficiaries, in relation to the different Sizes of companies in Serbia.

The results suggest that there are no differences between the Size of the organization and the Number of CSR areas in which they are active ($c^2(3, n = 100) = 3.197$, $p = 0.36$). Further, the results suggest that there are no differences between the Size of the organization and the Number of their CSR beneficiaries neither ($c^2(3, n = 100) = 2.916$, $p = 0.41$). Our research didn't provide evidence that the Size of the organization is related to developed CSR practices in companies operating in Serbia. Those results could be explained by the fact that our data were collected from the 100 most profitable companies in Serbia.

Furthermore, we wanted to explore whether there is an association between Locations of companies and the Number of CSR areas as well as the Number of beneficiaries. Thus, to compare groups of companies, we have conducted the Post Hoc Mann-Whitney test for pairwise comparison (see Table 3). The first group covers companies located in the capital of Serbia (Belgrade), where there are 55 companies from our sample, and the second group covers the rest of the 100 most profitable companies throughout Serbia (45 companies).

The results of the Mann-Whitney test indicate that there are no differences between the Number of CSR areas ($Z = -0.01$, $p = 0.99$) and the Number of CSR beneficiaries ($Z = -0.24$, $p = 0.81$) within companies localized in the Belgrade area or some other area throughout Serbia. The conducted analysis rejects the hypothesis that there is an association between the location of the organization and beneficiaries of CSR practices of companies in Serbia.

Table 3 Parameter values of CSR areas and CSR beneficiaries for different locations of companies, Mann-Whitney test

Variable	Groups	Mean ± SD	Median	M-W sig.
CSR areas	Belgrade area	2.11 ± 1.91	2.00	0.99
	Other areas	2.13 ± 1.87	2.00	
CSR beneficiaries	Belgrade area	1.16 ± 0.92	1.00	0.81
	Other areas	1.11 ± 0.86	1.00	

$^{*}p < 0.05$

5 Conclusion

The main aim of this chapter was to explore how CSR is practiced and perceived in Serbia. To explore our research questions, we analyzed publicly available reports and evidence related to CSR practices of the top 100 companies operating in Serbia. Evidently, companies in Serbia are facing an economy in transition which can be a major challenge for them to achieve a competitive advantage. CSR is not a new concept for these organizations, but, in the last couple of years, it is getting even more attention. With an increased emphasis on the current global practices of CSR, companies from Serbia are becoming more familiar with their responsibilities towards the local and global community. Even though, most domestic companies in Serbia still do not incorporate CSR practices in their everyday business and do not clearly understand what CSR practices involve. Currently, in most profitable companies in Serbia, CSR is generally perceived in five main areas: environment, education, health, sports, and volunteerism. Furthermore, companies in Serbia are most familiar with CSR practices related to the environmental area, as well as, volunteerism.

Our study revealed an increasing understanding of the impact that companies have on different CSR beneficiaries through their CSR practices. Companies operating in Serbia recognize the local community, the society in general, and the vulnerable groups as main beneficiaries of their CSR practices. Furthermore, MNCs, which operate in Serbia diversify their CSR activities more in comparison to domestic companies—their CSR programs and activities have more categories of CSR than domestic companies. However, the focus of top companies in Serbia is mainly on CSR practices to address their concerns for local community welfare. Of the various CSR areas, MNCs usually tend to develop their practices in which they consider the influence on society in general. Contrary, CSR practices of domestic companies are mainly focused on the local community, and to a lesser extent, on the vulnerable groups. Reasons for this could be found in the fact that most domestic companies operate only on the local market. Moreover, both domestic companies and MNCs tend to promote their CSR practices towards vulnerable groups, especially when it comes to the areas of volunteerism and health. However, our research didn't provide enough evidence that size and location are associated with areas and beneficiaries of the CSR practices. All observed companies tend to develop their

CSR practices within all the aforementioned areas and beneficiaries no matter their number of employees.

The limitations of our study are based on the profile and the number of companies that have been taken into consideration in our research. We based our research on publicly available data from the 100 most profitable companies in Serbia, however generalization of their CSR practices, to the general population of companies operating in Serbia might be limited. The data about CSR practices in Serbia were collected only from publicly available sources such as companies' websites, other relevant NGO websites as well as public media. It may occur that some of the abovementioned companies have performed some CSR activities, but did not provide publicly available evidence. Therefore, for the confirmation of our results, it would be interesting to extend our research with data from companies' CSR reports that are not publicly available. However, one of the conclusions, based on experience in collecting and processing data for this research, suggests that many companies use their publicly available information on CSR activities primarily to create a positive image of the company while the data on negative impacts are inaccessible or it's hard to prove it.

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Corporate Social Responsibility in Sweden

Magnus Frostenson

Abstract There is now a body of literature covering the history of CSR in Sweden and the shapes that the concept has taken in Swedish business. In recent years, however, a number of overarching trends have influenced the understandings and practices of CSR in Sweden. This chapter identifies such trends and discusses their implications. Thereby it complements earlier descriptions of CSR in welfare states.

The chapter identifies three interrelated tendencies affecting how CSR has developed in Sweden: First, the regulatory development including both hard and soft regulation; second, an outspoken governance perspective on CSR, including ownership pressure on business to operate according to sustainability criteria; third, the interwoven demands of the multi-stakeholder context and business concerns that co-exist and define business practices.

One conclusion is that CSR in Sweden has become strongly conditioned by institutional and ideological paradigms that define responsible business behavior. Political and multi-stakeholder activism influences CSR thinking to a higher extent today compared to a decade ago. It is obvious that the concept of sustainability has gained ground at the expense of CSR. Swedish companies do not object to being part of the sustainability agenda.

1 Introduction

The introduction and development of CSR in welfare states such as Sweden has been described as a partly complex and problematic issue (De Geer, Borglund, & Frostenson, 2009). One reason for this is the strong tradition of implicit responsibility of the societal model of the Nordic welfare countries and the specific role of the corporation in the structure of society (cf. De Geer et al., 2009; Granum Carson,

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Hagen, & Prakash Sethi, 2015; Matten & Moon, 2008; Strand, Freeman, & Hockerts, 2015; Vidaver-Cohen & Simcic Brønn, 2015). As several scholars have pointed out (for example, De Geer et al., 2009; Sahlin-Andersson, 2006; Windell, 2006), the idea of corporate responsibility was alien to a system where the general understanding of the role of the corporation was limited to the tasks of production, employment, and paying taxes. Within the system, social issues were taken care of by the welfare state. A more corporate-centered idea of CSR started to emerge around the turn of the millennium, when a new understanding of the role of the corporation also began to develop.

In recent years, the development of CSR has been obvious in Sweden, not only within business itself, but also in how legislation and general policy issues have unfolded. Since the last edition of this volume was published in 2009, one could argue that CSR has gained an even stronger momentum in Sweden, at least as a thought model. As this chapter will show, the idea that companies have to account for social and environmental issues is now widespread in society and, not to forget, among companies themselves.

However, from a more conceptual point of view, it is also true that the concept of CSR has received lesser attention in recent years compared to the more overarching concept of sustainable development. This has been particularly evident after the introduction of the UN Sustainable Development Goals in 2015. One could argue that this is partly a conceptual development, following the general world-wide discussion on sustainability, but it is also a way of contextualizing business responsibility more holistically, with reference to problems and challenges related to responsibility on a more planetary scale. Through such an understanding, the role of the corporation manifests itself in a more holistic way rather than in line with the idea of business as the node of responsibility, as in the corporate-centered idea mentioned previously. A contemporary understanding of the sustainable company suggests it is part of a larger system. However, from a system perspective, the role is not clearly limited and defined within the frames of the welfare state, as it once was in Sweden. Rather, it is constructed against a more global and planetary background in relation to overarching issues of climate, environment, poverty, human rights, and other issues.

Arguably, general awareness of and attention to issues related to sustainable development have marked the Swedish business context. Business, one could say, is now undertaken on an arena framed by expectations and requirements on being sustainable. For this reason, corporate activities tend to be understood through the lens of sustainability. Notably, the companies themselves tend to follow suit, not only adapting to, but in many cases also embracing these expectations and requirements.

As this chapter will show, the development in recent years has several facets, and it is also relatively complex. The development entails, for example, stronger legislation and more elaborated 'soft' initiatives, which, in turn, tend to drive sustainability issues in business. Following a brief background recapitulation of the emergence and growth of CSR in Sweden, the chapter will focus on three overarching tendencies to pinpoint and explain the rise of, and partly changed nature of, CSR in Sweden. These tendencies are the legal development, the governance perspective, and the multi-faceted stakeholder perspective guiding business itself. Conclusions are drawn at the end of the chapter.

2 Background

As already described in the first edition of this volume, CSR as a concept is relatively new to Sweden even though the notion of responsible behavior within a societal setting has deep historical roots (De Geer et al., 2009). Importantly, the transition from a pre-industrial, over to an industrial and, later, post-industrial society involved a relatively dramatic shift in the understanding of the role of the corporation within society. The pre-industrial (and early industrial) *pater familias* role of the mill owner was strongly—and successfully—opposed by the growing workers' movement. In alliance with the predominantly Social Democratic political forces, and later on through agreements and common understandings with the employers' associations, a specific model ensued that strongly confined the social responsibility of the corporation. Rather than being socially responsible, companies should fulfill their duties as employers and producers. Social benefits and the welfare system at large were the responsibility of the state, whereas more work-related issues such as wages and benefits should be negotiated by the peak organizations of the employers and the employees. The trade union movement got a strong role as representative of workers, in close alliance with the political (Social Democratic) government. The specifically Swedish model for the labor market and for society in general was characterized by a tripartite model (state, employers, trade unions), with clearly demarcated roles. CSR as a strongly corporate-centered idea—where companies were nodes of social responsibility rather than demarcated parts of a societal model where social responsibility was framed by the welfare system—was alien to the traditional actors of the Swedish welfare state (De Geer et al., 2009). Challenges to the model, for example childcare through private companies, were fiercely resisted in the 1980ies, also through legislative measures. Not before the 1990ies, a more liberal view on letting private companies operate on traditional social welfare domains gained momentum, in particular within the education system.

CSR as a modern, corporate-centered phenomenon was, however, still a relatively unwelcome idea to many representatives of the old model. Notably, not only politicians and trade unions were skeptical towards CSR. Also employers were, voicing arguments underlining the strong split of duties between the corporation and society. Companies, it was argued, should not bear the burden of being responsible for social issues that they had already paid taxes for the state to take care of. CSR could possibly be relevant in developing countries where legal and institutional frameworks were weak. Trade unions, for their part, emphasized the democratic dimensions of social responsibility. Such responsibility should not be in the hands of companies, due to the risk of arbitrary decisions and lack of democratic insight and influence. The idea of separation of duties was a strong and enduring one in Sweden.

In recent years, or at least from the turn of the millennium, CSR became a viable concept of relevance also in Sweden. Several explanations can be found. Of course, the more internationally oriented discussion on CSR concerned Sweden. Many Swedish multinationals were strongly affected by the discussion, as well as smaller and medium-sized companies that made international experiences (De Geer, Borglund, & Frostenson, 2003). Not least the globalization issues, and the sometimes fierce discussions about them at the turn of the millennium, were eye-openers for politicians. Political initiatives included, for example, the Swedish Partnership for Global Responsibility (*Globalt Ansvar*, see also De Geer et al., 2009; Gjølberg, 2010), a Swedish spin-off from the UN Global Compact. Clearly, an understanding of CSR as something particularly related to development countries, overseas issues and foreign trade emerged.

The dams were broken, though. CSR (and neighboring concepts) established itself rapidly in business. Around 2013, virtually all larger Swedish companies communicated on CSR on the web. Sustainability reporting advanced. A clear trend was that many activities that were already in place began to be understood in terms of CSR. Not least large multinationals began to portray their very self-understandings in terms of sustainability. For example, a company like the vehicle manufacturer (trucks and buses) Scania conceives of itself primarily from a sustainability perspective: “With customer profitability as the starting point, Scania wants to be the leading provider of sustainable transport. This means integrating sustainability fully into the business and working with others to tackle impacts, transform our industry and create lasting value.” (Scania, 2018). In general, Swedish companies have had the reputation of being deeply involved in CSR, for example companies like Ikea that are perceived of as having strong CSR identities, dating back to at least the 1990ies, if not the 1980ies (Morsing & Roepstorff, 2015).

This is also an expression of the fact that the international Swedish companies have been frontrunners in terms of CSR. Even though the traditional understanding of social responsibility in Sweden has been framed by and associated with the societal model, and therefore of implicit kind (Matten & Moon, 2008), more direct policies and approaches of individual companies have given Swedish CSR a more explicit touch in recent years, as noted also in other Scandinavian countries (Granum Carson et al., 2015; Strand et al., 2015; Vidaver-Cohen & Simcic Brønn, 2015). In the Swedish case, one can point to both the international experiences of the CSR discussion combined with the companies’ own self-understanding of being responsible as reasons for why (the larger) companies have played such an important role. Furthermore, however, a completely new arena of actors has been established in Sweden. Consultants, ethics analysts, non-governmental organizations, the media, and other organizations have been important promotors of CSR (De Geer et al., 2009; Windell, 2006). To this, one should add the high status and trust in ‘soft’ regulation relating to CSR, and present in the Swedish case. Overall, politicians, trade unions, and others have changed their minds about the relevance and necessity of CSR. The issue at stake is how companies should take responsibility, not whether they should. As suggested in the introduction (also illustrated by the Scania quotation above), a relatively recent shift is that taking responsibility is often worded in terms of being sustainable. One can hardly argue that such a development has changed the nature of responsibility that is expected from companies in a more concrete way. But being sustainable is increasingly understood in a more holistic way, that is, how business can be sustainable in itself rather than just acting responsibly towards specific stakeholders (cf. the corporate-centered idea of responsibility).

The more general tendency to link business responsibility to the issue of sustainable development is parallel to more specific tendencies that condition corporate responsibility more directly. These are the regulatory development, the governance perspective, and the complex multi-stakeholder setting involving business and other actors.

3 The Regulatory Development

The regulatory development has definitely affected how Swedish companies look upon and act in regard to CSR. A trend present in Sweden and other countries is the increased focus on and trust in the capability of the legal system and legislation in general to promote sustainable development and human rights.

In particular, the focus on 'hard' legislation has been evident in recent years. The government shift of 2014, when the Social Democratic Party formed an alliance with the Green Party, entailed increased focus on legislation as a means to triggering and speeding up the sustainability agenda. It also contained a strong ambition to include a wide range of companies—not only the largest ones—within the legislative frames, as well as widening the areas of legislative applicability. This was also a rather radical shift compared to the policies of the center-conservative government in office 2006–2014. The former government emphasized to a much higher degree voluntary approaches to CSR, both nationally and internationally, even though several initiatives were taken within the field. The parliamentary situation changed after the 2018 election, with the red-green government still in office but now supported by the center-liberal parties. The political ambitions related to sustainability have continued.

The government shift in 2014 was, however, also parallel to a changed focus of the EU. Compared to earlier EU approaches, at the beginning of the new millennium, changes in how to understand CSR were obvious. Actually, this new or revised understanding paved the way for a more legislative rather than voluntary approach to CSR (Frostenson & Borglund, 2006). Following the EU, the Swedish government's ambitions were strong to enforce the directive concerning compulsory reporting of non-financial information. The Swedish government worked actively to extend the new legal reporting requirements to a high number of companies. Actually, when the new legislation was promulgated in late 2016, the number of companies affected by the new reporting legislation exceeded by far the number of companies set as a minimum level by the EU. Some 1600 Swedish companies were subject to the new reporting demands, including many more firms than suggested by the EU requirements. A result of the high amount of companies affected by the new legislation is that Swedish companies constitute a disproportionally high share of the total number of firms covered by the requirements of the EU directive. Other countries have chosen a less inclusive path.

Within the field of sustainability reporting, it is fair to say that new legislation has had a much higher significance than voluntary initiatives. The relatively vague development and implementation of integrated reporting, for example, has been obvious in Sweden. Much more focus has been on sustainability reporting according to the new legislation. Generally, the use of the standards of the Global Reporting Initiative (GRI) is common, even though GRI reporting is not an explicit requirement of the new legislation.

Other fields than reporting have undergone changed legislation. One example is public procurement, where social and environmental concerns are now allowed to be included in the procurement conditions of the public sector. As argued by the National Agency for Public Procurement, (sustainable) public procurement has become an increasingly important tool for achieving socio-political objectives. Environmental and social considerations in public procurement contribute to sustainable development and are also important as a means to achieving the national environmental-quality objectives. Legislation of public procurement has also changed in recent years, to provide leeway for public actors to formulate requirements based on social and environmental concerns. In the Swedish Public Procurement Act, largely based on the EU Directive concerning public procurement, it is not only licit for contracting authorities to take into account environmental and social concerns. Rather, it is mandated as a foundational principle. As stated in the Act: "A contracting authority should take environmental considerations, and social and labour law considerations into account in public procurement, if the nature of the procurement so justifies." Also in this case, the Swedish ambitions have been more far-reaching than what the EU requires.

The examples given above represent a turn to legislation as a means to further CSR considerations in business. Other examples include new sustainability reporting requirements on mutual funds (see below). The legal perspective, notably, has been spearheaded by politicians and civil society representatives that have seen legislation as a means towards imposing and implementing CSR in business within a wider sustainability agenda. The opposition from business can hardly be related to reluctance towards CSR concerns or negative attitudes towards reporting sustainability information per se. The worries connected to new legislation can, rather, be associated with a fear of increased costs and a questioning of the utility of the information to users (if we talk about the sustainability reporting requirements). It is also obvious that the legislative approach signifies a break with an earlier tradition of voluntariness of CSR, pointed out by, for example, the central policy organization of Swedish business, The Confederation of Swedish Enterprise.

Concerns have been raised that CSR will become yet another issue that will be the domains of law firms, accounting firms, and others with a more formal approach to reporting sustainability issues. However, signs are also clear that, for example, strategic approaches to sustainability have become normalized and common among Swedish companies. That is, even though legislation has triggered sustainability and made reporting compulsory, CSR has never become reduced to mere formality.

It is also fair to say, however, that the historically strong trust in and respect for 'soft' regulation remains in Sweden (De Geer et al., 2009). Possibly, the governance perspective (see below), goes hand in hand with soft regulation that tends to facilitate and bolster requirements and expectations on responsibility. The adoption of soft regulation principles in Swedish business often reflects relevant international developments. For example, the consciousness of the UN Sustainable Development Goals (the SDGs) is high among Swedish companies. As PWC (2018) notes, Swedish companies are among the ones mentioning the SDGs, identifying priorities among them, disclosing KPIs relating to them, and communicating the SDGs as important parts of their business strategy. Support for initiatives like the UN Global Compact remains high. In March 2021, 400 Swedish firms or organizations were listed as participants.

4 The Governance Perspective on CSR

The governance perspective on CSR contains various initiatives and attempts that in one way or the other relate to strong expectations on CSR voiced by owners and investors. This does not only include direct ownership but also more indirect expectations of socially responsible investors, for example pension funds investing in companies.

Governance relates to both public and private owners of business. The public perspective is present in the approaches of the state and political representatives that prescribe how state-owned companies should operate with regard to CSR. Part of the development has been the increasingly stronger interest of the state to mainstream and trigger social responsibility through active governance measures. Even though the number of state-owned companies is small in Sweden, the state approach has had strong symbolic significance. Following increased reporting expectations on state-owned companies, the state issued in 2007 guidelines demanding that state-owned companies report according to the GRI (see, for example, Borglund, Frostenson, & Windell, 2010). One idea behind these guidelines was to increase transparency on how state-owned companies work with social and environmental issues. Another idea was to deepen and speed up the sustainability work of the companies. Through the sustainability reports, an instrument for assessment of the corporate boards was created since the boards were ultimately responsible for the sustainability reports.

However, a striking feature of the Swedish political approach to CSR has been the division between governance of state-owned companies and internationally orientated CSR policy, mainly orchestrated within and through foreign trade politics. One way of expressing this is to say that efforts to influence state-owned companies from a sustainable governance perspective focus on individual companies, whereas the global governance perspective contains a wider development approach, typical of countries such as Sweden and Norway (Gjølberg, 2010). CSR is, in this latter respect, instrumental to achieving wider targets of development aid (Sahlin-Andersson, 2006), or addressing issues of normative concern more generally. The global governance case contains more of an appeal to companies to work with CSR internationally, under the assumption that companies are, or at least should be, guided by certain values contained in the Nordic model. For example, in the joint Nordic strategy for CSR—released in 2012 by the Nordic Council of Ministers—, a specific Nordic value context and self-image were spelled out: "Elements of CSR are historically rooted in the Nordic region. The values which CSR are based on are embedded in the Nordic countries, characterized by traditionally high levels of social and environmental standards. The Nordic countries are also known for supporting a culture of trust and stakeholder dialogue, and ability to combine economic competitiveness with social welfare and environmental considerations/protection." (Nordic Council of Ministers, 2012, p. 6).

Such a self-image and also the—for welfare states—'natural' idea of localizing CSR issues to issues in distant developing countries form the basis of the historically typical tendency to connect CSR initiatives to foreign trade and development. Initiatives have also frequently concerned partly highly developed countries such as China and India where needs for CSR have been assumed to be urgent and trade development possible. Typical of the global governance perspective is the establishment of structures such as The Swedish Partnership for Global Responsibility, organized as a subunit under the State Department (De Geer et al., 2009). Roles such as the 'CSR ambassador' have been established, and a number of initiatives focusing on China, India, and other markets have been present. Still today, for example, the Swedish embassy in Beijing contains a Center for CSR, supporting the development of sustainable business in China and facilitating for Swedish companies to do business in China in a sustainable way.

Part of this development has continued and has been accentuated by the EU. For example, the Swedish government has developed its 'platform' on CSR as a response to EU's call for national roadmaps for CSR. Accordingly, in 2013, the Swedish government developed and published the platform (Swedish Ministry for Foreign Affairs, 2013), slightly revised in 2015. Interestingly, not only questions about, for example, human rights and corruption were targeted, but also issues related to public procurement and internet freedom.

The governance perspective has also been present when it comes to the pension system. ESG requirements are now placed on state-run pension funds, such as the so called AP-funds, that require companies to abide by international standards and guidelines (Hoepner & Schopohl, 2018). Private pension firms, for their part, are to a high degree adopting the UN Principles for Responsible Investment (PRI). In March 2021, there were 124 Swedish PRI signatories, out of which 92 were investment managers, 26 asset owners, and 6 service providers.

Sustainable investment has become a marketing argument of asset owners. For example, the company Nordea argues that investing in sustainable funds is the absolutely best thing you can do for the climate. Such campaigns have also been criticized, but nevertheless, sustainability has become part of the financial industry's way of communicating and acting, also in relation to its customers.

There is a legislative and governance perspective on how mutual funds should inform about sustainability. The Mutual Funds Act was changed in 2017 to require mutual funds to report on sustainability issues related to asset management. The requirements correspond to what the revised Annual Accounts Act prescribes with regard to sustainability information. Funds should report how they take into account environmental issues, social circumstances, staff, respect for human rights, and activities initiated against corruption. In this case, the information should cover which sustainability aspects that are covered in the asset management, the methods for sustainability work, and the evaluation of that work. From a private governance perspective, the board of the Swedish Investment Fund Association, representing approximately 90% of the net fund assets held in the Swedish market, took a decision on a new standard for sustainability information for funds. The standard was put into effect from January 2018, and requires membership companies to provide information to customers that make it possible to get an overview of and compare the sustainability work of various funds. The standard follows the legislation but focuses more on how to inform customers.

Obviously, the legislative and governance perspectives are intertwined. Following legislation, private actors take initiatives to clarify issues and to guide companies on how to act in relation to what the laws require. Another example is the state itself with regard to the reporting requirements of the new reporting legislation of 2016 (the Annual Accounts Act). Those requirements also pertain to several state-owned companies. As a governance response, the Swedish government chose to require that all state-owned companies, including the smaller ones, report according to the demands placed on large companies by the law. In other words, the owner, in this case the state, requires information needed to understand the development, current state-of-affairs, and the consequences of the corporate responsibility activities of the firm.

5 The Interwoven Demands of the Multi-stakeholder Context and Business Concerns

Among developments in recent years, not obviously explained by new legislation or governance pressure, the activities of the companies themselves and the reasons behind these activities should be highlighted. It is hardly fair to see the CSR efforts of companies and the way they look upon business (from a sustainability perspective) as mere adaptation. Rather, it is fair to say that Swedish companies have, over the years, developed an understanding of themselves as responsible actors within the field. For example, participation in soft regulation development processes and other voluntary initiatives relating to sustainability build on an ambition of the companies themselves that cannot be seen as purely reactive. Rather, from a more proactive stance, one may ask what has prompted companies to engage in CSR and to be drivers for sustainable business.

CSR—or sustainability—has become a very important issue in the strategic considerations of Swedish companies. Consulting firms, of different character, emphasize strongly the need to include sustainability in business models and strategies. It is now an integral part of how business is understood. The problem has been to reach not only the larger corporations, but also the smaller ones. The fact that the Swedish legislation on sustainability reporting came to cover so many, also smaller and medium-sized firms, has been a trigger of attention for such companies. However, this is strongly related to reporting rather than sustainability strategy in a more direct sense.

What actually constitutes sustainable businesses or companies that are prominent in relation to CSR is always a matter of discussion and opinion. In a 2018 ranking of sustainable brands, building on the opinions of some 16,000 consumers, Coop won, followed by Ikea, Lantmännen, Apoteket, ICA, and Tesla (Sustainable Brand Index, 2018a). Apart from Tesla, all of these companies are Swedish or of Swedish origin, operating within fast moving consumer goods (FMCG), alimentary production, furniture, health and pharmaceuticals. What is or is seen as Swedish tends to be identified as responsible by the consumers (cf. Frostenson, 2014).

In another ranking—focusing on B2B companies (Sustainable Brand Index, 2018b)—, the waste management company Stena Recycling ended up as the winner, in particular because of a high scoring on environmental responsibility. Stora Enso (manufacturing and materials), Lantmännen (FMCG), SCA (manufacturing and materials, and Tetra Pak (manufacturing and materials) followed next.

Other companies head rankings such as “Sustainable companies 2018”, notably Stora Enso, Electrolux, H&M och Skanska (Aktuell Hållbarhet, 2018). That is, industrial firms and a clothing company. Top managers of these firms refer to sustainability work as a competitive advantage, the importance of sustainability for recruiting new employees, pressure from owners (cf. the governance perspective on CSR), and so on. A clothing company like H&M emphasizes equal circular economy and fair wages. In other words, the issues that the companies communicate on and refer to have the tendency to focus on the business case for CSR and/or the more general idea of how to contribute to a sustainable economy, including both social and environmental issues.

The rankings of sustainable companies may have little relevance *per se*. What they show, however, is that certain companies tend to be *seen* as sustainable by consumers, the media, or others, and that the image of responsible and sustainable companies is one that is provided. The companies themselves sustain this picture. As argued by Coop, the winner of one ranking, CSR and sustainability are part of the DNA of the company, reflecting a self-image that many Swedish companies have (Frostenson & Helin, 2017; cf. Strand et al., 2015). In many cases it seems fair enough to consider them to be sustainable, at least in comparison to others, as noted in various rankings and classifications (Strand et al., 2015). Several of the abovementioned companies definitely work seriously with CSR. On the other hand, such work does not preclude that companies are questioned and criticized, frequently on the basis of other issues that usually come up in the Swedish CSR discussion. For example, the company SCA was the focus of a heated media debate primarily concerning its corporate culture in 2014–2015. Public prosecutions followed. Top managers had to leave the company.

The context in which the companies' activities develop is, however, complex. External scrutiny, governance pressure, consumer preferences, and the activities of the companies themselves tend to shape the arena for CSR. Notably, as an interesting example, the rankings referred to previously are administered by private companies, or made by newspapers and one university institution. Consumers are active, and so on. That is, normative expectations on companies are voiced from a variety of stakeholders that, to some extent, define the normative core of what a responsible company is and should be. Companies are not unaware of this. Rather, they tend to accept and internalize the demands of stakeholders, making them their own, not least for business concerns. This is a process that has been ongoing for several years. Ähلström (2017), for example, pictures the development of H&M's CSR approach as ongoing for at least two decades, steadily moving forward in response to the normative issues that are debated, in particular by the media. What was once seen as far beyond the responsibility of the clothing company tends to be, over the years, internalized as a natural ingredient of the company's CSR approach. A human rights discussion is woven into H&M's own narrative of responsibility. Even though the approach could originally be seen as reactive, it becomes part of the modern self-understanding of the company.

Previously in this chapter, Scania was mentioned as an example that forms its very self-understanding against the thought model of sustainability. Such an idea may pertain to products, processes, and manufacturing. What seems to be the case in Sweden is that many companies define their activities against the enduring backdrop of sustainability. Another example is Stena Metall Group (mother company of Stena Recycling mentioned above), that claims: "Every day, our 3000 employees work with our customers to create new value that benefits everyone—the business, the environment and society as a whole. We recycle five million tons of waste every year. We provide society with the raw materials, steel products and marine fuels it needs. Through research and development, we are working to meet the challenges ahead." (Stena Metall Group, 2018). Another way of putting it is to claim that in public, Swedish companies define themselves in light of sustainability. The sustainability norms have grown so strong that it is difficult to do otherwise, and it is hardly the case that companies would like it to be in any other way. Strikingly, this is the case of larger companies, but also smaller ones tend to profile themselves in line with this thought model.

6 Concluding Discussion

The concept of sustainability has gained ground at the expense of CSR, and now tends to frame the discussion on what corporate responsibility is and consists of. Notably, the concept of sustainability was earlier strongly connected to the environmental discussion, and was partly replaced by CSR in the corporate sector in the early 2000s, but made a comeback as the dominant concept also within business following the strong societal focus on sustainable development a decade later. Swedish business, for this reason, is strongly marked by ideas relating to sustainability. Consequently, the formulation of responsibility frequently tends to be worded in terms of how Swedish companies contribute to sustainable development. This goes for both the companies themselves and other actors in society that press for sustainable business.

Under this overarching umbrella of sustainability, however, the trends and tendencies that have been discussed in the chapter have influenced and shaped Swedish CSR more directly. One obvious conclusion is that CSR in Sweden has become strongly conditioned by institutional and ideological paradigms that set the stage for what constitutes responsible business behavior. Strong normative ideas and ideals prevail, both from a general stakeholder perspective and a more ideological political perspective. The political 'activism' has grown stronger. But importantly, its increased strength must be seen in light of the more general discussion on sustainability, which has reconquered a foothold in recent years.

Somewhat speculatively, on the other hand, the general sustainability trend paired with the Swedish 'ousting' of CSR issues to the fields of the environment, developing country issues, corruption, and human rights, have implied limited readiness of companies and other actors to include in the very consciousness other responsibility issues that have come to the fore in recent years. This problem entails a sometimes confined reflection when it comes to identifying central responsibility issues rarely raised in the sustainability debate. To exemplify; it is commonplace to care for the environment and social issues, but still scandals occur. Such scandals have concerned, for example, excessive bonus payments and corporate cultures, questions that have attracted limited attention in the Swedish CSR discussion over the years. Within the financial sector, public outcry has concerned, for example, shadowy activities of companies within the national premium pension system. #MeToo was an eye-opener with regard to how women have been treated in business. That is, questions that do not necessarily count as typical CSR issues in the Swedish context are discussed from a responsibility perspective, which is a sign that CSR and sustainability, as frequently formulated, suffer from a 'lack of imagination' by not encompassing or identifying ethical issues highly relevant for corporate responsibility. The general focus on sustainable development in recent years has hardly been a remedy when it comes to identifying such responsibility issues and preventing scandals from occurring.

Another example that has caught attention is bribery and corruption. Companies that have been under the limelight include the partly state-owned telecom operator

Telia Company. Suspect license agreements in Eurasia, closed almost a decade ago, have ended up in legal settlements and in court. New leadership has substantially changed the direction and strategy of the company, but it has had to deal with substantial burdens of the past. Corruption issues have finally become part of the CSR agenda also in Sweden. Perhaps as an awakening that also Swedish companies run the risk of becoming involved in such affairs. Just ‘being Swedish’ is not a vaccine against corruption, even though politicians have argued strongly that Swedish companies do and should be carriers of values stemming from and embedded in the Nordic welfare societies (Frostenson, 2014). The idea of CSR—and business—as a tool for global governance still has proponents in the political sphere (Gjølberg, 2010).

However, within both the overarching international and local Swedish context, CSR develops and has to some extent changed its character. As Sahlin-Andersson (2006) claimed, CSR could be described as a complex phenomenon consisting of interrelated but still different parts. It was, on the one hand, a regulatory framework that placed new demands on corporations, but on the other hand a politically motivated mobilization of corporate actors to assist states in their attempts to provide development aid. Furthermore, from the perspective of the companies themselves, it could see as a management trend. Such a description still has relevance. But, to wit, the nature of regulation has changed, from soft to soft *and* hard regulation. The voluntariness of companies is no longer strongly emphasized. Legislation has become a means of imposing ideas about sustainable behavior. The development aid perspective has, even though it still exists, become vaguer. CSR is to a high degree linked to problems in development countries, but increasingly, it begins to become part of a more general understanding of the role of the corporation in sustainable development. Furthermore, the notions of ‘trends’ and management ideas are hardly enough to cover the predicament of business and its strong focus on responsibility issues. The idea of CSR, or sustainability, has become institutionalized to such an extent that it is no longer possible to escape. It is something that dictates the license to operate of companies to such a degree that it, at least partly, defines the limits of the arena on which corporations are active. This, companies tend to acknowledge, which is not to say that they are necessarily responsible or sustainable in everything they do. Nor is it always clear *which form* of sustainability that companies should strive for, even though there is common agreement *that* companies should be sustainable. But whatever the case, companies can rarely, or never, escape the thought figure of sustainability that today frames the economic life and nature of business in Sweden.

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Corporate Social Responsibility in the Netherlands

Anke van Hal, Henk Kievit, and Andre Nijhof

Abstract The history of CSR in the Netherlands can be characterized by a regularly changing focus and leadership oscillating between government and business. At the beginning of the twentieth century, the first focus of attention in what we now call sustainability was social issues. The government took the first step with a law to improve the social well-being of the population, but the major follow-up steps were taken by a few leaders within the business community. It was then the government in the 1980s that asked companies to give attention to the environmental effects of their actions. However, the role of the government in that area became increasingly passive over time, and the business community took the lead. Recently, the Dutch government has again grabbed the steering wheel by establishing very ambitious goals in the field of energy and with regard to a circular economy. Moreover, it is becoming increasingly clear that there can no longer be any question of leaders and followers: the government and the business community are now working intensively together to achieve the intended goals. This is not only within the Netherlands but increasingly across national borders. In this contribution, we describe these developments regarding Corporate Social Responsibility (CSR) in the Netherlands, and highlight what is special about the CSR activities in the Netherlands by outlining some individual cases, and explain the background to these activities.

1 Introduction

Social responsibility has quite a history in the Netherlands. Samuel Van Houten's 'Child Labor Law' of 1874 probably marks the start of social responsibility (Kievit, 2011)· This law by the Liberal Minister Samuel van Houten created legislation 'to prevent excess labor and neglect of children'. It prohibited children until the age of

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twelve working in factories and improved the working conditions in factories (Schenkeveld, 2003). The corporate business world followed and social rather than environmental sustainability was key. The first academic source on CSR dates from 1927 (Cobbenhagen, 1927). It describes the voluntary activities of large companies such as Gist-Brocades, Stork, and Philips. The debate in the 1960s and 1970s about the environmental pollution from companies resulted in an important new phase. CSR became a synonym for corporate environmental policies, although the national and local governments were in the lead. Especially since the 1980s, the Dutch government has started many ambitious initiatives. Although these were largely on a voluntary basis, the government provided policy incentives. Gradually, the Dutch business community came to see business-related advantages and dangers linked to environmental issues. So, given the government's reluctance to come up with mandatory requirements, various parties from the business community took the initiative to stimulate CSR (Nijhof et al., 2005) and encourage the Dutch government to become more active. The first very public declaration of intent was in 2006 (ANP, 2006) with an open letter in a newspaper signed by over 70 business leaders. In 2015, a climate-related legal case initiated by the Urgenda foundation forced the Dutch government to considerably tighten its CO2 policy. The government appealed against the ruling (The Guardian, 2018), with no end, but nevertheless the subsequent elections led to a cabinet that is characterized by its remarkable and far-reaching ambitions in the field of sustainability. This cabinet calls itself 'the greenest ever' and has ambitious objectives. While the European Union is striving for a 40% reduction in greenhouse gas emissions relative to 1990, the Dutch Governmental Agreement focuses on a reduction of 49 percent by 2030 and a fully circular economy (zero waste) by 2050 (Regeerakkoord, 2017). The severe earth tremors in the north of the country, as a consequence of natural gas extraction, led to an even more ambitious secondary goal in 2018: full independence from natural gas in 2050 (Wiebes, 2018).

This is a break from the passive nature of government policy in the previous decades and puts the Dutch government alongside companies in the front seat driving sustainability. In this contribution, we aim to describe these developments regarding Corporate Social Responsibility (CSR) in the Netherlands in more detail, to highlight what is special about the CSR activities in the Netherlands by offering some examples, and to explain the background to these activities.

2 The Initial Phase with a Focus on Social Issues

The 'Child Labor Law' of Samuel Van Houten was one of the first political actions to stop social abuses in society at the end of the nineteenth century, and recognized the societal costs such as child labor that were part of the dark side of the Industrial Revolution, (Schenkeveld, 2003). The corporate business world followed with ambitious founders of large companies such as Gist-Brocades, Stork, and Philips introducing similar reforms. The first examples of specific socially responsible entrepreneurs in the Netherlands that we describe are Jacques van Marken (1845–1906), Charles Stork (1822–1895) and Anton Philips (1874–1951).

2.1 Gist-Brocades

Jacques van Marken established in 1869, with the support of his father and the Mees & Zoonen Bank, the company Nederlandsche Gist-en Spiritusfabriek N.V. (later Gist-Brocades) in Delft. It provided yeast using a reliable industrial process to improve the efficiency of bread production. Van Marken provided decent working conditions, pension funds, profit-sharing, a savings bank for employees, a garden village for the workers (Agnetapark), cooperative stores, entertainment and relaxation centers and its own magazine—De Fabrieksbode. In addition he organized sickness and death insurance and provided holidays for the employees. In 1875, he initiated employee participation in the company by establishing an early form of works council (Bouwe, 1990).

2.2 Stork

Charles Theodorus Stork was a profound thinker who studied for three years at the Twente Industry and Trade School in Enschede. He and his father established Royal Stork, a company that built machines and maintained engines for the textile industry in Twente. It grew, reaching a peak in 2007 as a conglomerate of more than 13,000 employees building machines and engines for textile print systems, food systems, the aerospace industry (it acquired Fokker Aviation), and industrial services. Charles Stork thought consciously about the cooperation between labor and capital, and established social funds and participation structures in his factory. He was attracted to the cooperative form of mutual interests and initiated several social services for the benefit of the employees. These included building a school in the factory to educate farm boys to become machine workers. Even today, this school still functions. He established an employee association to stimulate the collective purchase of food, a medical doctors fund, a widows fund, and a pension fund. In 1867, a model village, Tuindorp ‘t Lansink, was set up in Hengelo by Stork to create decent housing facilities for its employees (Bouwe, 1988).

2.3 Philips

Anton Philips, one of the founders of Royal Philips Eindhoven, was inspired by Charles Stork. He built Philips Village close to Eindhoven. He also established Philips Schools and the Philips Library. Further, the Philips-vander Willigen Fund was established to encourage the children of Philips employees to study at university (Metze, 2004). The ETOS chain of pharmacies was also initiated by Philips. This was established in 1919 under the name Philips Cooperative Users Association and Bakeries, and it encompassed a bread factory, butchers, pharmacies, grocery shops, and a petrol station. It was renamed ETOS in 1931 based on the words Eendracht (unity), Toewijding (devotion), Overleg (consultation) and Samenwerking (collaboration). Furthermore, the Philips Sport Vereniging (PSV) was set up in 1913. From this sports association, the soccer team PSV emerged, which is still one of the big three professional teams in the Netherlands.

3 The Phases of Cleaning Up and Controlling

The debate in the 1960s and 1970s about the environmental pollution being caused by companies resulted in an important new phase. CSR became a synonym for corporate environmental policies, but governments were in the lead. This phase, between the 1960s and 1980s, is referred to as the phase of cleaning up. The approach in this phase can be characterized by the fairly passive role adopted by companies. Care for the environment (the term sustainability was not yet used) was seen as a task for the government. Emphasis lay on laws and jurisdiction (van Hal, 2009).

Since the 1980s, the Dutch government has introduced many ambitious initiatives, but with participation mainly on a voluntary basis. Gradually, more and more parties in the Dutch business community came to see business-related advantages and dangers in relation to environmental issues. This phase, between the 1980s and 2007, is called the phase of controlling (van Hal, 2009). The Dutch government was playing a leading role internationally at the end of the twentieth century. The Netherlands was one of the first countries to react to the call of the Brundtland Committee (1987) to come up with a national environmental policy. This first Dutch environmental policy plan (Ministry of VROM, 1989) was quickly introduced. In 1990, the NMP+ appeared, which aimed to balance the measures and objectives in the first NMP (Ministry of VROM, 1990). NMP+ also strengthened the policy in several areas since it appeared that some of the proposed targets would not lead to achieving the main objective: sustainable development. The core of the environmental policy as described in the NMP was retained in the NMP+, but financial measures were also announced.

This policy plan led to very concrete actions in various fields. For example, a comprehensive annex devoted to the construction sector was part of the NMP+ report. The theory was translated into practice with a national pilot project; the Ecolonia district of Alphen aan de Rijn. This was initiated by the Dutch national government and enabled all the sustainable building themes from the NMP+ to be experienced. More environmental policy plans followed and, in Environmental Policy Plan No 4 (Ministry of VROM, 2001), transitions were first discussed. A transition in this sense is a broad societal change that may take thirty to fifty years to complete. This new plan (NMP-4) focused on three sustainability-related transitions: towards sustainable energy management, towards sustainable use of biodiversity and natural resources, and towards sustainable agriculture. Detailed action plans were linked to the transition ambitions, and the government challenged the business community to take steps, especially through the use of covenants (Cramer et al., 2007). In this approach, rather than mandating CSR, the government tried to facilitate CSR with subsidies—such as CSR innovation vouchers—and by initiating network organizations including MVO (CSR) Nederland, IDH (Initiative Sustainable Trade) and GRI (Global Reporting Initiative). Furthermore, the government approved a policy to direct all public organizations to move towards sustainable procurement (SER, 2010). With an annual budget of 60 billion Euro, this stimulated markets in many sectors to include CSR aspects (Nijhof et al., 2005).

In the same year as Environmental Policy Plan No 4 was introduced, an influential Dutch think-tank published a report in which CSR was framed based on two elements (SER, 2001):

1. an adequate company focus on its contribution to social welfare in the longer term;
2. the company's relationship with its stakeholders and the social environment.

This report coincides with the European Commission's white and green papers that, unlike the US government, rejected a substantial governmental role in CSR. 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" (EU Green Paper, 2001; EU White Paper, 2002). This conception of CSR emphasizes that companies have responsibilities towards all their stakeholder groups, and not just their shareholders, which goes beyond what is required by law.

With the reluctance of the government to introduce mandatory requirements, various parties from the business community took the initiative to stimulate CSR (Nijhof et al., 2005; Van Tulder & Van der Zwart, 2006). Since that time, Dutch companies have been recognized internationally as frontrunners in the field of CSR. For example, since the launch of the Dow Jones Sustainability Index in 1999, typically 4 of the 24 sectors have been led by a company headquartered in the Netherlands.[1] This is some achievement for a country with just 17 million inhabitants.

Several companies appealed to the government to take a more progressive stand on CSR. In 2006, major Dutch companies called on the Dutch government to act in a more sustainable way with an open letter (ANP, 2006) in a newspaper, signed by over 70 top executives from the business world: *'Nature forms the basis for our existence. We must keep this for now and for the future. However, we are suffering from a retreating government. Subsidies are being abolished. The government*

[1]For example, see the results of 2016: http://www.robecosam.com/images/review-presentation-2016.pdf

recognizes problems such as climate change and forest destruction, but limits itself to this'. This letter and other entrepreneurial initiatives resulted in a more proactive approach in which government, companies, and NGOs worked together on solutions for problems in society (Figgie & Hahn, 2005).

4 The Phase of Integration

This phase started around 2007 (van Hal, 2009) and is ongoing.

As a consequence of the initiative described above, companies started to focus on business opportunities in the so-called New Economy. By combining technological developments with social and environmental trends in society, many start-up companies developed archetypes for sustainability value propositions (Bocken, Short, Rana, & Evans, 2014). One of these that attracted global recognition is Fairphone, but almost every major city in the Netherlands has a hub for start-up and scale-up companies developing new business propositions to deal with global sustainability challenges.

Moreover, this development is not restricted to start-ups and medium-sized companies, larger, more institutionalized, companies have also found ways to develop impactful CSR programs. For example, parties in the construction sector took the initiative to establish the Dutch Green Building Council to set standards for sustainability in Dutch construction. Elsewhere, TNT sets the tone internationally with its sustainability policy of using their logistical expertise to support the United Nations World Food Program (WFP), and Unilever has followed. A Dutch translation of the American Cradle to Cradle book created considerable enthusiasm in the business world. Nowhere else in the world was there such enthusiasm for working towards the ambition to start living in a circular (waste-free) way without sacrificing economic growth. Although the enthusiasm faded away after efforts to certify Cradle-2-Cradle, the interest in a circular economy remained and, after a few quiet years, is reviving. This has resulted in, among other things, the government's recent major aim of a wholly circular Netherlands by 2050. Internationally, the Netherlands is also recognized for its transparency regarding its CSR ambitions. Various instruments are being developed for this purpose, including the CSR transparency benchmark that will rate the 500 largest companies in the Netherlands in terms of how transparent they are about their CSR principles, processes, and performance.

In this period, around 2010, companies changed their position on CSR from "nice to have" to "need to have", a shift linked to innovation and market opportunities. For example, within the 'The Energiesprong' program, housing associations and construction companies joined forces to develop innovative technical concepts that enable standard Dutch terraced houses to be transformed into energy-neutral dwellings within a few days (while remaining inhabited). To provide the large-scale financing required, the costs that had previously been paid to the energy company by the residents now had to be paid to the housing associations. A change in the law made this innovative financial construction possible (Van Hal, Coen, & Stutvoet, 2019).

This change from "nice to have" to "need to have" took place around the same time as a unique lawsuit for the government. In 2015, a climate-related legal case initiated by the Dutch Urgenda Foundation, which aims for a fast transition towards a sustainable society, forced the Dutch government to tighten its CO_2 policy considerably. Although the government initiated an appeal against the ruling (The Guardian, 2018), with no end, the subsequent elections led to a cabinet that is characterized by remarkable and far-reaching ambitions in the field of sustainability. This cabinet calls itself 'the greenest ever' and has ambitious objectives. While the European Union is striving for a 40% reduction in greenhouse gas emissions relative to 1990, the Dutch Governmental Agreement focuses on a reduction of 49% by 2030 and a fully circular economy (waste-free) by 2050 (Regeerakkoord, 2017). The severe earth tremors in the north of the country that are a consequence of natural gas extraction led to an even more ambitious secondary goal in 2018: full independence from natural gas by 2050 (Wiebes, 2018). This is a clear break with the passive nature of government policy in the previous decades, and puts the Dutch government in the front seat alongside companies in driving sustainability (SDG-rapportage, 2017). However, another outcome was resistance from several companies. In 2019, 17 companies from the chemical and steel sectors wrote an open letter to the government asking them not to not to sacrifice their jobs to the national sustainability ambitions.

Another example of the leading role of Dutch companies is the initiation of the Dutch Sustainable Growth Coalition (DSGC) in 2012. This is an initiative by eight multinationals from the Netherlands (AkzoNobel, DSM, FrieslandCampina, Heineken, KLM, Philips, Shell, and Unilever) and led by the former prime minister Jan Peter Balkenende. DSGC "aspires to be a coalition of thought leaders, providing valuable recommendations to government and policymakers and inspiring national and international leaders to 'move the boundaries' and create the right policy framework conditions for sustainable and inclusive growth in the Netherlands".[2]

The strong drive to show leadership in relation to sustainability is also visible in the ambitious policy reforms in the Netherlands related to the sustainable development goals (Lucas, Ludwig, Kok, & Kruitwagen, 2016). Being the second largest exporter of agricultural products worldwide, the Dutch economy has a strong focus on agro-food. The recent policy reforms direct the entire agro-food sector towards circular agriculture (Ministry of Agriculture, Nature and Food Quality of the Netherlands (2018)). Specific guidelines are being developed for Dutch farming, horticulture, and fisheries to reduce the environmental, social, and economic costs of current production methods. For example, these address the prevention of soil depletion, stopping the decline in biodiversity, fulfilling the commitment of the Netherlands to the Paris climate agreement, and developments in permaculture and organic farming.

[2] https://www.dsgc.nl/en retrieved 26 June 2019

5 Cases

We will finish this historical overview with two contemporary cases.

5.1 Business to Consumer Case: Tony's Chocolonely

The stories of children working as slaves on cocoa plantations in West Africa form the basis for the existence of Amsterdam-based chocolate company Tony's Chocolonely. In 2003, a group of Dutch investigative journalists discovered that this form of slavery existed. Shocked, they tried everything they could think of to tell the world about this problem and the need to fix it. After many disappointments, they decided to set an example by trying to produce a 'slave-free' chocolate bar themselves. Almost fifteen years later, this project has evolved into the leading chocolate producer in the Netherlands: Tony's Chocolonely.

The team embarked on a strategy of rapid expansion. On a practical level, they secured deals with major supermarket chains. They have also introduced new products such as 'mini-bars', chocolate milk, and seasonal products such as Easter eggs. They further challenge the traditional chocolate industry by introducing lots of innovative flavors in what they label 'special editions'. Considerable work is also done on the company's mission, which has been reformulated and clarified as: 'crazy about chocolate, serious about people'. The company aims to create the conditions for the eradication of child (slave) labor, ultimately aiming to positively influence the practices of the world's major chocolate companies. Tony's thus states that 'together, we want to make chocolate 100% slave-free'. This mission is operationalized in three pillars: 1. Tony's creates awareness; 2. Tony's leads by example; and 3. Tony's inspires action. By the end of 2017, Tony's reached a milestone by becoming the largest, in terms of value market share, chocolate brand in the Netherlands. Having achieved leadership in its home market, Tony's is increasingly looking beyond the Netherlands' borders. While the first steps into other countries started in 2015, the focus on international markets has intensified from 2017 (Abu Ghazaleh, Hogenstijn, & Sluiter, 2018).

5.2 Business to Business Case: New Mixed Farm

The New Mixed Farm case focuses on a novel approach to farming based on upscaling production numbers to facilitate investments in new technologies and horizontal and vertical chain integration. The extensive quote below outlines the development up to 2014.

> In a highly populated country like the Netherlands, the livestock sector is increasingly related to all kinds of problems. On the one hand, the Dutch livestock sector has become

> very cost efficient, but on the other, it is losing its license to operate due to some disputable technologies, manure surpluses, animal diseases, odor nuisance, animal living conditions and alternative uses of scarce natural habitats. These topics are heavily debated in both the public and political arena.
>
> One way how to deal with these issues is to return to small-scale farming. However, it is difficult for these farmers to adapt to the norms related to manure, air emissions, and so on. This may result in a business model that is characterized by increased pressure on margins, tensions in customer-supplier relations, and intensification of the livestock area. The New Mixed Farm case focuses on a different approach based on upscaling production numbers to facilitate investments in new technologies and horizontal and vertical chain integration. New Mixed Farm plans to realize a 'mega-stable' which would accommodate 3700 cows, 9700 pigs and 19,700 hogs, 1,200,000 chicks and 74,000 chickens next to a fermentation installation, hatchery and abattoir and reuse of organic waste in production facilities for vegetables and mushrooms.
>
> Instead of a quick launch, the project was delayed because it took much longer than expected to get all necessary permits. The main reason was a lively public debate around mega-stables focusing on the local effects of mega-stables as well as the principle-based argument about whether it is right to house so many animals on a small property (Nijhof, Janssen, & Mager, 2014, page 2).

However, since then and after a long procedure, it was decided to grant the necessary permits to New Mixed Farm. Finally, in 2017, it was constructed and has become a fairly successful example of how large-scale business models can increase both efficiency and sustainability at the same time.

6 The Future

Looking towards the future, CSR in the Netherlands seems to be increasingly focused on opportunities linked to the sustainable development goals. The 'Better Business, Better World' report resonates in the debate about CSR in the Netherlands (Business & Sustainable Development Commission, 2017). This is partly due to international developments including the leadership of Peter Bakker, CEO of the World Business Council for Sustainable Development (WBCSD) and a well-known and respected businessman from the Netherlands. It is also in part due to developments within the Netherlands such as the ongoing "De Groene Zaak" dialogue ("The Green Business", a network of leading companies initiated by Marga Hoek). in 2018, this organization was integrated into MVO Nederland (CSR Netherlands)—a network with over 2000 member companies. Its vision is laid down in two publications (Hoek, 2014, 2018). The latter of these is a book entitled 'The Trillion Dollar Shift', and addresses the business opportunities that will be present when the world moves in the direction of fulfilling the sustainable development goals.

7 Conclusions

The development of CSR has gone through several phases in the Netherlands, from government-led, through business-led, to a collaborative approach. The focus has also varied over the years. In the various CSR phases, several institutions have developed that continue to support further progress in relation to CSR. These institutions include specific organizations such as MVO (CSR) Nederland, Global Reporting Initiative and Initiative Sustainable Trade (IDH) as well as social movements of service-oriented and stewardship-based communities, often with a regional focus (Kievit, 2015). However, even though many companies act locally, the global sustainability goals challenge companies to cooperate across regional and national borders.

To be able to report an unambiguous story about CSR in a national context will, therefore, become increasingly difficult. It is also likely that the contrasts between the attitudes of parties will also increase further. While some companies will grab the leadership role and work with others to tackle specific problems, others will increasingly withdraw onto their own grounds and wait to see what the future will bring. Maybe, we will no longer be able to speak about CSR in the Netherlands but will instead speak about a worldwide movement with Dutch businesses and governments involved. The future will continue to ask Dutch business, and governmental, leaders to show initiative and, together with other parties worldwide, do all they can to circularize the economy, bring the climate problem to an end, and reduce social inequality. In other words, to make the world a better place and one prepared for future generations.

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Corporate Social Responsibility in Turkey

An Institutional Analysis of Social Responsibility in Turkey during the 2000s

Duygu Turker and Özge Can

Abstract Corporate social responsibility (CSR) has been one of the most dynamic concepts of business literature. It evolves over time and significantly varies across contexts. The joint effect of these two dimensions requires analyzing the notion of social responsibility more frequently than most concepts. The current study attempts to contribute to the literature by focusing on the current practices of CSR in Turkey. In addition to the large-scale effect of global industrial trends and technological advancements, Turkey has also experienced a highly complex political, economic, and social transition during the 2000s. Considering the impact of dynamic and competing institutional logics, the study tries to provide a deeper understanding on how CSR perception and practices have evolved in Turkish business context to date. The study reveals that philanthropic component of CSR has been strengthened as a phenomenon in the nexus of family, religion, community, and market logics. Whereas, the ethical and environmental components are not fully integrated into the CSR agenda of Turkish business organizations. CSR has been also polarized during the 2000s in line with the overall political climate of country. Under the politics of government party, which has been in the office since 2002, business organizations are highly cautious on which issues they should address or whom they should work with.

Keywords Corporate social responsibility · Institutional theory · Institutional logics perspective · Turkey · Turkish business organizations

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1 Introduction

Corporate social responsibility (CSR) is an evolving concept depending on the diverse interactions of an organization with its environment. Understanding the economic, social, political, or cultural aspects of this environment can explain why organizations adopt a similar pattern of behavior when engaging in CSR and the unique characteristics of CSR in a given context. Therefore, as one of the most popular corporate practices, CSR should be analyzed by considering its context-specific nature. Although there is a growing scholarly interest on CSR in Turkey during the last decades, most studies solely take *the business case for CSR* approach, which revolves around the benefits of CSR for companies (Carroll & Shabana, 2010). A systematic literature review on CSR in Turkish academic literature (35 studies in 2013–2018) (Aras-Beger, 2019) reveals that only a few studies take into account the impact of cultural and institutional factors on CSR (Astarlıoğlu, 2017; Koparan & Okan, 2016; Okan & Koparan, 2016).

The current study adopts an institutional perspective to analyze the current practices of CSR in Turkish business context. Institutional logics approach provides a powerful meta-theoretical framework to understand why organizations behave in a certain way by considering their dynamic interactions with diverse logics in an institutional environment. Following this line of inquiry, the study aims to provide an analysis on the CSR conception in Turkey in the last two decades. In this sense, the current study can be seen as a subsequent and chronologically complimentary step of Turker's (2015) study, which provides an elaborate analysis of CSR in Turkey since the Ottoman period and assesses its evolution process in a historically contingent manner.

The chapter is organized in three sections. First, the institutional logics approach is briefly explained by considering its implications on CSR notion. After providing some information about Turkey as a developing country, the last section is devoted to the discussion of how CSR has been practiced as a response to diverse and competing institutional logics in Turkey. Although CSR provides a broad construct, this study solely focuses on its particular characteristics as component, governance, and issue management. The study extends institutional theory by analyzing the embeddedness of social responsibility in a developing country context.

2 Institutional Logics and Social Responsibility

The notion of institutional logics was first introduced to organizational research by Friedland and Alford's (1991) pivotal work. According to them, a set of core societal-level institutions including market, democracy, bureaucratic state, family, and religion produces their own overarching organizing principles (or distinctive logics), shaping preferences, interests and the repertoire of behaviors expected within their boundaries (Friedland & Alford, 1991; Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011). As a formal definition, institutional logics refer to "socially constructed historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality" (Thornton & Ocasio, 1999, p.804). In a simpler way, they form a system of meaning and normative understandings through practical and symbolic means (Greenwood et al., 2011). In addition to being an integral part of Friedland and Alford's (1991) original conceptualization, it is also widely accepted across the literature that multiple logics typically co-exist and the incompatibilities among them often become an enduring feature of organizational fields. That is, plural logics constantly interact and compete to influence a field by producing inconsistent expectations from organizations.

As an advancement on the previously identified societal-level institutional logics, Thornton and her colleagues (Thornton, Ocasio, & Lounsbury, 2012) offered a more inclusive set of logics composed of family, community, religion, state, market, profession, and corporation. Once again, each of these logics establishes their own organizing principles, symbolic and material expressions. Categorical elements such as sources of legitimacy, core values, norms and practices form the building blocks of their institutional content. For example, in community logic, legitimacy comes from unity of will and belief in trust and reciprocity. It involves strong commitment to community values and ideology. In market logic, on the other hand, legitimacy is ultimately gained by the level of share price, and shareholder activism stand at the core of relations. While market logic spreads across several domains, it usually leads to the weakening and erosion of professional logic. In a similar vein, family values will differ from market values. When family logic is dominant, the interpretation of symbols and enactment of situations will be through unconditional loyalties, family prestige, and paternal domination.

Organizations can respond differently to such conflicting demands by choosing from a set of options including adopting, translating, prioritizing, combining or rejecting (Greenwood et al., 2011). In turn, institutional logics can shape several individual organizational aspects, and altogether, certain organizational "archetypes" associated with distinct logics can emerge. An overview on the extensive amount of research on the subject reveals that besides narrower effects on single practices, broader impacts of institutional logics on organizational design, strategies, decision processes and management are equally prevalent. Through agency and reflexivity, organizations can manage their structural responses to institutional complexity and engage in several hybrid arrangements (Greenwood et al., 2011; Oliver, 1997). They may selectively incorporate design elements from certain logics to attain higher legitimacy and acceptance from the environment (Pache & Santos, 2013). Similarly, organizations can adopt particular strategies for dealing with incompatible logics at a certain point in time. Factors such as relative power within the organization, field-level linkages, organizational identities, and decoupling and framing mechanisms determine such strategic responses.

There has been significant evidence in the organizational literature pointing to the fact that among other issues, particular logics in a field or industry deeply affect the CSR agendas, choices and practices of individual organizations. Blindheim (2015) claims that distinct CSR models that are fashioned by contradictory logics can be examined based on two criteria; the responsibility mechanisms to address ethical issues, and the range and scope of issues the organization is expected to consider. To be exact, what is valued and how it should be approached and governed vary along different institutional logics, and in view of that, managers can attribute multiple meanings to CSR (Blindheim, 2015). Above all, what CSR activities organization will pursue is largely shaped by the domestic and international institutional structures and studies show that usually institutional demands and internal factors have to fit in order to achieve high CSR performance (Weaver, Trevino, & Cochran, 1999). The CSR response of a MNC, for instance, often results from interplay between home and host country institutional logics and how managerial values and audience demands match with them (e.g. Tan & Wang, 2011; Zhang & Luo, 2013).

In essence, macro-level institutional pressures manifest themselves through various different means including stakeholder influences, customer evaluations, media pressures, regulations, standards and certifications, ratings, community demands and public expectations in predicting CSR (Aguinis & Glavas, 2012). As an example, the shifts among different institutional logics, weakening of existing logics and emerging of new ones can change the evaluation of CSR activities or scores of firms by relevant stakeholders (Ioannou & Serafeim, 2015). Representing another critical component of CSR, supply chain management decisions and policies established around environmental and social concerns are also developed or modified in line with the expectations of conflicting logics (Pemer & Skjølsvik, 2016). Combinations and disintegrations among diverse logics play a role in the design of sustainable supply chain strategies as well as organizations stakeholder identification and engagement (Pullman, Longoni, & Luzzini, 2018). All these arguments and findings reflect how the function and meaning of CSR alter by organizations' degree of conformity to institutional expectations from diverse logics.

3 Turkey as a Developing Country

As one of the assumptions in institutional logics perspective, the notion of historical contingency explains how the non-linear or cyclical evolution of inter-institutional systems affects the environment of organizations at a given point in time (Thornton & Ocasio, 2008). In this case, all organizational practices can be seen historically contingent and must be analyzed by considering its own evolution in a given context as well as understanding the impact of dynamic interactions among institutional logics. Based on this assumption, it can be stated that the idiosyncratic nature of institutional context can largely affect the historical contingency of CSR in Turkey. Therefore, we need to understand the contextual factors to understand such organizational practices.

Turkey was established in 1923 by the visionary leader, Mustafa Kemal Atatürk (1881–1938), on the roots of Ottoman State (1299–1923). Despite the reformist approach of Atatürk to create a modern, independent, democratic, and secular state, the country has failed to follow his principles and exhibited a rather slow political, economic, social, and cultural progress (Kongar, 1999). The country has followed a state-regulated development model, which makes the state as the most powerful actor of system and results in the dependency of family business organizations to the dominant public logic (Bugra, 1994). The aspiration to achieve Western-style industrialization cannot be achieved due to the absence of strong institutional mechanisms in the country as well as the opportunistic behaviors of these family businesses that have not entered into the high-value added sectors despite the governmental supports (Kongar, 1999). As of 2019, family businesses are still the most dominant actors of Turkish business context and the number of public corporations and institutional investors are low when compared to a developed country. The owner families do not issue or issue only a limited part of their stocks into the exchange market due to the fear of losing their controls on company as well as the cost of compliance with the principles of corporate governance (Yamak & Ertuna, 2012, pp.476–477). As it is explained below, even this single feature largely affects how CSR is practiced in Turkey.

Despite this ill-defined relationship between government and family businesses, Turkey has also integrated into the capitalist system. The new capitalist class and its structural relationship gradually emerged by the import-substituting industrialization approach of state-led, protectionist policies during the 1960s and 1970s and Turkey has aligned to the global economic system since the 1980s (Keyder, 1987; Şenses, 1991). The country has attracted the attention of multinational companies during the 1990s and currently becomes one of the important market for them with its growing population, which is over 82 million as of 2018 (TUIK, 2019).

The country has entered another wave of transformation during the 2000s under the politics of government party—Justice and Development Party (JDP). The economically liberal but socially conservative politics of JDP, which has taken office in the 2002 election, transforms the basic premises of a society that adopts both eastern and western values. Although the country is still a member of United Nations (UN), North-Atlantic Treaty Organization (NATO), the Organization for Economic Cooperation and Development (OECD), and a candidate state of European Union (EU), it has started to move away from its western counterparts due to the politics of JDP. While the relationship between EU and Turkey comes to standstill with an unpredictable future (Haferlach, Tekin, & Wódka, 2018), the implications of autocratic as well as entrepreneurial approach of JDP (Eraydin & Tasan-Kok, 2013) have been apparent during the last decade.

As an implication of JDP on the economic system, the share of sectors has changed during the last two decades significantly. Table 1 shows that while the shares of some essential sectors have continuously declined on this period (e.g. agriculture, forestry and fishing by 6%; manufacturing by 5%; wholesale and retail trade by 1, 5% etc.), the shares of construction and retail estate have risen by around 5% in total. JDP's increasing support to the construction and related sectors has been criticized a lot due to its economic as well as environmental and social impacts. According to Aktas, (2017: 174), since Turkey has a limited capacity of production and export, JDP built a rapid economic growth-model by investing in

Table 1 Gross Domestic Product (GDP) and Share of Sectors in Turkey (1998–2015)

Year	Gross Domestic Product (Thousand TRY)	Sectors* (%)									
		A	B	C	D	E	F	G	H	I	J
1998	**71,892,898**	12,5	22,3	6,1	13,4	8,0	5,5	4,8	4,7	2,4	20,4
1999	**107,164,345**	10,5	20,1	5,6	11,6	8,3	7,2	6,9	5,6	2,9	21,5
2000	**170,666,715**	10,1	18,8	5,3	12,1	8,8	5,0	8,4	5,2	2,7	23,6
2001	**245,428,760**	8,9	17,8	4,6	11,5	9,5	6,2	8,5	5,5	2,8	24,7
2002	**359,358,871**	10,3	16,9	4,5	11,9	10,2	3,3	8,0	5,4	3,1	26,5
2003	**468,015,146**	9,9	17,1	4,6	12,1	9,9	2,6	7,9	5,4	3,2	27,3
2004	**577,023,497**	9,4	16,9	5,3	12,5	9,7	2,5	8,1	5,3	3,1	27,1
2005	**673,702,943**	9,3	16,9	5,6	12,2	9,5	2,5	8,5	4,7	3,2	27,7
2006	**789,227,555**	8,2	17,1	6,3	12,4	9,5	2,1	8,9	4,6	3,3	27,7
2007	**880,460,879**	7,5	16,8	6,8	12,1	9,5	2,2	9,6	4,6	3,4	27,5
2008	**994,782,858**	7,5	16,3	6,8	12,2	9,6	2,4	9,7	4,5	3,4	27,6
2009	**999,191,848**	8,1	15,2	5,6	10,7	8,8	3,7	10,5	5,0	3,9	28,4
2010	**1,160,013,978**	9,0	15,1	6,1	11,1	7,9	2,9	9,9	4,8	3,9	29,3
2011	**1,394,477,166**	8,2	16,5	7,2	11,6	7,4	2,7	9,0	4,5	3,8	29,1
2012	**1,569,672,115**	7,8	15,9	7,5	11,2	8,1	2,9	8,6	4,7	3,9	29,3
2013	**1,809,713,087**	6,7	16,2	8,1	11,2	7,9	3,1	8,2	4,5	3,9	30,2
2014	**2,044,465,876**	6,6	16,8	8,1	11,5	7,9	2,9	8,0	4,5	4,1	29,6
2015	**2,338,647,494**	6,9	16,7	8,2	11,5	7,9	3,0	7,7	4,3	4,1	29,7
2016	**2,608,525,749**	6,2	16,6	8,6	11,4	7,6	3,3	7,7	4,6	4,4	29,7
2017	**3,106,536,751**	6,1	17,6	8,6	11,9	7,7	3,2	7,2	4,3	4,1	29,4

Source. (TUIK, 2019)
[a]*A* Agriculture, forestry and fishing; *B* Manufacturing; *C* Construction; *D* Wholesale and retail trade; repair of motor vehicles and motorcycles; *E* Transport and storage; *F* Financial and insurance activities; *G* Real estate activities; *H* Public administration and defense; compulsory social security; *I* Education; *J* Other

major construction projects, "which are financed by the public sector, leads to one thing and one thing only: debt; growing and uncontrollable debt". Besides its economic burden, prioritizing the construction sector by ignoring agriculture and value-added sectors has an impact on the social and environmental sustainability too. As it is explained below, the Gezi Revolt starts with the JDP's insistence on building a mall on Gezi Park, which is the only green area in the center of city.

In terms of societal development, Turkey has been characterized by many institutional voids at social-welfare, commercial, and public-sector logics (Turker & Vural, 2017). According to some selective data of OECD, while Gini coefficient is 0,404 (0 = complete equality/100 = complete inequality) as of 2015, poverty rate is 0,172 as of 2017, legal framework on the violence against women is around 0, 25 as of 2014 (0 = the existence of legislation/1 = the lack of legislation) etc. (OECD, 2019). To sum up, all these values are worse than the developed country cluster of OECD and most European countries. While the unemployment rate is around 10.8% as of 2018, it is expected that it will rise to 11.9% by 2019 (TUIK, 2019;

HABERTÜRK, 2019). The country has also received a significant number of Syrian refugees during the last years without preparing the relevant condition to host and integrate these people into society.

4 Composition of CSR among Turkish Companies during the 2000s

Turkish companies have defined their socio-economic roles in a very narrow sense and mostly focused on the philanthropy (Turker, 2015). For instance, in order to integrate the country to global markets, Turkey passed significant reforms on corporate governance during the beginning of the 2000s (Arzova, 2009). However, since the number of listed companies in stock exchange market is relatively limited due to aforementioned reasons about family business organization (pls. See Yamak & Ertuna, 2012); the implications of these principles that require more transparency and accountability at corporate practices are rather weak. The companies do not want to share their company information and mostly neglect their ethical, environmental, and even legal responsibilities towards stakeholders. As an indicator of legal/ethical understanding, the Transparency International's Corruption Perception Index for Turkey in 1985–2018 shows that the score, which ranges from zero (highly corrupt) to 100 (very clean), has increased over this period of time and Turkey has been the 78th among 180 country as of 2018 with a score of 41 (Transparency International, 2019). This result makes Turkey one of the highly corrupted countries in its region, Eastern Europe and Central Asia.

It seems that ethical responsibilities can be meaningful for Turkish companies when it becomes a part of socially responsible image; for instance, the president of a local trade association explains why their members show a surprising interest to sign their newly announced ethical business code of conduct as "it becomes a symbol of prestige" (ATSO, 2018). Kostova and Roth (2002) refer to the adoption of a practice without internalizing its core value as *symbolic* or *ceremonial adoption*. It can be stated that such ceremonial adoption is very common among Turkish companies' CSR involvement.

The previous studies have widely addressed and revealed that the historical contingency of CSR in Turkey and reveal that philanthropic activities are the most prevailing component of CSR among Turkish companies (Ararat, 2005, 2008; Ararat & Göcenoğlu, 2006; Küskü & Zarkada-Fraser, 2004; Ozdora-Aksak & Atakan-Duman, 2016; Robertson, 2009; Turker, 2015 etc.). The study of Yamak, Ergur, Karatas-Ozkan, and Tatli (2018) classifies the CSR approaches of Turkish owner-managers and professional managers and finds that while the majority of owner-managers has no idea about CSR, a substantial segment of them follow a traditional paternalistic approach, which is driven by their "religious beliefs and philanthropic values". On the other hand, the study also shows that although professional managers have a greater level of knowledge on CSR, they mostly align CSR with their strategies for survival and use CSR to enhance their power within company (Yamak et al., 2018).

A cross-cultural study which compares the meaning of CSR both in Turkey and Slovenia shows that while philanthropic component of CSR is dominant in Turkey, CSR is a multidimensional concept in Slovenia (Golob, Turkel, Kronegger, & Uzunoglu, 2018). According to Jamali (2014), "CSR continues to be equated with philanthropy" in the developing countries of Middle East context as a result of institutional variables such as culture, religion, political system, socioeconomic systems etc. Philanthropy is not only popular among domestic companies; global firms, which expand their operations in Turkey, must also learn the ropes on CSR and adapt the moralities on how to make such charitable activities by considering the complex relationship among actors (Knudsen, 2015). Considering its increasing importance during the 2000s, there is a need for understanding why philanthropy has been the most preferred component of CSR in Turkey.

4.1 Drivers of Philanthropy: Best Response to Diverse Institutional Logics

The current study proposes that the inclination of companies towards philanthropic component of CSR has increased during the 2000s due to the impact of diverse institutional logics. For instance, the impact of community logic on business organizations in Turkey can be seen as an underlying driver for philanthropy. Philanthropy, the component positioned at the top of Carroll's pyramid (1979), refers to the expectations of society on being a good corporate citizen (Carroll, 1979, 1991). Therefore, philanthropy can be directly linked with community logics. According to Glynn and Raffaelli (2013), for instance, the practices reflecting market logic are located within the main business units like marketing departments, whereas the practices towards community logic are usually conveyed through the non-mainline units such as corporate or philanthropic foundations. On the other hand, Turkish companies' interest to philanthropy can be interpreted in line with the meaning of such activities in society. The study of Turkey Third Sector Foundation on 2495 Turkish citizens reveals that while the individual donations and philanthropic activities are very common in Turkish society (which accounts for 0,8 percent of GDP in Turkey, when compared to 0,2% in Europe and 1,5% in United States), helping poor people are the major area of such activities (Çarkoğlu & Aytaç, 2016). It can be stated that philanthropy is a socially accepted behavior in Turkish society.

The inclinations to philanthropy among individuals and companies can be also explained by the existence of its strong institutional mechanism in this country over the centuries. Such activities had been realized by foundations—*waqf* or *awqaf*—during the Ottoman period (Ararat, 2005). While the origins of foundations can be traced back to the Period of Prophet Mohammed (Faroqui, 2002), these organizations took diverse roles in Ottoman society as serving to society, ensuring social justice (Zaim, 1987), helping governing elites on the colonization during the early stages (Barkan, 1942) as well as protecting the wealth and status of new elites during the fifteenth century (Ocak, 1998). In contrast to the general beliefs, the purpose of these foundations was not only to engage in philanthropic activities; they mostly had some economic and political functions (Türker & Altuntaş, 2016) such as protecting the class interests by enabling the inheritance of family wealth to new generations (Yediyıldız, 1982: 155). Despite its other functions, it is clear that this tradition has built an institutional mechanism for the engagement of wealthy people with community problems for centuries.

In addition, philanthropy has been also compatible with religion logic in Turkey, which is a predominantly Muslim country. As one of the five pillars of Islam, giving alms (*zakat*) to the poor people in society imposes such philanthropic activities for being a good worshipper. Zakat becomes “an institutionalized version of CSR—and an alternative to taxes” (Tulder & Zwart, 2006: 254) and referred 38 times in Qur’ân (Şerif, 2014). However, there is an integrated and holistic approach on all CSR dimensions in Qur’ân, which clearly states the rights of all *creatures* around the love of Allah (Turker, 2016).

Besides its societal, historical, and religious meaning, the great emphasis on philanthropy is also backed up with the impact of family logic. Philanthropy has been historically viewed as a way of showing the generosity of wealthy people and sustaining the reputation of their family names in Turkish society. This tradition of foundations in Ottoman society have revived in modern Turkish Republic and most of the large family businesses have initiated their own family foundations during the 1970s (Turker, 2015; Yamak, 2007). According to Robertson (2009: 622), this model of CSR with corporate philanthropy “seems well suited to the family-ownership structure” in Turkey. These family foundations give the right places for those families to show their commitment to their family values and increase the reputation of family names (e.g. Sabanci Vakfi by Sabancı Family, Vehbi Koc Vakfi by Koc Family, Borusan Kocabıyık Vakfı by Kocabıyık Family). The popularity of foundations and their philanthropic activities in Turkey will not fade away as long as the existence of such family businesses in Turkish business context.

Public logic is also apparent in the engagement of companies into the philanthropic activities in Turkey. While the government-led supportive mechanism to the foundations (e.g. granting some economic privileges and tax exemptions) has encouraged companies to focus on such activities (Turker, 2015), the donations of companies to non-governmental organizations (NGO) are also tax-deductible at the 5520 Corporate Income Tax Law (Mevzuat, 2019). In addition to strengthening its legal mechanism, public logic has also legitimized philanthropy as a new way of building state-society relationship during the 2000s. The institutionalization of philanthropy-oriented public policies by JDP creates a gratitude-based system among poor people by blurring the right-based approach (Yılmaz, 2013). Highlighting the importance of protecting traditional family, conservative and neoliberal JDP’s social policy agenda not only develops a strong connection between poor people and the party (Yilmaz, 2015), but also transforms the meaning of philanthropic relationship at society and becomes a role model for corporate world.

On the other hand, Turkish companies believe that philanthropic activities fit well to the market logic too. There are two major streams that trigger this market logic in Turkey: competitors and customers. The impact of former can be traced back to the 1990s. Although foundations have provided a strong mechanism for philanthropy, they have not been the only places where businesses involve in their philanthropic activities. Philanthropy within the boundaries of social responsibility at companies emerged by the entrance of multinational companies to Turkish market in the 1990s (Turker, 2015). Both multinational and national companies focused on the project-based CSR activities or philanthropic donations to NGOs towards meeting the needs of society. Particularly, Kardelenler (Snowdrops) Project of Turkcell together with the Association for Supporting Modern Life (ASML) and Ministry of Education has been a symbol of best CSR practice among companies and encourages other companies to follow similar patterns. In this case, the popularity of such activities among companies during the 2000s can be also explained by the mimetic isomorphism, which refers to the impact of peers on the adoption of similar corporate practices (DiMaggio & Powell, 1983). Based on a thematic content analysis on Turkey's 30 largest corporation, Ozdora-Aksak and Atakan-Duman (2016: 250) state that "high uncertainty in the institutional environment causes CSR activities to diffuse through mimetic isomorphism where companies mimic common CSR practices to increase stakeholder support".

As the latter mechanism in market logic, most business organizations think that CSR can pay off. In Turkey, while business-to-business companies align CSR activities with their core business functions, business-to-consumer companies diversify their CSR activities, but mainly focus on philanthropic component (Ozdora-Aksak & Atakan-Duman, 2016). Companies believe that CSR increases the reputation even in the time of financial crises (Selvi, Wagner, & Türel, 2010) and it can attract the attentions of their customers. For instance, a senior manager explains the purpose of their investment on CSR, marketing communication, and human resources as creating a strong brand name (Capital, 2018). These beliefs of owners/managers are supported by the media attention to philanthropic activities. An analysis of news content on CSR in Turkey reveals that education and philanthropic activities are the most commonly mentioned theme in the mainstream newspapers in Turkey (Toker & Tat, 2018). On the other hand, a business magazine, Capital, annually elects the 50 philanthropists based on the amount of their donations (Ayvaci, 2018). As of 2018, while the total donation accounts for 1.9 billion Turkish Lira (TL), the largest donation is around 29.075 TL by the president of a construction company (CNNTürk, 2018). Therefore, the increasing visibility of company brands can be another motive of involving in philanthropic activities.

Another reason for the inclination of companies towards philanthropy can be the popularity of philanthropy as a global phenomenon. Although the term of philanthropy can be traced back to the ancient societies as referring to 'love of humanity' (McCully, 2008), it has evolved over time and become one of the popular form of social responsibility at our modern societies (Sulek, 2010). A review of 126 articles at developed and developing countries indicates that philanthropy is the most practiced version of CSR to build corporate image and increase profitability and companies usually ignore their responsibilities for improving well-being, equity, justice etc. (Hoque et al., 2018). On the other hand, the foundations of multinational companies become the globally known organizational forms (Altuntas & Turker, 2015). For instance, while Ford Foundation has operated since the 1930s, the foundations of former/current senior managers (such as Bill and Melinda Gates Foundation) have made this organizational form as a proper model in all around the world.

4.2 Does Philanthropy Meet the Social and Environmental Challenges in Turkey?

Turkey has experienced serious legal, environmental, ethical violations and *so-called* accidents during the last decade and the overall approach of both public authorities and companies to these events unveils the reactions of society. For instance, in 2013, the Gezi Revolt started with the protest of a small group of environmental activists who tried to resist to the plan of building a shopping mall in Gezi Park and it turned into the biggest anti-government protest of 2000s (Watts, 2017). In 2014, 301 coalminers died in the Turkey's worst mining disaster, Soma Mining Disaster, which triggered mass demonstration in society. It was later on revealed that the inspection reports warned the mining company about the release of toxic gases days before the tragic event and the survivors explained the poor working and safety conditions (The Guardian, 2015). As another example, in 2017, a retired environmentalist couple, Ali and Aysin Büyüknohutçu, was killed after they won a legal battle to shut down a marble quarry in Antalya. The murder suspect initially confessed that he killed the couple for a promise of 50,000 lire (£10,000), but then he changed his testimony and committed suicide in prison (Watts, 2017).

The above-mentioned events are only the tip of an iceberg. There is an institutional context that promotes such a malignant corporate responses in Turkey. For instance, the overall attitude of public authorities to these events are as worrisome as the events themselves. In most cases, the societal demand for social welfare, justice, and peace has been harshly reacted if it has not been totally ignored by those authorities. Therefore, it can be stated that these events become just the striking examples of an increasing exploitation of humanity and natural environment during the 2000s in Turkey. According to Özyürek (2019: 1), *the seeds sown for less democracy and more capitalism* in 1980 military coup have been harvested during the 2000s under the leadership of Recep Tayyip Erdoğan—the leader of JDP and the president of Turkey since the constitutional referendum on 16 April 2017.

Considering all these events and the responses towards them, the gap between the philanthropic CSR approach and societal expectations has grown during the 2000s. Although people were usually optimistic about moving towards a more holistic view of CSR in line with the Turkey's EU candidacy process (Robertson, 2009), these optimistic expectations have been ruined by the JPD's reluctant approach in EU relations. The dominance of philanthropic responsibilities has increased rather than decreased, despite the increasing public concerns and pressures on companies about meeting their ethical and environmental responsibilities.

The study of Dincer and Dincer (2007) on a sample of Turkish consumers about CSR indicates that although respondents appreciate proactive companies, they believe that most companies just follow the legal framework. On the other hand, most people believe that Turkish companies have become more restless towards their employees. The studies show that Turkish workers are not only faced with severe poverty (Erdoğdu & Kutlu, 2014), their psychological well-beings are also threatened by the stressful conditions at workplaces (Yamuç & Türker, 2015) and their expectations on improving conditions are not met by their employers (Yamuç & Türker, 2014). Jamali (2014) points out the importance of pushing companies in the developing world to go beyond the practices such as philanthropy, legitimacy, image or public relations and adopt CSR genuinely. There is an urgent need to adopt a holistic view on CSR in Turkey.

4.3 Issue and Governance: Finding Legitimate Problems and Legitimate Partners

For most people, the donation of Jeff Bezos and his wife to gay marriage in 2012 (a total amount of \$2.5 million) is an important step towards ensuring the equality in society. It is clear that Turkey has never been a country where business people are welcome when they donate such amount of money for lesbian, gay, bisexual and transgender (LGBT) rights. This is not because of LGBTs have no problem in Turkey; they have many problems like all disadvantaged groups. However, as it is explained above, institutional environment does not only affect the form of CSR, it may shape the corporate decisions on choosing the *legitimate* issues for the *salient* stakeholders. In the case of LGBT, it can be stated that most companies do not want to take the risk of alienating their conservative customers as well as larger society. According to Ozeren and Aydin (2016: 199), despite some reforms towards the inclusion of LGBT in society in line with the EU's full membership directives, "Turkey has a conflict between the regulations of the EU and its own societal, traditional, cultural and religious positions, as well as the state's understanding of homosexuality". The dynamic interactions among the competing institutional logics can increase the tensions on some issues.

LGBT rights have been always among risky issues for Turkish companies. However, the transformation of country during the 2000s increases the number of these risky issues. Some societal or environmental problems, which were previously legitimate for public authorities and society, have become dangerous depending on the shifting tensions across logics. As an interesting example, a company's advocacy advertisement on celebrating the International Women's Day in 2017 (Filli Boya, 2017) was found very provocative since it is perceived as a response to some public figures' patriarchal comments on the role of women in Turkey (ArtıGerçek, 2017). Although women problems are urgent in the country and many companies have involved in CSR initiatives to empower women economically and socially in Turkey (Turker & Yılmaz, 2017), the attacks to the taken-for-granted role of women in a patriarchal society are not welcome *anymore*. The rights of women, which were prioritized during the modernization process of Republican Period (Kadıoğlu, 1996), are undermined by the neoliberal and neoconservative policies of JDP (Acar & Altunok, 2012), which result in a perception of seeing *family* as the primary duty of women (Çarkoğlu & Kalaycıoğlu, 2013).

Another striking example emerged in such a political climate, which polarizes the society as conservatives and seculars. As one of the largest family business group and the distributor of BMW and Mini Cooper in Turkey, Borusan Holding withdrew their sponsorship of a women car race in 2011. Although company claimed the budget cut as a reason for stepping back from sponsorship, this decision was linked with the company's unwillingness to support the women racers with headscarf to ensure its neutrality in the current political ground. While the brand manager of company resigned, the CEO and executive board chairman defied the allegations on discriminations in a press conference (Hurriyet Daily News, 2012). According to Uzunoğlu and Türkel (2017), this Borusan crisis reveals "the complex relations between business, culture, politics, and religious sensitivities" in Turkey; the companies in Turkey must consider religious and socio-cultural factors into account if they want to be successful.

According to Turker and Ozmen (2017), CSR has become an ideological phenomena by reflecting the values and stances of owners/managers in Turkey. For instance, CSR has been shaped by whether or to what extent a manager supports conservative or liberal ideology (Chin, Hambrick, & Treviño, 2013). An ideologically liberal manager can involve in CSR based on openness to change values (self-direction, stimulation, and hedonism), an ideologically conservative one can engage in CSR based on conservative values (security, conformity, and tradition) (Turker & Ozmen, 2017). The link between ideology of decision makers and the focal issue of CSR can help to understand the tensions at some issues. The aforementioned study of Knudsen (2015) analyzes how an Austrian-based energy company adopts CSR in Turkey by considering the meaning of charitable giving to education. The author points out that education is seen as a sphere for shaping society towards the wishes and desires of diverse groups: the followers of Kemalist legacy with a secular vision and the supporters of Islamic style of education. According to the author, although these two different worldviews generate a duality at the moral conduct of wealthy, both domestic and multinational companies must learn how to cope with these diverse tensions and incorporate them into their CSR approach in Turkey.

The shift in the legitimacy of issues has been a result of the interactions among diverse institutional logics. Another implication of competing institutional logics is the governance models of CSR activities. According to Husted (2003), companies can engage in CSR in three ways as outsourcing, in-house or collaborative. Among these models, collaborative one is particularly useful to increase social capital in a context by transferring knowledge and resources across public, private, and non-governmental sectors. However, an executive manager of an NGO in Turkey states that companies mostly prefer in-house projects and want to manage the whole process alone, even if the project requires the expertise of an NGO (Topbaş, 2017). While the contribution of civil society to democracy has been limited due to the pressures on the NGOs since the 1980s (Şimşek, 2004), NGOs started to become more issue-based rather than ideologically-oriented by the emergence of new social movements (e.g. women, environmentalism, businesses) during the 1990s (Adem, 2016). However, if an NGO is linked to an ideological movement, it is thought that it might endanger the fate of corporate practices too. A manager of consultancy firm recommends to NGOs that they should not be *ideological* or *political*; if they look like ideological, they can be found problematic for CSR project (Gençkal, 2011). For instance, in 2007, the Ergenekon investigation was launched by targeting politicians, lawyers, journalist as well as the secular-oriented NGOs, which criticized JDP (Eligur, 2010). Although all the suspects at investigation were released in 2014 (Solaker, 2016), the prestige of NGOs, including ASML as one of the partners at Kardelenler Project, has significantly eroded at this stage.

The above-mentioned perception on NGOs might affect the companies' decisions to work alone in CSR projects, eliminate risky partners or choose partners that are close to their ideological stances. A recent example for the latter option is clear distinction on the sponsorship for artistic events among companies. As an alternative to the western-style and secular-oriented approach of Istanbul Biennial (Stallabrass, 2010), a new biennial was launched in 2018 to focus on the traditional Turkish arts in 2018 (Fırat, 2018) with the sponsorship of organizations that are known as the supporters of ongoing political movement in Turkey (Yeditepe Bienali, 2018). Therefore, when they want to collaborate with an NGO, the business organization usually considers the political tendency of NGO rather than its expertise.

5 Conclusion

This chapter attempts to understand the current CSR practices of Turkish companies based on the impact of institutional logics. Although CSR can be "a social innovation as well as the incubators and drivers of other social innovations" (Turker, 2018: 5), if it is formed in a context with competing logics, its contribution to society will be limited. Talu states that the problems and contradictions in CSR understanding of companies in Turkey are the consequences of the problems at legal system and democracy in Turkey (Gençkal, 2011). The current study provides the implications of this tension in society on the form, governance, and issue management in CSR practices in Turkey. It can be stated that companies in Turkey continue to prefer philanthropy, since philanthropy can address the orders of several logics simultaneously. On the other hand, to maintain the legitimacy of their operations, they avoid working on seemingly risky issues or working with risky partners in their CSR involvement.

According to Kirmanoğlu, there is a negative correlation between social-welfare state and social responsibility; while the gains of former have been eroded (e.g. unionization which decreased from 1, five million in 1977 to 400,000 in 2010 in Turkey), the latter has strengthened among companies (Gençkal, 2011). Today, there are companies in Turkey which do not allow the unionization in their workplaces (e.g. Bianet, 2018), but they can mention CSR as part of their quality approaches (Flormar, 2018). This transition of human or environmental rights from compulsory to voluntary framework refers to CSR among Turkish business community. Therefore, the current nature of CSR involvement in Turkey resembles the approach of Weber's (1906) large family owned business' *ascetic reformers* who try to maintain economic viability while *reasonably* satisfying the needs of stakeholders, "but not at the expense of the economic viability of the organization" (Nielsen, 2003: 485). Turkish business people do what they want to do, where they want to do, when they want to do; but they are not interested in whether their CSR practices actually address institutional voids in Turkey. This ceremonial adoption works well so long as it fits well to the orders of dominant logics and maintains corporate legitimacy. However, this pragmatist approach on CSR continue to create new ethical and legal problems that might have devastating impact on humanity and nature.

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Corporate Social Responsibility in the UK

Towards a Sustainable Corporate Social Responsibility Performance in the United Kingdom

A. M. Chijoke-Mgbame

Abstract Corporate social responsibility (CSR) has evolved to become a fundamental component of every organisation. The debate surrounding CSR has moved from whether organisations should practice CSR to how CSR is being practised and its effect on various aspects of the firm and larger society. From its meaning to its scope, the concept of CSR has advanced and continues to advance. This chapter explores the nature of corporate social responsibility in the United Kingdom. It includes how companies practice CSR by examining the various dimensions of CSR issues disclosed in the annual report. It also examines some of the key drivers of CSR as well as the performance effect of CSR. The chapter also presents some organisations promoting CSR in the UK as well as the role of the UK government in CSR.

Keywords Annual reports · Collaboration · Community · Compliance · CSR · Disclosure · Diversity · Emission · Environment · Ethics · Fairness · Firm performance · FTSE4Good Index · Green · Legitimacy · Morality · Power · Renewable energy · Shareholders · Stakeholders · Sustainability · Transparency · United Kingdom

1 Introduction

The concept of corporate social responsibility (CSR) has evolved over the years and is still developing into different dimensions and extending to various aspects of the society. It has moved from how a business is being conducted to how much a business can give back, not just to the community where it operates, but also to those employees who carry out the business of the firm. There is also increased attention on environmental impact and value creation. In the UK, formal requirement for organisations to conduct their affairs in a socially responsible manner could be

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traced back to the Abolition of Slave Trade Act which was passed in 1807, (Idowu, 2008). Since then, several organisations have been cited in the literature to have engaged in CSR in some form even though it was not termed CSR as it is known today.[1] It was however not until the 1990s that investors and other stakeholders began emphasising the need for corporate responsibility. With this emphasis came along various definitions of the term CSR. While strong opponents of CSR believe that the only social responsibility of a corporation is to generate profit, advocates of CSR have provided several related definitions. For example, Carroll (1983, p. 608), defines CSR as "the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm's ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent". McWilliams and Siegel (2001) defines CSR as "actions that appear to further some social good, beyond the interests of the firm and that which is required by law. They went further to emphasise that CSR should not end at obeying the law but organisations should go above and beyond what is required the law. Idowu (2011) define CSR as "having fairness and morality in the conduct of an entity's dealings with all its stakeholders regardless of whether these are primary or secondary, internal or external, and considering their interests when formulating its corporate strategy". The UK government defines CSR as "the responsibility of an organisation for the impacts of its decisions on society and the environment above and beyond its legal obligations, through transparent and ethical behaviour". The European Commission in 2004 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. However, in 2011 the definition was modified to include ethical, human rights and consumer concerns.

A review of the above definitions as well as the review of the contents of CS reports in some FTSE100 companies presented in a later section of this chapter shows that CSR is an encompassing term which covers themes such as, social impact, environmental impact, community, ethics, charity, sustainability, accountability, stakeholders, fairness, equality, morality, law abiding, human rights and so on. If a business organisation which is established with the primary purpose of generating profits and to provide returns to its capital providers, is expected to perform some or all of the aforementioned responsibilities, one is therefore tempted to question whether there are any benefits to be derived from CSR. This chapter addresses this question and other aspects of CSR in the UK. The chapter is structured as follows; section 2 presents a brief literature on CSR and firm performance, section 3 examines the drivers of CSR, section 4 looks at CSR disclosure in the UK, Section 5 is on organisations promoting CSR in the UK and sect. 6 examines the role of government in CSR.

[1] See Idowu and for detailed history of CSR in the UK

2 CSR and Firm Performance

There is no doubt CSR has become a very important responsibility for any organised institution whether for profit-making or not-for-profit making. Increased media awareness, technological advancement as well as ethical considerations have a great role to play in this regard. A recent survey of different stakeholders in the UK by the Department of Business Innovation and Skills (BIS) in 2013 suggests that CSR is no longer an 'add-on' responsibility. Irrespective of its size, business organisations now consider CSR as something that should be done alongside the business of the firm rather than an afterthought. Despite the clamour for CSR, there are others with the view that undertaking CSR is against the rationale for going into business which is to make profit and create wealth for the owners, (Murray, 2005). Advocates of CSR, on the other hand, argue that engaging in CSR activities provide avenues for businesses to accumulate returns beyond financials (Rudolph, 2005). These supporters of CSR argue that there is a lot of benefits to be derived from engaging in CSR. These benefits range from, improved reputation, increased market share arising from customers loyalty, employee's satisfaction, better investors relations, governmental support and so on. However, for some business organisations, the benefits of CSR activities might be immediate and for others, it is only evident in the long run. Given the opposing views to CSR, the question then arises about the motivation for CSR. Brown and Forster (2013) suggest that there are two dimensions to the motivations behind CSR activities. First, they identified altruistic motivation—which is the pursuit of CSR activities without any economic benefits in mind. The second is the coercive motivation which believes that firms engage in CSR with the aim of reducing costs while improving the organisation's reputation alongside. Friedman (1970), however, assert that the ultimate aim of any business is to generate profit and maximise shareholder's wealth and to do otherwise may lead to a reduction in shareholders' value. To examine the validity of such a statement, researchers have attempted to investigate the economic benefits of CSR to an organisation, especially profit-making organisations.

In order to understand the link between CSR and firm performance, different theoretical perspectives have emerged. Some of these theories include, stakeholder's theory, legitimacy theory, social contract theory, signalling theory and resource dependency theory. This chapter briefly explains the first two theories.

3 Stakeholder's Theory

Stakeholder's theory (Freeman, 1984) asserts that business organisations have responsibilities to those whom are affected by the activities of the business whether directly or indirectly—these group of persons are called stakeholders. These stakeholders therefore, have a right to participate in directing the business. The stakeholders identified include, employees, customers, the community, shareholders, government and suppliers. Given the number of stakeholders, Clarkson (1995) categorises stakeholders into two groups. The primary stakeholders are those whom the organisation depends on for its continuous existence. Conversely, secondary stakeholders are those with substantial influence on the organisation and those who the organisation has the power to influence. Mitchell, Agle, and Wood (1997) further classify stakeholders according to 'three relational attributes'—power, legitimacy and urgency attributes. The power attribute relates to those stakeholders who have the power to influence the decisions of the organisation. A typical example is the government. The legitimacy attribute relates to those who have legitimate claims on the organisation, for example, the shareholders. Urgency attributes relates to those stakeholders who have urgent claims on the organisation. This can be as a result of the effect of the business activities on such stakeholders, an example is the community. If organisations perform their responsibilities to these stakeholders, the organisation is bound to get some benefits in return. For example, when businesses go out to provide some basic amenities for the community, they become more aware of the business and its products and are likely to patronise the business which increases sales and ultimately profits. Clacher and Hagendorff (2012) suggest that extending the responsibility of a firm to include its stakeholders can create value for any business organisation in two ways; through higher workers productivity which can increase cash flow when firms invest in employees, and also by having less risky future cash flows as CSR could reduce compliance cost and or reduce the financial implications of lawsuits.

4 Legitimacy Theory

Legitimacy theory is associated with the term conformity to rules and regulations. Business organisations, therefore, have the responsibility to comply with the laws of the society in which they operate. To do otherwise could be detrimental to the organisation. To avoid the associated negative effects of going against the law, legitimacy theory (Deegan, 2002) suggest that organisations seek to continuously ensure that they are operating within the acceptable norms of the society as it is the expectation of the society from any business organisations operating within its domain. The continued existence of organisations then depends on fulfilling the expectations of society as a whole (shareholders as well as other stakeholders). These expectations could be explicit or implicit. Explicit expectations refer to complying with written regulations, while implicit expectations refer to carrying out social and environmental activities not necessarily required by law. One outcome of meeting the expectations of the society is disclosure. To provide evidence that business organisations are actually fulfilling the expectations of the society, most organisations have turned to disclose their CSR activities in the annual reports. Critics of legitimacy theory (Suchman, 1995) argue that organisations engage in corporate social responsibilities and disclosure of same in order to be seen as legitimate entities in the eyes of the law and society and not out of genuine interest in the society. This premeditated intention, they argue, is also borne out of the need to guard the organisation's reputation, to seek favour from the government and to promote the brand name. Therefore, for the actions of organisations to be legitimate, it has to founded on truth and fairness (Gibson, 2009).

A look at the empirical findings of some studies in the UK shows that there are benefits to be derived from CSR activities. For example, De Klerk, de Villiers, and van Staden (2015) examined the relationship between CSR disclosure of FTSE100 companies and their share price. The findings reveal that there is a positive association between CSR disclosure and share price. This association they find is stronger for firms that are 'environmentally sensitive'. The results suggest that engaging in CSR activities and subsequently disclosing such activities in the annual report provides value for shareholders. Similarly, Adeneye and Ahmed (2015) provide empirical evidence using a sample of UK firms, that there is increased firm performance in terms of return on capital employed and market to book when firms carry out CSR activities. They, however, find that there is no relationship between firm size and CSR. Thus, suggesting that carrying out social responsibilities is not dependent on the size of the firm. Qiu, Shaukat, and Tharyan (2016) examine the relationship between environmental and social disclosure and financial performance using a sample of the FTSE350 firms. They find that firms reporting higher social disclosures have higher market values. They conclude that social disclosure matters more to stakeholders than environmental disclosure. Relatedly, Salama, Anderson, and Toms (2011) examine the relationship between environmental performance and firm risk. They find that increased environmental performance reduces systematic risk. Clacher and Hagendorff (2012) on the other hand, examine the effect of the announcement of a company's inclusion in the FTSE4Good index on the value of a company by observing the stock price reaction to such announcement. Although the study finds no strong evidence of value creation by the announcement, some firms experience significant positive returns on the announcement of inclusion in the FTSE4Good index. This positive evidence was found amongst large firms and firms with higher levels of employee productivity.

Although this chapter highlights the positive effects of CSR, this is not to say that there is no evidence of a negative performance relationship with CSR. However, a meta-analysis by Allouche and Laroche (2005) find that there is generally a positive relationship between corporate social performance and corporate financial performance for UK studies.

5 Drivers of CSR in the UK

In today's world, businesses can no longer function with the aim of profit maximisation alone because a business does not operate in isolation. The impact of business activities on its place of operation and the people who carry out its operations including other stakeholders of the business have become a major concern for any organisation. In order to address the impact of its business activities on the various stakeholders, organisations have turned to carry out some form of philanthropic activities. There are a number of ways organisations can engage in CSR activities as well as different motivating factors for such activities. In an extensive interview of over 2500 business leaders by Grant Thornton in 2014, it was gathered that the key drivers of CSR are; cost management, customer demands, morality (the right thing to do), brand building, staff recruitment/retention and tax relief. A similar report by the International Institute of Sustainable Development (IISD) suggest that the main drivers of CSR are; the shrinking role of government, demands for greater disclosure, increased customer interest, growing investors pressure, competitive labour markets and supplier relations. We explain some of the drivers below.

Cost Management when businesses engage in sustainable activities such as a deliberate attempt at reducing waste and the efficient use of energy and environmentally friendly products, they ultimately save cost in different ways like lower electricity bills. Although the initial cost of adopting environmentally friendly strategies may be huge to some organisations, in the long run, they are cost saving avenues for most companies. The Harvard Business Review (2013) suggest three ways organisations can reduce cost by being environmentally friendly such as implementing gradual changes to production processes, investing in expensive eco-friendly methods and machines which will lead to long-run cost savers or involving customers and suppliers in the sustainability strategies.

Customer Demands there is obviously increased awareness of the benefits of CSR to firms as well as consumers. The advancement in technology coupled with the influx of various social media apps as well as improvement in CSR disclosures have brought increased attention to not just the products of companies but how the products are being made. The activities of companies are also continuously scrutinised by customers. Users of a company’s product are therefore demanding more commitment of companies to CSR or they may consider moving to other companies with better CSR and ethical standards. In a survey by the Chartered Institute of Marketing UK, it was observed that 92% of millennials would rather buy products from a company “committed to ethical business practices”. Likewise, 81% are in support of disclosures by companies of their CSR values. These findings are related to the findings of Grant Thornton (2014) where 62% of business leaders in the UK confirmed that customer demand is the top driver of CSR. These statistics show that to remain in business, companies have to move with the trend and find ways to manage customers’ expectations with regards to CSR activities as well as disclosure of same in publicly available reports.

6 Staff Recruitment and Retention

Employees are one of the key stakeholders of any business organisation. Research by the Workwell movement of BITC shows that FTSE100 companies that have a strong employee welfare programme in place and report same, outperform those that do not by 10%. No doubt, jobseekers would be more inclined to accept a job offer from a company that 'cares' for its employees. High employee turnover is not just a concern for a company financially, it impacts on the reputation of the company as well. A survey by the Chartered Institute of Marketing, UK found that 82% of millennials would prefer to be employed by a recognised ethical conscious company. As part of the growing interest in CSR, companies are beginning to report on various strategies employed to improve employee health and wellbeing. Organisations such as the BITC Workwell have set up a benchmark for FTSE100 companies reporting on employee wellbeing. Companies are assessed on how they have reported on employee wellbeing in five key areas; better relationship, better specialist support, better physical and psychological health and working well. Organisations are not just investing in the wellbeing of their employees, but are beginning to encourage employees to take part in social causes in the community. Some companies now report the number of hours spent by employees in CSR related activities. No doubt, such a strategy creates a sense of belonging which improves employee's engagement and productivity.

Companies are not just motivated by the above factors to engage in CSR, they are required to disclose CSR activities in the annual reports or explain why they have not in the case of UK. Idowu and Papasolomou (2007) conclude from questionnaires distributed to companies in the UK that there are ten key motivations for disclosing CSR related activities in the annual report. They include, to; inform stakeholders, provide a rounded picture of their activities, to meet best practice in company reporting, to derive CSR's positive public benefits, satisfy disclosure requirements of major shareholders, ensure that employees are aligned to the company's target, reflect the importance attached to CSR by the company, align with the request of the current UK government, demonstrate to stakeholders that non-financial issues are equally important and in response to questionnaires to be completed for tenders and government departments.

A recent trend in corporate reporting is the integrated report. This was developed by the International Integrated Reporting Council (IIRC) which is a global partnership comprising of various regulators, investors, companies, standard setters, the accounting profession and non-governmental organisations. An integrated report is defined as "a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term" (IIRC, n.d.). The idea behind this is to provide a single report of both financial and nonfinancial information and to demonstrate how value has been created by organisations. The objective according to IIRC is to "improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital". The

IIRC framework requires the integrated report to contain eight core dimensions; organizational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance, outlook, the basis of preparation and presentation. No doubt, such a report is in line with social, environmental and sustainability matters which are elements of corporate responsibilities. In the UK, the mandatory strategic report is similar in principles to the IR.

7 CSR Disclosure in the UK

The increase in media exposure and several regulations over the years on CSR have led to the disclosure of CSR related activities by most organisations. The UK however, operates a principle-based approach which gives organisations the option to comply with the regulations or explain. To determine the difference in the disclosure style, we examined the annual report of some FTSE-100companies. We compared the annual reports for the years 2007 and 2017. The summary of the CSR disclosure is presented on Table 1. From the investigation, it was observed that there has been an increase in the levels of disclosure of non-financial information in the annual reports. While some companies have moved to prepare a stand-alone document, others have a dedicated section on corporate social responsibility in the annual report. Likewise, some companies have used the integrated reporting framework as a guideline. The section on CSR has been given various title by the companies including such terms as, corporate citizenship, sustainability, environmental and social commitment and so on. Below is a summary of the findings from the various report.

In summary, it is observed that there is great improvements in the quality, content and comprehensiveness of sustainability disclosures in 2017 when compared to 2007. Though the companies examined differ in terms of their industry and by implication how their activities may impact on the environment, the improvement in disclosures even in non-environmentally related areas such as employee issues and community support and engagement is observed. This implies that the growing awareness about sustainability disclosures appears to be effective in fostering corporate attention to such issues over time. For companies in the energy and manufacturing industries, the Paris agreement of 2015 and the UN global pact which are both aimed at corporate efforts towards climate change, renewable energy and greenhouse gas emission have been very instrumental in the sustainability disclosure trajectory of companies in 2017.

Table 1 Comparison of the CSR disclosures in annual reports of selected FTSE100 companies for 2007 and 2017

	Year 2007	Year 2017
Lloyds Bank	There was a dedicated section titled 'corporate responsibility'. The section had broad headings on customers, suppliers, community and the environment. Environmental disclosures focused largely on climate change. In separate sections, detailed narratives on employees were provided covering issues such as; employee rewards, recognition, retention, learning and development, employee engagement, equality and diversity and work environment.	The section on CSR was titled 'doing business responsibly'. Compared to 2007, the information provided in this section was more detailed covering 10 pages as against 2007 with 2 pages. There was more focus on sustainability which was mentioned 18 times in the annual report compared to 2007 where sustainability was mention only 2 times. The bank also established a sustainability committee to implement its sustainability strategy as well as oversee responsible business issues. A page and a half were dedicated to environmental issues, with a strong focus on climate change and efforts towards reducing CO_2 emissions.
Marks & Spencer	The CSR disclosure section titled 'plan A' was brief with very minimal disclosures in the direction of the environment and brief statements on renewable energy efforts and "green" stores. There was a section on the amount of charitable donations.	The 'plan A' was relaunch with priority on wellbeing, community and planet. The report was more detailed compared to 2007 covering areas on employee involvement, equal opportunities, employees with disability. In addition, quantitative narratives detailing efforts towards the environment and greenhouse gas emissions were provided.
Diageo	The company issues a stand-alone report on corporate citizenship titled 'sustainability and responsibility report'. The report provides detailed information on the society, environment and economy.	There was a detailed report in a section of the annual report titled 'sustainability and responsibility review'. Areas covered includes; reducing environmental impact, support for communities, reduction of harmful drinking, human rights employee diversity and inclusion, health and safety. The report included quantitative values. In addition, a stand-alone—report was provided.
Coca-Cola GBC	Sustainability disclosure was put under the heading 'environmental and social commitment'. It covered disclosures on the following: Climate change and water preservation, recycling initiatives, work place initiatives and community support.	In 2017, a considerable improvement in the quality and content of sustainability disclosures was observed compared to 2007. Sustainability 2020 targets were included that covered areas such as recycling, renewable materials, reductions in water use, carbon emission reduction amongst others. In addition, unlike the disclosure pattern in 2007 where areas such as employee disclosure and those relating to community support and

(continued)

Table 1 (continued)

	Year 2007	Year 2017
		contributions were not detailed, in 2017, about 7 pages were dedicated to disclosure on employees and about 4 pages to community support and contributions.
Royal Dutch Shell	Royal Dutch Shell issues a stand-a-lone sustainability reports with detailed information covering key themes such as energy transition, climate change, carbon capture and storage, energy efficient products, emission and flaring, social safety, social performance, community support, employee and human rights.	The same issues were reported as in 2007 but with more narratives as the sustainability report rose to about 77pages as against 44 pages in 2007.
Tesco	The 2007 annual report had a section on corporate responsibility which was a sub-section of the operating and financial review. The section covered matters relating to, health, environment, suppliers and farmers, community and charity as well as monetary disclosures on donations. There was also bref disclosure on employee.	In 2015, Tesco joined the UN global impact, an initiative that encourages businesses worldwide to adopt sustainable and socially responsible policies. It appears that this influenced the focus in 2017, which focused on efforts and disclosures in the areas of ensuring healthier eating and reducing food waste, environmental strategy, climate, forest, marine, freshwater and quantitative and qualitative narratives on greenhouse gas emission.
Unilever	The annual report had a section on environmental sustainability, wellbeing and impact. However, there was an online stand-alone document on sustainable development. The reports covered topics on key themes such as; climate change, water, waste recycling, sustainable agricultural sourcing, eco-efficiency in manufacturing, bio-diversity and ozone depletion.	In 2017, modification of the key themes around sustainability disclosures was observed and the disclosures were made in the following categories; health and wellbeing, entrepreneurship focused on youth development which was not in the 2007 report, climate change with particular focus on reduction in energy consumption and renewable energy. Compared to 2007, the 2017 report was more detailed.
Associated British Foods	Concise narratives on efforts to reduce environmental impacts of packaging, health and social care programmes, equal opportunities, human rights, health and safety, community support. These were presented in a dedicated section called 'corporate citizenship'	In 2017, the integration of new reporting items was observed. The section was titled 'corporate responsibility' with five key areas on environment, people, supply chain, neighbours (community) and customers. The report also provided detailed quantitative information on greenhouse emission, energy use, environmental compliance. There was a detailed discussion on efforts at promoting gender diversity as

(continued)

Table 1 (continued)

	Year 2007	Year 2017
		well as an in-depth analysis on gender pay gap.
Barclays Plc	Concise narratives on efforts towards the environment, human rights and monetary disclosures in community contributions. This section was titled 'corporate sustainability'.	In addition to the contents in 2007, extensive disclosure in the area of employees was noticed especially in such areas like disability, gender pay gap and diversity. The 'green bond' was launched in 2017 which reinforces support for low carbon economy.
BP	There was no dedicated section on corporate responsibilities in the annual report. However, information on contributions to communities, environment, safety and people were scantily provided.	The CSR section was titled 'sustainability'. The emergence of the Paris agreement in 2015 seems to have greatly influenced the report on environment and climate change. Unlike the 2007 report where climate change was mentioned once, the 2017 report had over 20 mentions of climate change. Additional concerns were reflected in the 2017 sustainability report especially in the areas of plans for renewable energy, emission reduction and energy mix. Compared to the 2007, the 2017 report provided a detailed report on sections including, safety and security, climate change, managing impacts, value to society, human rights, environment, ethical conduct and people.
Aviva	Detailed information on CSR activities was provided in a dedicated section titled 'employees and responsibility'. The information provided covered the broad areas such as community, people, ethics, environment, customers and suppliers. Detailed graphical information was presented on greenhouse gas emission, waste and resource impact.	Like 2007, the report on CSR which was presented in a section 'corporate responsibility' was very detailed, and a stand-alone report was provided for more details. Attention was also drawn on meeting the UN sustainable development goals through the various CSR activities
Taylor Wimpey	The annual report contained a section titled 'our corporate responsibility approach' which was a page. Short statements were provided on community, health, safety and environment, employees, customer care and supply chain	In 2017, the company provided a separate report on sustainability which covered in great detail (72 pages) the themes mentioned in the 2007 report with monetary values of donations provided.

Source: Annual reports and sustainability reports of companies

8 Organisations Championing CSR in the UK

There are several organisations championing the course of CSR in the UK with the aim of fostering the core tenets of corporate responsibilities. We present three of such organisations below:

8.1 London Stock Exchange FTSE4Good Index

The FTSE4Good index series which was established in 2001 is a set of benchmarks developed by the London Stock Exchange (LSE) to measure the performance of companies with robust Environmental, Social and Governance practices. The index serves as a reference points for investors that are looking to invest in companies that are ethically and socially conscious. Apart from investment, the index can be used for research, reference and benchmarking. The key benefits as stated includes[2];

- Deliver impact through engaging with companies on their FTSE4Good assessment; therefore, encouraging companies to improve ESG practices.
- Aligns ESG values/objectives regarding controversial business activities by excluding or applying strict criteria on companies involved with such activities.
- Avoids investing in pure play coal or traditionally excluded sectors such as tobacco and weapons Captures a broad universe of companies that are demonstrating strong ESG practices.
- Inform investment decisions when selecting companies that demonstrate good practice management of ESG risks.
- Utilizes a globally recognized brand in FTSE4Good.

To be included in the index, companies must meet some strict criteria and also must not be involved in the production or sale of weapons and weapons related products or services, tobacco, or coal mining. Companies can be deleted or included in the index at any given period. A good practice by the index is that any company falling below the minimum rating is given a one-year grace period to improve their rating before removal. The index is reviewed semi-annually in June and December. In its June, 2017 review, 77 new companies were added to the global index while 31 companies were removed.

8.2 Business in the Community (BitC)

Business in the Community (BitC) is a UK business led governmental organisation comprising of over 850 member companies. Although, it was established in1982 by

[2] https://www.ftse.com/products/indices/ftse4good

the then Conservative government, it is now a registered non-governmental organisation. BitC was set up as an initial effort to get business organisations to contribute to proffering solution to social issues. The aim of BITC is to provide support for businesses that are looking to create and improve their positive impact on the society. BITC operates around its five principles of inspiration, integrity, integration, innovation and impact. It encourages its members to be responsible businesses and going ahead to define a responsible business as "one that puts creating healthy communities and a healthy environment at the centre of its strategy to achieve long-term financial value".[3] After launching the responsible business map in 2017, it recently developed the Responsible Business Tracker which is aimed at helping business understand their progress in becoming a responsible business. It engages in a number of of programmes including: annual Awards for excellence, Cares, The Prince's Seeing is Believing, Corporate Responsibility (CR) Index (Idowu, 2008).

8.3 Trading for Good

Trading for Good is a part of BITC but its focus is on small businesses (with less than 250 employees). It is a not-for-profit organisation comprising of businesses and organisations with a common aim of promoting 'the good work that small businesses do in their community'. Their vision as stated 'is to inspire half a million small businesses to be more socially responsible over the next five years'. Apart from promoting the good courses small businesses are engaged in, they provide free advice to local businesses on how to get involved in responsible activities. As stated on their website,[4] they are willing to provide assistant to small businesses in the following areas:

- Support charities and communities
- Help young people into work
- Improve your impact on the environment
- Work better with your suppliers
- Make life better for employees

Trading for good believes that 'if customers can choose a business based on the good work they do, everyone benefits.'

[3] https://www.bitc.org.uk/what-responsible-business

[4] www.tradingforgood.co.uk

8.4 Global Action Plan UK

Global Action Plan UK was established in 1993 and it is part of the Global Action Plan (GAP) International Network. As a charity, its activities are directed towards a greener and sustainable planet which is done largely by education. Global Action Plan UK strives to make connections between "what's good for the individual and good for the earth". This is done by educating and working with businesses, young people, educational institutions and communities. It believes that small changes to everyday choices can amount to big differences when widely adopted. Its core objectives are to;

- Provide individuals with guidance and resources to help them reduce their own ecological footprint.
- Mobilise communities to take actions that support and reinforce the core principles of sustainability.
- Help individuals/communities assess the extent and nature of their impact on the environment.
- Engage with the ideas of local people for change, and for the improvement of their local environment.

To achieve its objectives, it engages in several activities such as; Clean Air Day, Operation TLC, Water Explorer and Big Energy Race. Global Action Plan UK developed the UK's first online Carbon Calculator.

8.5 Investors in People

On the surface, it seems that much of corporate responsibility is focused on the community and shareholders. However, a core element of corporate responsibility that is not often publicised is the employees of an organisation. Investor in People (IIP) is one organisation championing the cause of employees. Although IIP was established in 1991 as a government project, on February first 2017 is became a not-for-profit organisation aimed at helping 'thousands of organisations to lead, support, and manage people well for sustainable results.' It strongly believes that it is the people that make the difference. The IIP Standard is a framework that helps organisations benchmark performance, simultaneously create effective results by; creating the right culture for high performance, retain valuable talent by listening to employees and to gain new insights to support growth. The IIP accreditation is internationally recognised as a mark of excellence in people management.

9 The UK Government and CSR

The UK government is one of the pioneer governments to encourage CSR amongst firms in the UK. According to Cook (2003), government involvement in CSR can be traced back to the UK National Insurance Act in 1911 which required organisations to make provisions for unemployment and sickness. Since then, there have been several government Acts promulgated for the betterment of stakeholders of a firm. The highest commitment of the UK government to the course of CSR is the appointment of a minister of CSR in March 2000, the first of its kind in the world. This shows that the government is aware and in support of the need for organisations to be responsible in the process of carrying out their activities. In another development, the CSR minister launched a government CSR website aimed at providing a single point whereby information relating to government support as well as initiatives and developments in the spread of CSR in the UK and beyond. Subsequently, the government released a report in 2004 titled ‘Corporate Social Responsibility: A Government Update’. In the report, the government stated that the strategy for advancing the vision for CSR amongst others is to “create a policy framework which encourages and enables responsible behaviour by business”. The priorities earlier set out by the government in terms of CSR deliveries includes[5];

- To raise the profile and highlight the importance of social and environmental responsibility
- To make responsible behaviour a consideration of core business
- To assist the involvement of small and medium-sized enterprises
- To promote transparency in CSR reporting and awareness in the marketplace
- To promote good practice in CSR internationally as well as in the UK

To further demonstrate its commitment to CSR, the government through the Department for Business Innovation and Skill launched a call for the views on CSR from the public. The consultation period lasted for three months beginning from 27th June to 27th September 2013. The aim of the call was to gather the views of the public on various aspect of CSR and how organisations can fully utilise the benefits of engaging in CSR activities. The main themes of the consultation were,

- Voluntary reporting and disclosure of non-financial information
- Responsible supply chain management
- Corporate responsibility in small and medium-sized enterprises.

The outcome of the responses on the views of the public was divided into five themes, CR Evolution, Horses for Courses, Collaboration, Community and the Role of government.

CR Evolution the responses received showed that CR has evolved over the years and is still evolving. Also, that CR has moved from being a philanthropic activity

[5] https://webarchive.nationalarchives.gov.uk/20070603164510/http://www.dti.gov.uk/

outside the business of the firm to something that is part of the main elements of a business. It is now more of how business organisations make their money rather than how it is being spent.

Horses for Courses regarding the approach to CR by businesses, most of the respondents agreed that differences in business in terms of size, complexities in operation, the environment of operation as well as the industry and sector have particular implications for the practice of CR. It was, therefore, suggested that flexibility in CR activities is the way to go. This will ensure that CR is not just a 'box-ticking' approach or a series of complicated rules to abide by.

Collaboration respondents to the call suggested that there is a need for more collaboration between and amongst business organisations in different forms, especially between small and medium sized businesses and large businesses. They agree that collaboration is a key feature of CR which will enhance the sharing of good practices across businesses.

Community it was identified that there was a lack of connection between the society and businesses especially the local community where the business operates. While the communities expect businesses to go beyond philanthropic activities, the businesses on their part are not aware of how they can carry out CR beyond philanthropic activities. It was also noted that CSR apart from being an act of generosity, should now involve sharing in the values of both the business and the community.

Role of Government the responses on the call regarding government involvement in CR was almost divided between those calling for more governmental involvement in terms of legislation and those who believe that there should be minimal government involvement in CR matters. Those in favour of more government involvement were of the opinion that existing laws be amended or new laws be made to encompass ethical standards, as well as carrying out research on supplier's behaviour and supply chain practices before engaging in business transactions. This will ensure that CR is observed all through the production stages. However, those against more government involvement in the CR process were of the opinion that CR should be carried out voluntarily and not to be forced or driven by institutions external to the business. They were of the opinion that businesses should be allowed to decide the course of action(s) to take regarding CSR. The role of government should therefore, be minimal and should be to set the minimum standards.

This last consultation showed that businesses are aware of the ever-changing forms of CSR and that CSR should be more of a collaborative effort, amongst firms and with the community where businesses operate. In addition, in as much as government can be involved, this involvement should be such that there is room for flexibility in the way CR is performed given the differences that exist amongst businesses.

In a more recent development, the UK government issued the 'The Companies, Partnership and Groups (Accounts and Non-Financial Reporting) Regulation 2016. This new law which took effect from January first 2017 requires traded companies, banking companies, insurance companies and any company carrying on insurance market activities to disclose alongside its accounts, non-financial information. The regulation requires that the non-financial report must be robust enough to enable users to understand "a company's development, performance and positions and the impact of its activity". Specifically, the information contained in the report must include as a minimum[6];

- Environmental matters (including the impact of the company's business on the environment),
- The company's employees,
- Social matters,
- Respect for human rights, and
- Anti-corruption and anti-bribery matters.

In reporting on the above, the company must include a brief description of the business model, policies pursued to address the above requirement, the outcome of the policies, the principal risk relating to the above required information as well as the key performance indicators.

Like other UK company regulations, this new regulation takes on the comply or explain approach whereby companies are encouraged to comply with the regulation but are given the liberty to provide reasons for not complying with the regulations. Although UK companies have reported for many years on some of the above mentioned areas, the regulation would provide a more uniform method of reporting and also increase transparency. Another benefit of such government regulation is that it will begin to influence the way potential investors, stakeholders, customers and the public in general view an organisation's policies regarding social and environmental matters. This may have a potential effect on customers patronage and ultimately on the financial performance of businesses.

10 Conclusion

Given that CSR has become a key prerequisite of sustainability development, the practice of CSR is now recognised as part of an organisation's strategy necessary for its continued existence. Economies all over the world including the United Kingdom are mobilizing corporations to find a meeting point between firm performance and CSR performance. With the current and intense global concerns on sustainability issues, CSR has become even more critical as the practices can promote a corporate culture not just beneficial to the external stakeholders, but to the firm. Although it may seem complex and costly at the onset to engage in CSR activities, this chapter has shown that there are benefits to derived in the long run. There seems to be a few empirical studies that do not find any effect of CSR on firm performance, however, a

[6]see http://www.legislation.gov.uk/uksi/2016/1245/regulation/4/made for the detailed requirement. Assessed from the national archives.

meta-analysis by Allouche and Laroche (2005) show that the majority of the studies find a positive effect. This chapter also examined some of the drivers of corporate responsibility which included, customer demand, cost management, the need to sustain reputation, staff recruitment and retention and so on.

The widespread of CSR practice can be attributed to increased media exposure, technological advancement and increased expectations of stakeholders. To meet stakeholder's expectations and to maintain transparency, organisations have incorporated CSR disclosure in the annual report. It was observed that it is now a general practice for organisations to include alongside the financial reports, non-financial activities in the annual report. The content and dimensions of CSR disclosure have become more detailed over the years. While some organisations now produce a stand-alone CSR report, others still maintain a single report. One obvious trend when we compare the 2007 and 2017 annual reports is that most companies now use the term sustainability as this is a more encompassing term for all CSR related activities.

This chapter also examined some organisations promoting CSR in the UK. There are several institutions with the aim of supporting and encouraging individuals as well as business organisations to be responsible in their activities. Some of these are non-governmental bodies which organise activities, programmes and even give awards to companies exhibiting best practices. In the same vein, the UK government have been involved in promoting CSR. From consultations with the public to the issuance of regulations, the government have shown its unwavering support for CSR.

Given the fact that CSR is now a key strategy for the continued existence of any organisation, the practice of CSR will continue to evolve. This is even more so as most organisations now consider CSR as part of their sustainability report. Whereas CSR practice amongst companies in the UK is imperative to meet stakeholders demand, what is more important is a sustainable CSR performance that would guarantee the establishment of the ultimate global sustainability development goal.

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Part II
CSR from Africa

Egypt
Ghana
Malawi
Mauritius
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South Africa
Uganda
Zambia

Corporate Social Responsibility in Egypt

Corporate Social Responsibility (CSR), the Sustainable Development Goals (SDGs), and Egypt 2030 Vision

Noha El-Bassiouny, Dina El-Bassiouny, Salma Karem Kolkailah, Nada Zahran, and Sara Moharram

Abstract The purpose of the research at hand is to map the most prominent social initiatives currently implemented in Egypt. Since the responsibility of addressing social problems lies on all social agents, the social initiatives included in the current research do not belong to a certain sector, but rather to both private and public sector, as well as to different types of entities ranging from private companies to foundations, and NGOs, among others. The scanning of social initiatives is done across 15 different social areas, which are as follows; Education and Skills Development, Healthcare, Training for Employment, Entrepreneurial Support, Economic and Social Reintegration, Philanthropic Acts, Awareness Raising, Poverty alleviation and Community Development, Environmental Preservation, Sustainable Business Practices, Sports-Arts and Culture, Capacity building, Partnership Facilitation, Bottom of the Pyramid Inclusion and Gender Equality. The examination of each social area is done in light of the Sustainable Development Goals (SDGs) and Egypt's 2030 Sustainable Development Strategy (SDS), set forth by the United Nations, and the Egyptian government, respectively.

1 Introduction

Egypt is in dire need of sustainable community development projects that would allow the nation to economically grow and develop. Post-revolutionary Egypt has witnessed a considerable rise in the number of social initiatives, moved by patriotic motives and a need for change. Yet, despite the increasing efforts, according to the

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United Nations Development Programme in 2016, statistics show that poverty, illiteracy, and unemployment rates in Egypt have continued escalating reaching new heights. It is reported that 23.6% of the total Egyptian population live below the poverty line, while the unemployment rate is 13.4%, of which 29% constitute youth and 24.5% women, with a growing gender inequality gap (United Nations Development Programme, 2012). Though it has been typically presumed that it is the role of the public sector to tackle severe social problems, the post-revolutionary situation in Egypt entails that all social agents; individuals, organizations, NGOs, associations, foundations, and the government, take full responsibility towards the society. Therefore, a thorough investigation of the social initiatives and programs implemented by institutions across different sectors is required, to assess the magnitude of their contribution to the enhancement of the macro-economic conditions at the national level.

The purpose of the research at hand is to map the most prominent social initiatives currently implemented in Egypt. Since the responsibility of addressing social problems lies on all social agents, as established earlier, the social initiatives included in the current research do not belong to a certain sector, but rather to both private and public sector, as well as to different types of entities ranging from private companies to foundations, and NGOs, among others. The scanning of social initiatives is done across 15 different social areas, which are as follows; Education and Skills Development, Healthcare, Training for Employment, Entrepreneurial Support, Economic and Social Reintegration, Philanthropic Acts, Awareness Raising, Poverty alleviation and Community Development, Environmental Preservation, Sustainable Business Practices, Sports-Arts and Culture, Capacity building, Partnership Facilitation, Bottom of the Pyramid Inclusion and Gender Equality. The examination of each social area will be done in light of Sustainable Development Goals (SDGs) and Egypt's 2030 Sustainable Development Strategy (SDS), set forth by the United Nations, and the Egyptian government, respectively.

2 Literature Highlights

2.1 Definition of the Social Responsibility of Businesses

There have been many conceptualizations of the social responsibility of corporations that encompassed various activities and scopes including economic, legal and voluntary (Carroll, 1979; Hamidu et al., 2015). In this study, the definition proposed by Carroll (1979) is chosen by virtue that it has been widely cited in the CSR literature by several researchers, and proven to be useful in both theory and practice.

According to Carroll (1979), the social responsibility concept should include the different obligation categories that businesses have towards their societies. In his view on corporate social responsibility (CSR) "encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time" (Carroll, 1979: 500). The scope of CSR is, therefore, unquestionably broad since it relates to "organizations", especially as in relation to sustainable development. CSR, in its role and capacity to aid in the national development process, is by definition a multi-stakeholder concept.

From his definition, Carroll (1979) outlines four core social responsibilities towards society that require fulfilment, or equivalently, four essential social responsibility dimensions, which are; economic, legal, ethical, and philanthropic.

The economic responsibility is the fundamental social responsibility of businesses and it represents the responsibility of the firm to provide products and services that meet the needs of the society and produce profits. The legal category represents the responsibility of the firm to perform its economic role within the laws and regulations laid down by the legal system. The ethical responsibility represents the additional business ethical activities that go beyond legal requirements that society members expect businesses to perform. The last category of social responsibilities, as defined by Carroll (1979), is the discretionary responsibility. This category represents the social role that businesses can fulfill yet do not fall under the other three categories of business responsibilities. This mainly includes voluntary and philanthropic activities that businesses can perform as a way of serving their communities. Those four dimensions can be performed simultaneously and combined they make up the social responsibility of businesses (Carroll, 1979).

2.2 CSR and Sustainable Development: Highlights on the UN SDGs

Various explanations exist that tend to define the concept of sustainable development from different angles. This includes definitions that describe sustainable development from a social, economic and environmental dimension, definitions that tackle it from an ethical perspective, definitions that focus on the human rights dimension, among others. The responsibility of businesses lies within the wide concept of sustainable development. In the 2000s, emphasis on the duty of corporations towards sustainable development was highlighted in the United Nations Sustainability Conferences, shifting the responsibility from the state to multi-groups specifically businesses. The concept of CSR was introduced as a new business approach where sustainable development comprises an essential part of corporations' normal businesses and strategies. In 2015, 17 Sustainable Development Goals (SDGs) were published following the United Nations Sustainable Development Summit as part of the 2030 Agenda for Sustainable Development document (Behringer & Szegedi, 2016).

The 17 SDGs are global integrated goals that stimulate action in the three main dimensions of sustainable development; economic, social and environmental (SDGs listed in Appendix A). The goals tackle major issues related to people, planet and prosperity. In the area of people, relevant goals aim at ending poverty and ensuring the provision of a healthy environment along with dignity and equality for all human beings. In the planet area, the main aim is to prevent planet degradation through the sustainable management of natural resources, sustainable consumption, and actively working around solving the climate change challenge. In the prosperity dimension, the UN goals aim at providing all humanity with prosperous lives and ensuring that economic, social and technological development are not in discordance with nature. The SDGs also foster peace as sustainability cannot be established and maintained in the presence of fear and violence. Such goals can be widely and globally accomplished with the participation of all people, countries and stakeholders (United Nations, 2015). The business sector, as a collaborative partner, should contribute to achieving the determined goals through, for example, innovation, creating job opportunities, and complying with international standards and rights related to health, environment, labor and human rights (Behringer & Szegedi, 2016).

2.3 Sustainable Development Strategy: Egypt Vision 2030

The Sustainable Development Strategy (SDS) agenda of Egypt aims at achieving development in the three main dimensions of sustainable development; economic, social, and environmental through the cooperation of the public sector, private sector and civil society. Under each dimension, a number of pillars related to that dimension are targeted. For each pillar, the SDS develops quantitative indicators to ensure the achievement of measurable impacts that would fulfil Egypt's vision for 2030 (SDS Pillars listed in Appendix B).

The economic dimension of sustainable development includes four main pillars; economic development, energy, knowledge and scientific research, and transparency. The economic development pillar aims at achieving a stable, competitive and diversified economy through improving GDP growth rates, investment rates, and reducing unemployment. The energy pillar aims at contributing to economic growth through the efficient use of renewable and traditional energy sources. This includes reducing traditional energy subsidies and issuing feed-in tariffs on the use of renewable energy. The knowledge and scientific pillar aims at developing knowledgeable and creative society members who can innovate in science and technology. The SDS programs related to that pillar include the restructuring of the educational system to support knowledge and innovation and promoting a culture of knowledge and innovation. The final pillar under the economic dimension is the transparency pillar. This pillar aims at achieving a transparent and efficient public administration sector that can efficiently respond to the needs of citizens. This can be achieved by improving the management and monitoring system of the public sector and developing effective communication systems between the citizens and government (SDS Egypt 2030, n.d.).

The environmental dimension includes two main pillars; the environment and urban development. The environment pillar involves the efficient use and preservation of natural resources through the development of sustainable water systems and adoption of fiscal policies that encourage sustainable consumption of natural resources. The urban development pillar aims at developing the management of land that best serves the Egyptian population mainly by reforming the planning and management systems of urban development (SDS Egypt 2030, n.d.).

The social dimension involves the development of four main pillars; social justice, health, education and training, and culture. The social justice pillar involves providing equal rights and opportunities to all citizens through the development of laws and state authorities that urge social justice, transparency and protection. The health pillar aims at providing a healthy and safe life to all Egyptians through improving the accessibility and quality of health-care systems and developing preventive and health programs. The education and training pillar aims at providing high quality education and training systems that can provide the required technical and technological skills. This can be achieved by developing the skills of teachers and increasing the percentage of accredited education institutions. The culture pillar relates to developing a culture of positive values and attitudes toward diversity and differences, enhancing cultural creativity and interaction whilst recognizing cultural heritage. Programs include restructuring of the cultural system and raising awareness of historic and cultural heritage (SDS Egypt 2030, n.d.).

These pillars of Egypt's vision 2030 aim at the development of new Egypt that "will possess a competitive, balanced, and diversified economy, dependent on innovation and knowledge, based on justice, social integrity and participation, characterized by a balanced and diversified ecological collaboration system, investing the ingenuity of place and humans to achieve sustainable development and to improve Egyptians' life quality" (SDS Egypt 2030, n.d.)

3 Research Methodology

Alongside the main focal point of the research, which is to map the existing social initiatives, in Egypt, secondary issues will also be tackled, such as the primary social responsibility paradigms and philosophies followed by some of the most prominent organizations in Egypt, as well as the conceptualizations of social responsibility from the business and civil society perspective. Proceeding from the social responsibility definitions revealed, inferences will be made regarding the dimensions covered by organizations in Egypt, for which the research will primarily follow the categorization proposed by Carroll outlined in the above section (1979).

Furthermore, for a deeper analysis of the research at hand, the social initiatives and programs included in the research will be evaluated in light of the UN Sustainable Development Goals and Egypt's vision 2030 and planning reform. This will help identify whether the social causes addressed by organizations in Egypt correspond to the developmental milestones set forth by the Egyptian government and United Nations, and in turn, identify redundant social causes as well as unmet social needs.

This study has adopted qualitative research methodologies, where in-depth interviews were conducted in addition to content analysis of the organizations' websites, reports, and other relevant documents. In-depth interviews were employed to gain insights on the perspective of managers on the topic of social responsibility; definitions, paradigms, dimensions, as well as other relevant issues. While content analysis enables the identification of hidden patterns in qualitative data; therefore, by employing this method, the researchers will be able to analyze the content of company websites, available public reports, secondary data, or company reports and brochures when available, in order to extract relevant information regarding entities' social initiatives and programs.

The institutions under study were purposefully selected for being pioneers in the field of social responsibility, and among the prominent entities listed on the Global Compact list, Egyptian Stock Market Exchange (ESG Index), as well as the Egyptian Corporate Responsibility Center (ECRC).

4 Organizations Under Study

This research sheds light on the social initiatives of 40 organizations in total; 17 entities from the private sector and 23 entities from civil society (NGOs, foundations, associations, etc). To ensure even further diversity within the sample, the corporates under study come across various industrial sectors as evident in the table below. The sample also covers a range of multinational companies, local companies that are listed in the Egyptian Exchange, local companies that are not listed in the Egyptian Exchange, as well as small-medium enterprises.

Organization	Sector
Abu Dhabi Islamic bank	Banking
Ahead of the curve (ATC)	Social Enterprise
Ahl Masr	N/A- association
AIESEC	N/A- association
Alashanek Ya Balady for sustainable development (AYB-SD)	N/A- association
ALEXBANK	Banking
Apache	Energy
Arab medical union (AMU)	N/A- association
BECAUSE	N/A—Association
Bedaya	N/A—Association
Cisco	Industry solutions
Commercial international Bank (CIB)	Banking
Commercial international Bank (CIB) foundation	N/A—Association
Confédération Africaine de football	Sports industry
Dar Al Mimar group (DMG)	Construction
DHL	Industry solutions
Easy group	Beauty and personal care
EFG Hermes foundation	N/A—Association

(continued)

Organization	Sector
Egyptian businessmen association (EBA)	N/A—Association
Enactus	N/A—Association
Engineering consultants group (ECG)	Consultancy
Etisalat Misr	Telecommunication
ExxonMobil Egypt	Petrochemicals
Giza systems foundation	N/A—Association
Heya Masr	N/A—Association
Injaz	N/A—Association
Kheir guide	N/A—Association
Mobinil (Orange)	Telecommunications
New horizon Association for Social Development (NHASD)	N/A—Association
PriceWaterhouseCoopers (PwC)	Professional services
Responsible and inclusive business hub MENA (RIBH)	N/A—Association
Sawiris Foundation for Social Development (SFSD)	N/A—Association
Sekem	Organic food
Sekem development foundation (SDF)	N/A—Association
Springboard: Educating the future	N/A—Association
Takatof association for development	N/A—Association
TE data	Telecommunications
Terous Misr foundation for development	N/A—Association
Vodafone	Telecommunications
Vodafone Foundation	N/A—Association

5 Findings

The structure of the findings will be as follows; the first section will discuss the different conceptualizations of the social responsibility concept, identified through in-depth interviews with the institutions under study, as well as their primary paradigms and philosophies. Proceeding from the social responsibility definitions and paradigms, the core of our research will manifest itself in the second section, in which the social initiatives and programs will be mapped out according to the social cause that they serve. To be more specific, 15 social causes will be featured in the paper.

As for the third section, the research will conclude with important analyses that underlie the selection process of social causes, partnerships established between entities for sustainable responsibility purposes, impact measurements for different social initiatives and follow-up efforts, as well as the challenges that entities face throughout their work, and the role of the government in promoting societal welfare. In this section, different solutions are proposed to facilitate partnerships between entities and ensure the achievement of sustainable impact.

5.1 Social Responsibility Definitions and Philosophies

The analysis of the conceptualizations of social responsibility across entities indicates that there is no uniform definition for social responsibility that is widely shared across the society. Indeed, when directly asked about the definition of social responsibility, several perspectives were supplied; some concur and others disagree. For some of the institutions included in the research at hand, social responsibility is equated with philanthropy; henceforth, social initiatives are recognized as additional voluntary activities that are performed in order to give back to the society. In turn, institutions do not view social responsibility as a way of doing business responsibly, starting off from the strategy down to the day-to-day activities, and do not acknowledge the remaining dimensions of social responsibility proposed by Carroll, which are economic, legal, and ethical. In this context, social responsibility programs are considered mere charitable activities usually used for publicity. Similar to the view of philanthropy, other entities interpret social responsibility as marketing tool that serves branding purposes and, accordingly, commonly use social initiatives to establish favourable brand image and association.

In correspondence with this view of social responsibility, entities that implement social initiatives for publicity's sake will adopt practices that enhance their relation with several stakeholders including the government. This is reflected in the choice of their programs and social responsibility focus areas; many are targeting basic need like food and shelter through charitable activities, without developing KPIs to measure their impact. On that account, the impact measurement process of the entity's social program is considered the key identification behind whether the social program is genuine or for publicity.

On the other side, though, there exist other prominent entities that realize the difference between philanthropy and social responsibility, and rationalize philanthropy as a voluntary activity implemented over a short span of time, and social responsibility as a long-term process. Therefore, acknowledging social responsibility practices as a long-term investment in society reveals a social responsibility approach that is moving towards a sustainable development strategy. Of this trend toward sustainability, some mean the sustainable impact of the project, while others mean the broader concept of sustainability, encompassing responsible business practices, inclusion, environment, and so on.

In line with the sustainable responsibility approach, few institutions under study have renamed Corporate Social Responsibility to Corporate Responsibility; emphasizing the need to adopt a comprehensive multi-stakeholder approach towards sustainability. Through "Corporate Responsibility", entities will work towards social, economic and environmental development, as well as being responsible to internal and external stakeholders; employees, customers, suppliers, etc. Only then, a company could be truly labelled "responsible business". A step further towards sustainability would be represented in being an "inclusive responsible business" where the low-income communities would be part of an entity's value chain whether as producers or consumers; contributing to poverty alleviation.

Thus, in accordance with the trend of sustainability, entities have resulted in implementing social responsibility programs that are aligned with their core business. This leads to a win-win situation for entities, in which they are sharing their areas of expertise and strengths with the community, as well as guaranteeing the sustainability of their social initiatives by continually investing in them, as they have favourable returns on their business. This particular sustainability strategy is also, commonly referred to as the shared value concept. Another method that ensures the sustainability of social responsibility programs is by promoting employee engagement, and involving them in the programs selection, rather than adopting a top-bottom approach in the choice of social areas. This would make employees more committed to the cause and guarantee its long-term tenability.

Although, several entities have voiced the importance of incorporating employees in every step along the social responsibility action plan, few institutions have concrete processes that see this through. On that note, it should be emphasized that it is one thing to understand a concept, and another to apply it. While many organizations preach sustainability as the new trend, a few have managed to make their initiatives sustainable, and a bigger portion opts for the instantly gratifying projects with short-term outcomes. Therefore, institutions are advised to re-evaluate their social responsibility programs and measure their degree of sustainability, through clear impact measurements and KPIs.

Furthermore, by virtue that a number of social initiatives take the form of philanthropic acts, a common ground between this altruistic view of social responsibility and sustainability need to be established. Indeed, it is recommended of entities that they strategically redirect their local philanthropic activities. Philanthropy in this sense refers donor money whether from individuals or foundations, which is usually directed at instant charitable causes. Strategic philanthropy is a key road towards sustainability; not all philanthropy has to be charity. Local philanthropy can be targeted at greater causes like testing new product ideas; to strengthen the sector of giving to become more strategic.

5.2 Social Initiatives Identified

After having cross-sectionally analysed the different conceptualizations of social responsibility across institutions under study, the current section will highlight the main purpose of the research; the social initiatives. In this section, over 140 social initiatives are mapped out across 15 pronounced social areas which are as follows; Education and Skills Development, Healthcare, Training for Employment, Entrepreneurial Support, Economic and Social Reintegration, Philanthropic Acts, Awareness Raising, Poverty alleviation and Community Development, Environmental Preservation, Sustainable Business Practices, Sports-Arts and Culture, Capacity building, Partnership Facilitation, Bottom of the Pyramid Inclusion and Gender Equality (please see Appendix C). In accordance with the purpose of the research, each social area is discussed independently in light of the Millennium developmental goals (MDGs) and Egypt's 2030 vision and sustainable development agenda, in order to determine whether entities refer to global or local standards in their social needs assessment and social initiatives decisions (please see Appendix D).

5.3 *Benchmarks for Social Programs*

Since the endorsement of the Millennium Declaration in 2000, Egypt has publicly asserted its support of the MDGs and has consistently endeavoured to meet the eight poverty targets that were set forth by the United Nations, which aimed at an array of issues that included reducing poverty, hunger, disease, gender inequality, and access to water and sanitation. Yet, despite such progress, poverty has not been eradicated for all. That is why, the new Sustainable Development Goals (SDGs) were launched by the UN in 2015, as a continuation of the MDGs, with the aim of achieving sustainable development and targeting the root causes of poverty worldwide. The SDGs include a set of 17 Global Goals and serve as significantly important global references for entities in Egypt in their social initiatives decisions (Sustainable Development Goals, n.d.), especially by virtue that Egypt became among the countries elected by the UN, in 2015, to serve on the United Nations Security Council for the 2016–17 period.

Furthermore, Egypt's 2030 sustainable development strategy should also have an equally important role in shaping social initiatives implemented in Egypt, since it is in line with the global movement towards sustainable development and customizes the SDGs to better fit the market gaps of Egypt (Ministry of Planning, 2015). Therefore, recognizing the importance of these standards as global and local references, each social area will be examined in relation to them, in order to determine whether it has originated from the sustainable development goals, Egypt's 2030 sustainable vision, or other sources.

Before discussing the social areas and initiatives, several limitations should be highlighted. Firstly, entities included in the research at hand do not represent all active entities in the social responsibility field in Egypt, due to time restrictions. Secondly, not all of the initiatives implemented by each entity were covered in the following section, as some of them were of secondary importance to the institutions rather than being their main focus. Henceforth, the following section will deal with the scanning of the social initiatives, which will be displayed in an alphabetical order.

5.3.1 Education and Skills Development

Quality education is a goal of high priority in, both, the sustainable development goals (SDGs), as well as Egypt's 2030 sustainable development agenda. Indeed, it is believed, on both the global and local level, that education is one of the main pillars for economic growth and development and a basic need for individuals that should be satisfied. Hence, it should come as no surprise that this particular social cause is receiving significant attention in Egypt, by several prominent entities. In fact, for a single company, there could be multiple social initiatives implemented that tackle education. Amongst the most prominent entities that address Education through CSR activities are; ADIB, AIESEC, Apache, AYB-SD, Bedaya, CIB, Cisco, EFG Hermes Foundation, Enactus, ExxonMobil Egypt, Giza Systems Foundation, INJAZ, Mobinil, NHASD, PwC, Sawiris Foundation, Sekem Development Foundation, Springboard, Takatof Association For Development, TE Data, and the Vodafone Egypt Foundation.

It should be noted that by education, it is meant both formal and informal approaches; formal education is received by a formal authority in a formal setting; often a classroom, while informal education goes beyond content and classrooms, and emphasizes soft skill development and is, typically, provided by an informal authority in an informal setting.

For example, believing in the importance of investing in children's education and skills development for a better future, ADIB contributed to the establishment of a computer lab in the **Awlady Association for orphans in Maadi**. Computer courses are delivered and supervised by ADIB employees. Knitting machines have also been supplied to teach children a different set of skills that can be used in the production and selling of knitted products.

ADIB employees have previously volunteered with INJAZ to deliver a **financial literacy** course targeting preparatory students to give them a banking and money management introduction. They have also given **discover yourself** trainings which help students connect more with themselves to discover their talents and broaden their imagination outside of the formal educational context (manager, ADIB).

5.3.2 Healthcare

As aspired by Egypt's Vision 2030, "all Egyptians are to enjoy a healthy and safe life through the application of an integrated, accessible, high quality, and non-discriminatory health system that is capable of improving the health indicators through a comprehensive health coverage for all citizens" (SDS Egypt 2030, n.d.). This entails that the private sector and civil society collaborate and implement this vision through prioritizing the health sector on the national social development agenda. Not only that, but healthcare is also an important social area addressed in the SDGs and listed as the 3rd goal, in which health is recognized as a basic human right for all people at all ages. In consistent with the importance of this particular social area, multiple initiatives are implemented that promote wellness, not to mention there are some initiatives dedicated to particular diseases. Amongst the most prominent entities involved in this social cause are such as; Abu Dhabi Islamic Bank (ADIB), Ahl Masr Association, ALEXBANK, CIB Foundation, EFG Hermes, Mobinil, PwC, TE Data, Terous Misr Foundation, Sawiris Foundation, Sekem Development Foundation and Vodafone Egypt Foundation.

For example, the aim of Ahl Masr Association is working towards a Humanity Burn-Free. This philosophy is translated into projects that aim at the treatment of current burn victims and prevention of burn injuries through awareness and social and urban development that eradicates root causes of burn incidents. In October 2015, Ahl Masr began implementing its **Egypt Burn-Free Initiative (Safe Village)**. The initiative focuses on promoting overall well-being by resolving inadequate sheltering and basic infrastructure along with a comprehensive awareness program for burn accidents and injuries. The project's idea was provoked by a research that Ahl Masr has conducted with Efeso Consultancy about shelter inadequacy. The Shelter Inadequacy Study showed that more than 19% of children are deprived of water (which is essential for putting up fires), and revealed that 22% of children (households) live in dwellings with inappropriate roofs which are considered a major factor in aggregated house fires.

For the first stage of the project, Beni Suef governorate was selected as a control community for the initiative implementation, since it is one of the highest poverty-stricken governorates in Egypt which provides more grounds for burn accidents. Moreover, most of the cases that received burn medical treatment from Ahl Masr were children from Beni Suef. The initiative was implemented in the impoverished village of Ahmed Allam that had recently witnessed a massive fire; burning down 17 houses with no resources to put it out. The association has installed a main water pipe system over 350 meters to serve over 40 households in the village. It also has reconstructed safe roofs to more than 40 houses, and aims to continue reconstructing rooftops in other villages. A community leader was chosen by Ahl Masr to be in charge of monitoring the village's progress after the initiative is done.

Ahl Masr's Egypt Burn-Free (Safe Village) initiative aims to close the loop on all root causes of burn incidents using a framework of complementing activities. That is why; the association also aims at **raising community awareness of burn injury prevention** through research, education and training, health systems and health care policies. Field research was conducted with hospitals and universities like Ain Shams and Cairo universities, as well scanning the WHO and Ministry of Health reports. The awareness materials are designed to cover three pillars; measurements of a safe household against fire accidents, how to make the surrounding environment safe from fire accidents and medical first aid knowledge for burn injuries. This requires professional trainers; that is why, Ahl Masr develops training courses and sessions for selected trainers to educate community members. Ahl Masr has also partnered with Positive Push to help spread awareness on burn injuries, especially among children through fun games.

The association has also developed a **comprehensive scheme for burn prevention** that includes communal and individual precautionary and first-aid sessions for children, adults and community health centres in villages. Communities were provided with fire safety measures; first aid kits for each household and 300 fire extinguishers among the village's leaders. In addition, all awareness materials are disseminated across the village like first aid flyers, safety knowledge flyers, and colour books and children's games).

In its monitoring and evaluation process, the association conducts surveys to assess the effectiveness of the awareness sessions that took place earlier as part of Safe Village initiative. In parallel, Ahl Masr performs door to door assessment through a dedicated team and community leaders to evaluate the risk elements of burn incidents.

It is important to note that as part of the Safe Village concept, Ahl Masr aims at promoting economic development through partnering NGOs. The association perceives the initiative to be comprehensive and hence is willing to partner with other NGOs to conduct human resource analyses and accordingly plan production businesses to promote employment. This would ensure the achievement of Safe Village concept; integrated sustainable development.

Ahl Masr is planning a larger-scale concept for the coming years. The Association is currently planning the establishment of **Ahl Masr Burn Hospital**; the first non-profit, specialized hospital in treating burn injuries in the Middle East and North Africa. The hospital will offer comprehensive physical, cosmetic reconstruction and psychological treatment in addition to social rehabilitation. More importantly, the hospital will embrace a research center of burn treatment and a skin bank; which do not currently exist in Egypt. A special emphasis will be placed on training general practitioners on how to treat burn victims in the first few hours. In addition, a sustainability consultant will be on board in order to ensure the sustainability of the institution.

The hospital is highly needed by the community, since the capacity of the current primary health care providers both public and private is only 30,000 hospitalized patients, while burn incidents that need medical treatment is around 80,000; creating a gap of 50,000 patients. This has attributed to the high mortality rate in Egypt of 37%, which is at the high end of regional mortality rates when compared to other low/middle income Eastern Mediterranean countries that vary from 5% to 37%. Unfortunately, among the 57% that survive, a significant portion having difficulties due to associated disabilities. The hospital will be focusing on children from lower income communities, since research has shown that children younger than 5 account for almost 25% of the total burn incidents and over 50% of the burn incidents under age of 20. Though the hospital is not yet established, Ahl Masr has been responsible for curing more than 500 burn victims so far, each one needing on average from 3 to 6 surgeries (manager, Ahl Masr).

5.3.3 Training for Employment

The social issue of unemployment is recognized as a persistent problem that faces many countries, among which is Egypt that, as reported earlier, has a very high rate of unemployment reaching 13.4%. Therefore, it is to be expected that both the global and local standards have specific goals dedicated for this particular social area. For the SDGs, the goal of providing employment opportunities for all is listed as the 8th goal; however, for Egypt's 2030 vision the goal is tackled indirectly, and very briefly, under the big umbrella of social justice, in which 50% reduction of employment gap between Egyptian governorates is desired. Nonetheless, this particular issue is considerably addressed in the Egyptian society by prominent entities such as; AIESEC, ALEXBANK, AYB-SD, CIB, DHL, DMG, Engineering Consultants Group, ExxonMobil Egypt, INJAZ, Mobinil, Sawiris Foundation, and Vodafone Egypt, and this is in accordance with the vision of the SDGs as well as the sustainable development agenda of Egypt.

For example, **Global Talent** is an initiative implemented by AIESEC that provides members the opportunity to travel abroad and take advantage of internship opportunities in fields such as; Sales, Marketing, and Teleperformance. The duration of the internships offered ranges from two to eighteen weeks and span countries such as; Brazil, Greece, and India, among others. It is important to note that, similarly to Global Citizen, Global Talent gives students the opportunity to further develop their leadership skills through international work experience, as well as increase their cultural awareness (manager, AIESEC).

5.3.4 Entrepreneurial Support

The goal of fostering innovation is highly prioritized on both the SDGs, as well as Egypt's 2030 sustainable development agenda. Indeed, on the global standards, it is listed as the 9th goal, in which the concept of building resilient infrastructure goes hand-in-hand with promoting innovation. While, also reflected on the local standards, where Egypt aspires to become, in 2030, a knowledge-based society that relies on scientific research, technology, and innovation, among others. Therefore, supporting entrepreneurial ideas is a very important social cause that should be well-addressed, and among the entities that have social initiatives dedicated for it are; AYB-SD, DMG, EFG Hermes Foundation, Enactus, ExxonMobil Egypt, INJAZ, Mobinil, PricewaterhouseCoopers, RIBH MENA, and the Sawiris Foundation.

For example, the **Micro-financing program** is the social initiative implemented by AYB-SD, in order to support the entrepreneurial ideas of low-income individuals who lack access to banking services. However, the role of AYB-SD is not limited to providing monetary funds; indeed, the NGO also offers beneficiaries project and financial management training, as well as vocational and technical trainings, to lead to sustainable development and enhance the target group's wellbeing. Micro-loans given typically vary from 1000 EGP to 3000 EGP, while small-loans vary from 3000 LE to 12,500 EGP, and follow up procedures are regularly taken to be up-to-date with the progress of the entrepreneurial projects. In addition, group loans are given to community social entrepreneurs composed of 2–4 members in order to establish ventures that have social impact for local communities. Loans range from 15,000 to 30,000 EGP (manager, AYB-SD).

5.3.5 Economic and Social Reintegration

An array of social initiatives is currently being implemented in Egypt that aim to address the issue of reintegration. These initiatives, mainly, target individuals that have been shunned by society for being different, that is why the majority of these initiatives are dedicated to people with disabilities, street children, and refugees; people commonly misperceived as not living up to society's standards. It should be noted that, despite the importance of this particular social area, it is neither addressed in the SDGs nor Egypt's 2030 sustainable development agenda. Indeed, this type of social initiatives rather originated as a result of the moral standards of managers, or based on market assessment researches that identified this social area as underserved and requiring attention. Amongst the entities that are recognized as pioneers in this social area are; ALEXBANK, Arab Medical Union, CIB and CIB Foundation, Mobinil, NHASD, TE Data, Vodafone Egypt as well as Vodafone Egypt Foundation.

For example, ALEXBANK has several initiatives seeking to reintegrate street children into the community and provide them with better opportunities. Through its partnership with Hope Village Society (HVS), ALEXBANK has sponsored the participation of the Egyptian national football team in the World Cup for Street Children held in Brazil. The bank has also invested in building HVS's third and biggest shelter for street children in which different educational, recreational, vocational and skills development activities will take place.

Previous efforts to improve the wellbeing of Egypt's street children and increase their sense of belonging included ALEXBANK's support to Samusocial NGO. Funds allocated by the bank have been used in the purchase of a mobile unit to provide services to the children and intensify social bonds with them. An emergency shelter has also been established, through the partnership, to provide children with medical and psychological support (manager, Alex Bank).

5.3.6 Awareness Raising

Awareness raising in itself is not an established social area; however, initiatives that fall under this category help raise individuals' awareness about severe, established social causes such as; poverty, unemployment, education, and gender inequality, to name a few. That is why, awareness raising is not explicitly mentioned in the SDGs and Egypt's 2030 sustainable development agenda, but the social causes that underlie the awareness raising campaigns are. It should be noted that a decision was taken to discuss awareness raising as a separate social area rather than focus on the underlying social causes, because entities involved in the awareness campaigns are not directly addressing the social causes, but merely bringing more attention to it. Among the entities involved in the awareness raising campaigns are; Ahead of the Curve, Apache, Arab Medical Union, CIB, Confédération Africaine de Football, ExxonMobil Egypt, Mobinil, RIBH MENA, and TE Data.

For example, Ahead of the Curve undertook a research **study of Corporate Responsibility and Social Entrepreneurship Practices** in seven Arab countries. The project was in collaboration with the American University in Cairo and American University in Beirut; further partners joined later (manager, Ahead of the Curve).

5.3.7 Environmental Preservation

Set as target 14 on Egypt's 2030 sustainable development agenda, as well as reflected in goal 13 through 15 in the sustainable development goals, environmental preservation is an aspiration recognized on, both, the global and local level. True to its importance, several prominent entities in Egypt, such as; CIB, DHL, EFG Hermes Foundation, Etisalat Misr, PricewaterhouseCoopers, and Vodafone Egypt have social initiatives implemented to tackle this social cause.

For example, CIB efficiently optimizes the use of its resources to positively affect its ecological footprint and has managed to achieve remarkable results in this regard. **Energy consumption** has been reduced by 35% as a result of imposing energy saving techniques, such as installing LED lighting bulbs in its branches and head offices (more than 160 premises) and outsourcing an energy efficiency maximizing technology to cooling system. . CIB has built two solar power plants over its standalone buildings, and installed over 25 solar heaters across Egypt.

Understanding the importance of water, CIB has installed **water restrictors** that decrease the water flow, leading to a 30% consumption reduction. Double-sided printing is the enforced default printing option at CIB, saving the bank 45% of its **paper consumption**. Employees are encouraged to only print critical papers that they need. Some departments have also completely automated their process to increase efficiency and minimize paper consumption. Senior executives are using iPads for their committee meetings. Teamwork among the various stakeholders and IT Division is the key to this success.

CIB is the first recipient ever of the Golden Grade of the **Egyptian Green Pyramids Certificate**, a local certification similar to the international LEED (Leadership in Energy and Environmental Design) standards, offered by the Ministry of Housing, Utilities and Urban Development. Together with the Housing and Building National Research Center, CIB worked on developing Egypt's Green Building Rating System, which measures the environmental impact of any financial building on its residents, visitors and surroundings. The certificate was awarded to the CIB Tes'een Street branch which uses solar heaters, minimizes water and electricity consumption, uses eco-friendly furniture and emphasizes the minimization of the CO2 emissions through the use of natural green plants and group transportation. A new CIB branch is being built following the Green Building criteria, including the choice of land and raw materials (manager, CIB).

5.3.8 Sustainable Business Practices

Beyond external social initiatives, entities such as; ALEXBANK, Apache, CIB, Sekem, and Vodafone Egypt have complemented our findings by introducing the concept of 'sustainable business practices', whereby entities incorporate social responsibility internally in the organizational structure and the workplace, operate responsibly across their value chains, and offer socially, economically and environmentally responsible services to their customers. This leads to the creation of sustainable practices and promotes an ethical, respective, fair workplace and environment. This particular social area is not manifested in the SDGs or Egypt's 2030 sustainable development agenda, though it should be included since social responsibility should be shared across employees and customers to encourage them to act responsibly as well. Furthermore, in accordance to the stakeholders approach, entities have social obligations, not just to external stakeholders only, but to internal stakeholders as well, such as; employees, volunteers, and donors.

For example, ALEXBANK believes that employee engagement is crucial to the sustainability of CSR activities. The bank launched its CSR "**For My People**" competition in 2012 which encourages all its employees across Egypt to come up with CSR project proposals or beneficiaries that they think should receive the bank's support. A special committee is formed to evaluate different proposals and nominate 12 projects to go through an internal voting process. The project receiving most votes is then implemented and endorsed by ALEXBANK. Those Who Need Us is another initiative started by the bank in 2014 which gives employees the choice of selecting a monthly social cause or NGO to support in terms of volunteering and/or donating.

Being a member of the Intesa Sanpaolo group, ALEXBANK employees have the option of traveling to Italy to participate in **football tournaments** held by the group. Employee children can also apply for **cultural exchange programs** through the bank in order to enhance their intercultural awareness and help them develop more skills (manager, ALEXBANK).

5.3.9 Sports, Arts and Culture

Although the social area of sports, arts and culture is addressed in Egypt 2030 sustainable development agenda, it is not reflected in the SDGs. Indeed, in Egypt's 2030 vision, the culture heritage of Egypt is recognized as something valuable that should be protected, as well as further expanded by adding additional cultural values that embrace diversity and differences, as well as freedom of choice. Therefore, social initiatives implemented that address this particular social area are, primarily, presumed to be influenced by local standards, which is Egypt's 2030 vision; however, these social initiatives could also be triggered by the 25th of January revolution, since post-revolution Egypt made people develop an appreciation for arts in all of its forms; classical and contemporary, as well as a cherishing sense for the Egyptian culture. ALEXBANK, CIB, NHASD, and the Sawiris Foundation are among the most prominent entities in Egypt that invest in the sports, arts, and culture area and their initiatives are presented, below.

For example, CIB has cultural sustainability as one of its corporate sustainability pillars. Cultural development initiatives target both bank employees and the community. Different cultural trips are organized for employees by the Branding and Learning and Development divisions to enhance their knowledge about Egypt's cultural sites. Local growing and aspiring artists are supported by CIB which purchases their artworks and adds them its art collection as a token of appreciation of their talents and creativity. Cultural trips are also organized for different communities. For example, public school students were taken on a trip to the Opera House to attend a musical concert. Co-organized by Peace and Plenty Organization and the Society of the Friends of Opera House, the trip aimed to expose students to a kind of music they are not familiar with in order to develop their aesthetic sense.

Aspiring to support and develop different youth talents, CIB has different initiatives targeted at sports champions and explorers. To help him achieve his dream of becoming the first Egyptian to complete the Explorers Grand Slam challenge, CIB sponsored Omar Samra's trip which he managed to complete successfully, achieving a historical record. CIB also financially supports the Egyptian Squash Federation in order to develop the skills of junior players and encourage their participation in local and international tournaments, as well as the Olympics. In recognition of the achievements of the National Shooting Championship winners, CIB sponsored the Shooting Club's ceremony during which the bank distributed certificates and cash prizes to the winners (manager, CIB).

5.3.10 Capacity Building

This particular type of initiatives is dedicated for capacity building, whereby Egyptian entities go through the process of building and developing skills, knowledge, and other capabilities for other local entities, mainly SMEs and NGOs. The assistance of local entities could be reflected in Goal 16 of the SDGs, which promotes the building of effective institutions at all levels, as well as mentioned in Egypt's 2030 sustainable development agenda, which encourages building strong institutional infrastructure. However, by building potent institutions and further developing their existing skills and knowledge, the ultimate result will also be echoed in remaining goals and targets, on the global and local level, since these more trained institutions can, in turn, tackle other severed social causes such as; poverty, hunger, and unemployment, among others, and address them more effectively. Hence, this social area is of high importance, because it has direct and indirect benefits on society, and prominent entities such as; ALEXBANK, Easy Group, NHASD, PwC, and Vodafone Egypt are involved in this cause.

For example, The Entrepreneurs' Forum, in which Easy group is a member, has recently launched a new initiative entitled **'Tareeq'** that aims to support small and medium enterprises projects. The reason behind the establishment of this particular initiative is because the Forum recognizes the prominent role played by SMEs in the economic growth and development of Egypt. According to the 'Tareeq' initiative, support to SMEs can be provided in four different facets; firstly, the support can be financial, through the allocation of funds to different projects, or, secondly, logistical in the managerial policies and procedures. Companies can, also, support SMEs by establishing information systems and databases, which is the third facet of support, or by facilitating procedures required of SMEs to start a business, which is the fourth facet (manager, Easy Group).

5.3.11 Partnership Facilitation

In our quest of mapping social initiatives in Egypt, several initiatives were identified that were not directly addressing social areas, but rather facilitating the process of establishing sustainable partnerships among different entities. Listed as the 17th, and last, goal on the SDGs, the importance of establishing sustainable development programs that are based on successful partnerships is evidently recognized; however, the same could not be said on Egypt's 2030 sustainable development agenda, which did not refer to sustainable partnerships. It should be noted that, although this type of initiatives does not tackle severe issues such as hunger, poverty, education, or health, they establish the basis upon which successful partnerships could be created that can properly address these issues and solve them. These initiatives are represented, below and include the following entities; BECAUSE, Egyptian Businessmen Association, Kheir Guide, Terous Misr Foundation.

For example, with the aim of fostering collaboration between business and society, BECAUSE is the first interactive hub in Egypt and the MENA region connecting the private sector, non-profit organizations, social enterprises, individuals and soon governments. BECAUSE is a firm believer in the importance of cross-sectoral collaboration to tackle Egypt's myriad development challenges; therefore, it introduced a technological edge to facilitate partnerships. The platform has two sections; the magazine and the hub. Stories of different individuals, organizations and initiatives are told in the magazine to inspire social change. The hub gives organizations the opportunity to showcase their work and communicate with one another to figure out ways through which they can partner and respond to development challenges. Individuals can also find volunteering opportunities through the hub. With a neat design, the platform gives its members the option to browse by cause so that they can easily find organizations and individuals interested in, or working on, the same cause. In addition to its online presence, BECAUSE is set to take its activities offline through organizing interactive events for all entities with a passion for development. A product of BRIDGEGYPT, BECAUSE is still in its startup phase and aspires to lead the partnership facilitation process in the MENA region (manager, BECAUSE).

5.3.12 Bottom of the Pyramid Inclusion

Beyond existing conceptualizations and outlooks of social responsibility, a new-found approach is gaining attention and that is the inclusive business approach. This particular outlook entails the integration of social responsibility in the strategy of the company as a business model, in which organizations serve low-income communities, particularly the BOP market, by targeting them with affordable products and services, or by providing them with employment opportunities and mutually benefiting from their skills and capabilities. Henceforth, creating a win-win situation for both parties. The social area of inclusive growth is, both, heavily emphasized in the SDGs and Egypt's 2030 vision, whereby inclusive economic growth is aspired. However, it is noted that this particular area is not well-addressed by entities in Egypt, as it is only tackled by Ahead of the Curve and RIBH MENA.

For example, RIBH MENA is aiming for inclusive development in the agribusiness and food sectors through its **Sustainable Catering Initiative**. The project aims at enhancing the capacities of currently existing inclusive business models in agribusiness sector. One of the business models RIBH MENA has worked to support is Baladini kitchen incubator, a subsidiary of Nawaya. Baladini provides trainings to empower women from rural outskirts of Cairo to take an active role in poverty alleviation, advocating healthy and sustainable food habits, and providing access to nutritious fair food in Egypt. Through the launch of several food-related inclusive business ventures, these projects would be showcased as successful establishments. RIBH MENA is aiming then at the replication and scaling up of the business models in case of success.

BOP One-Stop-Shop is another core initiative by RIBH MENA, where it provides technical and cost-sharing support for start-up social businesses, as well as technical assistance for corporates that are planning to integrate bottom of the pyramid (BOP) markets in their business models. The aim of this initiative is to encourage companies to enter the BOP market and help them tailor their products to include the low-income population in their value chains. The one-stop-shop is implemented in partnership with Ahead of the Curve, EwIV, and GIZ (manager, RIBH MENA).

5.3.13 Gender Equality

Promoting gender equality and empowering women is a goal that is both reflected in the sustainable development goals, as well as Egypt's 2030 sustainable development agenda. Indeed, it is found to be the fifth and third goal set forth by the United Nations and the Egyptian government, respectively. Hence, you would expect this particular social area to receive significant attention in Egypt, given its high priority; however, data collected reveal that only few companies implement social initiatives that aim to address gender inequality and women's rights. Therefore, it is concluded that this particular social area is not receiving significant attention, since, from all of the initiatives examined in the research at hand, only two are dedicated to it, which are implemented by Heya Masr and NHASD.

For example, Heya Masr is a social enterprise aiming to mentally and physically **empower young Egyptian women** and enhance their self-confidence and character in order to build well-rounded personalities capable of creating better futures for themselves and for the country. The program targets 9–18 year-old girls from the middle class and disadvantaged societies and spans over the course of nine months during which a total 40 sessions are given. Consisting of three levels, beginner, intermediate and advanced, the long-term program covers a range of topics, including sexual harassment awareness, self-defense training, healthy nutrition and character development activities. Heya Masr adopts a proactive strategy to behavioral change and women empowerment, which need to be addressed at earlier ages, through providing participants with the tools needed to empower themselves in the face of poverty, abuse and other difficulties. In order to extend its reach, Heya Masr works closely in partnership with several organizations, such as Tawasol, Igmadi, Educate-me, Nebny, and the Ministry of Youth. Participants' success is celebrated in a graduation ceremony held at the end of the program.

The importance of family and community involvement in the cultural change process is well comprehended by Heya Masr; therefore, the organization aims to introduce a **parenting program** targeted at the parents in order to gain their support and create a healthy environment for the young girls at home. The program is set to include a series of monthly awareness raising lectures that introduce concepts of a healthy lifestyle and call for their support to their children. The team is also studying more ways through which family and community members can be involved in the program to increase support.

Heya Masr also seeks to attract and reach more young women and cause a bigger impact through introducing non-conventional ways, such as **storytelling** where girls get to write and share their own stories, **educational songs and jingles** developed by Heya Masr, **animated educational materials**, and **published stories** all of which grab the attention of a wide range of audience (manager, Heya Masr).

6 Analysis and Recommendations

The last section of the research will provide detailed discussion based on the in-depth interviews and content analysis undertaken, as highlighted previously in the methodology section. Cross-sectional analysis was conducted to identify the different standpoints of the private sector and civil society entities regarding their selection of social causes, initiatives and partners, as well as the challenges they encounter and the role of the government in overcoming such obstacles, which will be subsequently presented. Several recommendations will also be incorporated, in the following section, dedicated to the entities of the private sector, civil society, and public sector in an attempt to promote nation-wide initiatives that work towards the achievement of sustainable responsibility.

6.1 Choice of Social Causes

Although the current research emphasized the SDGs and Egypt's 2030 sustainable development strategy throughout the discussion of the social areas, and the correlation found between the set of goals established on both standards and the social causes addressed in Egypt, yet this correlation is found to be mainly due to other factors. Indeed, it is revealed that an inconsiderable sample of the institutions follow these guidelines in their choice of social areas. Furthermore, between the SDGs and Egypt's 2030 vision, it is found that entities in Egypt bear upon the latter more, and select the targets that best fit their overall business strategy.

Another common method by which entities select social areas to address is through conducting needs assessment researches, in order to identify underserved social areas that require further attention. Indeed, Most NGOs under study conduct participatory needs assessment of the community under study. Either through the NGOs employees solely, or in coordination with other local NGOs in the community. In both cases, the NGOs utilize community leaders in the area for greater outreach. Contrary to the common thinking, community needs are never evident in shortage of money, but rather in lack of skills, lack of social and economic awareness, and lack of gender equality for example where mostly women are the home earners. On that note, some corporates and NGOs also conduct a general market analysis, but with the aim of pinpointing redundant social efforts and, in turn, reinvent the wheel, by tackling unmet social needs, instead of building upon what other entities have accomplished.

Aside formal standards and methods, informal sources, also, exist that influence institutions' selection of social causes, such as the media. For example, the media is always highlighting child cancer, therefore NGOs and corporates are willing to work in such area since the public is sympathizing and this will be reflected in donations. Unlike HIV in children which is not receiving any attention by the media and hence minimal donations will be available and this leads to the negligence of this particular social area.

Now, beyond the formal and informal sources of social area selection, some institutions have been identified to select social areas based on the expertise of the board of directors; however, this basis of selection might lead to entities becoming entrapped in the past and tackling social causes that are extremely redundant, while failing to care for emergent social issues that are of equal importance, yet not receiving significant attention. Indeed, sometimes economic, political or social changes create causes that were not evident before, for example refugees.

Though, perhaps, the majority of the institutions under study select the social areas according to their own standards. Indeed, choice of social areas is done on the basis of what the managers 'perceive' as most important, without any corroborative evidence supporting their perceptions. Furthermore, some entities are certified in accordance to ISO standards, and therefore, require addressing certain measures such as health and environment to remain certified; regardless, of whether these social causes are in fact important to society or not. Hence, this last group, under which the majority of institutions fall, do not even take into account the local market assessment, or refer back to global or local standards.

6.2 Redundant and Underserved Social Causes

Due to the lack of unified information with respect to Egypt's economic conditions and communities in need, plenty of organizations from the civil society and private sector are implementing similar projects in the same governorates. The organizations are not provided with clear-cut information that would help them formulate an overarching strategy for greater societal development, which leads to redundant social programs. This research will therefore highlight the social causes receiving the most attention, and the causes that remain underserved.

The field of *education*, formal and informal, proved to be receiving the greatest attention from the private sector and civil society entities under study. Multiple initiatives are targeting the development of the educational sector in Egypt, yet many of them adopt similar methodologies. For example, only few initiatives were focusing on the development of teachers who are actually the core of the educational process, or on alternative education forms enhancing individuality and character building. Entities are therefore advised to diversify their initiatives to cover different sectors within the field of education and channel their specialized expertise towards deeper development. Following education, reforming the *healthcare* sector remains a top priority on the development agenda. Yet certain diseases tend to receive more attention than others. The private sector along with civil society are focusing their efforts on cancer (especially children patients), Hepatitis C, ophthalmology and cardiology. On the other hand, other causes like HIV/AIDS, anaemia and nutrition, and psychology remain neglected.

Furthermore, combating unemployment through youth empowerment projects was found to be among the top social causes under study. *Training for employment* as well as *providing entrepreneurial support* were of equal importance to the entities participating in the research. Both areas are targeting unemployment elimination; yet with different approaches towards the promotion of employment versus self-employment. The previous analyses revealed a significant finding; the social causes on the priority list of entities in Egypt are actually aligned with the top areas on the UN Sustainable Development Goals and Egypt's Sustainable Development Strategy.

Yet, several social causes remain underserved regardless of their implications on societal development. Social projects supporting human rights and civic education are not on the agenda of most NGOs and corporates in Egypt. Rehabilitation of street children is another completely underserved area, where actually few organizations would like to work in but are unable to, due to the numerous complexities and challenges. Sponsoring sports, arts, theatre, and culture is another area that only recently started to grasp the attention of civil society; but not the private sector yet. Inclusive businesses and introducing technology infrastructures are not yet on the agenda of societal development where they deserve to be.

One reason behind the negligence of certain needs could be attributed to the media, which sheds light on specific stream of needs and accordingly influence the support and involvement of the public as discussed earlier. For example, the public in Egypt sympathize with cancer patients; yet turn their heads away from burn victims, disabled children, and street children, among others. This, in turn, is reflected in the interests of corporates and NGOs who are rather willing to work in the areas supported by the community.

6.3 Partnerships Selection

All organizations under study, whether from the private sector or civil society, agreed that partnerships are key to successful sustainable initiatives in every social cause. Trio partnerships between the public sector, civil society and private sector are even more so. Social initiatives of corporates, NGOs, foundations and associations complement and build upon one another. Most organizations under study believe that the civil society is the most connected to local communities and accordingly holds greater knowledge regarding community needs, followed by foundations, and then finally the private sector. This necessitates the need for partnerships for every institution to channel its expertise and knowledge into social projects.

The selection criteria used for partnering vary across entities and even across projects, yet this research has shown that organizations generally consider the following in their decisions. The foremost criterion is sharing the organization's strategy and vision for social development; for a better fit with the organization's agenda. In addition, having a portfolio of previous successful projects with measurable impact, through transparent KPIs, is another important consideration for most organizations under study. Organizations also highlighted the importance of having good relations with the Egyptian government and with the previous partnering organizations, as well as the absence of political/religious bias on the ground. For the private sector, usually the selection of NGOs depends on the breadth of outreach and ability to influence local communities. Corporates also take into account the board members of the NGO as an indication of its credibility, as well as the size of the institution and qualifications of its staff. Corporates that are well-established have a more mature and concrete selection process for partners that involve project scorecard, NGO self-assessment tool, field visits and logframes. For the civil society, few NGOs emphasized the importance of selecting the "right" partner in the sense that the partnering company is not involved in hazardous production like tobacco.

Selection of partners in most cases is initiative-based. A company, for example, would generate an idea for a developmental project of a certain context, in a specific geographic location. It will then approach the NGO that would be most interested and most qualified in this particular project idea at hand. The fact that partners are evaluated and selected based on initiatives is why most partnership contracts are renewed annually. Few corporates even adopt a period of probation with selected partners before actually committing to the project. They start with volunteer work without funding and then receive feedback from volunteers to start issuing the agreement.

The approach to partnerships, however, needs further enhancement. The research has revealed that most partnerships taking place in societal development projects were based on networking and reference to personal contacts. Despite the number of initiatives aiming to facilitate partnerships between the private sector and civil society, their approaches so far have been modest and not advanced enough to facilitate the process. Partnership agreements between companies and NGOs are currently originated in two forms, as evident in the model below. The first form is where the company announces a call for proposals, and NGOs then submit various developmental project ideas in different sectors, or in a predetermined sector by the company. The project that matches the company's vision, budget and timeline is the one to be selected. The second form is when the NGO adopts a specific social project and approaches organizations sharing the same vision for partnering.

Several initiatives took place to coordinate the societal development projects implemented by the private sector and civil society; few of which were highlighted earlier in this research. NGOs were even established for the mission of facilitating social work and including governmental bodies in all projects for ensured sustainability. Those partnership facilitation platforms are advised to display information as clearly and precisely as possible to make it easier for organizations and individuals to navigate. They are also advised to introduce a rating system whereby past and present partners have the option of rating one another, which facilitates the process of finding reliable partners based on experience. In addition, the current research, along with similar studies of societal development work in Egypt, could also be used as guidance for organizations to find the right partners that share the same interests and social agenda.

For the private sector and civil society, it is recommended that entities come together to develop committees in which the member organizations share the passion for specific social causes. For example, a committee could be formed of organizations aiming at development on the educational front, healthcare front, etc. This necessitates that companies and NGOs have clear-cut strategies where they specialize in specific social causes and/or specific governorates where they are well-connected to community leaders. It also entails that organizations communicate such strategies and publish their detailed work in annual sustainability reports, and/or provide a detailed view of the social projects on their websites.

In addition, entities from the private sector should adopt capacity building programs for NGOs. Actually, this study revealed that a number of companies are already undertaking capacity building for NGOs, while others have indicated willingness to do so. Very few organizations under study thought it was not among their scope to train NGOs. On another note, large-scale NGOs should also conduct capacity building programs for smaller NGOs, and should even allow them to work under their umbrella.

Despite of the rising attention given to promoting partnerships for greater societal development, local communities are still not always involved in problem solving. Some initiatives give beneficiaries the easy way out of their problems, with no real development or impact. New community organizing models stress on the importance of empowering the constituency (the people with the problem) to collectively find solutions to reach their common goals. Instead of adopting the "I Know It all" approach, organizations are encouraged to listen to communities, involve and empower them. The donor-recipient framework needs major revisiting, and a model where different groups utilize their resources to reach a mutual benefit needs more consideration. Organizations (NGOs) are also encouraged to rely less on donations and more on resource management and find ways to capitalize on the resources of the private sector.

6.4 Welfare Promotion and Government Intervention

When it comes to the role of government in assisting societal development, opinions varied between acting as a coordinator, a provider of research, and a planner. A stream of companies and NGOs under study agreed that the government should be responsible for coordinating the work of different projects to eliminate redundancy and ensure the achievement of sustainable development goals. In this sense, the government should have a database of all CSR projects implemented by the private sector along with all developmental projects implemented by NGOs, and guide their work towards certain social causes or in predetermined governorates.

Another group of organizations under study had a different stand, where they viewed the government's role to be supportive through providing research on Egypt's most underserved areas. Along their work, organizations should be provided with any information necessary for their projects through an open-door policy. A different, yet not conflicting, opinion of some companies is that the government needs to set strategic direction, conduct research and create a framework into which the private sector and NGOs are plugged. In this sense, the government should set a clear development strategy and conduct a gap analysis and research to advise different organizations where to direct their efforts, both geographically and socially.

Promoting the welfare of society is considered a shared responsibility across all sectors; public and private, and one that span all entities; government, private companies, NGOs, and associations. Indeed, the Egyptian government alone is not capable of solving major social issues such as; unemployment and education and requires the assistance of private companies, who possess useful resources in the form of funds, experiences and expertise that makes addressing these social issues easier. The assistance of NGOs and associations is crucial, because they have rich information about the most pressing social issues prevailing in Egypt, from the perspective of the beneficiaries themselves, which is a perspective that the government lacks. This information needs to be passed on to the government for more informed policy making and to the private sector so that companies know where to channel resources for a real impact. Hence, a collaboration between all key agents in the society is required to address social issues and fulfill social responsibilities.

6.5 Measurement of Social Impact

Almost all organizations under study do not measure the long-term impact of their social projects; i.e. social return on investment. Instead, outputs are measured; where organizations report the success of their projects in numbers, like the total number of beneficiaries they have worked with. In some cases, projects' outcomes are measured as a further step towards having a sustainable impact. The organization then follows up with the beneficiaries to identify the improvements taking place in their quality of life as a result of the organization's work; usually this assessment remains ongoing for six months after the termination of social projects. As promising as this step maybe, it still does not qualify as real impact measurement. Yet, several organizations under study have reported processes of impact measurement through mentioning KPIs as their means of assessment, indicating a failure to comprehend what "impact" entails. There is a wide misconception of the meaning of impact, where it is used synonymously with output or outcome.

The reason why almost none of the companies operating in Egypt is measuring social return on investment could be attributed to several factors. First, the lack of readily available frameworks that assess social returns. A few companies under study expressed their need to measure the long-term impact of their projects, but do not know how to do so. Second, the fact that social programs conducted in Egypt are usually short-term and are implemented over a period no longer than three years. The nature of such programs prohibit real impact measurement. That is why; companies are only able to conduct monitoring and evaluation processes. Third, the lack of data about the initial status and baseline of communities before the social programs implementation, and also the high cost of conducting such studies.

Though none of the organizations under study adopt an impact measurement process, many of them have strong monitoring and evaluation systems in place. Constant monitoring of social projects implementation was almost evident in all organizations under study; yet the time frame of monitoring activities differ from one entity to the other. A few companies even rely on community leaders in different governorates to informally audit and assess project implementation. As for the evaluation, organizations identify KPIs that are essential to the success of the social initiatives since the initial phase of their projects planning. And in the final stage of the project, the KPIs are evaluated and compared to the actual targets reached to determine the level of success of the initiative through pre and post assessment. In addition, several organizations under study distribute questionnaires and/or conduct interviews pre and post the projects in order to assess their outcome. Some organizations offer educational projects that involve an alumni network through which they can always see the impact on graduates.

7 Conclusions: Challenges Facing Sustainability

The primary challenge facing NGOs is *minimal access to funds*. Through this study it was evident that NGOs mostly raise funds through individual donors, and/or companies' CSR efforts, while a few NGOs are fully funded by their board members. The problem with individual donors is instability; an NGO cannot fully depend on individuals who may or may not donate every year. On the other hand, the problem with depending on companies' CSR funds lies in the fact that companies usually prefer to partner with well-known NGOs, which represents a challenge for startups or smaller organizations. Another problem is inconsistency; companies' CSR funds usually vary according to yearly profits and/or according to the person in charge of CSR initiatives. A company's orientation for social development depends on the values of the person in charge; and not the company's philosophy. Depending on their vision and objectives, companies may choose to support only one project, or a single project component, making it difficult for NGOs to sustain the full spectrum of their projects. Another limitation pointed out by some NGOs is that project implementation is impeded by the late delivery of instalments by companies.

With its financial and operational sustainability at stake, one of the NGOs under study initiated a mega project that would enable it to fully finance itself by the year 2020. It is recommended for other NGOs to follow suit and rethink their financing options. NGOs are advised to invest and engage in projects ensuring a steady stream of income to decrease their dependency on donors and enhance their sustainability.

From their side, corporates have funds, albeit limited sometimes, and are willing to invest in social projects, but have a *difficulty finding capable and reliable partners*. For this reason, several companies deal repeatedly with the same NGOs they trust and refrain from partnering with less-known ones. Some companies, included in the study, indicated their interest in venturing into certain social causes or geographical areas in which they cannot find a single potential partner; hence, the project idea was dropped. Another discouraging factor highlighted by companies is the lack of innovation in addressing societal needs. According to these companies, projects offered by NGOs are, more or less, the same with no solid integrated approach to community development or sustainability measures. This comes in contradiction to the opinion held by interviewed NGOs that private companies seek projects of a charitable nature where quick fixes are applied and quick results are achieved, as opposed to sustainable projects which require more time for impact to be realized.

Companies and NGOs alike are challenged with a *culture of resistance*, as concluded by the research. On the one hand, underprivileged communities are resistant to concepts requiring a change in behavior, such as sending girls to school or practicing personal hygiene. Preferring free lunch over income generation, some beneficiaries take advantage of the help offered and do not fulfil their part of the deal. For example, micro-loan recipients take the money and use it differently, or do not put much effort in managing the project; hence, default on the loan. On the other hand, some companies believe that NGOs are reluctant to cooperate with one another given their competitive mindset, whereas their roles should be complementary. Resistance to cooperation between private sector companies is also embedded in some companies' culture, especially those in the same industry. Such challenges present an opportunity for partnership facilitating entities to bring together players in the private sector and civil society to work on projects together and realize how mutual benefits can be realized.

Bureaucracy across all sectors and slow processes remain a challenge for the private sector and civil society. The *lack of statistics, unified information and coordination between different governmental bodies* make the job of planning and implementing a social project even more challenging since organizations cannot find enough information on the issues they want to address. Egypt's political and economic instability took its toll on CSR efforts and NGOs. Ministries' plans and priorities change with every change in the cabinet, so organizations have to start the process all over again.

Another challenge pinpointed by one of the companies under study is the *high cost of environmentally friendly raw materials* that the company aspires to use. This puts the company in a dilemma of whether to become more sustainable on the environmental front and lose a portion of its customer base because of the higher price, or avoid the cost increase to retain its customers. Given such a dilemma, it helps to reflect on corporate social responsibility in its broader sense, encompassing companies' responsibilities towards different causes, including environmental preservation. Companies are encouraged to apply environmental preservation measures, alongside raising awareness about the issue in order to inspire customers to act responsibly as well.

Other challenges the private sector is confronted with include the difficulty of *motivating employees* and engaging them in CSR activities. Some companies spent a lot of time focusing on philanthropic acts, such as packing Ramadan bags, in order to introduce the concept of community work to its employees and give them an instant feeling of satisfaction. Employee engagement needs to be taken to a higher level though, according to most participating companies, which is still a challenging issue to a number of organizations. It is recommended that these companies start CSR activities that are related to the core of their business and in which employees can contribute with their skills. Rewarding systems can also be introduced whereby employees receive some sort of recognition and compensation for their community development work. It is also recommended that employees get involved early on by having a say in the company's CSR strategy and programs.

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Appendices

Appendix (A): United Nations Sustainable Development Goals

Goal 1. End poverty in all its forms everywhere.

Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

Goal 3. Ensure healthy lives and promote well-being for all at all ages.

Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Goal 5. Achieve gender equality and empower all women and girls.

Goal 6. Ensure availability and sustainable management of water and sanitation for all.

Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all.

Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Goal 10. Reduce inequality within and among countries.

Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable.

Goal 12. Ensure sustainable consumption and production patterns.

Goal 13. Take urgent action to combat climate change and its impacts.

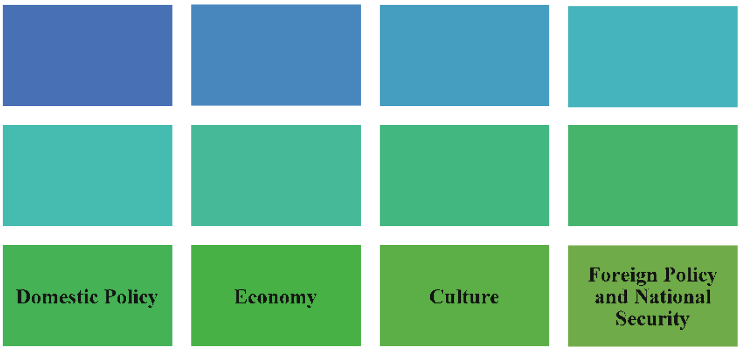
Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development.

Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Goal 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.

Appendix (B): Egypt 2030 Pillars



Appendix (C): Social Causes under Study

Appendix (D): An Overall Mapping for the CSR Initiatives with the Corresponding SDGs and Egypt 2030 Pillars

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Online Resources

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Corporate Social Responsibility in Ghana

The Implications of Dependency: Is CSR Draining its Appeal with Ghanaian Firms?

Sam Sarpong

Abstract In many parts of Ghana, communities, state agencies and other organisations lie in wait for some support from firms. But the moral obligation to attend to these basic needs of all these organisations does not in itself say much of about how such an obligation should be discharged or whether it can be achieved and over what time period. The boundary-less nature of CSR whilst creating that altruistic tendency has also left in its wake a dependence syndrome which when unmanaged effectively often attenuates the whole concept, leading to misunderstandings and often bad relationships.

The chapter explores this aspect of CSR that is less debated or is very much under-researched. It focuses on Ghana, where community members and other stakeholders make excessive and incessant demands on firms operating within their vicinities. It provides an insight into how these pressures are creating unpleasant situations for firms. The role, responsibilities, and actions of firms in relation to these beneficiaries are furthermore reflected upon, and finally, the chapter offers a way forward as to what can be done in addressing the issue.

Keywords CSR · Ghana · Community assistance · Business · Society · Symbiotic relationship · Loyalty · Benevolence · Social pressures · State · Government · Community · Philanthropy · Surrogate government · Dependence · Sustainability · Stakeholders · Responsibility · Moral agenda · Social benefit · Sociocultural values · Development · Reputation · Legitimacy · Private sector · Benefits · Socioeconomic needs · Corporate citizenship · Empowerment

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1 Introduction

The relationship between business and society has for a long time been a source of intellectual interest to varied stakeholders (see Huemer, 2010; Carroll, 1999; Freeman, 1984). So much has been said about this and varied interpretations offered in that regard that it has drawn a lot of controversies (Masaka, 2008). Despite that, the holistic approach to business, however, regards companies as partners in their communities rather than as organisations primarily engaged in business to make profits and serving only the interests of their shareholders (Huemer, 2010).

Currently, a good deal of scholarship has been devoted to articulating and justifying the responsibilities and role of business enterprises and in relation to society (Margolis & Walsh, 2001). This casting now compels businesses to see its relationship with society as mutual and beneficial (Porter & Kramer, 2006; Reich, 2007).

The chapter looks at the whole gamut of this relationship, taking into consideration the interchange that goes on between the business world and society. It is particularly interested in the symbiotic relationship that exists between business and society and which often gives rise to strong relations as well as the delineating differences between them. Granted that a whole responsibility rests on businesses in terms of what ought to be given out to society and when, another element to this would be when this support should elapse. Indeed, whilst it is not in dispute that businesses should show support for their host communities, the nature of this support and when this support could end, is yet to be fully articulated in the literature.

The chapter, therefore, takes the primary task of helping to evaluate the conduct and policies of business enterprises in relation to society. It notes that whilst social responsibility programmes are proving to be useful in many communities in Ghana, the experiences of these companies initiating them ought to be known in order for us to appreciate the challenges they are faced with. The chapter, therefore, aims to fulfil this task by calling attention to and addressing challenges not always made explicit within CSR circles.

Since one considerable challenge for businesses concerns what to provide for society and when to accomplish such supportive role, the task for this chapter, would be to evaluate the business–society relationship, identify and clarify things for both partners and also provide a plausible justification and attention to a signification of an exit strategy and how that can evolve. In doing so, it seeks to inform knowledge on the experiences of a Ghanaian company and the community it operates in.

The chapter begins by summarising the role of CSR. It then considers the nature of the relationship between business and society. Following from this, it looks at CSR in developing countries and its responsibilities as well as its limitations. It then provides a case study of the Ghanaian context. The next section deals with the Findings and Discussions. This, in turn, is followed by the conclusion.

2 Business and Society Relations

The last few decades or so have witnessed some radical developments in the agenda of business-society relations (Moon, Crane, & Matten, 2006). The odd note of antagonism is gradually giving way to a responsive business outlook (Sarpong, 2017). A manifestation of the new social relations is that many companies are developing programmes and policies to substantiate their commitments and organisational innovations, through community involvement, concern with responsibility in the products and processes, to attention to their labour relations (Moon et al., 2006). The underlying situation is that when a company accepts its civic responsibility and takes an active interest in the well-being of its community, it gains a number of long-term benefits in terms of community support, loyalty and goodwill (Laplume, Sonpar, & Litz, 2008).

Currently, corporate bodies are reinforcing their stance on helping communities, whilst society is also seemingly recognising the important role that business performs (Grossman, 2005). Businesses now know that having a good relationship with society bodes very for them, whilst society, in turn, acknowledges the fact that it stands the chance of benefitting immensely from the benevolence of business if and when the relationship is strengthened. The thaw in business-society relations, therefore, reflects changes in the corporations themselves and changes in the social and political context of business (Moon et al., 2006). What pertains now is that competitive business and social pressures are forcing a redefinition of the relationship between company and community.

A large body of knowledge has been developed from the interest shown by scholars in relation to what CSR is and is not. The insights and conclusions drawn from these articles have gone a long way in terms of mapping out 'what we know and don't know about CSR' (Aguinis & Glavas, 2012: 932). Lately, concerns have been raised about corporate responsibilities and discussions have centred on how such responsibilities are to be defined, discharged and how performance should be measured and reported on (Turker, 2009). The debate around this has evolved considerably because of the expansion of the private sector into many countries, especially to some uncharted terrains, where governments' involvement has been very minimal (Davies, 2003).

As a result, firms have come over various forms of pressures to get their acts right. In one vein, they are seen as Devinney (2009) points out, to have conflicting virtues and vices that ensure that they will never be truly socially responsible by even the narrowest of definitions. At other times, firms have been touted as a veritable picture of responsible behaviour (Campbell, 2007). History is replete with situations in which some companies have even dropped their CSR commitments when they are hit by financial problems. All these issues and concerns have tended to question the need for and value of CSR initiatives.

Quite worryingly too has been recent concerns over whether CSR is good or not. Scholars like Doane (2005) have maintained that business leaders' acquiescence, and sometimes attachment, to their CSR obligations is getting in the way of business success. The argument being made from this perspective is that, CSR is detrimental to business for two related reasons: first, it distracts from what businesses should be focused on and secondly, it undermines proper business accountability. Other issues that CSR has had to contend with, are that it gets defined by business managers who cherry-pick the areas of social benefit the company will address. Despite these concerns, a number of firms on the global scene still continue to engage in some form of CSR.

3 CSR in Developing Countries

CSR as practised in developing countries is emerging as a distinctive domain of study within management. This can be attested to by recent works (see Achua, 2008; Blowfield & Frynas, 2005; Gokulsing, 2011; Visser, 2008) which have been able to project the workings of CSR through the lens of developing countries. As Jamali and Karam (2018) indicate, this aspect of CSR has evolved into a significant body of scholarship that retains its nuances, peculiarities and distinctiveness as a platform for knowledge generation. It is often seen as mainly centred on a less formalised, more sunken and more philanthropic in its approach (Jamali & Neville, 2011; Visser, 2008). CSR in developing countries is also seen as a rich and fascinating area of enquiry, which is becoming ever more important in CSR theory and practice.

It is deemed to be normative and prescriptive, in the sense that it seeks congruence with sociocultural values and norms (Huemer, 2010; Robertson, 2009). That aside, it is also very much driven by the inadequacies of the state and the active role of civil societies which normally spearhead calls for responsible business (Sarpong, 2017). The challenge today for CSR in developing countries, is now being fuelled by the Millennium Development Goals—which seeks to have a world bereft of poverty, hunger and disease, greater survival prospects for mothers and their infants, better educated children, equal opportunities for women, and a healthier environment' (UN, 2006). The need to fulfil these goals has put business at the forefront to deliver on its CSR principles. As such, CSR in developing countries is predisposed to the socio-economic advancement of the environment in which firms operate and the development priorities these create in developing countries (Amaeshi, Ogbechie, & Amao, 2006; Visser, 2008).

Some scholars (Achua, 2008; Blowfield & Frynas, 2005; Gokulsing, 2011) have also articulated the CSR–development nexus, describing CSR in developing countries, as a basis to provide various social services to communities which are inadequately served by the state. Firms have had to pursue these supportive roles because they have assumed or rather have been bestowed upon with a surrogate role in the deprived communities where they tend to operate from.

There are clear, distinctive features as to what CSR means to people in developing countries too. Ultimately, people see it as a means by which they could be helped with jobs, have developments within their communities, have responsible operations by business and also have support generally from businesses (Sarpong, 2010). The expectations from the communities are sometimes high and the inability of business to spearhead adequate or any meaningful developmental efforts often leads to numerous conflicts with local people. As the community members wait on businesses for support, communities' supposition as to what business is, the notion of business itself and the role it ought to play, becomes quite a major consideration for them to savour.

Judging from the way CSR is perceived, it is gratifying to note that the level of CSR practice in the developing world, is suggestive that philanthropy, charity and discretionary activities constitute an integral part of the concept and are often the basis upon which it thrives (Amaeshi et al., 2006). Therefore, how business is organised significantly reflects what values, processes and systems drive these companies and what they are built upon (Jenkins, 2006). Consequently, very profit-oriented businesses and those not imbued with community interests, would have difficulties with communities more than companies desirous of carrying out their operations in a fulfilling manner and mindful of community interests.

4 Grappling with CSR in Ghana

There are lacunae in the structural approach towards the CSR agenda within Ghana. In spite of attempts made to bring the issue of CSR to the forefront, it is significant to note that the CSR concept has not been accorded its due in Ghana as of now (Sarpong, 2017). Ghana does not have a national policy framework that guides the implementation of CSR in Ghana, hence, firms are not bound by law to implement CSR activities in the country, although they do so more in response to moral convictions (Boon & Ababio, 2009). Besides, not even a conscious effort by the government of Ghana in the last 10 years or so has helped to put a strategic face to the overall commitment of Ghanaian firms to CSR practices (Sarpong, 2017).

In spite of that, it is important to reiterate that, there are a variety of, laws, practices and initiatives that together provide some kind of framework for CSR considerations in Ghana. These include statements from government officials, constitutional provisions, local government laws and requirements for environmental impact assessments, among others, which all define, to some extent., minimum standards for business performance and can be said to help provide a basis for CSR activities in the country. Conspicuously, whilst foreign firms in Ghana use CSR activities as deliberate strategies to strengthen their corporate images, local Ghanaian firms focus a lot on more on moral and ethical considerations in their CSR decisions (Ofori & Hinson, 2007).

In many cases, the notion of CSR in this country has been more of a public relations tool and some companies claiming to pursue CSR have, in effect, only used contributions to social objectives as a mechanism for carrying on profit-maximising operations (Sarpong, 2017). Being involved in community activities to some extent reflects a traditional commitment to philanthropy on the part of companies in Ghana. What obtains in Ghana is that, many firms continue to make numerous small cash donations to aid local community causes or make provisions to universities, hospitals and national charities as a basis for their CSR programmes (Sarpong, 2012). In effect, the peculiarities of the Ghanaian condition have led to a situation where the majority of corporate contributions in Ghana over the years have remained dispersed and unfocused (Ofori & Hinson, 2007).

Some firms in Ghana also have a relaxed approach towards CSR and when they even embark on some philanthropic ventures at all, it is often done because of the persistence of their benefactors. These firms believe CSR activities often leave a trajectory of a long chain of dependency, a trend they seem to be very much wary off. With business suffering lately as a result of the slow-down in the Ghanaian economy, a great deal of circumspection has led businesses to be more concerned about their survival more than anything else. They now see survival as a revenue-based measure rather than setting aside some money for a good cause.

The promotion of CSR in Ghana also evokes scepticisms especially in situations where companies, deemed to be irresponsible in terms of their social and environmental activities, tout their credentials by providing a community with some support because of legitimacy threats to them. According to Yoon, Gurhan-Canli, and Schwarz (2006) it is often difficult at this stage for a company to enhance its reputation through CSR, since the more problematic the legitimacy of a company is, the more sceptical would be the constituents of legitimation attempts (Ashforth & Gibbs, 1990).

Another risk that looms around CSR provisions is Ghana is the situation where beneficiaries of a company's generosity become so dependent on it. A much more concern, too, is whether this measure of support can be sustainable. The extent to which a company can fulfil this societal obligation, raises deep worries because the world over, companies are facing increasing demands that they look beyond their own interests and prioritise those of the societies in which they operate in (Carrigan, 2014). Can and should there be an end to this support from the private sector? At which point can a firm emphatically say its commitment to CSR has been fulfilled and therefore CSR activities can cease? Wherein lies such a possibility?

In an attempt to find answers to these questions, an effort was made to examine how firms are dealing with issues regarding their continuous support for community development and how such support is impacting on their performances. In order to do so, we studied a Ghanaian mining firm operating in the hub of Ghana's mining area in Western Ghana. Our choice of a mining company was in line with the fact that mining firms tend to have many challenges in executing their CSR initiatives owing to the huge pressures from community members in such places (Sarpong, 2010). Local residents were also interviewed to seek their opinion on the said issue.

5 Methodology

The chapter dwells on a case study. It takes up the case of a mining company in Ghana in exploring the whole gamut of Ghana's CSR programmes. Interviews were carried out with a beneficiary community to gauge its expectations and knowledge about CSR programmes. The community was also asked to assess its current situation. Besides, interviews were conducted with the officials of the company in order to know more about the company's commitments and engagements with the community in which it operates in.

The distinctive need for such a case study arises out of the desire to understand complex social phenomena (Yin, 2003). According to Bromley (1990: 302), it is a 'systematic inquiry into an event or a set of related events which aims to describe and explain the phenomenon of interest.' Researchers can use case study methodology for many purposes: (i) to explore new areas and issues where little theory is available or measurement is unclear; (ii) to describe a process or the effects of an event or an intervention, especially when such events affect many different parties; and (iii) to explain a complex phenomenon (Kohn, 1997). The narratives in case studies offer detailed, rich descriptions of situation and their context (Sammut-Bonnici & McGee, 2015).

6 Data Gathering and Analysis

Three officials from the company were interviewed. It was made up of the community relations officer, the HR Manager and the Administrative Manager. We also had a focus group interview with 20 local residents in the community. The group was made of the elders of the town, opinion leaders, the youth and women who happened to be quite knowledgeable about events in their community. They were picked on the basis of their knowledge of the issues within the community. The elicited narratives were subsequently analysed to identify patterns and interpret statements in order to make sense of the respondents' experiences.

7 Findings and Discussions

The respondents in the community continuously accused the company of not doing enough to develop their community, but this was highly disputed by the company officials. Although the company officials described the stance of the community members as 'absolutely incorrect,' there seemed to be some suggestion that the company was fed up with the increasing demands being made on it and was keen to review its community support programmes for the community. This gives credence to Austin's (2000) assertion that, of late, businesses have had to re-examine their traditional philanthropic practices in order to seek new strategies of engagement with their communities, following what Austin and Seitanidi (2007) see as the incessant demands being made on them.

It was quite clear too that the perceived general lack of development initiatives and or the slow pace of this process had led to strains in the relationship between the community and the mining company. The community members accused the company of promising them jobs, good roads and other amenities which remained largely unfulfilled. In their response, the company officials maintained that the company had taken the necessary steps to support the community as much as it could. They also dismissed the idea that they had fostered unrealistic expectations by assuring the communities of immense benefits arising from the company's operations.

The company maintained that it has done enough, given the constraints it faces, especially with the distortions in the Ghanaian economy of late. The company's position is that the frequent demands by the community has left it together with its shareholders in 'uncertain territory and divorced from its core business activity.' The mining company catalogued a series of assistance programmes to the communities, which include infrastructural and development assistance programmes over the past years. Significantly, the company pledged to do a lot more in its community development programmes. This, it said, is indicative of its interest in developing the host community.

> We have a policy to forge close ties with the community. We think it's appropriate to help them. Moreover, we believe our business can only thrive in a friendly and conflict-free atmosphere where we can work in partnership with our host communities (Interview, Company X).

The community's apprehension stems, in part, from what the people regard as the lack of any physical manifestation of the use to which monies accruing from the mining activities are put to. The quest for this has led the community members to make enormous demands on the company. The demands have also heightened because the communities are aware that it is better to pressure the company to 'do something' now before it ends its operations. So, in perceiving a mining activity as non-renewable and with a short lifespan, the community members have had to put considerable pressure on the mining company in order to extract more benefits from it before it closes down its operations.

Another factor for the community's high expectations could be adduced to the impact of globalisation, education, community activism and the community's own past experiences with project developers. With the support of non-governmental organisations (NGOs), community members have become aware of their rights and privileges in their deliberations with mining companies. They are also aware of what prevails elsewhere in the world and know the experiences of other resource-endowed communities, so they try to instigate avenues that would be in their favour.

The community members' expectations have also been fuelled by the conviction that they are mostly affected by the externalities of mining, hence the need for them to be compensated for any damages that they incur through the company's operations. They stated that they should be entitled to a relevant share of the mining benefits because it is their mineral resources that sustain the company's operations. More importantly, as community members and other well-meaning citizens ferret through the annual reports of companies to know their operations and actions, they have become imbued with much knowledge about the business activities and the direction that these businesses are taking. They are, therefore, able to know the extent to which business can support projects and programmes in their communities.

But some of the expectations from the community could be deemed as unrealistic. For example, one respondent indicated:

> I think they [mining company] need to make sure there's no poverty here because we don't deserve to be poor, especially with all these resources here (Interview, community member).

A similar remark was made by a respondent who wanted the company to employ all the youth in the communities to enable them make ends meet. Although this might seem ridiculous, it serves to show the anticipation the community members have towards mining companies in Ghana.

It, thus, appear that not all community's expectations are based on clear promises made by the companies and government. Some, perhaps, could be said to be the mental constructs of residents which have been developed collectively and based on an elaborate understanding of general benefits expected or anticipated from resource development. The supposition that the company serves as a social purpose, has created a basis for community members to anticipate more developmental roles for business. This, indeed, finds expression in what Visser (2008) says, that the socio-economic needs of the developing countries in which companies operate are so great that philanthropy is an expected norm, hence, it is considered the right thing to do by business.

People in the community turned their attention onto the company for their essential requirements following the inability of the state to provide them with their needs. The company, by virtue of its position in the area, is deemed as a surrogate government which is capable of providing the required assistance as an obligation and in the context of CSR. Studies (see Downing, Moles, McIntosh, & Garcia-Downing, 2002) have found similar expectations in mining communities. It is quite profound that years of neglect by the central government have stultified the development of rural areas in Ghana leading to a situation where there is an increasing disparity between the development enjoyed by the geographical and institutional centres of power and the marginalisation of the rural areas (Aryeetey, Osei, & Twerefou, 2004).

It was also realised during visits to the community that the community exemplifies some contradictions. There is demonstrable wealth among the employees of the mining company; their modern residences contrast with the thatched and dilapidated buildings in the community. This disparity in living standards seems to be causing disaffection among community members, who feel cheated by the company in the distribution of mining benefits. If there is anything to be drawn from this, then perhaps, one can cite what a respondent stated,

> When they drive past us, they leave in their trail this huge amount of dust that encircles us causing us a lot of discomfort. They don't even find it fit to offer us any lift when we're going to our farms. All they do is to drive past us in their dump trucks leaving that huge dust encircling us as if to say, it's our destiny that we're poor. How can I ever like them when they don't care for us? (Interview, community member)

The above assertion shows that there is an ingrained antagonism existing between the companies and the community in terms of lifestyle differentials. The people feel it is their wealth that has made the company what it is. Therefore, to see these mining officials in such grandeur, leaves a lot to be desired in the eyes of the residents. The youth especially are incensed by the contrast between the glamour of the expatriate/top Ghanaian management living areas and the squalor of their community. They view this contrast as obscene.

> We have two classes here- the rich and the poor. Employees of the mining companies are the rich people and we the poor have been left to our fate. Nothing seems to go on well for us. Sometimes, it seems it is our fault that we should be poor (Interview, community member).

The company's engagement with the community revealed one very important thing and this was re-echoed by a community elder:

> You will not live in peace when your neighbours languish in poverty, particularly when they see you as the immediate cause of their plight (Interview, community member)

The difference in social standing is also serving as a factor underlying the social conflicts experienced in the mining area. There is less interaction between the expatriate/top management and the rural people, which considerably deepens the divide. The contention of the respondents was that although some amount of intervention has been made by the company, the expected turn around has not materialised and their conditions have not fared much better.

Whilst in the developed world there is a systematic approach to CSR programmes, as most firms have a certain percentage of their profits that is channelled towards CSR initiatives, in many parts of the developing world, including Ghana, it is more to do with 'request- and-assist' processes. Here companies mainly turn to act on the basis of what the community wants. This development often sets the tone for whether a company would be liked in the community or not. Unfulfilled requests by the community; therefore, becomes a prerequisite for a conflictual situation. Whilst companies might try to fulfil some of the requests, it often falls short of expectations, in that; they cannot always meet the demands of community members at all material times. The bedevilling conditions in the developing countries means poor inhabitants of communities expect firms which have the financial clout to provide economic support to their communities beyond what is considered ethically appropriate in developed countries.

Whilst it is deemed as an appropriate behaviour for firms to be conscious of societal difficulties and issues, debates still continue to rage regarding what is an appropriate business obligation towards its stakeholders in general. With the longstanding narrative in the field of management which indicates that executives are hired to maximise profits and that using shareholders' money on socially responsible but unprofitable endeavours is irresponsible, the need to carve out a role for this benevolent act has always remained very controversial. Porter and Kramer (2006) have, however, noted that if a firm succumbs to outside pressure by attempting to solve many different social problems, it generally produces neither maximum social benefit nor gains for the business. This presumably constitutes a major hurdle for business concerns. Therefore, the pertinent question regarding CSR is not whether firms should or should not engage in CSR, but rather what type of assistance ought to be offered and when.

8 Needy or Greedy?

People's motivations for forming relationships often vary. Some might see opportunities for advancing their own interests and these might serve as motives to accompany the values they bring to the relationship, whilst others could have such relationship imposed on them. With regard to those formed in mining communities, they are relatively borne by unequal relationships, with large differences in the status, authority, resources and legitimacy of each. This also sets the tone for the key differences between the two entities—one being powerful and the other depending on the powerful for support. The relationship often formed in mining communities has always been one of dependence. It can be argued that the real challenges of poverty faced by mining communities, combined with the pervasive and dominant stereotypes about people's values, capacities and desire to get out of poverty, are intimately tied to businesses' support.

The expectations about what mining should be providing to the local community have significantly risen since the 1980s when large-scale mining activities in Ghana was given a new impetus by the government. The contention, though, is that if indeed business is part of the community, then it should be able to ingratiate itself into the society within which it operates in. The pressures of surrogacy also weigh heavily on business firms as the state plays minimal roles in many societies, a situation that heightens the challenges of CSR in developing countries. Local communities now look up to them for support in view of the state's 'fragility' in many rural areas (Harrison, 2001).

9 The Culture of Dependency

Dependency is simply defined as the phenomenon in which communities and states become dependent on corporate bodies to provide their basic needs for survival or development and this often comes in the form of employment, access to pipe-borne water or even schools etc. Discourses around self-sufficiency and dependence play a fundamental role in the debate surrounding CSR. The argument has often been made that the resort to community assistance programmes tend to breed certain personal characteristics which stifle the personal initiatives of community members. There is also the perception that by giving people what they demand, they would be dissuaded from working towards achieving things for themselves and would always expect to be spoon-fed.

In spite of attempts by businesses to fulfil their obligations to society, demands continue to be made by many communities in the country. Community residents in the study area, have become a lot more demanding and opened to more assistance. Though officials of the company noted that some of the requests made to them were quite off-balance, they have as well contained such situations to the best of their abilities. For instance, a family approached the company for a house because the family had 'overgrown its size' and therefore needed a bigger place. The company as a goodwill gesture had to give some money to the family. The company has also devised schemes like alternative livelihood projects to wean off community members from their over-dependence on mining.

Buoyed by the assumption that philanthropy has no limit, the relationship fostered in the community between business and community has become deeply unsatisfactory oftentimes leading to a situation of latent conflict. A core feature of the company's future community development work involves decreasing the dependency link and focussing on the sustainability of the community. But this seems an extremely difficult process, because the company needs to address and rectify the issues that encouraged a dependency mentality to develop in the first place.

It is quite evident that the approach to CSR by mining companies in Ghana has contributed in varying degrees to the development of a dependency mentality (Sarpong, 2010). For years, it had been philanthropic in nature and was in the form of top-down gifts from companies. As a result, many communities have become inured to distribution programmes.

From a Culture of Dependency to a Culture of Success
Currently, the issue that seems to confront the company is how it can be able to shift from the culture of dependency bestowed on it to a culture of success where the community can have a means of depending on itself rather than on it. With many firms in Ghana constantly looking out for means to solve societal problems and other business challenges they face, placing these two distinct but similar tasks on their shoulders seem to be an insurmountable task hence the concern of many businesses in Ghana regarding when such support can end.

The company representatives interviewed acknowledged that the past approach to CSR created some dependency issues. However, the company has since embarked on a strategy that focuses more on empowerment. The challenge is to work towards ensuring sustainable development and empowerment with a focus on actual community needs.

10 When Do we Draw the Limits of Responsibility?

It is often assumed that CSR, in a sense, is in line with industrial paternalism. This presumption mandates companies to have a caring attitude towards communities. Yet, what is often left out in this equation is the fact that companies do not know if and when this obligation can be accomplished. In fact, such caring gestures remain discretionary responsibilities which are often entered into by companies. In Ghana, CSR initiatives are neither required by law but are undertaken by firms out of a sense of charity or philanthropy.

Granted that CSR performance is directly linked to better stakeholder engagement, which in turn, implies that contracting with stakeholders takes place on the basis of mutual trust and cooperation (Jones, 1995), then it is always good to have good relations with stakeholders. Indeed, the element of relationality proffers to the dynamics of the said relationship. But, it seems, there are no concrete ways of disentanglement in this process when this relationship is cemented. Realistically, seeking out the limits of responsibility in such an arrangement is complicated and ambiguous than it seems because it does not actually refer to any discernible concept. Although a limit to responsibility can be assumed, applying that in real situations might prove difficult as that could also endanger the goodwill the company enjoys in the community. The likelihood of the community rising up against the company could be very imminent if any plans of limiting or stopping responsibility are pursued.

A more resounding success could be achieved if the community realises the huge contributions the company has made and can accept that much has been done for them. In that case, the incessant demands can be stopped forthwith or can reduce significantly. It would also be important for the company to provide a means by which community members can have a capacity for community self-management. The ultimate goal here would be, to pursue the community's empowerment for the common good by making the people act in line with their desires and not as recipients of any programme.

Again, the company can also whittle down its CSR initiatives if it falls into economic doldrums and the community, meanwhile, also realises the situation the firm is in. To a large extent, however, it might seem impossible to come to an indisputable divorce unless of course the company folds up. Therefore, it would be up to both parties to open up the lines of communications between them and ensure they get to know what the happenings are within their set-ups. This can help provide an understanding for which they both can work on—that is, one seemingly intent on stepping aside its paternal obligations and the other also putting a halt to its in incessant demands.

11 Conclusion

The task of the chapter was to trace the discourse on CSR by investigating how incessant pressures on the part of beneficiaries of CSR initiatives are creating unpleasant situations for firms in Ghana. Whilst the chapter has been able to draw a latent situation into the open, it believes that the situation underscores the need to explore the tensions that exist between communities and firms and how they are likely to become critical especially during times of economic pressures. This enquiry also represents a tremendous opportunity for improving the knowledge and understanding about CSR, especially in developing countries. The chapter avers that whilst the issue of dependency is highly complex, multi-faceted and, to a large degree, context specific, there are a number of ways that the company can take to break the dependency culture from the community in order to put the company on a sound economic footing.

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Corporate Social Responsibility in Malawi

Corporate Social Responsibility in the Malawian Hotel and Accommodation Sector: A Multidimensional Perspective

Andrew Ngawenja Mzembe

Abstract Corporate social responsibility (CSR) is an important consideration in tourism and hospitality management, yet extensive empirical studies on how it is implemented in developing country's context are lacking. Using qualitative methodology, this article addresses this knowledge gap by exploring CSR practices among hotels and accommodation providers in Malawi. Our findings demonstrate that a broad-based CSR agenda is slowly being pursued by certain firms although corporate philanthropy remains the major area of focus for most of the considered firms. The article further demonstrates differences in the choice of CSR agenda firms pursue can be influenced by the nature of firm's ownership. Whereas locally owned and managed firms showed a strong orientation towards philanthropic-based CSR agenda, foreign owner/mangers favoured a broad-based CSR agenda.

Keywords Corporate social responsibility · Environment · Ethics · Hospitality · Hotels · Malawi · Philanthropy · Sustainability · Tourism

1 Introduction

Following the Cape Town Declaration on responsible tourism in 2002, there has been a growing call for the global tourism industry to step up efforts geared towards the realization of sustainable development goals (Dodds & Joppe, 2005). Various firms in the tourism and hospitality industry have responded to such calls by actively pursuing Corporate Social Responsibility (CSR) as a mechanism via which they can contribute to sustainable development (Prud'homme & Raymond, 2013). While

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there is progress on the implementation of CSR in the developed country's industry, in the developing countries, there has been little and slow progress in the implementation of such an agenda. The nature of the CSR agenda implemented across these contexts reflects variations in the nature and strength of the pressures for, and barriers to CSR (Bello, Banda, & Kamanga, 2017; Bello & Kamanga, 2018; Mzembe, Melissen, & Novakovic, 2019). For a developing country such as Malawi, a relatively limited commitment to CSR implementation can be problematic as the widespread socio-economic challenges that it faces and the social and environmental impacts the industry presents on such societies means that CSR can play a key role in the quest for sustainable development (Bello et al., 2017; Bello & Kamanga, 2018; McLachlan & Binns, 2014; Melissen, Mzembe, Idemudia, & Novakovic, 2018; Mzembe et al., 2019).

In a similar way, dedicated research on CSR in the tourism and hospitality industry in the developing country context is both underdeveloped and emerging (Bello & Kamanga, 2018; Kamanga and Bello, 2018; Melissen et al., 2018; Mzembe et al., 2019). To contribute to the limited literature on CSR in the developing country's tourism and hospitality industry, we consider the hotel and accommodation sector of the Malawian tourism and hospitality industry. We do so by applying Crane, Matten, and Spence's (2013) framework of CSR spaces to our study of the Malawian hospitality industry. In 2013, Crane, Matten and Spence developed an organizing model for CSR implementation within organizations. The model stipulates that CSR can be implemented within the four main spaces: workplace, community, marketplace and the natural environment. Whereas this framework provides fruitful avenue by which CSR implementation could be understood robustly, it has not been extensively applied in understanding the different forms of CSR agenda firms pursue. This chapter therefore answers the following question: 'What initiatives do Malawian hotels and accommodation firms implement to achieve their CSR agenda?'

This chapter proceeds as follows. We first present a conceptual framework that draws primarily on Crane et al. (2013) to guide our study. This is followed by an overview of the CSR agenda in Malawi. We then describe the research method employed. This is followed by the presentation and discussion of the findings. The final part provides concluding statements, identifies limitations and offers suggestions for further research.

2 Theoretical Framework

We draw on Crane et al.'s (2013) framework that primarily categorize CSR practices into four different spaces: workplace, marketplace, natural environment and community. Arguably, in a context where few empirical studies have examined the CSR practices of hotels and accommodation firms, the more inclusive Crane et al.'s model was considered as a suitable framework that can empirically guide this study towards a better understanding of CSR in such contexts.

2.1 CSR in the Marketplace

CSR in the marketplace includes socially responsible actions that are central to business' ability to attract and satisfy its consumers (Pillay & Rogerson, 2013). Studies suggest that many hospitality businesses can implement these actions because of the close association with ethical consumerism (Berezan, Raab, Yoo, & Love, 2013; Prud'homme & Raymond, 2013). For socially oriented consumers, the product quality and safety criteria that businesses must meet can, among other things, include having in place socially responsible purchasing policies (Lindgreen, Vanhamme, Raaij, & Johnston, 2013). Clearly, these policies can involve procuring commodities from Fairtrade and local suppliers (Ashley & Haysom, 2006), but also working with those suppliers who integrate ethical practices throughout their operations (Pillay & Rogerson, 2013). This group of customers tends to favor products and services that are produced locally and from Fairtrade suppliers because the products tend to have a small carbon footprint and also help to generate local employment opportunities. Some firms go further in building a good image with such customers by developing and implementing procurement policies that focus on suppliers' relationships and capacity development (Ashley & Haysom, 2006). However, the increased uptake of such practices by companies based in the developing world strongly depend on the firms' awareness of the existence of a niche market that could support such practices (Meyer, 2007).

Other recent strategies or actions available to such businesses include engaging their customers on issues around food provisions and wider social responsibility agendas (Ayuso, 2006). While these aspects of CSR in the marketplace may be popular and considered a norm in the developed countries, recent trends show that such practices are equally finding their way into the developing country's hospitality industry (Pillay & Rogerson, 2013). However, the paucity of studies on CSR actions in the marketplace makes it difficult to ascertain the extent to which such practices are also implemented.

2.2 CSR in the Workplace

Human resource management remains a contentious issue in the global hospitality industry (Bohdanowicz & Zientara, 2009; Cheruiyot & Maru, 2012). Many scholars consider HRM practices undertaken in the global hospitality industry as underdeveloped and lacking professionalism (Kusluvan, Kusluvan, Ihan, & Buyruk, 2010; Nolan, 2002). Indeed, the industry, for example, is built on a reputation of producing low paying jobs that offer little career progression (De Beer, Rogerson, & Rogerson, 2014; Kusluvan et al., 2010; Nolan, 2002). Unfortunately, this problem is unlikely to disappear in the foreseeable future, as such firms considered to be lagging behind most in the adoption of ethical employment practices are usually smaller firms, and their numbers are proportionately high within this industry (Nolan, 2002).

The low level of adoption of ethical practices is often attributed to the fact that owners/managers view such practices as a cost burden rather than an 'investment' (Kusluvan et al., 2010). Additionally, it has also been reported that some owners/managers fear that training their employees may make them attractive to other employers (Loan-Clarke, Boocock, Smith, & Whittaker, 1999).

The employment practices in the developing world are equally disappointing. Some employers hold the view that many of the jobs in the industry do not require training (Cheruiyot & Maru, 2012). Due to the short-term perspective, it is hard for them to see benefits of ethical human resource management practices (Loan-Clarke et al., 1999). This view however is in contrast with Boley and Uysal (2013), who in their case studies of three hospitality firms in the United States and the Caribbean region, suggested that employers take the interests of their employees seriously. This may to some extent reflect some firms' response to external pressures to integrate fair or socially responsible labor practices into their core business strategies (Baum, 1996). Such practices, apart from provision of training opportunities, may include prevention of discriminatory practices; life-long learning, health and safety for employees; good working conditions including a living wage; and establishment and enhancement of relationships between employers and employees at all levels (Boley & Uysal, 2013).

From a developing country's perspective, hotel and accommodation firms—a significant part of the hospitality industry in those countries—have a specific set of labor related issues that can be addressed by CSR alongside those issues that are also common in the developed countries. A World Bank sponsored study by Dodds and Joppe (2005), for example, cites the prevalence of child labor, gender and racial discrimination, gross abuse of workers' rights to collective bargaining and freedom of association as the most pressing issues within these industries. However, unlike the hospitality businesses in developed countries, firms in the developing world do not face pressure from powerful stakeholders such as trade unions and the state (De Beer et al., 2014). The absence of such pressure means that ethical employment practices may often be undertaken at the discretion of managers and owners of the business; thus, in most cases may only adopted if and when they see a strong business case (Nolan, 2002).

2.3 CSR in the Community

CSR in the community, the most prevalent form of CSR in the hotel and accommodation sector, entails discretionary corporate actions that may be implemented within host societies (McLachlan & Binns, 2014) mostly to achieve a social license to operate. These actions may also be implemented for pure altruistic motives in the form of 'giving back to society' (Lantos, 2001) in response to socio-economic challenges such as poverty and lack of basic social services. Depending on the firms' motivations (normative or instrumental), these actions can be implemented in a reactive, proactive or active fashion (McLachlan & Binns, 2014). First, reactive

CSR actions are implemented in an ‘unplanned’ fashion and can be considered as a mere response to certain activist stakeholder pressures. Due to the high visibility of philanthropic actions, reactive CSR actions can serve as some form of publicity and fend off criticisms stakeholders’ criticisms (Mzembe & Meaton, 2014). Another important feature of such actions is that since they are easy to implement, then they can ensure that the firm’s legitimacy in their host societies remains unthreatened (Ashley & Haysom, 2006).

Second, a firm may be said to pursue proactive CSR when they provide regular support to community projects. Pro-active CSR agenda involves an arms-length relationship with host communities. This makes it hard to exploit host communities for self-interests. Finally, active CSR involves firm’s implementation of CSR driven community projects. Businesses that pursue active CSR are typically involved in the planning of the projects, but also ensure that communities are actively supported (Hedin & Ranängen, 2017). The difficulty associated with this type of philanthropic CSR may be that the firm may not have adequate technical capacity to implement such projects on their own, and often have to depend on finding trusted, committed and technically competent partners to undertake such projects (Ashley & Haysom, 2006). Understanding such a distinction in the forms of philanthropic CSR can provide insights into the firm’s motivations and the degree of commitment when they implement such philanthropic CSR actions (see also, Lantos, 2001).

2.4 CSR and the Environment

The environmental dimension of CSR in the hospitality industry has received significant scholarly attention in recent years (Sánchez-Medina, Díaz-Pichardo, & Cruz-Bautista, 2016). Empirical studies that have been conducted to date have sought to understand the critical environmental issues within the industry, but also the strategies undertaken by hospitality firms to address such issues. These studies reveal that businesses in the hospitality industry tend to pursue a wide range of actions that can be organized into four major kinds of strategies: introvert, extrovert, conservative and visionary strategies as theorized by Baumgartner (2014). Introvert strategies include internal organizational actions which hospitality firms can undertake in response to external pressure from international and national environmental management legislation and standards and stakeholder activism (Sánchez-Medina et al., 2016). On the other hand, extrovert strategies involve communicative actions aimed at greenwashing, and are most common with a superficial engagement with eco-issues. Such strategies can act as a buffer to business risks, and communicative actions involved may be pursued to change perceptions of critical stakeholders who could threaten the legitimacy of the organization within a given society.

Conservative strategies largely involve internal and eco-efficiency-oriented actions. These actions are pursued by firms in an attempt to reduce wastage and operation costs. For the hospitality and tourism industry, water and energy use efficiency and waste management are some of the environmental issues that fall within the conservative categories (Cheyne & Barnett, 2001; Kasim, 2007; Mensah, 2006). Implementation of these practices is often supported by the adoption of the various environmental management systems promoted by certification and labeling schemes (Ayuso, 2006). For most firms, these strategies are undertaken at an operational level, and are rarely incorporated into the vision and high-level strategic frameworks. Visionary strategies refer to environmental management actions undertaken by a firm which are both internal and outward looking. Although the motivation here may be to achieve a competitive advantage over rivals but also to internalize environmental externalities (Siddique & Sciulli, 2018), evidence suggests that few companies within the hospitality industry are ready to pursue such a strategy (Bello & Kamanga, 2018; Mzembe et al., 2019). In comparison with the conservative strategy, it would appear that the low popularity of the visionary strategy can be attributed to the fact that outward looking environmental management actions may not oftentimes directly translate into increased sales and rewards from stakeholders such as the government (Mzembe et al., 2019).

Putting the theoretical underpinnings and these empirical studies into context, most of the environmental practices are popular in developed country's context. Inadequate insights into how such practices can be embedded within the developing country's hospitality industry provides a fertile ground for this study to make a contribution towards the understanding of such practices in such contexts.

3 Setting the Context: CSR in Malawi

CSR remains an important issue in Malawi because of the immense socio-economic challenges the country faces but also because of the social and environmental impacts businesses may have on the wider society (Mzembe & Meaton, 2014). The CSR agenda pursued by many businesses have largely been philanthropic in nature in response to societal norms and expectations that businesses should help in addressing socio-economic challenges (Bello et al., 2017; Kambalame & De Cleene, 2006; Mzembe et al. 2016). While the Malawian society faces a plethora of socio-economic challenges, businesses in Malawi often respond to issues such as poverty and HIV/AIDSs in the workplace. CSR issues related to the environment and ethical business integrity are less prioritized. In general terms, when businesses pursue CSR agendas, the rationale behind such undertakings is to achieve instrumental motives such as to enhance their reputation and legitimacy of their operations (Bello & Kamanga, 2018; Kambalame & De Cleene, 2006; Melissen et al., 2018; Mzembe & Meaton, 2014).

However, in recent years, some businesses have begun to pursue a broad-based CSR agenda in which issues such as environmental management, business integrity and employee—related issues are at the core of their agenda. This shift reflects in part the diffusion of CSR practices from global arena through foreign (western) owned firms or subsidiaries of multinational companies from the western world where broad based CSR agenda is implemented (Mzembe et al., 2019). It further highlights the pressure from other actors such as activist Non-Governmental Organizations (NGOs) that exert pressure on companies to internalize their environmental risks, but also put pressure to conduct business with integrity (Kambalame & De Cleene, 2006; Mzembe et al. 2016). Kambalame & de Cleene (2006) suggest that a new focus by businesses on a broad-based CSR agenda is to some degree aimed to influence change in the society's perceptions of business role in the society from the limited view of businesses having to engage in philanthropic actions to a broad view where business role in the society goes beyond philanthropy and which may include addressing some of their social and environmental externalities.

While CSR has been practiced in Malawi for nearly three decades, the pace at which businesses, in particular those that are locally owned, have been adopting and implementing it remains slow (Mzembe et al. 2016). There are a number of key challenges that are hampering increased uptake of CSR (Bello & Kamanga, 2018; Mzembe et al., 2019, 2016). These include lack of resources to implementing CSR initiatives, lack of knowledge in CSR issues, lack of government support, inadequate business case for engaging in CSR and lack of/inadequate top management support for CSR actions.

4 Study Methods

4.1 Data Collection

In this study, we adopted a qualitative research method involving semi-structured interviews (face to face, Skype and telephone interviews) with managers and owners of 18 hotels and accommodation firms operating in Malawi. Interviews were conducted between the months of July and November, 2015, and July, 2016. These interviews lasted between 20 and 77 minutes. Only managers and owners of firms which are implementing some form of CSR were selected to participate to provide us with insights to the specific practices. We deliberately removed three owner/managers from firms that did not implement any form of CSR as we thought that they could provide no insights relevant to the study. In generating insights about the CSR practices, we paid particular attention to the influence of firm's ownership structure in the preference of one form of CSR over the other. For example, firms were considered to be foreign when the shares are predominantly held by individuals or companies that are not originally from Malawi. Using semi-structured interviews provided us with an adequate opportunity to seek clarifications and allowed additional questioning up to the point where extending the duration of the interview and soliciting responses from additional managers/owners would not generate new insights into the phenomena under discussion (see Bowen, 2008; Strauss & Corbin, 1990). Supplementing the semi-structured interviews were publicly available documents such as annual reports and websites (Silverman, 2005). These proved particularly useful in obtaining information whose access proved difficult. Such documents also helped with the triangulation of evidence collected from the personal interviews (Beverland & Lindgreen, 2010).

4.2 Data Analysis

Data analysis was carried out in four principal steps. First, we undertook a transcription of the interviews and the texts from publicly available and private documents. We then subjected the data to open coding in which the data was read, and labels were tentatively assigned to specific items within it. Second, given that this study is concerned with the meanings of CSR and CSR practices in the hospitality industry, we then iteratively reviewed the research questions and further identified an *apriori* theme from the literature review: *CSR issues and practices.* These provided a basis for developing the primary list of codes. The primary list of codes included: *CSR in the marketplace; CSR in the community; CSR in the workplace* and *CSR in the Environment*. Third, we subsequently drew categories within these codes to include the specific and third level issues drawn from the theoretical underpinnings. For example, within one of the primary codes, *CSR in the marketplace*, we came up with the following specific and third level issues identified from the data: *customer safety*; *service quality*; *ethical sourcing and consumer engagement.*

Finally, since CSR is a social phenomenon which tends to have different interpretations and forms, the subsequent data analysis process required iterations before aligning the data with the codes and themes. In simple terms, this involved reviewing literature and transcripts several times, amending and supplementing codes using previous iterations to inform and support the newer version. The analytical process concluded with sense making and interpretation of the data.

5 Findings and Discussions

5.1 CSR Practices

In order to understand the scope of CSR practices that are implemented within the Malawian hotel and accommodation sector, we draw insights from Crane et al. (2013)‘s CSR theoretical framework.

5.2 CSR in the Marketplace

CSR in the marketplace was the second most practiced form of CSR in the Malawian hospitality industry, although not all firms practiced similar actions within this category. We asked respondents to specifically state the various CSR practices they undertake to attract customers and serve shareholders' interests. These respondents reported actions that guarantee guests' safety; provision of good quality services; and ethical sourcing. First, a few respondents drawn from foreign owned firms stated that health and safety of customers was one of the primary concerns in their wider CSR agenda. To achieve the highest standards in health and safety of customers, these respondents stated that their firms pursue a variety of actions that include regular inspection and maintenance of buildings; training of staff in first aid and emergency and safety issues. Quotes below from the annual report of one of the major hotel chains and a respondent from a small resort equally confirms such a commitment to health and safety of the customers:

> We take health and safety issues very seriously. We therefore conduct quarterly quality inspections which also include health and safety audits to ensure hygiene and safety for both staff and guests and implement preventative measures in accordance with standard operating procedures. All hotels carry out quarterly fire drills to ensure fire safety and prevention thereof.

> I think it is our responsibility to make sure that the health and safety of our customers and employees is guaranteed. We don't want our customers or employees to get injured because it can be costly because we can be sued and pay a lot in damages and compensation, but the worst thing could be our reputation being torn apart.

In a country like Malawi, where legal frameworks are weak and rarely enforced, and where a firm's focus is usually on cost minimization (Mzembe et al., 2019), initiatives such as those implemented by this hotel chain could be considered as the firm's commitment to their social responsibilities. For some hotels and lodges, other initiatives they pursue include providing guests with opportunities to participate in recreation activities and access to hotel owned gymnasia. Implementing these measures can also provide assurance to customers that the firm takes seriously issues regarding their health, wellbeing and safety, and helps them reduce exposure to business risks such as litigation in the event of an accident.

Second, customer engagement was another area in which some respondents felt that their firms' responsibility to their customer was shown. For these respondents, in particular those that are foreign, involving their customers in the identification of appropriate CSR interventions was a fundamental way of showing their commitment to them. There was also a general view among respondents that engaging customers on issues that are relevant to product and service quality and their health and safety was equally 'the right thing to do'. For some local respondents those who have a tertiary education in marketing or related fields and are members of the overseas professional membership organizations, there was an indication that they valued customer focused CSR cations. Such actions, while strongly oriented towards the achievement of the firms' enlightened self-interests, are believed to serve as a signal to customers that the firms take their intrinsic value seriously.

Ethical sourcing was identified as the least popular CSR actions undertaken in this category. It is mostly practiced by small and foreign-owned firms. Ethical sourcing practices reported include procurement of commodities and other services from local suppliers, but also from those suppliers who do not engage in unethical practices such as corruption and bribery and exploitation of workers. The sentiments below from one of the respondents provide a snapshot of the CSR actions within this domain:

> Our hotel likes to source locally made foodstuff in response to demands from our local customers and those ones who come from abroad. Some customers from abroad especially western countries are very keen on the environmental sustainability and working conditions of those that produce the foodstuffs we make (Manager, Hotel PY)

Ethical sourcing is a recent phenomenon in the Malawian hospitality industry. As such, it is considered as a 'niche' business activity particularly for those firms whose owner/managers have a belief that such actions may be good or the 'right thing to do' for societal wellbeing. The sentiments above can also suggest that ethical sourcing can equally be good for the business. Thus, by responding to customer demands for locally produced goods and also by being seen to be ethical, firms may be creating a competitive advantage for themselves over rivals who do not consider ethical issues in their procurement practices. Respondents from such firms alluded to the fact that a reputation of ethical sourcing can help the firms attract additional customers who are socially aware, and mostly who are from western countries. In addition, respondents felt that local sourcing can tends to help them minimize costs but also strengthen their relations with local stakeholders (see also Pillay & Rogerson, 2013). While this kind of sourcing may be a welcome development for the local economies, sourcing practices of some firms within the hospitality industry and the general business community in Malawi in general tends to fall short of the expected standards and are often limited in scope in comparison with trends elsewhere in Africa (Pillay & Rogerson, 2013). Within the Malawian hospitality, there were particularly concerns regarding terms of payment some hotels undertake. For example, it was reported that some suppliers complained about some hotels which paid their suppliers late. Sentiments from one of the managers who is involved in ethical sourcing confirm this:

> We are praised by our suppliers for paying them in good time. Before trading with us, they were supplying to a hotel down the road which never paid in time. They told us that trading with them nearly drove them to bankruptcy

> In such cases, many suppliers complained about such practices compelling them to take high interest loans to finance their business. In the worst-case scenario, many of these suppliers end up going bankrupt.

5.3 CSR in the Workplace

CSR in the workplace which involves ethical labor and employee welfare practices that hospitality firms undertake to address interests and needs of employees were implemented by a limited number of firms. In general, the degree to which owner/managers were committed to this form of CSR varied depending on the nature of ownership and size in particular for those firms with local ownership. We asked owner/managers to explain about the main employee related issues addressed within their CSR agenda. From the responses, we identified a variety of issues they focus on. First, owner/managers of foreign owned firms and a few large locally owned firms stated that staff welfare and training and development as some of the main employment related issues within their CSR agenda. Within employee welfare perspective, some of the initiatives implemented were provision of better pay, medical aid schemes and development and implementation of an HIV/AIDS policy. The HIV/AIDS policy allows firms to provide access for the counseling and treatment of employees who are affected by the disease. The sentiments below sum up some of the actions undertaken by firms represented by these respondents:

> We have in place good working conditions for our employees because we value their contribution to the success of our business. We also consider our primary duty to offer our employees good salaries and other benefits and support them when they are affected by HIV/AIDS because, apart from helping grow our business, we regard them as having the right to live a meaningful life

The business' interests in considering HIV/AIDs as a CSR issue have been partly highlighted in extant literature (Kusluvan et al., 2010). Integrating such issues in the organizational CSR can be equally in the firms' best interests by help raising labour productivity. In addition to the implementation of HIV/AIDS policy, all respondents stated that their businesses have policies for resolving employee grievances. Although it is not uncommon for employers in Malawi to implicitly discourage collective action, four of the respondents stated that their employees are permitted to actively participate in the trade unions.

Taken together, as the quote from one of the respondents show, some foreign firms in this industry are no longer viewing employee welfare issues solely from a business value perspective but are increasingly aware that employee issues need also to be seen from the lens of social justice. It is apparent that provision of good working conditions is not only seen as instrumental—motivating employees to show commitment towards achieving the company's goals—but it is also considered as the 'right thing' to do.

However, such practices are not universal within the Malawian hospitality industry. The majority of respondents from local firms stated that in general, their businesses do not have employment policies. For these firms, provision of wages and conditions above minimum standards and legal requirements stipulated by the government was considered a cost burden, as illustrated by the following statement by one of the respondents:

> We know that our employees are not the best paid in the industry, but remember we are a small firm that is trying hard to survive. We can't afford a huge wage bill. . . .. I need to make more money while I can because I will need it when I no longer have the energy to work.

The response above suggests that firms the respondents represent have a strong inclination to actively seek profits through limiting their social responsibilities such as paying their employees decent wages. However, having a largely focused business perspective may mask the awareness about the business case of pursuing ethical employment related practices.

Training and development was another significant action that a limited number of hospitality firms undertake to fulfill their social obligations in the workplace. Two respondents from large firms pointed out that their firms provide employees with in-house job-related training and some life skills training. These respondents felt that providing training was not only rewarding to employees who want to build careers within the firm, but such training activities were necessary for enhancing customers' experiences. In a similar way, two respondents from foreign owned firms which largely operate as social enterprises felt that provision of training to their employees was the 'right thing to do' and helped them take on a public responsibility in pursuit of common good. We came across contrasting attitudes and orientations with regard to training and development when we asked respondents from small local firms. Many regarded the provision of training opportunities to their employees a costly undertaking that they could not afford at their level of operation (Cheruiyot & Maru, 2012). Furthermore, they felt that the caliber of employees they have only requires on—the—job training: training which the owner/manager can competently undertake him/herself. This finding confirms Baum's (1996) assertion that managers in Sub-Saharan Africa and parts of Asia regard tasks required to perform many jobs in the hospitality industry as simple and not requiring elaborate training. Nevertheless, our findings are in line with Nolan's (2002) findings that owner/managers of small firms do not provide training to their employees. Unlike in the Malawian context, Nolan (2002) argue that such is the case for fear of making employees attractive to other firms which often offer better pay and working conditions. In a nutshell, while such actions are part of the firm's core responsibilities in some advanced countries, in Malawi employee training and development is often not considered a crucial activity to the development of productive and committed workforce (see also Fashoyin, 1998).

5.4 CSR in the Community

Our study finds that a large majority of firms in the Malawian hospitality industry pursue reactive CSR. Actions under this category include projects responding to '*adhoc*' and emergency needs of certain groups of community stakeholders. The sentiments from one of the respondents from a foreign firm confirm this:

> We don't provide any support to the community at the moment unless they ask us. So, we don't have a clear strategy in that kind of social responsibility.

For other firms, active CSR is pursued. This involves actions such as making financial donations towards social causes: supporting health care and educational programs, providing financial support to sports/recreation, art, culture and environmental conservation activities. These actions may also be in form of providing relief items especially in times when local communities are faced with natural disaster:

> We are often approached by our communities to provide assistance in form of blankets, food items when disaster such as floods, strike. — We feel obliged to donate them

It is possible that firms that favor such types of actions may espouse egoistic values in which case they may be equally concerned about the instrumental value of their involvement in community issues (see also Raviv, Becken, & Hughey, 2016).

Second, a few of the respondents could be considered to represent a limited number of firms that implement a 'pro-active' CSR agenda in their communities. In pursuit of this agenda, these businesses provide financial support to short-term but regular community projects. For example, a local wilderness business financially and in-kind supports education and social welfare projects to address social economic challenges their host communities face:

> We have encouraged education through the construction of school blocks, provision of teaching and learning materials to different schools. They have also benefited from the chicken project which I earlier talked about.

While this form of CSR agenda serves as a powerful mechanism by which businesses can show their commitment to societal issues in general (McLachlan & Binns, 2014), many businesses with a strong will to generate sustainable community development are constrained by a lack of expertise in community development issues. For those businesses that are willing to enter into partnerships with local organizations, the major setback is that many of such organizations face serious challenges in terms of leadership and governance, to such an extent that one of the respondents from a local hotel perceives working with them as risky to their reputation:

> Our experience working with some local organizations has been bad. These are poorly run organizations without proper structures on the ground.

5.5 CSR in the Environment

In this study, we found that firms in the Malawian industry implement some environmental management practices. But across the board, CSR in the environment was the least practiced CSR form. These practices were less popular among local firms in comparison with those that were foreign owned. For example, only three large hotels, of which one is largely owned by the state and two others foreign owned, two small tourist lodges, all of which have foreign ownership, implement conservative focused green initiatives. These initiatives include sustainable waste management, water use efficiency and use of renewable energy sources, reforestation programs and preservation of wildlife in areas where it is under severe threat from extinction. Similar initiatives by hotels and other accommodation firms have been recently reported in a recent study (Khonje, Simatele, & Musavengane, 2019).

A typical example of the type of innovations and actions undertaken by these firms is described in this excerpt from an online source related to one of the hotels:

> Because Hotel Chain A values responsible waste management and encourages recycling through its CSR projects, the Hotel Chain immediately committed to donating all used paper from its 7 hotels and resorts as well as the corporate office to Tigwilizane Grouping. In the

> last week of November the hotel chain made the initial delivery of a truck load of paper. The Tigwilizane team were delighted! Hotel Chain A will soon start selling products made by Tigwilizane through its in-house shop at Hotel X in Blantyre. (Except from Malawi Tourism Guide website[1])

As the excerpt above shows, some firms implement actions that are both inward and outward looking as theorized by Baumgartner (2014). While it can be argued that initiatives of this sort only bring an incremental positive impact on the environment, it is important to note that the paper recycling initiative creates employment opportunities to local people who would otherwise have been dangerously exploiting forestry resources as a source of livelihood. The pursuit of such innovations in the Malawian hospitality industry suggests an increased awareness by at least a section of owners/managers of the existence of the business case of pursuing environmental management initiatives.

In contrast, locally owned and managed businesses lacked robust environmental programs. For these firms, the majority of implemented environmental management actions were simply undertaken in compliance with minimum standards stipulated within the Malawian legal framework, as illustrated by a quote from a local owner of a small lodging firm:

> Let me tell you this and will let you form your own opinion about us. Our lodge follows strictly what the laws of Malawi state about the dumping of wastes. We don't dump our wastes inappropriately. I think that is the part we as a restaurant and rest-house need to play in the preservation of the environment We don't subscribe to the scaremongering stories about climate change. As a small lodging business will not be there in the future if we take that route of believing in everything is being said.

As the response above shows, having a rules-based perspective of environmental management often suggests that any actions pursued by the firms are less likely to be based on a strong foundation of ethical values. Considering that the Government of Malawi lacks the capacity to enforce regulations (Mhango, 2005), firms such as the one the respondent represents are more likely to pursue environmental management practices in an *adhoc* manner, and only when there is a high risk of litigation. A rule driven approach to corporate environmental management, as opposed to strong orientation to environmental management, may represent a missed opportunity for these firms given that in recent times businesses in Malawi have acutely been facing serious power-cuts and water shortages. It is possible that these firms could have turned such problems into opportunities by using renewable energy sources (solar energy) and better water management practices, which would in turn help improve cost effectiveness of their operations (see also Siddique & Sciulli, 2018).

[1] http://www.malawitourism.com/pages/news/index.asp?NewsID=557 (accessed 10th October 2015)

6 Conclusions

This study explored the various CSR practices firms undertake. This study represents one of the few attempts to investigate the topic within the specific context of a developing country's hospitality and tourism industry. As a result, it contributes to the scant literature that attempts to understand CSR in this industry beyond the emerging and developed economies. Taking into consideration the theoretical underpinnings; which point towards the multi-dimensionality of CSR in the industry, this study shows that CSR agenda in the Malawian hospitality industry is still in its infancy. While certain firms in this industry are beginning to engage with a broad-based CSR agenda, CSR in the community or philanthropy remains the pre-occupation for the majority of the firms. Often at the discretion of the manager/owners, most firms seem to overtly care about and pursue the 'easy to implement' actions that could bring short-term economic benefits and align with societal expectations. Due to the discretionary and piecemeal nature of CSR agenda of many firms, actions that have a strong normative foundation are often neglected. For many owner/managers, in particular of Malawian origins, issues such as ethical employment practices and sustainable environmental management practices did not feature strongly in their CSR perspective and agenda. A number of scholars who have examined the role of businesses in the society have argued that businesses engage in CSR in the community actions in order to demonstrate their corporate citizenship duties (Matten & Crane, 2005; Scherer, Rasche, Palazzo, & Spicer, 2016). These scholars suggest that businesses are often called to provide basic social rights which governments could be failing to provide to their citizenry. These actions, as Scherer et al. (2016) argue, help such businesses to achieve legitimacy. In this context, to a certain degree, the socio-economic challenges the Malawian society faces as a result of government's ineffectiveness to provide basic amenities to its citizen may have provided a strong motivation for the majority of these firms to put more emphasis on CSR in the community than the other forms of CSR.

Furthermore, even for those managers/owners whose firms implemented some form of good marketplace, workplace and environmental management practices, it was easy to note that such practices were remotely regarded by some local managers and owners of firms as CSR. The majority of firms—in particularly those that are locally owned—were 'inert' to externally driven CSR instruments such as codes and standards for institutionalizing a more ethically responsible business conduct. Perhaps, the local ownership structures and a lack of the strong institutional pressures which their counterparts face in the developed world, can account for such lack of attention even to the environmental dimension and marketplace CSR, which are overtly emphasized within the global hospitality industry (Mzembe et al., 2019; Sánchez-Medina et al., 2016). It could also be reflective of the fact that the majority of these managers/owner have a limited understanding of the possible impacts of their operations on the environment and social fabric—which a broader CSR agenda could have offered to address. We also came across certain firms that defied the logic of taking CSR as being philanthropic based. These firms conceptualized and practiced CSR in line with the current sustainability thinking in the developed world. A limited number of foreign owned businesses and state-owned hotels embraced a broad CSR agenda similar to what hospitality firms in the developed world embrace (Fernández, Junquera, & Ordiz, 2006). We suspect that the broad-based CSR practices implemented by firms owned and managed by foreign and western managers/owners reflect the influence of western based values when it comes to social and environmental issues (see also Girella, Rossi, & Zambon, 2019; Ortiz-de-Mandojana, Aguilera-Caracuel, & Morales-Raya, 2016; Vitolla, Raimo, Rubino, & Garzoni, 2019).

7 Limitations and Areas for Further Research

Like most empirical studies, our study has a number of limitations. The first limitation is that this study is only based on the views of managers or owners about the CSR practices their firms implement. However, given the infancy of the CSR agenda within the Malawian hospitality industry and the exploratory nature of this study, we felt that insights about the CSR orientation within this industry—an industry which is generally less exposed to international debates about CSR—were going to be generated better by only involving actors who may have some knowledge about the subject to be studied. Such a limitation opens a number of avenues for further research. Alongside understanding managers or owners' perceptions of CSR, future studies could explore the CSR understanding of stakeholders such as trade unions, communities, NGOs, government and industry bodies whose value orientations may be different from owner/managers, but may have a different influence over the CSR agenda and behaviors of the firms operating in the Malawian hospitality industry. While we may not be in a strong position to foresee what kind of insights such studies may generate, we are confident that they will go some way towards unravelling the tensions that may exist between the normative and self-interested values. This may in turn pave the way for explanations as to why many of the local firms exploit the normative, value-laden concept of *'Umunthu'* by associating it with philanthropy to achieve their self-interests, but at the same time ignore '*Umunthu*' when dealing with the interests of the employees (Melissen et al., 2018). Furthermore, while our study was exploratory in nature, we argue that future studies investigating the relationship between CSR orientation, values and the CSR practices might fruitfully adopt a longitudinal approach. We are aware that CSR values and orientation of managers and stakeholders may change over time as the Malawian hospitality industry increasingly becomes exposed to international debates and developments regarding CSR. With the help of stakeholder theory and institutional theory, gaining insights about the values of various stakeholders may be critical in understanding the motivations and the barriers of the uptake of a broader CSR agenda within the Malawian industry. Finally, we call for further studies to take a cross-national approach by studying CSR in the hospitality industries of different countries in the developing world. Such studies would create a nuanced understanding of the influence of cultural and other institutional factors in determining the CSR conceptualization and CSR agenda hospitality firms might adopt in different institutional environments.

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Corporate Social Responsibility in Mauritius

An Update of the Current Trends and Practices of Corporate Social Responsibility in the Island Economy of Mauritius

Sanjiv Gungadeen, Zuberia Hossanoo, and Vikramsing Gungah

Abstract Mauritius is an independent nation, a small island economy located in the Indian Ocean, off the South East Coast of Africa. Tourism, financial services, textile and sugar are central to its economy. Recent development strategies adopted by the government, with respect to corporate social responsibility (CSR), seek to ensure long-term growth and competitiveness of the Mauritian economy, while also addressing the Sustainable Development Goals (SDGs). This chapter reports on a mixed methods study which explores recent CSR trends in Mauritius, and seeks to expand the extant literature by providing insights from current practices in Mauritian organisations. The chapter first provides an overview of the concept of CSR as it is perceived and understood by the stakeholders involved in the local business environment. This is followed by a description of trends relating to the evolution of CSR. An assessment of the quality of the reports from a chosen sample of businesses is then reported using the Haqbek and Wolniak (*Quality & quantity 50*:399–420, 2016) framework. The various factors that emerged during analysis are discussed in the light of previous research in the field. Some insights into CSR initiatives being pursued by companies in Mauritius are provided, along with potential for future research. Ultimately, CSR is a growing practice in Mauritius, reinforced by the political and regulatory frameworks.

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1 Introduction

In the time since one of the most influential economics journalists in the world,Martin Wolf (2002), commented "corporate social responsibility is an idea whose time has come" (p. 62), CSR has seen enormous changes both in its presentation and its acceptance throughout the world. Despite there being no universally agreed definition of CSR, in simple terms it can be defined as the social involvement, responsiveness, and accountability of companies apart from their core profit activities. This commitment to the societal cause and the community goes beyond the requirements of the law but does include activities required by the government legislations and regulations.

There is thus today an upsurge in global awareness of CSR, triggering academic interest in various dimensions of CSR. Despite growing global research interest in CSR and related fields, much of the available literature is focused on industrialised countries, rather than on less developed Africa or island economies. Since the introduction of the mandatory CSR in Mauritius, there has been a sharp growth in research from this Island.

The present chapter contributes to the growing body of knowledge from the perspective of a Small Island Economy, and an African country's perspective. This chapter first provides a brief overview of the empirical as well as theoretical knowledge and literature on CSR in general. The context of the study, Mauritius is introduced, to then explain the status of CSR in the Island. The mixed methods research design is then detailed. Further, the findings of this work are followed by a discussion and consideration of the implications for policy and practice in Mauritius and potentially more broadly. The chapter concludes with the recommendations, limitations of the study and indicates the avenues for future research on CSR in the context of a small island economy.

2 Corporate Social Responsibility: A Review of the Literature

The belief that organisations need to be responsible to the society is definitely not a contemporary phenomenon, as evidenced in the "Social responsibilities of the businessman" (Bowen, 1953 cited in Bowen, 2013). While its theoretical and conceptual development is traced back to the early 1950s (Carroll, 1999), the CSR concept has only gained prominence in the 1990s-2000s, proposing the latter as a relatively new area for academic studies (Crane, McWilliams, Matten, Moon, & Siegel, 2008). Its reputation was broadly driven by social and environmental movements (Carroll & Shabana, 2010), globalisation of economies (Chambers et al., 2003), and the emergence of international organisations and global standards such as International Standards Organisation (ISO 26000) on social responsibility, or the United Nations Global Compact Initiative (UNGCI) (Kishimbo, 2016). By 2008 it was generally agreed that the role of organisations had broadened from mere profit maximisation for their stakeholders and owners to increasing accountability to the other stakeholders of the firm. Moreover, authors such as Drucker (1984) expanded on the significance of converting social issues into economic prospects. There is growing demand for socially responsible organisations from various stakeholders of the firm on a global scale.

In 2020, the definition of Corporate Social Responsibility (CSR) is still contested but can be framed as a multidimensional concept, which has been defined many times. As CSR is now the mostly sought cached business and economic term, many definitions have surfaced. McGuire (1963) explained CSR as the obligations of the company that extend beyond its legal and economic domains, to include employees, the civic welfare, as well as the educational needs of the broader community. However, the most commonly cited definition of CSR remains that of Carroll (1979) who states that socially responsible organisations satisfy the "economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organisations at a given point in time" (Carroll, 1979, p. 499).

Maloni and Brown (2006, p. 36) give an all-englobing definition.

"CSR centres on the idea that a corporation may be held socially and ethically accountable by an expansive array of stakeholders such as customers, employees, governments, communities, NGOs, investors, supply chain members, unions, regulators, and media. . . . to define a model that extended corporate performance beyond traditional economic and legal considerations to include ethical and discretionary responsibilities."

Also referred to as corporate sustainability, social responsibility, corporate citizenship (Bissoon, 2018). CSR is further identified by its underlying strategic objectives—such as legitimate or competitive advantage, by its key drivers—such as social or government regulation, and lastly, by its manifestations—such as ethical or discretionary (Carroll, 1999 cited in Chapple & Moon, 2005). In 2020, there is still a marked difference between CSR practices in different locations and only some recognitions of the need for CSR to be specifically considered in its local context (Idemudia, 2020).

3 The Literature of CSR in Mauritius

3.1 Mauritius

This section of the chapter gives a description of the context of the study, Mauritius, a Small Island Economy and a Small Island Developing State. Since its independence, Mauritius has maintained political, economic and social stability (Ndikumana, Ondiege, Plane, & Vencatachellum, 2009), and has moved across various stages in its development, from monocrop economy, textile, to tourism and services economy (Gokulsing, 2011). Mauritius, unlike many other islands and African economies has established and consolidated a viable democracy, a well-functioning market economy, and relative social stability (BTI, 2016). The remarkable performance of the local economy is attributed to the stable democracy; sound economic governance; reforms to sustain long-term growth; effective state-business relations; equitable social progress; and a welfare state (World Bank Group, 2018).

The government alone is not in the capacity to do all in terms of CSR and addressing issues such as poverty and economic progress. With regards to the welfare state prevailing in Mauritius, it is the responsibility of the government to ensure free health, education (from primary to tertiary), and free bus transport for school children and elders. All these measures are instrumental in bringing down poverty (Ministry of Finance, 2019).

3.2 Evolution of CSR in Mauritius

CSR has evolved considerably since the Mauritian government signed up the Millenium Development Goals in 2000. Table 1 below outlines the timeline of this development, including greater government regulation and oversight of CSR activities. The Mauritius Employees Federation (2008) uncovered that most of the organisations share the belief that economic interest should be reasonably balanced with environmental and social goals. However, though many actions were undertaken, the results were not significant in addressing the growing social needs of Mauritius. In the budget speech of 2007, the government made an appeal for all companies operating in Mauritius to contribute more to CSR activities. The then Finance Minister emphasised that though most organisations are sensitive to CSR and do contribute, there is still a lack of structured support program. Many firms already agreed to contribute 1% of their profit to CSR activities and the minister requested for the private sector to contribute more. However, the response rate was lower than expected (Gokulsing, 2011).

In the face of a lack lustre response, the government of Mauritius introduced and mandated CSR in 2009 through "The Finance Bill 2009"/"The Income Tax Act". The legislation mandated all profitable organisations in Mauritius to contribute 2% of their preceding year's book profit towards CSR activities. Specific guidelines for the spending of the CSR funds were formulated with the consensus of both the government and employer representatives. In 2009, the government instituted that CSR initiatives could be implemented either directly by the firms or through any approved NGO, Special Purpose Vehicle (for example, a foundation), or through a corporate partner (Ministry of Finance, 2016).

The government, through the Ministry of Finance (MoF), the CSR Framework and the National Committee on Corporate Governance (NCCG) consistently

Table 1 Evolution of CSR in Mauritius

Key Dates	Evolution towards voluntary CSR /Milestones and Evolution
2000	Mauritius signed the millennium development goals.
2009	Introduction of the mandatory CSR system in Mauritius. All profitable companies should contribute 2% of their book profits to fulfill CSR activities under approved programs.
2010	The government reviewed the utilisation of CSR funds to enforce 50% of the 2% mandatory CSR to be devoted to National Programmes.
2012	The government changed the 2% mandatory contribution from book profits to profits chargeable to income tax.
2015	Removal of CSR guidelines to allow firms to utilise their CSR funds according to their internal CSR framework.
2016/ 2017	The government acknowledges that the removal of the guidelines was problematic and less transparent. Establishment of the new CSR framework under the aegis of the Ministry of Social Integration and Economic Empowerment. The aim is to ensure greater transparency and accurate outcomes of the implementation of CSR programmes. Establishment of the national CSR Foundation. The aim of the department is to produce better social outcomes, and to ensure accountability of both firms and NGOs and transparency in the use of CSR funds. The national CSR foundation reviews and aligns programs with the identified priority areas of intervention. Companies are now required to contribute at least 50% of their CSR funds to the national CSR Foundation, through the Mauritius revenue authority (MRA).
2017/ 2018	Carrying forward from the initial decision in 2016, companies are allowed to retain 50% of their 2% mandatory CSR contribution to implement their own CSR projects.
2018/ 2019	Firms have to remit 75% of the earmarked 2% mandatory CSR contribution to the MRA. Private sector firms can retain the remaining 25% under the approval of the foundation. With the aim to consolidate the welfare state, the national CSR Foundation is earmarked as the central body to receive and allocate public funds to NGOs.
2019/ 2020	Transformation of the national CSR Foundation into a new body: The National Social Inclusion Foundation. The aim is to alleviate poverty. Firms' CSR spending will be strictly scrutinised by the MRA.

Sources: Ministry of Finance, 2019; The Finance Act, 2018; The Mauritius Revenue Authority, 2019; The National CSR Foundation, 2018

prescribed and amended the priority areas of intervention, ensuring the initiatives are accurately aligned with the government's social goals, the SDGs. The main aim is to consistently target the issues at large. While the priority areas were six in 2009 (socio economic development, health, leisure and sports, environment, education/training, and natural catastrophes), the Finance Act (2018) established ten priority areas in 2018. Parallel to the evolution of the areas of focus, the management of CSR funds was constantly adapted to find the most appropriate ratio/mix to allow the proper execution and control of CSR undertakings. Since the signature of the Millennium Development Goals and the introduction of the mandatory CSR levy in Mauritius, the policies and frameworks have evolved through the years (refer to the Table 1).

CSR policy, frameworks and contribution has been fast evolving in Mauritius. The government is still trying to find the most appropriate measures to address the areas of priority, transparency and control over the private sector spending of CSR funds. On one hand allowing organisations' ownership and management of their CSR projects from their funds enable them to be innovative in how they meet the societal needs. Hence, the needs are met faster than with a centralised body having central control of the CSR funds (Ramdhony, 2018). Still, there is no guarantee in the extent to which the mandated amount is spent, nor in how and which area of priority is addressed.

The CSR regulation, enforcing a mandatory CSR levy on firms, is a way to regulate CSR practices and ensure compliance of all the parties involved: the companies, the non-governmental organisations and the institutions altogether (the Mauritius Revenue Authority). The code of best practice on corporate governance in Mauritius was first published in 2003 and revised in 2016. As defined within the new code of best practices, CSR refers to "the concept whereby companies act to balance their own economic growth with the sustainable social and environmental development of the country. A Company performing highly in CSR is one that goes beyond compliance with the legal framework to actively pursue positive impacts on local communities and the environment. . . ." (NCCG, 2016, pp. 4). The call is thus high and pertinent on the firms operating in Mauritius.

A National CSR Foundation was set up with the mandate of: undertaking programmes and projects for the benefit of the vulnerable groups; allocation of CSR funds based on specific guidelines; monitoring and evaluation of CSR Programmes; and serving as a platform for coordination and communication among all stakeholders. The foundation is responsible to receive, manage and allocate the CSR funds collected by the MRA in accordance with the Finance Act, 2018 (previously Income Tax Act). The latest revised areas of intervention as per the Finance Act (2018) are health issues; educational support/training; sustainable development and environment; family protection; capacity building; leisure/sports; nation building; road safety; social housing; poverty alleviation; and supporting individuals with disabilities. It is also mentioned that the Ministry has the right to determine other areas of intervention in the future. The intervention is not in an ad hoc manner.

The mandatory CSR initiative in Mauritius is accompanied by mandatory reporting as per the NCCG. Sustainability reporting provides transparency in the corporate tax practices of firms, but also on government expenditures of the CSR funds (NCCG, 2016). GRI (2018) explains that the corporate taxes to government authorities are the main mechanisms through which the private sector firms contribute to the economies of countries. Further, the Stock Exchange of Mauritius has introduced the Stock Exchange of Mauritius Sustainability Index (SEMSI) which currently has 16 constituents (Stock Exchange of Mauritius, 2019). Further research further demonstrate that some private and publicly listed Mauritian companies that have proactively joined the UN Global Compact taking the pledge to engage locally (UN Global Compact, 2019). All of the signatory members have an active global compact status.

3.2.1 Mandatory CSR in Mauritius

The idea of mandatory CSR is not unique to Mauritius. In fact, many countries in the world, have initiated decisions and actions to move away from voluntary, philanthropic CSR activities to mandatory CSR. South Africa and some European countries such as Denmark, France and Norway have passed on legislations requiring organisations to report on and disclose their environmental performance (Ioannou & Serafeim, 2017). On the other hand, Mauritius, along with India and Indonesia have gone a step ahead and imposed a CSR levy on organisations (Ramdhony, 2018).

Prior to the mandatory CSR, the voluntary internal CSR initiatives were dedicated to training while the external activities were focused on charitable donations (MEF 2008). Hence, the initiatives were not covering the broad community. The mandatory CSR further supports the social and environmental roles of the government. It is quite impossible for the government to meet the expectations of the society and eradicate the economic, social and environmental issues of the country in strict isolation.

The business landscape in Mauritius is mostly embodied by family owned and managed organisations. Hence, the small and medium enterprises, the business groups operating across industries, and the publicly listed firms are all characterised by family driven management with the same individuals having stakes in other firms and other business groups, thus resulting in opacity (Soobaroyen & Devi Mahadeo, 2008). Moreover, many successful and powerful organisations are not willingly and deliberately listed on the stock exchange of Mauritius because the shareholders do not want to surrender their full ownership and control (Manos & Ah-Hen, 2003). Cross shareholding and cross directorship are common features of the Mauritian firms, coupled with the absence of diversified and powerful stakeholders. The firms hence have limited pressure for voluntary involvement in CSR activities, and low public accountability (Ramdhony, 2015).

The predominance of a strong private sector as a major player in the economy and economic wellbeing, was found to be compounded by Mauritius being in a powerless situation due to globalisation. Since the twenty-first century, Mauritius has faced numerous issues such as rising unemployment and poverty. Consequently, the Mauritian state has demanded for public/private partnership to tackle developmental issues of the Island. It is believed that a greater collaboration, bringing together the private sector, the governmental and non-governmental organisations, and the civil society, will enable Mauritius to tackle the societal issues at their roots (Ministry of Finance, 2019).

3.2.2 Research on CSR in Mauritius

With the growing political and social interest in CSR, and the shift from voluntary to mandatory CSR, there has been a trigger in research interests on the field in Mauritius. Research on CSR in Mauritius followed two streams, mainly CSR practices and CSR reporting. Ragodoo (2009) and Gokulsing (2011) analysed the role of businesses in the fight against poverty in Mauritius. The authors found that most of the firms surveyed have established procedures regarding the allocation of CSR funds; and that they are keen to create a better society through monetary and non-monetary means. Most of the firms in the sample had the resources to achieve this aim. However, Ragodoo (2009) found a serious lack of involvement of business leaders and public authority figures required to generate the momentum for poverty alleviation as a priority of the social agenda in Mauritius. Bissoon (2018) researched on the motivations for multinationals in the tourism sector found in Mauritius to engage in and report on their CSR initiatives. Mahadeo, Oogarah-Hanuman, and Soobaroyen (2011) used the content analysis technique to assess the level of CSR disclosures of publicly listed organisations. Ramdhony and Oogarah-Hanuman (2012) investigated the motivations behind reporting from the accounting professionals' perspective. Further, Ramdhony (2015) also assessed the CSR disclosures by the commercial banks operating in Mauritius by means of content analysis of annual reports. Ramdhony (2018) contributed with an extensive literature review on "The Implications of Mandatory Corporate Social Responsibility in Mauritius". Bissoon (2018) examined multinationals operating in the Mauritian Tourism sector to engage in and report on their CSR initiatives.

4 Research Design

This study sought to investigate the CSR trends and practices in Mauritius, a Small Island Economy. The overarching questions of the study are mentioned later in this section. The suitability of such a research design has also been described.

Mixed Methods Research (MMR) is "the type of research in which a researcher or team of researchers combines elements of qualitative and quantitative research approaches (e.g., use of qualitative and quantitative viewpoints, data collection, analysis, inference techniques) for the broad purposes of breadth and depth of understanding and corroboration" (Johnson, Onwuegbuzie, & Turner, 2007: 123). This study has used a mixed methods design, which is also explained by many researchers to be practical in overcoming the weaknesses of relying on single method (Johnson and Onwuegbuzie, 2004). A mixed methods design offers the most balanced, complete and informative research results (Johnson et al., 2007), hence, its widespread use by many researchers (Creswell et al., 2003; Creswell & Clark, 2017).

The research design involves the collection, analysis and interpretation of both qualitative and quantitative data in one single research or in a series of research investigating the same phenomenon. The aim to use a mix of qualitative and quantitative approaches during the different stages of the study is to improve the research outcomes. Central to the adoption of MMR in a study is its suitability to the research questions and a strategic and well-planned approach to the mixing practice (Creswell & Clark, 2017). MMR is suitable for examining CSR in its context, as the researcher can capitalise on the strengths of both qualitative and quantitative research, to offer a cohesive comprehensive understanding (Crowther & Lauesen, 2017, Johnson and Onwuegbuzie, 2004, Scammon et al., 2013, Wisdom et al., 2012).

This study sought to investigate the CSR trends and practices in Mauritius, a Small Island Economy. The overarching research question were:

1. What is the current state of CSR reporting in Mauritius?
2. What are the impacts of businesses on the social and economic development in Mauritius?
3. What are the quality differences between the models of sustainability reporting in the various sectors of Mauritius?

Data was gathered from two types of sources, and derived from both qualitative and quantitative methods, and they consisted of the following:

(a) Corporate social responsibility reports of selected companies published their corporate website;
(b) A quantitative content analysis for the assessment of the quality indicator of CSR reports
(c) A short opinion survey of individuals actively involved in the CSR of their firms

4.1 Participants

The participants in the study were selected based on purposeful, non-probability sampling using the researchers' judgment (Silverman, 2018). The views and opinions of individuals with immediate experience in the CSR activities of the organisation were collected and analysed. Such purposeful sampling process ensured a diverse cross selection of respondents from different levels of the selected firms from front line to top management, and across various industries. Table 2 shows the study sample for the companies and industries.

The following section describes the three data collection and analysis stages—the content analysis, the quality assessment tool and the online survey in detail along with a thorough discussion of the findings from that data collection process.

Table 2 Study sample by industry

Sector	Number of companies (n)	% of sample
Finance	7	17.5
Tourism and hospitality	7	17.5
Manufacturing	7	17.5
Services	7	17.5
Oil and gas	4	10
Conglomerate groups	8	20

4.2 Data Collection and Analysis

Each of the streams of data collection and analysis is discussed in turn. The Stream 1 included the Content and quality analysis of reports and is discussed in the next section.

4.2.1 Stream 1: Content and Quality Analysis of Reports

This paper has used a manual content analysis to identify and describe the patterns in the annual/CSR reports of the firms in the sample. Content analysis is a commonly used and broadly recognized method in business studies. Content analysis has been described as a systematic, replicable technique, which is used for compressing many words of text into fewer content categories based on explicit rules of coding (Berelson, 1952; Krippendorff, 1980; and Weber, 1990). This study therefore used the classic procedure of quantitative content analysis which involved building the coding table (coding structure) at first. This entailed coding of content with the guidance of a checklist of pre-defined categories prior to performing a statistical analysis. The coding structure designed for this research was based on the GRI framework and covered the major topics of the content analysis. The rationale behind the use of the GRI framework is presented in Section 3.2.1.

Content analysis was deemed suitable for the study as it has been used in previous studies for the purpose of examining CSR disclosures (Deegan et al., 2002; Deegan and Gordon, 1996; Gamerschlag et al., 2011; Gray et al., 1995; Guthrie and Farneti 2008; De Villiers and Van Staden, 2010; Zeghal and Ahmed, 1990). The employment of content analysis as a methodology in the field has received substantive support as illustrated by extensive research (Alawi and Rahman 2011; Guthrie and Parker 1989, 1990; Islam, Jain and Thomson 2016; Janek, Ricceri, Sangiorgia, and Guthrie, 2016; Niskanen and Nieminen 2001; Rizk et al. 2008). Hence, in this study, the annual reports and the CSR reports are considered as a main corporate communication tool from which to gather an accurate understanding on the status of CSR and the current CSR practices in Mauritius. Besides being a crucial document for organisations' to promote their social image to their stakeholders (Gray et al., 1995), they are also officially audited, statutory materials, which are considered as reliable due to the reporting requirements in place in Mauririus (Bissoon, 2018). The use of this methodology also reduces the element of respondents' personal bias, partial recall and is not subject to errors related to the content and the context of communication as the data represents the official, unambiguous, unified position of the organisation (Breitbarth et al., 2010).

The sample used for the content analysis comprised of CSR reports of organisations from various sectors in Mauritius as illustrated in Table 2.These were from diverse industries such as the financial sector, tourism industry, manufacturing, services sector, conglomerate groups and oil and gas. Such a sample range and composition is theoretically noteworthy as it authorises comparison and enables a thorough understanding of the similarities and differences in the CSR practices of these organisations. Ultimately separate CSR reports, annual reports with CSR sections and integrated reports (financial and non-financial information contained in a single document which shows their mutual impact) scrutinized.

4.2.2 The Coding Structure for Content Analysis

There are over 200 CSR rules or principles that are being used for reporting purposes by organisations around the globe, which often makes it difficult to compare between different companies. However, not all have the same degree of visibility and notoriety and the **Global Reporting Initiative** (GRI) is the most referenced and main international standard for preparing sustainability reports. GRI is an independent institution established in 1999 with the mission to provide a reliable and credible framework for preparing sustainability reports that can be used by organizations regardless of size, sector or location. The GRI is one of the most commonly used frameworks in studies involving disclosures of CSR reports (for example Bouten et al., 2011, Di Leo, Mattia, Pratesi, & Principato, 2019; Kiyanga et al., 2016; Toppinen and Korhonen-Kurki, 2013; Torelli, Balluchi, & Furlotti, 2019; Guan, 2014). Ultimately, relevant themes and findings were identified and interpreted after scrutinising the annual reports based on the coding structure. As mentioned earlier, the researchers used a classic procedure of quantitative content analysis which involved first building the coding table (coding structure), based on the GRI framework despite there being some concerns about its utility for organisations (Thomas, 2019). Using this framework, a coding structure was developed and used to analyse the annual and sustainability reports of the selected organisations. Table 3 (below) sets out a summary of the areas of reporting identified in the GRI framework which were included in reporting by the companies in each sector. The table illustrates that the least reported area was that of human rights, closely followed by labour practices, discussed later.

4.3 Quality Assessment Tool

Following the analysis to determine the areas on which the companies were reporting, an evaluation of the quality of reporting was undertaken. The evaluation tool used in this study is the one suggested by Hąbek and Wolniak (2016) that assesses the quality dimensions of the reports. As such it does not focus on the performance of the reporters as the quality is assessed based on the proposed criteria listed in Table 3 below. According to the authors, the quality of CSR reports equals the quality of the information provided in these types of report (Haqbeq & Wolniak, p. 405, 2016). The quality of information in this context refers to the relevance and credibility of the information. As in the previous research the same criteria have been used; 11 criteria have been identified in the category of relevance of information, and 6 criteria in the category of credibility. The structure and explanation of the assessment tool is shown in Table 3 below.

Table 3 Summary of area of reporting (themes content analysis) by sector

Sector	Area of reporting					
	Environment	Economic	Human rights	Labour Practices	Product responsibility	Society
Finance	5	7	2	4	7	6
Tourism	7	7	3	4	6	5
Manufacturing	7	7	2	5	3	5
Services	8	8	3	4	5	6
Conglomerate groups	7	7	1	5	7	7
Oil and gas	4	4	1	3	4	4
Total	38	39	12	25	32	33
Percentage %	95	97.5	30	62.5	80	82,5

Based on this tool and for assessment processing purposes the following criteria were applied:

A five-point scale was applied (from 0 to 4). Zero points was given when a report contained no mention of information concerning individual criteria; one point when there was some, but little mention; two points when the most important aspects were included; three points when the report gave detailed information that was better than average; and four points were given for best practices and a creative approach. As in the previous research, to assess and determine the relationship between the quality level of examined sustainability reports and other variables, the indicators related to reporting practices were aggregated. Two indicators were identified:

R—relevance of information indicator,

C—credibility of information indicator.

Indicators were specified using the arithmetic mean of sub-indicators constituting a given indicator (R and C). As illustrated in Table 4, indicators of relevance consisted of 11 sub-indicators and the indicator of credibility consisted of six sub-indicators (see Table 4). In the first step, individual indicators were calculated for each of the analysed reports (Rr and Cr indicators).

Rr—R indicator for particular sustainability report

$$Rr = \frac{R1 + R2 \ldots . + R11}{11}$$

Cr—C indicator for particular sustainability report

$$Cr = \frac{C1 + C2 \ldots . + C6}{6}$$

Then, on this basis, values of the Rc, Cc, and Qc indicators were calculated for each analysed industry.

Table 4 Structure of the assessment tool

Assessment criteria		Comments
Relevance of information		
R1	Sustainability strategy	The report presents the business strategy which relates to the aspects of sustainable development
R2	Key stakeholders	The report contains identification of organization's stakeholders, their expectations and a way of engagement with individual groups
R3	Targets	The report presents targets for the future, targets set in the previous reporting period and the level of their achievements
R4	Trends over time	The report contains indicators shown over several reporting periods indicating this way direction of change and ensuring their comparability
R5, R6, R7, R8	Performance indicators: R5 market place, R6 workplace, R7 environment, R8 community	The report contains quantitative information concerning organization's performance achieved in particular areas (market place, workplace, environment, community).
R9	Improvement actions	The report describes improvement activities undertaken by the organization to meet the objectives of sustainable development; e.g. programs to increase resource efficiency, reduction of emission etc.
R10	Integration with business processes	The report contains information confirming that the aspects of sustainable development are included in the decision making process and implemented in the basic processes (purchasing, sales, marketing, production, etc.)
R11	Executive summary	The report provides a concise and balanced overview of key information and indicators from the reporting period
Credibility of information		
C1	Readability	The report has a logical structure, uses a graphical presentation of the data, drawings, and explanations where required or uses other tools to help navigate through the document

(continued)

Table 4 (continued)

Assessment criteria		Comments
Relevance of information		
C2	Basic reporting principles	The reporting period, scope and entity is defined in the report as well as limitations and target audience
C3	Quality of data	The report describes the processes, procedures of collection, aggregation and transformation of data and determines the source of the data
C4	Stakeholder dialogue outcomes	The report contains a description of the stakeholders' dialogue and the results of this dialogue in relation to aspects of sustainable development (surveys, consultations, focus groups, round tables, programs, engagement, etc.)
C5	Feedback	The report contains a mechanism that allows feedback process (contact point for suggestions or questions, hotline, e-mail, reply card, questionnaire etc.)
C6	Independent verification	The report contains a statement of independent body attesting the authenticity of data presented in the report as well as proposals for future improvements

Source: Haqbeq and Wolniak, 2016

$$Rc = \frac{\sum_{i=1}^{n} Rr}{n}$$

where Rc is the R indicator for particular sector and n is the number of reports in particular sector. And Cc is the C indicator for a particular sector and determined as follows;

$$Cc = \sum_{i=1}^{n} Cr$$

Finally the quality indicator, Qc, was determined.
Qc = Q indicator for each sector

$$Qc = \frac{Rc + Cc}{2}$$

Rs—R indicator for a sample m—number of sectors in a sample.
Cs—C indicator for a sample m—number of countries in a sample.
Qs—Q indicator in the sample.

The following formulas were used to calculate the indicators for the sample.

$$Rs = \sum\nolimits_{i=1}^{n} Rc$$

$$Cs = \sum\nolimits_{i-1}^{n} Cc.$$

$$Qs = \frac{Rs + Cs}{2}$$

4.3.1 Results

The results of the quality assessment are shown in Table 5. The overall quality level of the 40 assessed reports was 1.70. The relevance of the information indicator was at a higher level (1.84) compared to the credibility of the information indicator (1.57). Table 5 summarizes the values of the individual industry with the related value for the credibility and relevance indicators derived from the assessed reports. As the result shows, in terms of relevance indicator the conglomerate groups scored a higher level, 2.49 whereas in terms of credibility indicator the Finance sector scored a higher level of 1.89. Overall among the various industries the Conglomerate groups scored higher in terms of quality indicator (1.9).

4.4 Stream 2: Online Survey

Survey data were collected using an online survey of 40 respondents from the same organisations that were used for the content analysis .The research participants were invited to participate in the survey by personal emails sent to them. The survey questions sought the views of the participants on a range of aspects related to the CSR phenomenon where responses were spread on a range of statements using a Likert scale. The survey questionnaire also included open-ended questions

Table 5 Relevance of information, credibility of information and quality of CSR reports indicators for individual sector

Sector	Relevance of information indicator	Credibility of information indicator	Quality of reports indicator
Finance	1.5	1.89	1.69
Tourism	1.89	1.6	1.74
Manufacturing	1.52	1.5	1.51
Services	1.95	1.82	1.88
Conglomerates	2.49	1.31	1.9
Oil and gas	1.71	1.33	1.52
Total	11.06	9.45	10.24

requesting the opinions of the participants about the practices related to CSR in the various sectors firms in Mauritius. The findings of the survey conducted are reported in the next section, which outlines the results of the data collection and provides an analysis on the latter.

5 Findings

5.1 The Role of Businesses in Solving Social Problems

- Many participants were of the opinion that business has had a positive effect on finding solutions to social problems within the country with 19 respondents agreeing or strongly agreeing and only 8 disagreeing (Fig. 1). Twelve respondents neither agreed nor disagreed. In recent years Mauritius has witnessed a huge improvement and organisations have played a crucial role in solving environmental problems, supporting education and counteracting unemployment. For many businesses CSR is a means of interaction with the society where the aim is to bring about economic values in a society. As such including the elements of social accountability is considered as strategic and might also increase profitability (Romolini et al., 2014, p. 67). Over time, an increasing number of studies have highlighted the role of organisations in solving social problems such as alleviating poverty, improving development in the areas of health and education (for example Eweje, 2006; Idemudia & Ite, 2006; Sharmin, Khan, & Belal, 2014). The responses from this particular study are consistent with previous research, but still show some level of ambivalence or disagreement suggesting room for improvement.

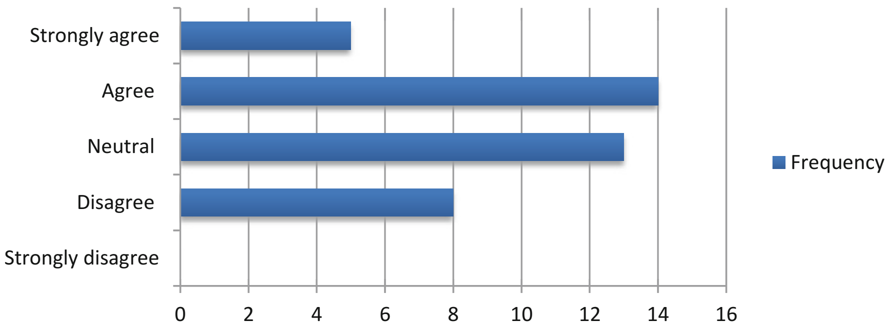
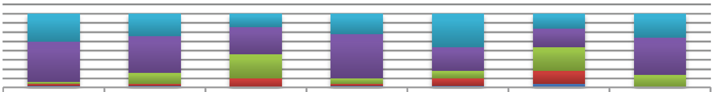


Fig. 1 Contribution of businesses in solving social problems



	Competitiveness of the economy	Employee engagement	Energy and climate security	Social capital development	Infrastructure	Prevention of social inequality	Intellectual capital/ knowledge based economy
Strongly agree	15	12	7	11	18	8	13
Agree	22	20	15	24	13	10	20
Neutral	1	6	13	3	4	13	7
Disagree	1	1	5	1	4	7	0
Strongly disagree	1	1	0	1	1	2	0

Fig. 2 Role of business in improving social and economic conditions

5.2 *Role of Business in Improving Social and Economic Conditions*

The practice of CSR revolves mostly around ethics, environmental protection, but mostly social and economic development (Chintaman, 2014; Dusuki, 2008). The aim of corporations in their endeavor to achieve greater value creation has always been linked with these two important factors and is now embedded in the strategies of contemporary business practices. Companies are urged to be part of the economic and social life of the community and have been somehow effective in reducing and eliminating inequities and inequalities around the world (Hayes and Hannold, 2007). Figure 2 and Table 6 (below) shows, there was strong agreement on the role the business plays in the socio-economic development of the country, with only a minority of respondents expressing disagreement. The level of agreement was strongest in relation to social capital development and competitiveness of the economy, with less agreement in relation to both energy and climate security and prevention of inequality.

5.3 *Methods, Tools and Management Techniques*

The next aspect that was considered related to the various methods, tools and management techniques that the participants perceived to be the most useful in the work of those involved in CSR implementation. According to the participants polled, the most useful in CSR implementation are tools and methods enabling

Table 6 Role of businesses in improving social and economic development

	Competitiveness of the economy	Employee engagement	Energy and climate security	Social capital development	Infrastructure	Prevention of social inequality	Intellectual capital/ knowledge based economy
Strongly disagree	1	1	0	1	1	2	0
Disagree	1	1	5	1	4	7	0
Neutral	1	6	13	3	4	13	7
Agree	22	20	15	24	13	10	20
Strongly agree	15	12	7	11	18	8	13
Total	40	40	40	40	40	40	40

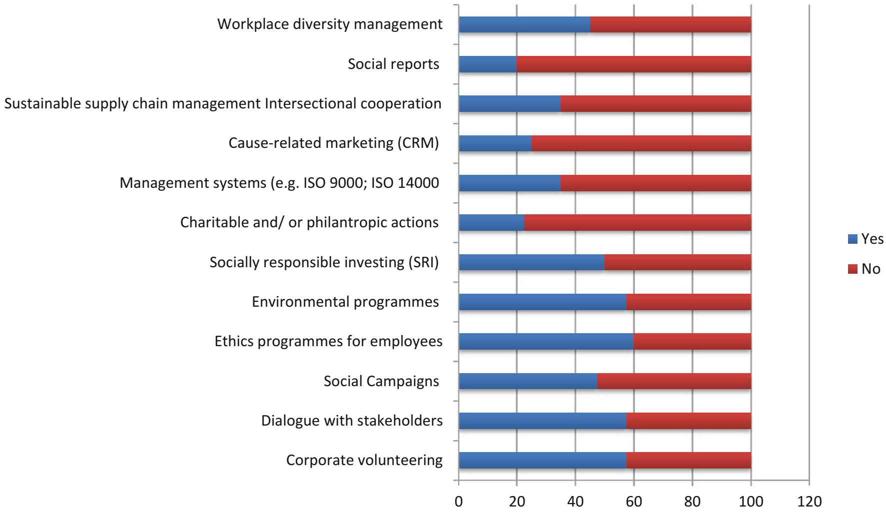


Figure. 3 Methods, tools and management techniques used for CSR

employee involvement such as corporate volunteering (57.5%), ethical programmes for employees (60%) or dialogue with stakeholders (57.5%). Respondents also named environmental programmes (57.5%) as useful initiatives. Social reports (20%) however were considered as tools that are underused and not very useful. Previous research has also shown that organisations use an array of tools and management techniques to conduct CSR activities (see Tencati, Perrini, & Pogutz, 2004). As such Mauritian firms represented in this reserach (Fig. 3) engage in socially responsible activities using several tools including specific programs on social issues, sponsorships, donations, adoption of codes of conduct (Tencati et al., 2004).

5.4 *Benefits Derived from CSR Implementation*

There is a general perception that CSR activities bring internal and external benefits to companies. Prior research has found that companies that demonstrate social responsibility gain specific benefits (see Adams and Ambika, 2005). According to Bayoud et al. (2012) benefits related to CSR include enhanced reputation and financial performance, the ability to attract foreign investors, higher customer satisfaction and increased employee commitment. The results in this study were not very significant in relations to the various benefits included in the questionnaire. Improvement in relations with the local community (55%) was the main benefit that participants perceived to be most relevant, whereas, a decrease in the number of

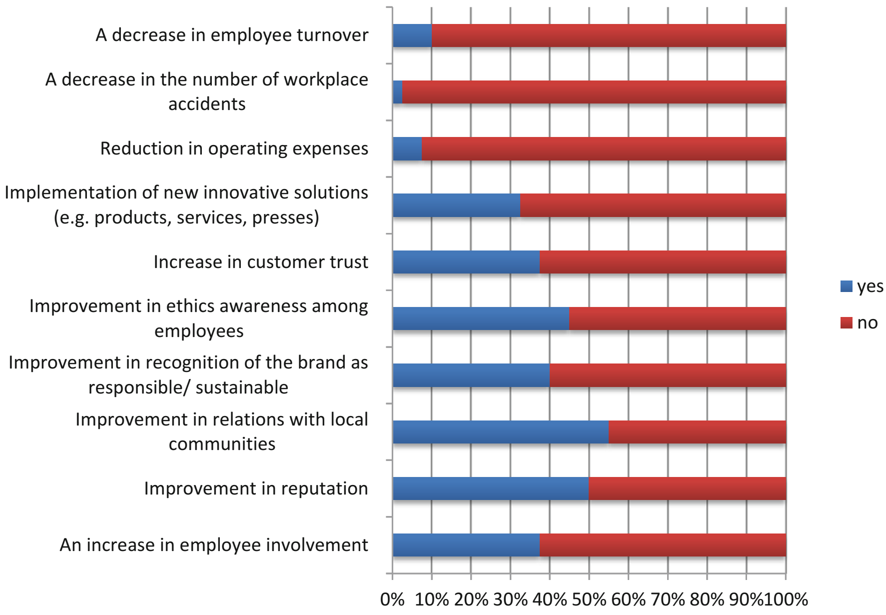


Figure 4 Benefits derived from CSR implementation

workplace accidents (2.5%) was the least significant among the benefits. In general, the results of this study might not be consistent with the findings from previous research (Fig. 4).

5.5 *Measuring the Impact of CSR*

Measuring CSR performance has been a complex task due to a perceived difficulty in using metrics that cover all the areas of CSR. Although researchers in the past have tried to measure the impact of CSR or its performance there has been a lack of construct that is representative of the CSR measure and some have focused on partial areas of the latter and ignoring the rest (Jackson, Bartosch, Avetisyan, Kinderman, & Knudsen, 2020). This part of the survey was therefore related to how far the organisations under study cared about measuring their CSR performance. Based on the perceptions of the participants (Fig. 5) in the sample, organisations seemed to be the least interested in their results (35%) and 27.5% of the respondents were not aware of any CSR measuring mechanisms. As shown in Fig. 6, Media monitoring (42.5%) was perceived as the most popular method of evaluation followed by impact evaluation (37.5%), cost benefit analysis (37.5%) and to a lesser extent opinion polls (32.5%).

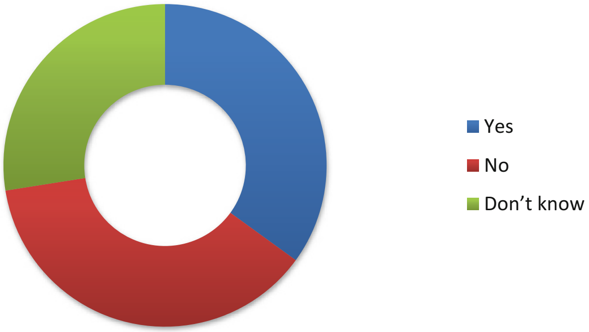


Fig. 5 Do you measure the results of csr in your company

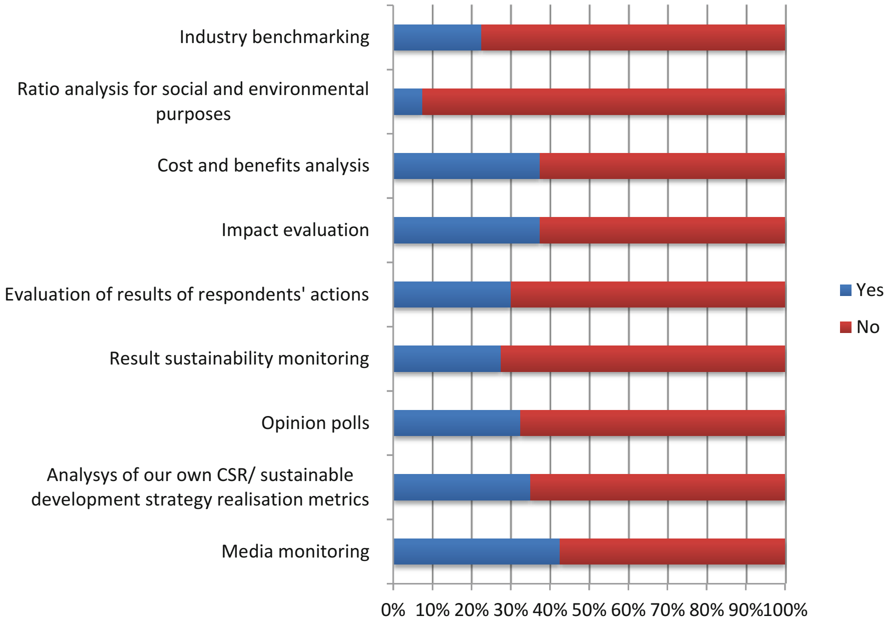


Fig. 6 Tools used for measuring CSR

5.6 The Role of the Government

Previous research has focused on identifying different models of the role of governments in CSR implementation, which has resulted in a complex web of CSR governance instruments (Knudsen & Moon, 2019). According to these authors the role of the government can be classified as follows; the free-market/non- intervention view, the Watchdog approach and the Partnership model (Knudsen & Moon, 2019). On the other hand, other researches have been more general by classifying the phenomenon in

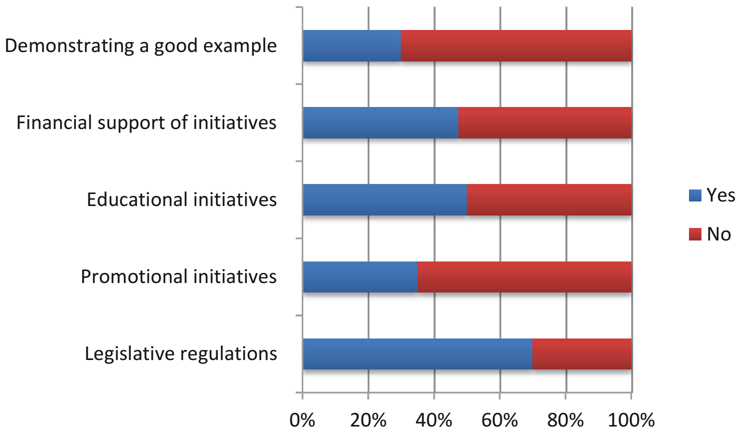


Fig. 7 The role of the government

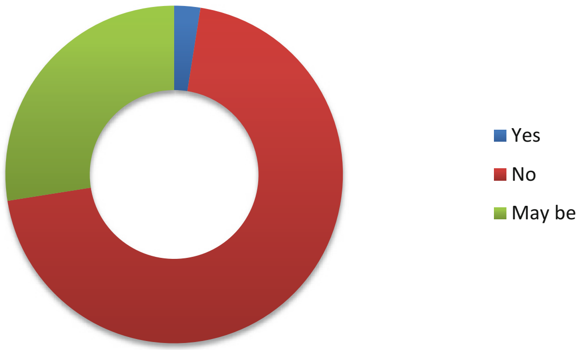


Fig. 8 Whether the government is accomplishing its role to raise awareness in social, environmental and sustainability issues

two types, government regulation and business self-regulation (see Jackson et al., 2020). Consequently, mandatory non-financial disclosure regulation that promotes transparency thus reducing information asymmetries between businesses and stakeholders (Hess, 2007), has emerged as a central instrument of government CSR policy. As discussed in the case of Mauritius, government regulation was introduced after early attempts at self regulation were relatively unsuccessful.

The perceptions of the respondents are depicted in Fig. 7 where 70% of the respondents were of the opinion that the role of the government was mostly about legislative regulations. Half of the respondents also felt that the government was also involved educational initiatives. There was also an overwhelming agreement (70%) that the government is not doing enough to increase the degree of companies' awareness of social, environmental and sustainability issues (Fig. 8). Finally, in an open question the respondents were asked to give suggestions of what actions the government should be taking to help in the development of CSR reporting. A list of these suggestions is provided in Table 7, which might be in line with the statement that the government is not doing enough in the sector to promote and facilitate CSR implementation.

Table 7 Participants suggestion about the role of the government in the development of CSR reporting

To be more proactive and committed to the cause of CSR.
Create awareness around the country through media/advertising
Provide vital information to the private sectors via several initiatives and also providing a framework for regulation and the means by which to monitor compliance is likely to improve CSR standards
Provide more education in the field and help organizations implement the CSR activities and policies in the core of their strategy
Active partnership
Provide a clear, non- ambiguous and fair program where CSR actions and results are measured. KPIs/benchmark clearly set prior to investment.
There should be a rise in the accountability of private companies, society members as well as public corporations. The government's stance should shift from self-promotion of the ruling political party to understanding the importance of ensuring effective measures in the form of laws and initiatives to reduce inequalities and increase climate change awareness with CSR.
The economic, environmental, social and governance performance should be made available to the general public, with proper unbiased reporting auditing taking place.
Financial support of initiatives
Educational campaigns to the public and incentives to companies to invest in CSR reporting
Provide incentives, both financial and non-financial incentives to the companies to encourage them to participate in the CSR programs
Act as a watchdog throughout the process
Law making, everything else should be independent of government.
Give more support on how to go about with the actual reporting
Allow a tax credit for those having invested or participated in major CSR initiative
Increase the threshold that companies need to contribute and lower the participation threshold in terms of their revenue.
Increase the awareness of more environmental friendly actions from companies and society. These should be supported by social campaigns to lead others by examples..
Provide adequate financial resources to trigger the need for CSR. Rewards can be awarded
Ameliorate legislations and setting up less ambiguous laws which can be exploited in the name of CSR
Encourage companies to be socially responsible by providing them financial aids.
More enforcement of laws to ensure that companies abide to rules and regulations
Investment on businesses and infrastructure development
Encourage involvement of all stakeholders

6 Discussion

This study has explored a number of issues surrounding CSR in organisations in the island economy of Mauritius, using a mixed method approach. One of the advantages of MMR is the complementary nature of examining a range of perspectives via different approaches (Cresswell & Clark, 2017). In this study, the descriptive results from the survey provided an insider perspective on company CSR activities and added depth to the understanding of reporting on CSR activities and while the survey sample was not large enough to offer in depth statistical analysis, it has offered insights which can inform further research. By examining company reports and surveying employees directly involved in CSR, the study has focused on the current state of CSR reporting in the various sectors of the country. In addition to the current state of CSR reporting, this Study also investigated the impacts of businesses on the social and economic development and quality differences between the models of sustainability reporting in the various sectors of the country. The next section provides a brief discussion on the various findings of the study.

Based on the criteria used in the assessment process, the quality level of the reports in the study sample seemed generally low (1.70) with a higher score for the relevance of the information than the credibility indicator. This is consistent with previous research where CSR reporting has been criticized for the lack of relevance and credibility (Husillos et al., 2011). These results suggest that there is room for improvement as the score is on a scale of 4. The evidence points to lower credibility in the information reported and raises concerns about the consistency of the overall reporting practices in the country. As this study relied on a particular framework for assessing the reports, there might be other aspects that should be considered for a more thorough analysis. Previous research has indicated that the industry also plays a key role in decisions regarding the quality of disclosure of a company (Hassan & Ibrahim, 2012; Patten, 2002; Torelli et al., 2019), that is there are expectations and standards created by the sector in which the company is operating.

The findings from the survey provided some valuable insights about the trends in CSR reporting in Mauritius. As the case is in many countries, organisations have consistently been involved in solving social problems. There also is evidence that CSR practice in Africa is mostly focused on philanthropic responsibilities, alleviating poverty, community development programmes, provision of facilities in education, health, and sport development, where corporations try to increase their profitability by image creation (Hamidu et al., 2016). Therefore this study adds to the extant literature with the evidence of the reports and the opinions of those involved being consistent with findings from previous research in this field.

In relation to the CSR implementation tools and methods, a few of these seemed to be favoured by organisations including corporate volunteering, ethical and environmental programmes for employees and dialogue with stakeholders. There is a perceived difference among the tools or methods used by organisations in each industry (Bala, 2015) and this survey did not measure this particular aspect. Thus there might be different CSR activities being conducted by different companies in different industries. There is further need to conduct research to explore the methods of implementation of CSR in Mauritian companies to further elucidate this phenomenon.

The findings from the study revealed that participants did not perceive any tangible benefits from their CSR activities, except Improvement in relations with the local community. In other research CSR activities have been found to positively influence firm value (Bader, 2005; Bayoud, Kavanagh, & Slaughte, 2012; Kang, Lee, & Huh, 2010; Lee & Heo, 2009), return on assets (Lee & Park, 2009), and marketing advantage (Atakan & Eker, 2007; Butler, 2008). Further investigation is needed to establish whether this is associated with a lack of engagement with CSR, limited understanding of benefits available or poor measurements of benefits obtained.

As mentioned earlier in this chapter measuring CSR performance is a complex and difficult task due to a lack of agreed metrics that cover all the areas of CSR. In a review conducted, Wood (2010) suggested that CSR (referred to as Corporate Social performance here) has been measured using Social reports, Environmental reports, Annual reports of social or environmental disclosures, Multi-faceted CC measure, KLD ratings, Multi-faceted CSP measure: Stiller's Ethical (Performance Scorecard (EPS)), Canadian Social Investment Database (CSID) ratings, ARESE ratings and Vigeo ratings (Europe). In the intervening years there has been a proliferation of approaches, and while some initiatives such as the GRI have sought to breach the reporting gap, there is still limited consensus with even international accounting standards focussed on helping investors not yet adopted worldwide (Hoogervorst, 2019). Due to its multi-dimensional nature and seen the difficulty that lies in the process of measuring, the findings of this study suggested that organisations did not really have interest in measuring their CSR performance. Although CSR reporting seems to be institutionalized, there is no mechanism or framework to monitor the process in terms of performance.

Finally the last section of the survey was related to the government's role in the implementation of CSR in the country. As such, the government's role has mainly been to provide regulations to maintain control on corporate activities within its supremacy through taxation, registration and most particularly contribution from corporate earnings for advancement of philanthropic responsibilities. Although, the government capacity for enforcement remains a serious tool, the effectiveness of legislation as a driver for CSR remains quite questionable. In part this is because compliance with legislative requirements is a long way from an all-encompassing approach to CSR as part of core business. There is little agreement about the efficiency of the government policies and how successful it has been to date in its role as a facilitator. Ultimately the government is expected to do more efforts in the promotion of CSR implementation and as a facilitator of the process. In other African countries the issue of regulated CSR has been identified as lagging behind due to dysfunctionality and inefficiencies of governmental agencies (Hamidu et al., 2016). This might not be wholly true in the case of Mauritius, however, compliance with international standards such as the GRI appear to be virtually absent.

On a concluding note we need to point out that this study is not free from limitations. Due to the cumbersome nature of the data collection process, we employed a relatively small sample. Hence, a larger sample could have improved the quality of the findings. We also need to acknowledge that the measures used here might not fully capture all the possible and relevant dimensions, frameworks and measures of the quality of information provided. There might be other dimensions or frameworks of quality that could add to the understanding of CSR reporting practices in the Mauritian context. Moreover, we focused only on data from a one-year period from selected industries.

Finally, this study has brought to light some vital insights on the current trends in CSR implementation and practices in Mauritius. It has laid down strong bases for future research and added to the body of knowledge in the field. It also contributes to the existing empirical evidence in the field by adding data from a context that is quite unique, but also less-emphasised. The research has therefore attempted to reduce the gap in the literature in the field by providing an important update on the actual state of CSR in the island economy of Mauritius.

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Corporate Social Responsibility in Nigeria

Corporate Social Responsibility Practices: The Nigerian Experience

S. C. Okaro and Gloria O. Okafor

Abstract The purpose of this study is to explore how corporate social responsibility is practiced and understood in Nigeria. The Paper adopts a qualitative research design. A literature search is undertaken to situate the theory and practice of corporate social responsibility in Nigeria. A detailed content analysis of the annual reports and accounts of some selected companies quoted in the Nigerian Stock Exchange is undertaken to ascertain the current practices of social responsibility across sectorial divides as well as glean the perception of company management about corporate social responsibility in Nigeria. Areas of external social responsibility interventions are mainly in the field of education, health and security. The dominant view among corporate management is that corporate social responsibility is a means of "uplifting the well-being of the immediate community around their operational sites and participation in credible programmes in the general society". Thus many companies see CSR as mere philanthropy. As a result only very few of the companies had a well thought out strategy for their CSR interventions. A highly neglected area in respect of CSR practices is in respect of the environment. We document a weak institutional environment which offers no incentives for companies to scale up their CSR practices. Few of the companies are, however, beginning to see a nexus between good CSR practices and employee loyalty and performance. Also some companies are beginning to imbibe the idea that CSR, apart from philanthropy, should be targeted at helping the wider society ameliorate its daunting developmental challenges. Our study has implication for CSR regulation and practice in Nigeria.

Keywords Corporate social responsibility · CSR practices · External social responsibility · CSR dimensions · CSR drivers · CSR elements

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1 Introduction

Advocates of corporate social responsibility believe that companies have responsibilities, which extends beyond making profits, to society (Olajide, 2014). Although there is no consensus on what social corporate responsibility means, the subject is increasingly drawing the attention of stakeholders and academics. Bowen (1953) in Usman and Amran (2015) is reputed to have been one of the early writers to define the concept of CSR. He defines CSR as "a social obligation which pursues policies set, making decisions on the policies set, or to follow the lines of actions which are desirable in terms of the aims and society values"(Senyigit & Shuaibu, 2017). Carroll (1991) proposed four dimensions of CSR as economic, legal, ethical and discretionary responsibilities. This study updates extant studies on CSR practices and perspectives in the Nigerian environment even as it offers some fresh insights.

2 Conceptual, Theoretical and General Considerations

2.1 Conceptual Framework

Several models have been advanced as legitimate framework for implementing CSR. CSR is generally understood to be the way a company achieves a balance or integration of economic, environmental and social imperatives while at the same time attending to shareholders and stakeholders expectation (Olokode, 2008).

Carroll (1991) proposed four hierarchical dimensions of CSR as economic, legal, ethical and philanthropic responsibilities. The economic component is at the base and progresses to legal, ethical and philanthropic at the top of the hierarchy. Under economic responsibilities, firms are business entities established to provide goods and services to society. Economic responsibility presupposes among others that business should be committed to being as profitable as possible, maintain a strong competitive position as well as target a high level of operating efficiency.

The notion of legal responsibility connotes a business performing in a manner consistent with expectations of government and law. Such a business must be law abiding corporate citizen and should produce goods and services that meet minimal legal requirements.

Ethical responsibility is concerned with business performing in a manner consistent with societal expectations and ethical norms. Business should recognize and respect new and or evolving ethical/moral norms adopted by society. Business should prevent ethical norms from being compromised in order to achieve corporate goals.

Philanthropic responsibility is about a business contributing resources to the community, performing in a manner consistent with the philanthropic and charitable expectations of society. A business is expected to support projects that enhance the community quality of life (Olajide, 2014).

This model compared to other similar models has been hailed as being pragmatic and realistic as it takes into account the altruistic characteristics of a firm without comprising the responsibility of business to meet the economic responsibility of the firm. However, Ehie & Hall (2016) found that the philanthropic component weighs heavier than both the legal and ethical components of the CSR pyramid in the African context. Some writers thus hold the view that the concept of CSR in developing countries must necessarily differ because of institutional voids in developing countries. Given this scenario, CSR in the Nigerian context has been explained as being aimed towards addressing the peculiarity of the socio-economic development challenges of the country (example poverty alleviation, health care provision, infrastructural development, education and so on). This is informed by socio-cultural influences (example communalism and charity). They might not necessarily reflect the popular Western standard/expectations of CSR; example consumer protection, fair trade, green marketing, climate change concerns, social responsible investments and so on (Amaeshi, Adi, Ogbechie, & Amao, 2006).

2.2 Theoretical Framework

(a) Stakeholder Theory

Stakeholder theory posits that beyond shareholders, there are several other interests including individuals and groups. The theory emphasizes the need for managers to be accountable to all stakeholders and not just shareholders alone. Stakeholders are individuals or groups which were either harmed by or benefits from the organisation or whose rights have been violated or have to be respected by the organization (Olajide, 2014). Stakeholder theorists are of the view that the success of an organisation mostly depends on how well a business can balance its economic and non-economic objectives (Senyigit & Shuaibu, 2017).

(b) Legitimacy Theory

Organisational legitimacy theory predicts that organisations will do whatever they regard as necessary in order to preserve their image of a legitimate business with legitimate aims and methods of achieving it (Odia & Imagbe, 2015). This theory recognises that a business is a social institution that must use its power responsibly if society is not to revoke it. Those who do not use power in a manner which society considers responsible will run the risk of losing it in the long run. Thus organisations try to operate within the bounds and norms of society.

Stakeholder and legitimacy theories are commonly used to explain the phenomenon of reporting CSR practices (Tilt, 2016).

2.3 Merits and Demerits of CSR

There have been arguments over the years in respect of the merits and demerits of CSR. Arguments in favour include:

1. It is in the long-term interest of businesses. That is a case of enlightened self-interest as it helps in improved innovation, competitiveness and market positioning
2. It enhances ability to address change
3. It enhances more robust social lines to operate in the community.
4. It is necessary to be socially responsible if business is to have a healthy climate to operate
5. It will ward off government regulation as future government intervention can be forestalled.
6. Businesses have the resources and so should engage in it.
7. Being proactive is better than reacting to social problems
8. The public strongly support it
9. It helps organisations in improving its reputation management
10. It enhances the ability of the organisations to retain staff
11. It reduces operating costs
12. It enhances improved relations with the investment community
13. It grants better access to capital (Asemah, Okpanachi, & Edegoh, 2013)

Arguments against include:

1. The one responsibility of business is to maximize the profits of its owners
2. Business is not equipped to handle social activities
3. It dilutes the prime purpose of business
4. Business already has enormous powers and should not be saddled with additional one in the name of social responsibility
5. Pursuit of CSR will make business less competitive globally (Carroll & Shabana, 2010).

3 CSR in Nigeria- Theoretical and Empirical Considerations

3.1 CSR Environment in Nigeria

Nigeria arguably is the largest economy in Sub-Saharan Africa. Until 1970s, the Nigerian economy was based on agricultural and trading activities. Since then it has become dependent on oil which accounts for over 90% of its export earnings. Efforts to diversify its mono -product economy have proved so far largely unsuccessful. The industrial sector can be classified into four groups namely multinational, National, Regional and local. In spite of, being a country with vast resources and potential wealth, the vast majority of Nigerians live in abject poverty. Problems facing all businesses in Nigeria include lack of infrastructure, poor governance, insecurity of lives and property, weak and corruption ridden public sector, tax evasion, bribery, high cost of finance, weak enforcement of contracts and poor score on the ease of doing business. On the plus side is the current review of Company and Allied Matters Act of 1990 in 2019 to update the provisions of the law on businesses and facilitate the ease of doing business. Similarly, a new code of corporate governance has been promulgated in 2018 to reflect international best practices and has implications for corporate governance and corporate social responsibility. The Nigerian Stock Exchange (NSE) has also instituted merit awards for corporate bodies to encourage good corporate governance and corporate social responsibility practices.

CSR as a concept is still relatively new in Nigeria and started as a response by multinationals to remedy the effects of the extraction activities on the local communities. However, CSR practices have begun to evolve especially among MNEs and large National companies and are largely philanthropic in nature. Also legal and institutional support for CSR practices in Nigeria is also on the increase. For example the Companies and Allied matters Act of 1990 has undergone a comprehensive review with a view, among others, to create a more favourable environment for CSR practices by companies in Nigeria. Similarly, a new code of corporate governance has been enacted in Nigeria in 2018 creating enabling environment for corporate governance and corporate social responsibility practices. The Financial Reporting Council of Nigeria (FRCN) is now charged with the responsibility of rigorous enforcement of the provisions of the code. The Nigerian Stock Exchange on its part is encouraging quoted Nigerian companies to be more socially responsible by instituting prices and merit awards to deserving companies. On the International front, ISO 26000 issued in 2010 provides guidance to corporations on social responsibility even as it clarifies what social responsibility is (Idowu, Tudor, & Farcas, 2016).

3.2 Drivers of CSR in Nigeria

At the organizational level CSR has been found to be driven by a myriad of factors from extant literature. Some of the factors are culture, size and ownership, financial strength, industry type and structure etc. From institutional perspective the argument is located in wider responsibility systems in which business, governmental, legal and social actors operate according to some measure of mutual responsiveness, interdependence, choice and capacity (Matten & Moon, 2008 as in Amaeshi, Adegbite, & Rajwani, 2018). The result is variation of CSR practices across countries and institutional contexts.

Although CSR practice in Africa is thought to be adopted from Western business theories, there are ample evidences to suggest that such Western theories are not totally applicable to Africa. The simple reason is that there are differences in the drivers or causes of CSR in the West as in Africa. Also there are peculiar cultural and managerial traits in Africa. In such situations, the assumptions of enabling institutional arrangements for responsible business practices may not be tenable (Amaeshi et al., 2018). Institutions in the concrete sense include patterns of corporation and competition among firms, the role of technical societies and governments, capital markets, regulation, NGOs and employee programmes (Eggersston, 2005 in Amaeshi et al., 2018).

Amaeshi et al., (2006) identify six main drivers of CSR in Nigeria. This is shown below with the weights attached to them by respondents as follows:

Local needs (Community expectation)/ public Pressures 46%.

Globalisation including multinational influences 38%

Competition 38%
Public Relations (branding) 38%
Regulation 31%
Firm‘s Success 31%

The need to mitigate community stakeholder‘s risk, government push, competitive advantage, and diverting attention of key stakeholders have been identified as some of the drivers of CSR in the construction industry in Nigeria (Ekung, Ujene, & Ebong, 2014). Adeyemo, Oyebamiji, & Alimi (2013), identify competition, employees demand, government policy, organisational culture and customer demand as some of the factors that drive CSR practices in the Nigerian manufacturing sector. For Nigerian banks cultural influence, building corporate image and reducing pressure from stakeholders are some of the drivers of their philanthropic activities (Hamidu, Haron, & Amran, 2018). Interestingly, it has also been found that even in situations of institutional voids that managers may still act responsibly in terms of CSR practices (non-philanthropic). The CSR adaptive mechanisms that enables this to happen include private morality and sense of stakeholder fairness of the firm (Amaeshi et al., 2018).

3.3 *Challenges of CSR in Nigeria*

As pointed out earlier, extant literature argues that CSR requires certain conditions and institutional arrangements to function optimally. These conditions and institutions include strong government, market, and civil society. These features, in spite of improvements in recent years, still remain a major challenge in CSR practice in Nigeria. Other challenges include corruption which is widely acknowledged in Nigeria as hampering business activities and economic development (Amaeshi et al., 2016). Other challenges include:

1. Inability of many corporate bodies to identify areas of intervention in respect of

CSR because they are faced with a barrage of demands from their host communities.
2. Insurgency and Security threats from certain parts of the country. A good example is the Boko Haram insurgency in the North East part of the country. In such situations projects executed by companies under the CSR initiatives are often destroyed by the insurgents.
3. Often there are conflicts between shareholders and other stakeholders on the need for such CSR activities as shareholders are more interested in short run profit maximization.
4. Wrong notion that CSR responsibility should rest squarely on government as corporate bodies pay taxes to government (Mamidu, Adetula, & Abu, 2015).

3.4 CSR Practices in Nigeria: A Review of Some Empirical Works

There are many studies on CSR practices in Nigeria.

Adeyemo et al., (2013) saw corporate social responsibility as a tool to survive in a globally competitive environment. Using questionnaires to elicit information from respondents, the study identified, among others, competition, employees demand, government policy, organisation culture and customer demand as factors that influence CSR practices in Nigeria‘s manufacturing companies.

Ekhator (2014) carried out a study of CSR practices among Chinese oil multinationals operating in Nigeria in comparison to their Western counterparts. They found that Chinese companies practiced philanthropy based on a policy of non-interference. Usman and Amran (2015) conducted content analysis to extract CSR and financial data from annual reports of 68 companies listed on the Nigeria Stock Exchange. It found that companies used CSR initiatives to communicate social performance to their stakeholders. Community practices, products and customer practices, as disclosed, were found to enhance corporate financial performance. Ehie & Hall (2016) confirmed a positive relationship between CSR practices and corporate financial performance in Nigeria banking industry (Senyigit & Shuaibu, 2017). Mamidu et al. (2015) found out that environmental accounting is still in its infancy in Nigeria. It is possible that some SMEs in Africa including Nigeria do at times do ‘institutional works ‘as opposed to what is commonly referred to as philanthropy in the African context (Amaeshi et al., 2015). In food and beverage industry in Nigeria, environmental reporting was most popular followed by product reporting and then followed by human rights reporting (Isa, 2014).

3.5 Our Empirical Study of CSR Practices in Nigeria

We conducted content analysis to extract CSR data from annual reports of 68 out of 132 companies listed on the Nigeria Stock Exchange. 8 of the companies were from the oil and gas sector while the banking sector had 14 companies. The rest 46 companies were from the manufacturing sector. Seven core subject areas as identified by ISO26000 were the basis of the CSR Practices analysis. These are organizational governance, human rights, labour, environment, fair operating practices, consumer issues and community involvement and development. The core subject areas are further subdivided to capture its various aspects. For example Human rights is further broken down into due diligence, human right risk situations, avoidance of complicity, discriminative and vulnerable groups, civil and political rights, economic, social and cultural rights and fundamental principles and rights at work. The details are shown in Table 1 below:

From Table 1 above corporate governance practices was widespread in the companies as all the companies practiced and reported on this subject area. Many companies included corporate governance reports as part of their annual reports. Nigeria operates a corporate governance code and all publicly listed companies are expected to comply hence the high degree of compliance. On the average 20% of the 68 companies disclosed information on their human right practices. Labour practices were popular as 53% of the companies on the average disclosed their practices in this regard. Nigeria is a signatory to International LabourOrganisation (ILO)convention on collective bargaining and has a functional Industrial court that adjudicates trade disputes between trade unions and their employers. Reporting of environmental practices average 21.7% while reporting of fair operating practices was a poor 3.8% on the average. On a sectorial basis the table suggests that CSR practices are mixed. In some cases oil and gas recorded superior performance while in some others the banking sector fared better. In others the manufacturing sector did better. CSR practices that were popular across the various sectorial divides include discriminative and vulnerable groups, employment and employment relationships, human development and training in the workplace, community involvement and social investment.

We found that virtually all listed companies in Nigeria engage in corporate philanthropy. Table 2 below shows the amount spent by some selected companies across the three sectorial divide in 2017 under their donations and charitable gifts expenditure disclosure as required by section 38(2) of Nigeria‘s Company and Allied Matters Act 1990 as amended (CAMA).

Table 2 above shows that Nigerian public companies are spending enormous amount of money annually on corporate philanthropy as captured by their donations and gifts. It is now fashionable for most of the companies to capture their CSR activities under separate sustainability reports. A growing trend is for the companies to preface their CSR reports with the philosophy guiding their CSR activities. For GTB Bank, for example, it has this to say about its CSR activities “Our CSR initiatives are targeted at the areas where we believe we can have the greatest impact

Table 1 Corporate social responsibility practices in nigeria

	Key elements of SR disclosed in the annual statements of companies	Oil & Gas (8)	Bank (14)	Manufacturing (46)	Average (68)
1	Organizational governance	8 (100%)	14 (100%)	46 (100%)	68 (100%)
2	Human rights:				
A	Due diligence	0	1(7.1%)	3 (6.5%)	4 (5.9%)
B	Human right risk situations	0	0	0	0 (0%)
C	Avoidance of complicity				
D	Discriminative and vulnerable groups	7 (87.5%)	10 (71.4%)	24 (52.2%)	41 (60.3%)
E	Civil and political rights	0	0	0	0
F	Economic, social and cultural rights	0	0	0	0
G	Fundamental principles and right at work	5 (62.5%)	12 (85.7%)	33 (71.7%)	50 (73.5%)
	Average	12 (21%)	23 (23.5%)	60 (18.6%)	95 (20.0%)
3	Labour Practices:				
A	Employment and employment relationships	7 (87.5%)	12 (85.7%)	33 (70.2%)	52 (76.5%)
B	Conditions at work and social protection	5 (62.5%)	5 (35.7%)	9 (19.6%)	19 (27.9%)
C	Social dialogue	0	0	1 (2.2%)	1 (1.5%)
D	Health and safety at work	6 (75%)	11 (78.6%)	36 (78.3%)	53 (77.9%)
E	Human development and training in the work place	7 (87.5%)	12 (85.7%)	37 (80.4%)	56 (82.4%)
	Average	25 (62.5%)	40 (57.1%)	116 (50.4%)	181 (53.2%)
4	Environment				
A	Prevention of pollution	2 (25%)	3 (21.4%)	15 (32.6%)	20 (29.4%)
B	Sustainable resource use	0	6 (42.9%)	13 (28.3%)	19 (27.9%)
C	Climate change mitigation and adaptation	0	3 (21.4%)	8 (17%)	11 (15.9%)
D	Protection of the environment, bio-diversity and restoration of natural habitats	1 (12.5%)	0	8 (17.4%)	9 (13.3%)
	Average	3 (9.4%)	12 (21.4%)	44 (23.9%)	59 (21.7%)
5	Fair operating practices				
A	Anti- corruption	0	0	0	0
B	Responsible political involvement	0	0	0	0
C	Fair competition	0	0	0	0
D	Promoting social responsibility in the value chain	0	0	13 (28.3%)	13 (19.1%)

(continued)

Table 1 (continued)

	Key elements of SR disclosed in the annual statements of companies	Oil & Gas (8)	Bank (14)	Manufacturing (46)	Average (68)
E	Respect for property rights	0	0	0	0
	Average	0	0	13 (5.7%)	13 (3.8%)
6	Consumer Issues				
A	Fair marketing, factual and unbiased information and fair contractual services	1 (12.5%)	3 (21.4%)	4 (8.7%)	8 (11.8%)
B	Protecting consumers health and safety	1 (12.5%)	0	5 (10.9%)	6 (8.8%)
C	Sustainable consumption	0	0	4 (8.7%)	4 (5.8%)
D	Consumer service, support and dispute resolution	0	5 (35.7%)	5 (10.9%)	10 (14.7%)
E	Consumer data protection and privacy	0	2 (14.3%)	2 (4.3%)	4 (5.9%)
F	Access to essential services	0	5 (35.7%)	3 (6.5%)	8 (11.8%)
G	Education and awareness	1 (12.5%)	4 (28.6%)	3 (6.5%)	8 (11.8%)
	Average	3 (5.4%)	19 (19.4%)	26 (8.1%)	48 (10.1%)
7	Community involvement and development				
A	Community involvement	7 (87.5%)	10 (71.4%)	21 (45.7%)	38 (55.9%)
B	Education and culture	5 (62.5%)	8 (57.1%)	16 (34.8%)	29 (42.6%)
C	Employment creation and skills	2 (25%)	4 (28.6%)	4 (8.7%)	10 (14.7%)
D	Technology development and access	0	0	1 (2.2%)	1 (1.5%)
E	Wealth and income creation	1 (12.5%)	0	0	1 (1.5%)
F	Health	2 (25%)	5 (35.7%)	10 (21.7%)	17 (25%)
G	Social investment	7 (87.5%)	10 (71.4%)	21 (45.7%)	38 (55.9%)
	Average	24 (42.9%)	37 (37.8%)	73 (22.7%)	134 (28.2%)

Source: Culled from the 2017 annual reports and accounts of companies listed in the Nigeria Stock Exchange

and which are crucial to the development of our communities. These areas which we describe as the four major pillars of our CSR efforts are education, community development, arts and the environment". First bank had this to say about its CSR policy "Our CSR approach is three pronged: citizenship, stakeholder management and impact management. Citizenship and stakeholder management involves considering the needs of stakeholders when making decisions while impact management is

Table 2 CSR Initiatives of Selected Nigeria Listed Companies for 2017 as per CAMA Disclosure Requirement

Company	Sector	Amount Spent(₦'000)
UnileverPlc.	Manufacturing	18,675,960
CutixPlc.	Manufacturing	13,575
Dangote Cement Plc.	Manufacturing	805,582
Guiness(Nig.) Plc.	Manufacturing	11,775
Nigerian Breweries Plc.	Manufacturing	76,885
Eterna Oil	Oil and Gas	15,167
Total Oil	Oil and gas	132,123
Oando Plc.	Oil and Gas	253,804
IIPlc. (Formerly Mobil Plc.)	Oil and Gas	2625
FBN Plc.	Banking	1,758,000
Union BankPlc.	Banking	30,550
Access Bank Plc.	Banking	285,339
GTB Plc	Banking	867,113

Source: 2017 Annual Reports of companies listed on the Nigeria Stock Exchange

about minimising negative impacts and increasing our positive impacts on society. Survival of communities underpins our sustainability. Under community support, we focused on education, health and welfare and the environment". AG Leventis wrote "our CSR integrates social, environmental and economic concerns into the groups values culture, decision-making, strategy and operations enriching the lives of employees and community at large. For Neimeth Plc, "our CSR and business culture demand that a certain percentage of our earning be ploughed back into society. We offer technical assistance to state governments in the area of drug revolving schemes. For PZ Cussons Plc "Our CSR strategy is to improve the welfare of Nigerians by working in partnership with local communities, government and other Non-governmental organisations, Our priority areas of intervention are in health empowerment, education and portable water. For UBA Plc. "as part of our commitment to the development of host communities, the environment and broader economy within which we operate across the group.

A careful analysis of the above sample CSR philosophies of the companies show varied perspectives of CSR. While few still see CSR as ploughing back percentage of earnings, others have gone beyond that to recognise that CSR also involves partnering with the local or host communities to drive development. At the highest level, some Nigerian companies are recognizing that CSR in the context of a developing nation like Nigeria involves not just only corporate philanthropy but partnering with local communities, governments and NGOs to deliver value not just only to the local community alone but the entire economy through interventions aimed at mitigating the effects of "institutional voids" Our review of the content of the annual reports shows that some Conglomerates like PZ Cussons and Nigerian Breweries as well as some Banks are at the vanguard of pushing the CSR agenda to have a wide scope for national development. We ascribe this to the fact that the

Table 3 Comparison of CSR Expenditure of Some Selected Companies for Two Years

Company	Profit(Loss) After Tax 2017(₦'M)	CSR 2017 (₦'M)	Profit(Loss) After Tax 2016(₦'M)	CSR 2016 (₦'M)
Vitafoam	(127.690)	6.360	(32.032)	7.971
Dangote Cement Plc	204,248	1020	142,858	500
Eterna Oil	15.17	2001.902	3.324	1477.559
OANDO PLc	13041.744	253.804314	3543.373	NIL
Fidelity Bank Plc	18,857	417.028	9734	65.578432
UBA Plc	78,590	833	72,264	650

Source: Extracts from 2017 Annual Reports of the Companies

institutions control bigger financial resources and are appreciating the need to commit a good proportion of their profits to sustain their CSR activities. Some of the organisations like Nigerian Breweries Plc and PZ Cussons maintain additionally foundations to run their CSR initiatives. Many of the companies did not disclose their total expenditure on CSR as the law requires only disclosure for donations and gifts to charity and political donations. We also found out that some CSR activities of the companies, like donation of drugs, were in kind. Few Nigerian companies are beginning tosee the nexus between market competitiveness and CSR activities by asserting that it confers on them competitive edge in the market by among others allowing them get the best staff from the local community as well as improving their goodwill amongst its customers. This impacts positively on their profits. In spite of the claims of concern for the environment by the companies, their reporting of CSR environmental practices were not encouraging as shown in Table 1 above. We observed that some organizations are also motivating their employees to be part of the CSR activities of their organisations by encouraging them to donate in cash or kind to worthy CSR activities aimed at uplifting their host communities We found that popular CSR activities are in education, health care, Provision of portable water and security, youth empowerment provision of high quality infrastructure and encouragement of best practices in agriculture. Intervention in education usually includes the award of scholarships to deserving students, honouring of quality teachers, endowment of professorial chairs and building of classroom blocks in host communities. Youth empowerment includes capacity building, talent development, mentoring for entrepreneurship and financial empowerment. Security includes building of police posts and empowerment of approved local vigilante groups. Intervention in agriculture often takes the form of assisting farmers to transit to modern farming methods.

Table 3 below is Comparison of CSR Expenditure of Some Selected Companies for Two Years.

Table 3 above compared the amounts of CSR of 6 companies in relation to their corresponding profits (Loss) for 2017 and 2016 respectively. The six companies cut across the three sectorial divides of Oil and gas, Banking and Manufacturing. VitafoamPlc. spent less in 2017on CSR than it did in 2016. The company's loss was also bigger in 2017 than in 2016. In a similar vein, all the remaining companies posted increased profits after tax and correspondingly increased their donations and contributions to charity. This suggests that Nigerian companies firstly predicate their CSR expenditure on the economic realities facing them. This seems to lend credence to the fact that in the context of Carroll‘s CSR pyramid, economic responsibilities also occupy the first place for Nigerian public limited companies. Our finding accords with a similar Nigerian study which arrived at a similar conclusion. Beyond economic responsibilities, the legal and ethical structure remains rather weak in spite of recent attempts by Nigerian regulatory authorities to ameliorate the situation. CSR practices in Nigeria cannot therefore be expected to follow exactly the Western model as represented by Carroll. This lends credence to those who believe that authentic African model needs to be empanelled to drive CSR activities in Nigeria.

Our study reveals that some indigenous companies are buying into the idea that Corporate CSR in Africa and indeed Nigeria should go beyond philanthropic activities and help address the issue of underdevelopment that has characterised the African landscape for a long time. From our study we found that Dangote Sugar Plc, among others, is in the vanguard of this new awareness. In 2017, the company committed over 1 billion naira in CSR activities spread across issues like youth empowerment, educational support, high quality infrastructure, local health care, community welfare all aimed at helping the affected countries attain the SDG goals. Recently the Federal government of Nigeria opened a new window of opportunity for CSR practice by offering companies that engage in infrastructural development tax incentives to recoup their expenditure. This is a new development in Private/ Public partnership. Already Dangote Cement Plc. is constructing access roads in some of its areas of operations in keeping with the new arrangements.

4 Conclusion

Our study has revealed that CSR practices have become wide spread among Nigerian public companies as virtually all the companies studied engaged in one form of CSR practice or another. Our study revealed that CSR environment in Nigeria is improving and this has been accentuated with the promulgation of a new corporate governance code in 2018 with provisions that accord with International best practices. A revised and comprehensive company law is in the offing. The Financial Reporting Council of Nigeria by virtue of the 2018 corporate governance code is now at the apex of regulation of public companies across all the sectorial divides portending better regulatory efficiency. The Nigerian Stock Exchange is also motivating publicly quoted companies to greater corporate governance and CSR Practices. Our study, however found that “institutional voids” remain. The result is that philanthropic CSR practices remain dominant in Nigeria public companies. However the trend is towards CSR practices that address the wider developmental needs of Nigeria and is being pioneered by large indigenous conglomerates under a public or private sector partnership arrangements. These new developments in the perspective of CSR activities is lending credence to the arguments in academic circles that the Western model of CSR activities need not conform with the perspectives in developing countries because of their peculiar socio economic environment of underdevelopment and other institutional voids.

Appendix 1

Companies whose annual reports were reviewed: (68 companies in all).

Oil and gas sector: (8 companies in all)

1. 11 Plc. (formerly Mobil Oil NigPlc)
2. Capital Oil Plc.
3. ConoilPlc.
4. EternaPlc.
5. Forte Plc.
6. OandoPlc.
7. Seplat Petroleum Development Plc.
8. Total (Nig) Plc.

Banks: (14 companies in all)

9. Access Bank Plc.
10. Diamond BankPlc.
11. Eco Bank Plc.
12. FCMB Plc.
13. Fidelity Bank Plc.
14. First Bank of Nigeria Plc.
15. Guarantee Trust Bank
16. Stanbic IBTC Plc.
17. Sterling Bank Plc.
18. United Bank for Africa (UBA) Plc.
19. Union Bank Plc.
20. Unity Bank Plc
21. WEMA Bank Plc.
22. Zenith Bank Plc.

Manufacturing companies: (46 companies in all)

23. 7-UP bottling company Plc.
24. A. G. Leventis (Nig.) Plc
25. ArbicoPlc
26. Austin Laz& Co. Ltd.
27. Berger Paints Nig. Plc.
28. Beta Glass plc.
29. Cadbury Nig. Plc.
30. CAP Plc.
31. Cement company of Northern Nigeria Plc.

32. Champion breweries. Plc.
33. Chellarams Plc.
34. Cutix Plc.
35. Dangote cement Plc.
36. Dangote flour mills Plc.
37. Dangote Sugar Plc.
38. Fidson Health care Plc.
39. First Aluminium (Nig.)Plc.
40. Flour mills of Nigeria Plc.
41. FTN Cocoa Processors Plc.
42. Greif Nig. Plc.
43. Glaxo Smith Kline Consumer (Nig.).Plc.
44. International Breweries Plc.
45. John Holts Plc.
46. Lafarge Africa Plc.
47. Livestock Feeds Plc.
48. May & Baker (Nig.) Plc.
49. MC Nichols Plc.
50. Meyer plc.
51. Morison industries Plc.
52. NASCON Allied Industries Plc.
53. NCR (Nig.) Plc.
54. Neimeth International Pharmaceutical Plc.
55. Nestle Nig.Plc.
56. Nigerian Enamelware Plc.
57. Vitafoam Plc.
58. Nigerian Breweries Plc.
59. Northern Nigeria flour mill Plc.
60. Paints and coating manufacturers Nig. Plc.
61. PharmaDekoPlc.
62. Portland Paints & Products (Nig.)Plc.
63. Premier Paints Plc.
64. PZ Cussons Plc.
65. Transnational corporation of Nigeria Plc.
66. Tipple GEE & company Plc.
67. Unilever Plc.
68. Union Dicon Salt Plc.

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Corporate Social Responsibility in South Africa

CSR and Sustainable Development in the South African Mining Industry

Suzanne Reyneke

Abstract Globally, Corporate Social Responsibility (CSR) is a complex issue, but even more so in a mineral rich, developing country such as South Africa. There are various interpretations, approaches and perceptions of CSR not only in different economic sectors, but also in different countries. These differences are obvious when comparing CSR in Westernised countries to the developing Global South.

Given its large contribution to the country's economy, this chapter will explore CSR in the South African mining sector, by giving a short historical overview of CSR. CSR in the South African mining industry will be discussed with special reference to the voluntary nature of CSR in South Africa, as well as the legislative frameworks and codes of conduct guiding CSR. Moreover, this chapter will provide an overview of the impact, or lack thereof, of CSR initiatives on South African mining communities. These mining adjacent communities experience numerous social, economic and environmental problems associated with mining activities, which will be highlighted.

Lastly, the different stakeholders in the CSR and mining arena will be discussed, as well as their different roles in contributing to more successful CSR initiatives and sustainability interventions. This may assist in closing the gap between policy and practice regarding CSR in the mining sector, and also contribute to sustainable community development in these marginalised mining communities.

Keywords Corporate social responsibility (CSR) · Mining · South Africa · Sustainable development

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1 Introduction

Internationally, Corporate Social Responsibility (CSR) is a multifaceted and complicated issue, but even more so in a mineral rich, developing country such as South Africa. There are various interpretations, approaches and perceptions of CSR, not only in different economic sectors, but also in different countries. These differences are evident when comparing CSR in Westernised countries to the developing Global South.

Mining operations are known for their significant impact and influence on their surrounding communities and the environment. Mostly, these impacts are experienced negatively by the affected communities and therefore sustainability and sustainable community development plays an increasingly important role in the global mining industry, but especially in South Africa. Due to international pressure and national legislative measures (legislative frameworks and codes of conduct), the extractive industry is at the forefront of worldwide debates about social and environmental sustainability (Cowell, Wehrmeyer, Argust, Graham, & Robertson, 1999). Although mining companies have tried to portray themselves as good corporate citizens by implementing CSR initiatives and taking sustainability issues into account and addressing them, there is still not much evidence of the impact this has had on the sustainability of affected mining communities (Jenkins & Obara, 2006). In the mining industry, CSR aims to balance the varied demands of different communities, while attempting to protect the environment, with the end-goal of profit making. This indicates the intricate balance that needs to be maintained between the Planet, People and Profit (Cronjé & Reyneke, 2015:122). In the next section a brief history of CSR will be given.

2 History of CSR

As early as the twentieth century, concepts such as giving back to society, philanthropy, community service, codes of conduct, and religious guidelines were encountered in the United States of America (USA) and Europe. The term “CSR” is a relatively modern concept, that has progressively evolved over time. CSR is unique to each country in its practice and implementation, due to the cultural factors, national business, legal, and government systems, which defines the content and process of CSR in each region. Chapple and Moon (2005:432) believe that because of their development of large companies, Western countries are more capable to implement CSR and its values than non-Western countries.

Writings on CSR by scholars, practitioners and management research writers emerged around the 1950s. In recent years, CSR gained more traction through media coverage and academic focus. During the 1950s, a change was observed in CSR where the focus switched from the behavior of the individual business leader in managing their company to the behaviour of companies in society (Blowfield &

Murray, 2008:12). Early supporters of CSR argued that CSR activities would lead to limited government regulation of companies, improved company reputation, and the attraction of better quality employees. Furthermore, CSR could lead to business opportunities when identifying social problems, create a society that is socially and economically stronger, and ensure the accountability of companies to society, if done correctly. Subsequently, CSR in the South African mining industry will be explored.

3 CSR in the South African Mining Industry

Developing countries (such as South Africa) possess wealth in their natural resources, but because of this they also develop economic dependence on other importing (developed) countries, which can lead to exploitation. In South Africa, CSR is often debated, and shows the effort by many companies to improve the conditions of mining, and other, communities. After the Apartheid era, inequalities in education, infrastructure, economic power, and basic services access was evident. Since 1994, the democratic government attempted to rectify these inequalities through social programmes, public initiatives, and the involvement of the private sector.

According to Fig (2007:5), the CSR leaders in South African business are mostly the globalised companies, which have investments abroad, with major listings abroad, or are on board with international codes of conduct. These are the companies which produce annual sustainability or social reports, claim to consult various stakeholders, or have quality controls in place in order to monitor health, safety and environmental issues.

AngloGold Ashanti is a global mining company operational on four continents, including South Africa. According to their website, they are the third largest gold mining company in the world, as measured by production (AngloGold Ashanti, 2017a). The company also describes their social contribution to communities to include: Enterprise Development, Infrastructure Development, Public Health Initiatives, Education and Skills Development, as well as Gender Equality (AngloGold Ashanti, 2017b). Furthermore, the company claims to take an interest in the communities where they operate, and create opportunities to better these communities, economically and socially, during and after the mining process (AngloGold Ashanti, 2018:135). In this regard the CSR contributions and sustainable development initiatives look great on paper, but when visiting mining communities (of different companies), none of these initiatives are evident and people are still living in poverty. In many instances, the community is not aware of the programmes run by the mining companies, or are not benefiting from it for some or other reason. AngloGold Ashanti is just one example in this chapter, but all mining communities in South Africa have the same disappointing story to tell.

With regard to environmental, health and safety regulations, the South African government is seen as too weak or unwilling to act against large corporations. For this reason, there is a need, especially in the South African mining sector for self-regulatory approaches. As part of their CSR initiatives, South African companies make considerable donations to social causes, particularly in areas where the government falls short. These initiatives include areas such as education, health, conservation and the arts (Fig, 2007:7).

Many South African companies adhere to international standards and frameworks of CSR, due to internal and external requirements and pressure, but there is still a need for growth. In a developing country like South Africa, there is a definite need for CSR to develop and expand further, particularly with regard to economic and social inequality, and access to basic goods and services. The need in the country for education, health care (HIV/AIDS), and entrepreneurial development, provide companies with endless opportunities for CSR initiatives in order to help solve social issues, and also to empower communities and make a contribution to sustainable community development (Van Wyk, 2011:75–76).

Often observed in South African mining communities are a loss of livelihood; there are few employment opportunities because of migrant labour, in particular for women, as the mining industry lacks gender equity. Furthermore, discriminatory practices are prevalent; this disempowers women which impacts on sustainable social, cultural and economic development of communities. In many instances, the vast social inequalities between rich and poor are evident in these mining communities, and the local community suffers high unemployment rates. These communities are underdeveloped and neither urban nor rural; they are isolated with limited opportunities for the development of other industries or markets. A high prevalence of communicable and poverty related diseases such as HIV/AIDS and tuberculosis are found. These communities experience a high influx of migrant labour and is marked by a degraded landscape and high levels of potentially dangerous and toxic waste and dust from mining operations (Cronjé & Chenga, 2007:211). Consequently, CSR as a voluntary action in South Africa will be discussed.

4 Voluntary CSR in South Africa

Despite the burden of Western operations on the Global South, evidence shows that CSR codes and standards play a vital role in CSR initiatives in developing countries. In South Africa, there are various legislative frameworks and codes of conduct guiding companies in their CSR practices. CSR reporting has become more prevalent globally over the last twenty years. The reason for the importance of guidelines/frameworks, such as the King Codes (the King Reports (I to IV), was released in South Africa between 1994 and 2017 by Judge Mervyn King), is that from 2010, the Johannesburg Stock Exchange (JSE) introduced a listing requirement for companies to either submit to the King Codes and prepare an integrated report or to explain why this requirement was not adhered to. These integrated reports should communicate a company's plans, governance, performance (social, economic and environmental) and forecast to stakeholders in a manner which correctly provides the holistic context of their business operations (Dube & Maroun, 2017:26).

In turn, integrated reporting leads to, or is the first step in the monitoring and evaluation process of CSR initiatives. After obtaining all relevant and detailed information from the integrated report, the monitoring and evaluation process can commence. This process enables stakeholders to assess and measure how successfully initiatives were implemented and determine its impact. Furthermore, this process allows for more effective planning in future and avoids repeating previous mistakes (Niesing, 2016:97). It is becoming more common for South African companies to self-monitor with regard to their practices and policies. This is extremely important in developing countries, as government does not have the capacity for the monitoring and evaluation of companies.

Some of the legislative frameworks guiding CSR in South Africa include:

- South African Constitution—which is the supreme law of the Republic and determines the acceptability of conduct or law in South Africa.
- Bill of Rights—as part of the Constitution which informs on the various rights to be enjoyed by persons in South Africa, and is the cornerstone of democracy in South Africa.
- Companies Act—which may prescribe that a certain category of companies must have a social and ethics committee.
- Mineral and Petroleum Resources Development Act (MPRDA)—which makes provision for equitable access to, and sustainable development of South Africa's mineral and petroleum resources.
- Mining Charter—which facilitates the sustainable transformation, growth and development of the mining industry.
- Broad-Based Black Economic Empowerment (BBBEE) Act—which promotes black economic empowerment; to empower the Minister to issue codes of good practice and to publish transformation charters.

Despite the legislative guidelines above, with reference to CSR aspects, CSR remains informed directly by principles of responsibility and not only principles of law. Therefore, the most prominent CSR related principles and codes of conduct will now be discussed.

4.1 OECD Guidelines for Multinational Enterprises

The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises informs on various corporate responsibility aspects and the role of international investment. Their mission is to promote policies that will improve the economic and social well-being of people around the world. The Guidelines make recommendations to multinational corporations (MNCs) to ensure that MNCs operate in accordance with government policies. These are voluntary recommendations to MNCs in all major areas of business ethics, such as employment and industrial relations, human rights, the environment, information disclosure, combating bribery, consumer interests, science and technology, competition, and taxation (OECD, 2019). The OECD has contributed significantly to CSR through their CSR-related principles, such as the OECD Principles of Corporate Governance and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Over many years, the OECD Guidelines have proved one of the most comprehensive CSR tools. The comprehensive nature of these Guidelines sets a context on CSR for companies.

4.2 Global Sullivan Principles of Social Responsibility

The main objective of the Global Sullivan Principles of Social Responsibility is to encourage companies of different sizes, in different industries and cultures, to strive for economic, social and political justice. This includes important issues such as respect for human rights and equal work opportunities for all. The original Global Sullivan Principles were developed in 1977 to assist US companies operating in South Africa to address Apartheid policies and treat all employees the same, regardless of their race. These principles have been implemented and endorsed by various business councils, non-governmental organisations (NGOs), local authorities, and the private sector. In order to be held accountable, companies are required to report on their activities (Van Wyk, 2011:102–104).

4.3 The UN Global Compact

The UN Global Compact is seen as a stage for the development, implementation and disclosure of responsible and sustainable corporate policies and practices, which aims to align business operations and strategies with human rights, labour, the environment and anticorruption (UNGC, 2019). It calls on the private sector to create a more sustainable and inclusive global marketplace, that benefit all economies and societies globally. The UN Global Compact aims to mainstream their ten principles in business activities around the world, as well as to support broader UN goals, such as the Millennium Development Goals. Furthermore, it assists companies in managing various risks and opportunities with regard to environmental, social and governance areas. The Global Compact endeavours to promote development through good corporate citizenship.

4.4 ISO 14000 Series of Standards and Environmental Management

The ISO 14000 is a series of environmental management systems standards, and ISO 14000 certification confirms that a company has a well-documented, consistent environmental management system. The aim of ISO 14000 is for companies to improve their environmental performance by implementing ISO 14001. The process helps manage the activities of companies that impact the environment. The primary drawback of ISO 14001 is that it lacks performance criteria, which means that although the company has ISO 14001 certification, it may still cause serious environmental problems (Albuquerque, Bronnenberg, & Corbett, 2007:452). The ISO 14001 lacks focus on sustainability. As a management system, ISO may prove useful for CSR and may monitor certain CSR related behaviours.

4.5 ISO 26000 Standard on Corporate Social Responsibility

ISO 26000 guides Social Responsibility and is an ISO International Standard which may be utilised by private and public sectors, as well as developing and developed countries (ISO, 2019). The main aim of ISO 26000 is to support companies in sustainable development endeavours, inspire them to go above and beyond legal compliance, and develop a common understanding of social responsibility.

4.6 Accountability 1000 Framework (AA1000)

This framework encourages companies and non-profit organisations to behave in an ethical manner and is a standard for measuring and reporting the ethical behaviour of businesses. Furthermore, it provides an opportunity for companies to become more accountable, responsible and sustainable (Van Wyk, 2011:111).

4.7 King Reports on Corporate Governance

Judge Mervyn King (2008) (author of the King Reports on Corporate Governance in South Africa), states that in order to arrive at a harmonious CSR system, a new way of thinking is required from companies towards the environment as a whole. King emphasises that companies should ask themselves how they are making their money, instead of how they are spending their money (at the end of the year on CSR).

CSR reporting has become more prevalent globally over the last twenty years. The King Reports (I to IV), released in South Africa between 1994 and 2017 by

Judge Mervyn King, emphasise the importance of non-financial reporting and also introduced the concept of triple-bottom-line reporting (non-financial sustainability indicators). This type of reporting should ensure that Directors of companies consider the impact of their corporate decisions on the surrounding communities and environment (Dube & Maroun, 2017:26). Currently, CSR disclosures by mining and other companies are largely steered by the recommendations of the King Codes. Michalsons (2019) remarks that, in summary, the purpose of the King Codes is to:

- Create an ethical culture in organisations;
- Improve the performance of organisations and increase their created value;
- Ensure that there are adequate and effective controls in place;
- Build trust between all stakeholders involved (internal and external);
- Ensure the organisation's good reputation; and
- Ensure legitimacy of the organisation.

4.8 OECD Principles of Corporate Governance

The OECD Principles of Corporate Governance focus on the same aspects of the King Codes, and are directed at governments, companies, investors, and business groups, to develop good governance practices. These Principles guide policymakers, regulators and market participants to improve the legal, institutional and regulatory framework of corporate governance, and focus on publicly traded companies. The main goal of the OECD Principles of Corporate Governance is for the corporate governance framework to ensure transparent and efficient markets, be consistent with the rule of law, and clearly define the division of responsibilities among different supervisory, regulatory and enforcement authorities (Van Wyk, 2011:119).

4.9 The Global Reporting Initiative (GRI)

The GRI envisages that all organisations should report on its economic, environmental, and social performance as routinely and diligently as its financial reporting. Such a sustainability report should be a balanced and transparent representation of the company's sustainability performance, including positive and negative aspects. The GRI guidelines are not classified as a code of conduct, a management system or a standard, but assists companies in code implementation. The guidelines feature performance indicators and management disclosures, which companies may adopt voluntarily and flexibly. The GRI Reporting Framework is continuously being improved upon, by intensive multi-stakeholder engagement in order to ensure high quality, credibility and relevance (Van Wyk, 2011:122).

4.10 The Bench Marks

The main aim of the Bench Marks is to sustain the human community and all creation, through positive CSR. The Bench Marks is seen as a measuring instrument, which measures the extent to which a company is operating responsibly, from a faith based perspective. Different stakeholders and issues are identified in The Bench Marks, together with the responsibilities the company has concerning each. The Bench Marks are divided into two categories, the first dealing with the wider community, including neighbouring communities, the environment and the wider area in which a company operates, and the second with the corporate business community, including employees, suppliers, the company's customers and its business partners (ECCR, 2006).

The end goal of The Bench Marks is to change the way company's relate to and interact with people, communities and the environment, and aims to include people of all faiths and beliefs. The involvement of different individuals and institutions will assist in restoring human dignity and the integrity of creation, through corporate responsibility and accountability (Bench Marks Foundation , 2013). This measuring instrument is comprehensive and freely available and includes a detailed scope of CSR themes and indicators. The next section will place focus on South African mining communities.

5 Mining Communities in the South African Context

South African mining companies mainly interpret CSR as philanthropic initiatives in the communities adjacent to the mines, or link onto national programmes such as education, health, welfare and small business development. These initiatives may contribute to community development, sustainable or short lived, but only has a minor impact on the root causes of social problems in these communities (Hamann, 2009:454). Despite the economic contribution of mining to the country and some people in the surrounding communities, a huge amount of social and environmental harm is associated with the mining industry. In this regard, social responsibility should be of great importance for corporations and government alike. Corporations that are not held accountable for their actions have a damaging effect on society, which reinforces the need for CSR in Southern Africa, particularly in the mining industry. Subsequently, the social, economic and environmental situation of South African mining communities will be discussed.

5.1 Social Dimension

Social development is known as the social welfare and individual wellbeing in a community, which is determined by an increase in social capital, such as a community working together towards a shared objective. This social capital is developed through networks, group memberships and relationships of trust, through church groups and neighbours. Included here is human capital (education and skills) and cultural capital (social relationships and customs). Mining operations are known for disrupting these capitals. It is important for mining companies to reduce the social and cultural disruption in the communities where they operate. Furthermore, continuous stakeholder dialogue should be maintained, as well as transparency in operations. When looking at the social aspects of sustainable development, the development of fair and just societies that create and enable positive human development and provide people with opportunities for an acceptable quality of life is important. In order to create and maintain a community with a healthy social dimension, it is required to use the following guiding principles (Van Wyk, 2011:52):

- Promote social equality;
- Ensure that basic needs are met;
- Minimise impacts on local and/or indigenous communities;
- Enhance human and labour rights;
- Improve working conditions;
- Foster self-reliance and self-determination;
- Encourage community participation;
- Improve human health through food security, access to health services and the creation of healthy human settlements;
- Preserve cultural capital and diversity across the globe;
- Alleviate poverty, and maintain societal health; and
- Encourage individual responsibility for the communal good and communal responsibility for the individual good.

Unfortunately, mining activities undermine most of the aforementioned elements. South African mining communities are plagued by poor social conditions, such as, prostitution, a high influx of unaccompanied migrant labour, and family disorganisation. This leads to major health issues in these communities including the high incidence of HIV and Sexually Transmitted Infections (STIs), unwanted pregnancies, malnutrition, alcohol addiction, and mental illness.

5.2 Economic Dimension

Economic development is defined by welfare, which means the ability or willingness to pay for goods and services. In this regard, stable prices and employment are important. The economic dimension is of importance as its focus is on the depletion of non-renewable resources, and global constraints on economic growth. A sustainable economic dimension should:

- Facilitate equitable access to resources and opportunities, and fair distribution of limited ecologically productive space;
- Enable sustainable livelihoods; and
- Establish viable businesses and industries based on sound ethical principles.

What is important here is the notion of creating prosperity for all, not just profits for a few, while also focusing on human rights. A company's ultimate success rests on a balanced Triple Bottom Line approach, by balancing the intricate relationship between the social, economic and environmental dimensions in the actions of the corporation. The Triple Bottom Line approach may improve the company's reputation, lead to possible financial gains, and better business performance in the long term due to support from society (Van Wyk, 2011:53).

In the South African milieu, the unfortunate truth is that poverty, unemployment, and poor housing and infrastructure are at the order of the day. In many mining communities, more than one family (up to five families) may be dependent on one worker's salary, and many households are dependent on grants for the elderly and children (Tarras-Wahlberg, Cronjé, Reyneke, & Sweet, 2017:657). In this regard, the revenues generated by companies in these communities should be invested in these same communities to ensure a sustainable livelihood for communities.

5.3 Environmental Dimension

The environmental dimension is extremely important for sustainable development, as the natural environment is the physical living space of communities. The environment has limits, and it is important to recognise this because of the dependence communities have on their environment. Also important is to realise that some resources are non-renewable and should be utilised as such. Disregard for non-renewable resources and the environment as a whole will undermine development for future generations. Therefore, pollution, degradation and a loss of biodiversity are disastrous as it leads to reduced resilience, poor system health, and a vulnerable community. Responsible use of resources and protection of the environment will lead to sustainable community development, by allowing the earth to regenerate and support a good quality of life for human beings. In order to achieve this, it is necessary to (Blowfield & Murray, 2008:315):

- Protect the earth's life support systems (air, water, and soil);
- Use renewable resources no faster than nature can replenish them;
- Minimise the use of non-renewable resources through the three R's (Reduce, Reuse, and Recycle);
- Market green products;

- Manage natural resources and waste effectively;
- Respect the capacity of ecosystems and minimise pollution and damage to the environment; and
- Instill environmental awareness in all sectors of society.

Regarding the environmental situation of South African mining communities, various environmental threats to health are common in these communities, such as dust and other harmful particles in the air and water, excessive noise from blasting and other mining operations, and overcrowded and unhygienic living conditions. The most common illnesses and diseases associated with these environmental threats include: TB, silicosis, airborne and water-associated illnesses (asthma, other chronic chest infections, sinusitis, eye problems, diarrhoea and cancer) and hearing problems. The impact of mining operations should also be minimised through land rehabilitation and responsible mine closure to allow for sustainable use of resources. Many stakeholders form part of the CSR and mining environment, which will be explored next.

6 Stakeholders in CSR and Mining

The health and safety of South African mining communities have been impacted upon by mining activities for decades. Despite the economic contribution of the mining industry, there are certain environmental and social harm associated with this industry. A lack of accountability by companies has a damaging effect on society. Corporate accountability is vital to ensure the balance between economic development on the one hand, and the wellbeing of communities and the environment on the other. In this regard, CSR has become increasingly important for companies, especially in the mining industry. There is constant disagreement between the different stakeholders (including mining companies, government, civil society, labour unions, academia, and communities) regarding the health impacts of the mining industry, as well as the responsibilities of each role player (Cronjé & Van Wyk, 2010:251).

Because of the increasingly important role of business in society, many people impacted upon by corporate behavior demand to be informed, consulted and involved in the decisions of corporations. For this reason, companies realised the importance of stakeholder engagement and dialogue with various individuals and entities, which may be affected by the corporations' activities, with regard to social, environmental and economic issues. Furthermore, there are also other groups such as NGOs, academics and religious organisations, who are not directly affected by the company's actions, but are included as stakeholders (Van Wyk, 2011).

On the issue of self-regulation by companies, co-regulation by stakeholders is also important to hold companies accountable for their actions. In this regard, civil-regulation should play a stronger role. Given the unsustainable and highly destructive process of mining, all stakeholders should be involved in managing mining. It is the right of stakeholders to become involved, as mining impacts greatly on communities, farmers, the land and the environment. The social, economic and environmental impact of a company in terms of land degradation, water pollution, air pollution, negative impact on public health, and cultural disturbances of local communities should be regulated. The fact that South African communities are distrustful of mining companies because of their actions and lack of consultation, and the loss of credibility towards government because of the lack of regulation of companies, as well as corruption, creates a major obstacle in CSR regulation, reporting and accountability. It is evident that in order to establish a socially responsible mining industry, various stakeholders are required to be involved in the sustainability equation (Cronjé & Reyneke, 2015).

6.1 Corporations

National and international pressure, as well as legislative measures and codes of conduct, forced the global mining industry to address its social and environmental responsibilities. On the topic of social and environmental sustainability, the extractive industry is now front and center. Although mining companies recognise the need to address sustainability issues, it is still not clear how this realisation has affected communities, or whether development and CSR initiatives have led to sustainable communities and effective community engagement (Jenkins & Obara, 2006). In the mining industry, the main aim of CSR should be to balance the varying demands of communities, while protecting the environment, while also making profit, which is quite a tall order.

In most South African mining communities, many people still live under extremely poor conditions without basic services, which is a requirement of the Constitution. This is due to the lack of service delivery by local government, but also because of a lack of engagement by mining companies with regard to the needs of these communities. In many instances, companies implement development and CSR initiatives in communities without finding out what their needs are. Research in South African mining communities shows a high level of stress and depression, due to their socioeconomic conditions. Numerous strikes and labour disputes erupt because of wage issues and living conditions. These mining communities live with severe environmental degradation due to mining activities, including air pollution which causes serious health problems such as respiratory problems like asthma, chest infections, and sinusitis. Air pollution is caused by blasting, drilling and digging by mining companies, which destabilises surface soil and cause houses to crack. Furthermore, mining activities cause the water table to drop and pollute underground water sources which ends up in streams and rivers for household and farming uses (Cronjé & Reyneke, 2015:121). Also of great importance in terms of good sustainability and CSR practices is responsible mine closure and rehabilitation. Currently in the Gauteng province of South Africa, there are around 6000 abandoned mines (Bench Marks Foundation, 2017:19), which is the cause of an un-rehabilitated and unsustainable eco system with terrible effects on surrounding communities.

Despite the current negative picture of CSR in South Africa, things are changing as there is an increased interest globally in the role of businesses in society, as well as an increased awareness of ethical and environmental issues. The media, as well as lobbying and advocacy groups placed a renewed focus on issues of environmental damage, improper treatment of workers and faulty production that inconveniences or endangers customers. Furthermore, government regulations and codes of conduct regarding the environment and social justice has increased, which affects the decisions of investors focused on ethical investment. From the above, it is clear that corporations cannot function in a bubble without inputs from internal and external stakeholders.

6.2 Government

In developing countries such as South Africa, a strong government is of great importance when dealing with MNCs and other institutions. The role of a weak government cannot be replaced by a strong private sector alone. The private sector simply does not have the legitimacy or capability to take over the functions of government in order to fulfill the expectations and demands of communities (Dela Rama, 2015:294).

The first important step by government was taken with the implementation of the MPRDA which makes provision for equitable access to, and sustainable development of South Africa's mineral and petroleum resources (Tarras-Wahlberg et al., 2017:655). However, the aspect of monitoring and evaluation still lacks in this regard. Through the Integrated Development Plan (IDP), government at local level should be able to inform corporations of the immediate needs in the adjacent mining communities to guide and focus CSR and sustainable development initiatives. Furthermore, the lack of service delivery by local government to mining communities has resulted in many instances in often violent service delivery protests. Given the state of governance in some developing countries, it is clear that some assistance is required from corporations to create sustainable communities (Cronjé & Reyneke, 2015:125).

6.3 Civil Society

NGOs and churches play an important role within the developmental context as part of civil society. NGOs have the role to monitor, regulate and hold corporations accountable for their actions and CSR policies. Unfortunately, due to their dependence on donor agencies, their capacity is limited. More often than not, the agenda of NGOs is dictated by donor agencies, because of their financial input. In recent years, NGOs made the shift from corporate social responsibility to community social responsibility, by empowering and educating communities on their rights.

Constructive engagement between civil society and corporations may improve the social responsibility within the mining sector. Another important role of civil society includes advocacy and lobbying, by conveying their message to activist groupings and to the shareholders of companies. As business ethics is a key component of CSR, the role of churches cannot be underestimated, when following the approach of causing less harm and doing more good. South Africa is still seen as a Christian country, and many NGOs have an association or connection with religious organisations, but it is important not to exclude communities from other religions. Churches, faith based organisations, and NGOs have a vital role in the monitoring of sustainability values and corporate behaviour and accountability (Cronjé & Reyneke, 2015:126).

6.4 Labour Unions

In South Africa, the number of workers covered by Bargaining Councils increased threefold between 1992 and 2010. The changing trends in labour movements reflect the complex working environment in South Africa. These trends show labour movements become more educated, their membership more skilled, and their leadership more career-focused. The two main labour unions in the South African mining industry are AMCU (Association of Mineworkers and Construction Union) and NUM (National Union of Mineworkers). An alarming trend in the South African labour landscape is the increasing violence in labour disputes, from both the side of police and workers. Labour unions play a great role in the mining industry, and should therefore act as responsible stakeholders to ensure a harmonious industry (Cronjé & Reyneke, 2015:127).

6.5 Academia

Especially in the developing world, it is essential that academic work and community interventions are relevant, implementable and make an impact where it is most needed. This can be done through journal publications, policy briefs, post-graduate research, as well as the community engagement projects of universities. Academics can also be activists, as long as they conduct themselves in a responsible, ethical and objective manner. Collaboration between national and international academics is also vital, as this can lead to bigger projects and varying approaches and inputs in projects (Cronjé & Reyneke, 2015:128). Furthermore, interdisciplinary and transdisciplinary approaches in projects have shown positive outcomes in recent years by different disciplines combining their knowledge and contributing to the sustainability knowledge system and relevant discourses in the Global South. Academics can play an important role in CSR by engaging with mining companies, government and communities by conducting research and analysis for companies on CSR and sustainability issues in their adjacent mining communities. There are various academic institutions in South Africa, offering training, education, and research programmes for responsible leadership, social and environmental justice, a sustainable business environment, and sustainable political and socio-economic development in Africa.

6.6 Communities

In order for mining companies to operate successfully and sustainably, they need the continuous support of the communities in which they operate. Often the relationship between these companies and communities are a complex one, especially where land is owned by indigenous people who are unfamiliar with mining operations. Indigenous people are mostly characterised as socially and economically disadvantaged, because of a lack of access to political processes and basic services. This may increase the vulnerability and poverty of these communities. The relationship between mining companies and mining communities have mainly been experienced as distrustful and misunderstood (Van Wyk, 2009:21).

Mining communities experience all the economic inequality, environmental degradation and social injustices connected with mining operations and are therefore extremely important stakeholders. A Social Licence to Operate (SLO) and Free, Prior, and Informed Consent (FPIC) are important concepts when dealing with mining communities in the developing world, and especially South Africa. A SLO is voluntary and refers to the idea that a surrounding community or other groups may grant or withhold their support for a corporation's activities (Tarras-Wahlberg et al., 2017:652), which may influence the daily operations of the company. Companies should gain the support of people living and working in the area, and maintain this support to ensure a long term beneficial relationship; the SLO is not issued but earned. Successful community engagement and acceptance from the community is shown to benefit operations and develop a lasting trust relationship.

Furthermore, industries operating on the land of indigenous people should obtain FPIC (as referred to in the United Nations Declaration on Rights of Indigenous Peoples) from these communities. FPIC includes the following elements:

- Free—people are free to make decisions without coercion, intimidation or manipulation.
- Prior—people have sufficient time to be involved in the decision-making process before key project decisions are taken and impacts occur.
- Informed—people are fully informed about the project and its potential impacts and benefits, and the various perspectives regarding the project.
- Consent—processes exist for affected Indigenous Peoples to give or withhold their consent, and their decisions should be respected and upheld.

In the negotiation of FPIC or a SLO with indigenous people, there is usually a tribal or community leader who acts as the spokesperson. It is also possible in larger communities that there are various self-appointed leaders, each with their own personal agenda.

Communities should have the desire for sustainable personal and community development, which will in turn reduce the dependency syndrome often found in mining communities (Cronjé & Reyneke, 2015:132). In order for communities to move towards participation and self-reliance, communities need leadership and guidance from corporations, government, civil society, and academia.

7 Conclusion

This chapter has shown the strong case for social responsibility in the South African mining sector. Mining companies must accept responsibility for the effects their operations have on communities. Corporations should be held accountable to ensure a balance between economic development and the well-being of people and the environment. Despite the multiple CSR and sustainability initiatives and policies of companies, there is still little evidence of sustainable community development in mining communities. Furthermore, it is not evident that companies are addressing their long-term responsibilities in terms of the social, economic and environmental problems these communities are experiencing. What clearly came to the forefront in this chapter is the gap between policy and legislation (from corporations and government) and practice (through monitoring and evaluation). Only through the combined efforts of all stakeholders in the South African mining industry, and relevant and innovative CSR and sustainability initiatives, will sustainable community development become a reality.

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Corporate Social Responsibility in Uganda

Localizing the Global Corporate Social Responsibility Agenda: Lessons from Uganda

David Katamba and Christopher M. J. Wickert

Abstract Globally, the clocking of the year 2015 marked a significant landmark in the Global Corporate Social Responsibility (GCSR) arena. That is, landmark in policy, research, practice, scholarly and managerial aspects of CSR agenda. This year saw how the ISO 26000 [a corporate social responsibility, CSR guidance standard] had been tested for 5 years since its inception in 2010, yet the MDGs framework has ended. While the intermarriage of these two frameworks (ISO 26000, and, MDGs) provided a basis for refinement of CSR to fit in a global CSR arena as witnessed by Katamba, Nkiko, Tushabomwe-Kazooba, et al., (*International Journal of Social Economics,* 39, 375–390, 2016) in their works, *"Community Involvement and Development: An intermarriage of ISO 26000 and Millennium Development Goals*," the current SDGs framework 2030, presents a need to re-visit the effectiveness of CSR and sustainability interventions in a localized setting, that is, at local, regional or country level. Thus, the purpose/originality of this paper/chapter is to demonstrate how global sustainable development [CSR] frameworks or standards can be localized for refinement of CSR activities. To realize this purpose, the authors have reviewed CSR publications from Uganda to identify how CSR is managed in 50 companies that have won various CSR accolades in Uganda. Then these CSR management practices were matched against internationally proclaimed CSR [sustainable development] frameworks notably ISO 26000, SDG Agenda 2030, CEO Water Mandate, and UN Global Compact in order to reveal the development impact realized after these activities are localized. The outcome was a profile of localized CSR activities of various companies. These CSR activities, thru the Adaptive Theory, have been generalized to form, '*The Most Important CSR Issues in Uganda.'* To bring out the concept of localization, the chapter/paper proceeds to show how companies use these international framework [e.g., SDG Framework] to manage their CSR.

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1 Introduction

The global forces (like financial crisis) and global sustainable development dynamics (like SGDs agenda 2030; Rio 20+ Outcome document—*The Future we want*) are making the business community in Africa at large and Uganda in particular, to undergo a critical moment of rethinking their understanding and practice of Corporate Social Responsibility (CSR). That is, the Overseas Development Institute (ODI)'s Head of Programme—International Economic Development Group, (Dirk Willem te Velde),[1] in his works, *"Africa 10 years after the global financial crisis: what we've learned,"* commented that:

> . . . Across the continent, there is still not enough productivity change and economic transformation, which means that economic growth continues to be vulnerable to commodity price swings and that growth has been insufficiently job-intensive. . . .. Africa is growing but needs more investment in productive capacity and financing for infrastructure to transform economies and create jobs (in sub-Saharan Africa 35,000 additional jobs are needed each day to keep up with demographic challenges), (Velde, Sept, 2018).

Fitting Velde's (2018) comment and other scholars (Elkington, 1998; Goel, 2010; Mintz, 2011), into the knowledge coined by John Elkington in 1994, that is, the triple bottom line,[2] particularly profitability, its true that successful CSR anywhere in the world, cannot be distanced from financial performance of the company. With the worry that, '*The next financial crisis is closer than you think,'* (Lee, 2018), we need to provide some in-depth insights from companies in Uganda, in order to illustrate how the rhetoric about Global CSR finds its way in Uganda. That is, we present the most important CSR issues in Uganda. We also show how these are being managed. Most importantly we show how usage of internationally/globally recognized CSR sustainable development frameworks notably SDGs, and ISO 26000 (ISO 26000, n.d.) has shaped management of these CSR issues in Uganda with a view to fit with global arena of CSR practices.

[1]Dr. Dirk Willem te Velde (*Head of Programme—International Economic Development Group)* is a Principal Research Fellow and head of the International Economic Development Group. He is the director of Supporting Economic Transformation and a Research Leader for the DFID-ESRC Growth Research Programme. He has published widely on trade, investment and economic transformation. He has advised country governments and parliaments in Africa, Asia and the Caribbean, and donor agencies such as DFID, European Commission, UN and the World Bank. He was also Team Leader for the European Report on Development (ERD) 2015 on Combining Finance and Policies to Implement a Transformative Post-2015 Agenda.

[2]The triple bottom line is an accounting framework with three parts: social, environmental and financial. Some organizations have adopted the TBL framework to evaluate their performance in a broader perspective to create greater business value.

This chapter addresses the problem of little efforts if any, meant to localize the Global CSR Agenda to specific country CSR practices (notably in Uganda), its understanding, norms and traditions (Nkiko & Katamba, 2016). Thus, this chapter shows how the Global CSR and Sustainability Agenda, loosely branded by United Nations as 'Sustainable Development Goals (SDGs)' or 'Sustainable Development Agenda 2030,' or as amplified by ISO 26000 is finding [*can find*] its way in developing Countries. The chapter does this by showing what companies or private sector players, are doing in support of SDG Agenda 2030 using their local knowledge. Methodologically, the ISO 26000 (a social responsibility standard)[3] and SDGs framework are guiding the authors to contextualize the findings. The findings documented in this chapter, span across the CSR aspects which are classified as the most relevant to Uganda and in developing countries with characteristics like Uganda. Given that these findings are re-conceptualized in the context of SDGs, generalization seems to emerge in order to ease uptake and replications of the documented knowledge across other Low income (or Developing) countries. Thus, for generalization purposes, this chapter is guided by Adaptive Theory advanced by Layder (1998).

2 Contextualization

The year 2015, ignited a new wave of Global Corporate Social Responsibility (GCSR) and sustainability interventions and the need to localize these in Uganda. While currently we see most Corporate Social Responsibility (CSR) activities in Uganda, getting shape, it becomes very important to ask, will these feed into the big global CSR agenda, that is, the 'Sustainable Development Goals (SDGs) Agenda 2030? This chapter, therefore, attempts to answer this important question. Annet K. Nabatanzi-Muyimba[4] started the debate in Uganda on how CSR in this country is getting fitted with the globalization agenda when she authored a book chapter titled: *"Globalization and corporate Social Responsibility"*. In her introductory remarks, this International business and branding expert mentions that globalization of CSR comes with not only positive effects but also with negative ones (Nabatanzi, 2012, pg. 69). For generalization purposes, the Global CSR agenda as seen from a Ugandan lens, brings a new perspective in understanding the localizing of CSR in a developing country context. For example, from the Community Involvement and

[3]ISO 26000 was introduced by 2010 and it is the international standard guidelines for the organizations /business entities to implement CSR.

[4]Dr. Annet. K. Nabatanzi-Muyimba is a Senior lecturer and Dean of the Faculty of Management and Public Policy at Makerere University Business School, Uganda. She holds a PhD (Wits Business School), Master of Science in Marketing (MUK), MCIM (UK), and Bachelor of Commerce (MUK). She has special research interests in corporate social responsibility, branding and enterprise competitiveness. She has lectured, researched and published on various topics such as competitiveness and value addition.

Development (CI&D), medical doctors in Uganda's public hospitals like Mulago (the only national referral hospital in Uganda) and its sister branch, Kiruddu, have continuously been seen booking their private patients, for surgical operations from this public hospital. Additionally, on core subject of 'Human Rights,' as another important aspect in Global CSR arena, human rights violation climbed top on agenda in Uganda. Surprisingly, the government institutions like Police and the army, which would have provided protection for the affected, were leading the violation (Uganda Human Rights Commission,—UHRC Report 2019). Nevertheless, whereas such undesirable sustainable development patterns are registered in Uganda which would hamper the CSR agenda (Katamba, 2017), there are local companies in Uganda (like Kakira Sugar Ltd., Kampala Pharmaceutical Industries, and Hima Cement), plus multinationals (like Airtel Uganda, Stanbic Bank, Standard Chartered Bank), and Franchises with footprints in this country (notably Coca Cola Beverages Africa). These are dedicated to contributing towards attainment of the Global Corporate Social Responsibility and Sustainability Agenda 2030, see, section *'How companies in Uganda are using the SDGs framework to shape and manage their CSR.'*

Lastly, in Uganda, the period 2015–2020 (initial SDGs era with over 17 sustainability targets) provides a litmus paper to gauge how companies have localized their CSR especially with the worry that the next financial crisis is around the corner. For example, by the year 2015, Uganda was a global model in the fight against HIV/AIDS. However, to-date Uganda registers an upward trend in the people infected and affected by HIV/AIDS as well as deaths related to Malaria. Similarly, according to Transparency International corruption perception index report 2018, Uganda has once again failed to make any positive progress in the fight against corruption (which underscores the ISO 26000 core subject of 'Fair Operating Practices'). This has hampered many social and economic development services initiatives. Particularly, in a global perspective, Uganda is the 149 least corrupt nation out of 175 countries. This means, in the realm of ISO 26000, where 'Fair Operating Practices,' is a key global CSR subject, corruption is deterring the value that CSR would yield in Uganda since it is taking on other forms. For example, teachers deliberately absconding from teaching pupils, teachers come late in class and leave earlier than the scheduled time.

3 Rethinking the Corporate Social Responsibility (CSR) Strategy and Approach in Uganda

Despite the numerous lessons learnt from the financial crises (Velde, 2018) and from failure to realize even a single MDG target to its fullest by 2015, it does not come apparent that Uganda business community has positioned itself from the CSR perspective, to avoid shocks of similar nature when mirrored in the global CSR lenses (e.g., the SGD 2030 lens). For example, immediately after the financial crisis, many CSR *'pretending'* companies both worldwide and in Uganda, were exposed that they never had a deeper understanding of and approach to CSR especially when they cut their CSR budgets and even abandoning their CSR projects. This act makes us comment that, 'they basically had a 'vague' or 'limited' understanding of CSR and approach to how they understand and practiced it.' This is because basically corporate social responsibility (CSR) means the holistic and voluntary business strategy and approach undertaken by an organization (profit or non-profit) to balance between three needs. That is, (i) *Present needs* (profits, reputation, brand identity, attracting better employees, withstand or supersede competition, etc.), (ii) *Future needs* (which may be similar to the present or slightly differ), and, (iii) *Unknown needs* (usually from society, natural environment, young generations or the unborn generations). An effort to comprehensively balance between these three needs is what we can briefly call corporate social responsibility (CSR). Earlier CSR studies in Uganda (Katamba et al., 2012) which involved studying 50 companies through an exploratory approach that aimed at establishing CSR perceptions, needs and approaches of companies, showed that most (over 78%) of organizations/companies take CSR to mean 'giving back to community.' That is, a company giving some of its profits (say, 1% of Profits after Tax) back to societies in form of cash donations, philanthropic intervention, or strategic business engagements. Over 70% think 'it's doing something socially good to help the disadvantaged (say those with health illness like heart operations, or organizing a party for street children, or dinning with orphans). Very few (less than 10%) had a 'concrete/strategic' understanding of CSR. Worst challenging was that over 85% of organizations interviewed indicated that CSR should be only practiced by profit making companies and more so those that are big. This picture and conception are indeed wrong. More challenging, the policy makers in Uganda had a conception that 'CSR means complying with law and more so, paying your taxes.' The conclusion we may draw from these mixed findings is that 'companies, organizations and policy makers in Uganda need to re-think their understanding and approach to Corporate Social Responsibility (CSR).'

4 Most Important CSR Issues in Uganda and how they Are Managed in the Context of Global CSR Aspirations

This section provides some in-depth insights from companies in Uganda, in order to illustrate the rhetoric on *'Localizing the Global Corporate Social Responsibility Agenda'*. That is, we present the most important CSR issues in Uganda, show how these are being managed and most importantly, we show how usage of internationally/globally recognized CSR sustainable development frameworks notably SDGs, ISO 26000; UN Global Compact; CEO Water Mandate; among others, has shaped management of these CSR issues in Uganda with a view to fit with global arena of CSR practices.

Table 1 Classification of the most important CSR issues to be addressed in Uganda

	Poor and unstable	Poor, but stable	In turnaround towards growth	Growing, but challenged	Growing and stable
Most important CSR issues	• Healthcare • Macro-economic reform • Energy • Water and sanitation	• Education • Agriculture & food security • Governance • Peace and security	• Jobs and skills • Enterprise development and SMEs • Gender • Poverty reduction	• Infrastructure • Local government & • Service delivery • Employment • Anti-corruption	• Housing • Foreign investment & privatization • Environment • Human rights

Source: Authors' elaboration

(i) The Most Important CSR Issues in Uganda

CSR in Uganda concentrates on priority issues such as *poverty reduction*. The Uganda's Ministry of Finance Planning and Economic Development report of 2014 mentioned that the national poverty rate fell from 24.5% in 2010 to 19.7% in 2013, with rural poverty as of 2014 at about 23.8% and urban poverty at 9.3%. However, while urban poverty has decreased, rural poverty has increased. Most CSR activities are therefore still geared towards poverty reduction. Similarly, several businesses have directed their initiatives toward *health and HIV/AIDS* either through the establishment or funding for health centers or support for public health. The above critical CSR issues were further investigated in order to provide knowledge needed for their management. Table below is a classification of the critical CSR issues in Uganda (Table 1).

It can be suggested that a classification of critical issues such as that shown in Table above, triggers unique understanding, further theorizations, pattern observations, critical analysis of trends, as well as demarcation regarding how CSR, can be managed.

(ii) Managing the Most Important CSR Issues in Uganda

Consistent with Katamba et al., (2012), this chapter borrows from management gurus (Peter Drucker,[5] and James A.F. Stoner[6]) to deduce that the concept of *'managing CSR,'* is a practice which includes a combination of facets among others; Motivation, Communication, Initiation, Planning, Implementation, Monitoring and Evaluation,—which all can lead to finding a solution to CSR issues. Hence, the

[5]**Peter Drucker** (1909–2005) was one of the most widely known and influential thinkers on management, whose work continues to be used by managers worldwide. He was a prolific author, and among the first (after Taylor and Fayol) to depict management as a distinct function and being a manager as a distinct responsibility. Drucker is the person who invented management and is nicknamed the "Father of Modern Management".

[6]James A.F. Stoner (born 1935) is a professor of Management Systems at the Gabelli School of Business Administration of Fordham University, and the holder of Fordham's James A.F. Stoner Chair in Global Quality Leadership.

Table 2 Companies running CSR campaigns with a focus on health issues

Company	CSR campaigns with a focus on health issues
Standard chartered Bank (SCB)	Runs a CSR project called "seeing is believing." SCB's partners on this project are sight savers (an international eye-care NGO), the MoH, and Mulago hospital (Uganda's only national referral hospital). The project has been running for 10 years. So far, 80,000 clients have been diagnosed and treated, and provided with affordable eyeglasses where applicable. The project beneficiaries are located across all districts of Uganda.
Roofings group ltd	This group of companies fulfills the regulations surrounding labor issues. In addition, they offer services to staff such as a workers' health facility with a standby ambulance, well-balanced meals, respecting the HIV/AIDS policy, and conducting HIV/AIDS programs for staff. Lastly, the company periodically awards its best-performing employees with trophies, cash prizes, and iron sheets (as in-kind gifts).
Uganda Baati limited (UBL)	The Chandaria clinic was established by UBL (the oldest and largest steel-rolling company in Uganda) and provides outpatient health services to communities surrounding the company, and its staff. It is recognized for its workplace health and community involvement. Through the Chandaria clinic, UBL has a strong CSR component in its offer of both free and subsidized health services to its employees and the surrounding communities of Tororo and Kampala industrial area. The major services provided by the clinic include training of peer educators, screening of cervical and breast cancer for women, as well as provision of general medication.

Source: Authors' elaboration

practice of CSR management in Uganda, is conceptualized from a combination of general management theories, especially motivation theories, behaviourist theories and stakeholder theory (Lantos, 2001). This means, to align with global CSR practices, the identified CSR issues within a company's sphere of influence,[7] can be managed by: Devising a motivation mechanism for companies to engage in CSR; stakeholder engagement/staff buy-in; financial management; CSR communication; matching CSR with the global SDGs agenda; and; embracing internationally accepted standards (such as ISO 26000) and practices (e.g., the Global Reporting Initiatives [GRI]),—since these offer a comprehensive framework of what to do and how to proceed (Table 2).

In addition, in Uganda several businesses are engaged in CSR activities geared towards *skills development and education* (as shown in Table: *CSR activities geared towards skills development and education*). Both areas are of crucial importance to economic growth and poverty reduction, but the fiscal and administrative capacity of the government of Uganda to meet these goals is limited. At the same time, Uganda has a very high unemployment rate, with youth unemployment of around 62%. The

[7]The IBLF (International Business Leaders Forum) defines "Sphere of influence" as influencing the behaviors and reactions of a person or an organization/system so that the outcomes mirror the visions of the leader. This way, a sphere of control makes it easier to quickly implement decisions

Table 3 CSR activities geared towards skills development and education

Company	CSR engagements/activities
Airtel Uganda ltd	The company has assisted rural schools under the Esomero Lyaffe ("our school") project. The project provides support to rural schools in the construction of libraries, latrines, computer rooms, water-harvesting tanks, classrooms, and equipment. Examples of its beneficiaries include Ndeeba Church of Uganda and St. Pontiano Kangulumira secondary schools, both of which are in Kayunga District. This initiative has increased the intakes in these schools by over 40% (from 1000 to over 1400 students).
SESACO	SESACO is an SME in Uganda. The company carries out several activities aimed at improving the nutrition of mothers and children. It provides farmers with high-quality seeds and buys the produce from farmers at fair prices. SESACO has a skills-development initiative in which it trains interns, especially those studying food sciences and technology, and has partnered with foreign organizations to provide skills. Every year, the company sends at least five people (staff, suppliers, and/or customers) for training in nutrition and food processing in the USA, Rwanda, and Burundi.

Source: Katamba & Nkiko (2016, pg. 163)

acute problem of unemployment, combined with a lack of skills and proper education, makes this a top priority for many businesses in Uganda. Other aspects of CSR that businesses are engaged in include *rampant corruption, poor human rights,* and *environmental degradation* (Table 3).

The examples shown in Table above reveal a significant challenge to CSR strategy formulation for Uganda if we are to align interventions with global practices. Companies in Uganda, irrespective of size, exhibit characteristics of different stages of CSR. I found that most of the SMEs (companies employing fewer than 50 full-time staff) largely practiced "charitable CSR," while most very large companies (employing more than 1000 full-time staff), especially telecommunications companies (such as MTN Uganda and Airtel), and commercial agriculture plantation firms (such as Kakira Sugar Ltd) largely practiced "transformative CSR." Their counterparts, large companies (employing 500–1000 staff) focused on "strategic CSR." Thus, the differences between companies are significant.

5 Internationally Recognized Frameworks Used in Uganda to Manage CSR

In Uganda, Uganda National Bureau of Standards (UNBS) is a government agency, established by an Act of Parliament of Uganda. The UNBS is responsible for the formulation, promotion of the use of, and the enforcement of standards in protection of the environment, public health and safety, see https://www.unbs.go.ug/ UNBS is a member of International Organization for Standardization (ISO). Thus, during the 'Project to popularize uptake and use of ISO 26000 (a CSR Guidance Standard) in East Africa,' in Uganda it was thru the UNBS in the year 2012. However, in addition to ISO 26000 standard, scholars (Hope & Fowler, 2007; Lee & Faff, 2009), reveal that there are various internationally proclaimed and recognized frameworks offered by different bodies in order to device means of managing CSR in a way that attracts or fits it in global perspective. These have been fronted by bodies like International Organization for Standardization (ISO), World Business Council for Sustainable Development (WBCSD),[8] United Nations agencies, and accountancy firms like KPMG, plus financial institutions (like World Bank), and rating agencies like Dow Jones Sustainability Indices (DJSI).[9] This chapter only looked at a few commonly used by companies in Uganda to successfully shape and managing their CSR activities. That is, the UN Global Compact, CEO Water Mandate; ISO 26000 standard; and, SDG Agenda 2030. These are summarized below (Table 4):

6 Localizing the Internationally Recognized Frameworks to Manage CSR in Uganda

The key observation from the section, *'Internationally recognized initiatives used in Uganda to manage CSR in a globe lens,'* above, is that they don't directly tie with a full of range of CSR management aspects (CSR Communications and Reporting, CSR Monitoring and Evaluation, stakeholder involvement, CSR Issues/triggers, among others). Hence, they must be used in combination (inter-marriage) if a meaning and value is to be maximized.

Scholars, Katamba, Nkiko, Tushabomwe-Kazooba, et al., (2014) in their works, *"Community Involvement and Development: An intermarriage of ISO 26000 and Millennium Development Goals*," using an in-depth case study methodology, attempted to assert this observation. That is, they studied the application of ISO 26000 to see how it can guide implementing and managing CSR and fitting it into global CSR arena. They cross-examined a large steel products manufacturing company in Uganda,—*Uganda Baati Ltd*., (a subsidiary of SAFAL Group,—the largest steel products manufacturing company in east and Central Africa). They revealed that cross-examining this intermarriage reveals a much more symbiotic relationship between "health and wellness," i.e. ISO 26000 clause 6.8.8 uses MDGs 4, 5 and 6 to

[8]The World Business Council for Sustainable Development (WBCSD) is a CEO-led organization of over 200 international companies. The Council is also connected to 60 national and regional business councils and partner organizations. Its origins date back to the Rio de Janeiro Earth Summit of 1992, when Stephan Schmidheiny, a Swiss business entrepreneur, was appointed chief adviser for business and industry to the secretary general of the United Nations Conference on Environment and Development. https://www.wbcsd.org/

[9]The Dow Jones Sustainability Indices (DJSI) launched in 1999, are a family of indices evaluating the sustainability performance of thousands of companies trading publicly, operated under a strategic partnership between S&P Dow Jones Indices and RobecoSAM. of the S&P Dow Jones Indices. They are the longest-running global sustainability benchmarks worldwide and have become the key reference point in sustainability investing for investors and companies alike.

Table 4 Internationally recognized framework used in Uganda to manage CSR in a globe lens

International framework	What is it?	How it has been used in Uganda
UN global compact	This is the world's largest corporate sustainability initiative, with more than 12,000 corporate participants and stakeholders from more than 140 countries. The UN global Compact is based on ten principles in the areas of human rights, labour standards, the environment, and anti-corruption.	The compact has several tools that help companies to align CSR strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals.
CEO water mandate	It mobilizes a critical mass of business leaders to address global water challenges through corporate water stewardship, in partnership with the United Nations, governments, civil society organizations, & other stakeholders. The six Core elements of the CEO water Mandate are: 1. Direct operations 2. Supply chain and watershed management 3. Collective action 4. Public policy 5. Community engagement 6. Transparency	It can assist you in developing, implementing and disclosing your water sustainability policies and practices. It will enable your company to share best and emerging practices and to forge multi-stakeholder partnerships to address water challenges found in river basins around the world.
Sustainable Development Goals (SDGs) Agenda 2030	On 1 January 2016, the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development—adopted by world leaders in September 2015 at an historic UN Summit—officially came into force. The SDGs agenda (ratified by all 193 Member States of the United Nations) provide a plan for achieving a better future for all—laying out a path over the next 15 years to end extreme poverty, fight inequality and injustice, and protect our planet. "Agenda 2030" are the 17 Sustainable Development Goals (SDGs) which clearly define the world we want—applying to all nations and leaving no one behind.	The sustainable development goals provide a powerful aspiration for improving our world by laying out where we collectively need to go and how to get there. The SDGs not only identify where we (the world or businesses) must be in 2030 to create a sustainable world, they also outline new markets and opportunities for companies all over the world. Hence, for companies and organizations to succeed, they must turn the global goals into local business
ISO 26000	Is an International Standard providing guidelines for social responsibility (SR) named ISO 26000 or simply ISO SR. It was released on 1 November 2010. Its goal is to contribute to global sustainable	It offers seven key Principles which serve as roots of socially responsible behavior. These are: • Accountability • Transparency • Ethical behavior

(continued)

Table 4 (continued)

International framework	What is it?	How it has been used in Uganda
	development, by encouraging business and other organizations to practice social responsibility to improve their impacts on their workers, their natural environments and their communities. The Seven Core Subjects, which every user of ISO 26000 should consider, are: • Organizational governance • Human rights • Labor practices • Environment • Fair operating practices • Consumer issues • Community involvement and development	• Respect for stakeholder interests (stakeholders are individuals or groups who are affected by, or can impact, the organization's actions) • Respect for the rule of law • Respect for international norms of behavior • Respect for human rights

Source: Compiled from various website of the above frameworks
https://www.unglobalcompact.org/
https://ceowatermandate.org/about/what-is-the-mandate/
https://www.iso.org/standard/42546.html

foster business and organizational consideration of community and socio-economic problems; MDGs[10] offer the what (socio-economic problems), while ISO offers the how (guidance).

Hence, using the Layder's Adaptive theory (1998), we infer knowledge from this case study and show how companies in Uganda have used the SDGs framework to shape and manage their CSR. This is summarized in the table below (Table 5).

7 Conclusion & Way Forward for Firms Positioning their CSR into Global Perspectives

If the aspiration of an organization or a business entity is to live upto the standards of Global CSR, the a few hand steps can help. For example, if for instance the organization/business' current need is "build brand reputation" and also its future need is "sustained brand reputation" then what the future needs is a product on the

[10]The Millennium Development Goals (MDGs) were eight international development goals for the year 2015 that had been established following the Millennium Summit of the United Nations in 2000, following the adoption of the United Nations Millennium Declaration. All 191 United Nations member states at that time, and at least 22 international organizations, committed to help achieve the following Millennium Development Goals by 2015:

Table 5 How companies in Uganda are using the SDGs framework to shape and manage their CSR

Company	CSR activities	Development impact created	SDG target directly contributed to
Airtel Uganda	Provides primary education development for remote and rural districts in Uganda	Access to textbooks, construction of schools, extension of scholarships	– Promote education
Bank of Africa—Uganda	Reach out initiative	Donating to charities to improve people's lives	– Combat health problems
Bee natural Uganda ltd	Creates employment for women with low education background; finances women's beekeeping project initiatives	Empowering women, increasing women's access to finance and inclusive business	– Reduce poverty, Increase gender equality & empowerment of women
Central broadcasting corporation ltd	Community managed micro-finance (CMMF) project; PEWOSA, which aims at promoting a saving and investment culture among people in the project area; and Nsindika Njake Tusimbudde (loosely meaning, *'your support has enabled me to start-off'*)	Lifting women out of poverty, providing sustainable household income and employment, improving women's status	– Reduce poverty – Increase gender equality & empowerment of women
Dunavant Uganda ltd	Improves the livelihoods of cotton farmers in northern Uganda; runs a mobile van clinic project with health workers.	Aiding in skills development for cotton farmers, improving health	– Reduce poverty
KPI	Provides subsidized access to primary drugs, especially anti-malarial drugs, and community sensitization to disease prevention, especially HIV and malaria	Reducing cost of accessing basic/primary drugs for malaria, increasing awareness about disease prevention	– Combat health problems
Merck pharmaceutical	Access to health initiative, supports global Alliance for vaccinations and immunizations	Increasing capacity of national immunization programs, supporting academic partnerships in the development of sustainable immunization training programs, improving access to medicines for patients	– Combat health problems
MTN Uganda	Improves health, education, arts and culture,	Facilitating knowledge development, community	– Combat health problems, reduce

(continued)

Table 5 (continued)

Company	CSR activities	Development impact created	SDG target directly contributed to
	community development, environment, and ICT innovations	development, and economic growth	poverty –
NBL	Eagle lager project for northern Uganda; environmental management; fighting illicit trading	Providing ready market for "poor" sorghum farmers in northern Uganda, promoting inclusive business, contributing to a cleaner environment	– Reduce poverty, improve Environmental sustainability
Orange Uganda ltd	Improves health, education, agriculture, and culture	Facilitating knowledge development, community development, and economic growth	– Reduce poverty, develop private sector
SCB	Seeing is believing; here for good (includes sustainable lending; access to finance; tackling financial crime, environment, and employee wellbeing; community support; responsible selling and marketing)	Enhancing access to eye care, stimulating growth of SMEs, reducing poverty, contributing to community sustainability	Reduce poverty, develop, private sector, improve environmental sustainability
Sugar Corporation of Uganda	Provides housing, education (primary and secondary), and comprehensivemedical facilities; ensures environmental sustainability of operations	Providing access to basic pathology and treatment of diseases such as malaria, helping to provide a cleaner environment, opening access to free education/scholarships for children	– Promote education, combat health problems, improve environmental sustainability
Toyota Uganda ltd	Enhances environmental protection, road safety, health and wellness, ethical trading, and customer relations	Reducing and managing waste disposed of in the environment, reducing motor-vehicle-related accidents	– Improve environmental sustainability, combat health issues
Tullow oil plc (Uganda operations)	Conducts sustainable business and contributes to a sustainable society	Contributing to environmental sustainability and community development	– Improve environmental sustainability
UBL	Constructed the Chandaria medical clinic at its factory premises; facilitates environmental protection; provides support in construction of primary schools	Providing subsidized access to healthcare, healthier/clean environment, and decent primary education infrastructure	– Combat health problems, improve environmental sustainability, promote education

(continued)

Table 5 (continued)

Company	CSR activities	Development impact created	SDG target directly contributed to
UTL	Facilitates education, sports, ICT development; empowers disadvantaged children; provides leadership lecture series; contributes to charities	Contributing to knowledge development, community development, and economic growth	– Improve environmental sustainability promote education

Source: Author's elaboration

market that will not kill/harm the customers (both its and non-consumers), a product that will not harm the ecological environment, and also a brand/product that will not attract civil society rebellion (see, ISO 26000 core subject, *'Consumer Issues*). At this point, the company should look at its "CSR portfolio of activities' and ask whether giving a cash donation of 100 million shillings to a cultural leader, or a cash/t-shirts donation to a sports club, can balance these three things. If the answer is no, please drop that 'CSR idea/activity.' It is not fit and if you insist doing it, well you may succeed in the short run that the brand presence is in the press but trust me you will have lost it all. Why, it is because brand reputation is built over a long period of time, not just in a day or a week or month. You will get "brand image" in the press but not "brand reputation." Undertaking a CSR activity like redesigning the brand say to make it fit for re-cycling or make it environmentally friendly and also look through the supply chain that gets you the raw materials that you transform into that product, say ensure that no child labor is used and also that your suppliers conserve the environment, you don't tolerate corruption in the supply chain etc. (a simple observation shows that all these suggestions span around almost all the seven core subjects of ISO 26000). You make sure you stick to these principles; make them known to the public, pin them on the walls of your company, etc. You will win and the "brand reputation" will be achieved, you will stay in business because suppliers know that you don't tolerate them if they are found using child labor least they will be disqualified from supplying you and they will know you for this over a long time, associate it with your brand, your customers also come to know of it, regulatory authorities approve you of this, the society gives you a 'social license' to sell that product to them, etc. This is what will constitute to Brand reputation that you are targeting! This is an example of what we mean by strategic CSR, that is, CSR which is not a cost to your company per se but rather yields a win-win situation. That is, balancing the three needs above. So, rethink your CSR strategy and approach. No one can ever know the best about how to go about CSR whether for a profit company or not-for- profit. Engaging CSR experts to help you or attending forums where CSR is discussed is very crucial. Look out for these events especially when they organized in your country or area, spare time and attend. You will transform your business' approach to CSR.

Lastly, if Uganda's CSR is to align with the global CSR agenda, a more understanding of CSR should be bought and stocked by different players in Uganda. First by the companies/organizations (profit and non-profit), second by the policy makers, and lastly by the stakeholders of both the companies operating in Uganda, and those that the policies relate to. That is, these three players should know what CSR means by revising the simple definition earlier cited above by revising the CSR definition cited in this chapter. In so doing, there is need to draw a simple table with this in mind: (1) what does my company/organization want now? (2) What are my future needs? (3) What are those needs that I can't see now but I can affect them, or they can affect what I want now and my future needs?

8 Review Assignment

This chapter has provided some in-depth insights from companies in Uganda, in order to illustrate the rhetoric on *'Localizing the Global Corporate Social Responsibility Agenda'.* Present a similar rhetoric in your country or any low income (developing) country. That is, present the most important CSR issues in that country, show how these are being managed and most importantly, show how usage of internationally/globally recognized sustainable development frameworks (without being limited to SDGs, ISO 26000; UN Global Compact; CEO Water Mandate; among others) has shaped management of those CSR issues in that country with a view to fit with global arena of CSR practices.

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Corporate Social Responsibility in Zambia

Beyond the Mining Sector: Broad-based Corporate Social Responsibility in Zambia

Ndangwa Noyoo

Abstract This chapter critically examines Corporate Social Responsibility (CSR) in Zambia and argues that it has been unnecessarily heavily skewed, for decades, towards the mining sector. Although laudable, this approach is narrow and has militated against a comprehensive approach to CSR in the country. In arguing its case, the discussion looks at the state of CSR in the country, especially after the fall of the one-party state system in 1991. The chapter then locates CSR in the notion of *engaged citizenship* and argues for a broad-based CSR perspective that could incorporate other sectors of the economy. It is argued in the chapter that local entrepreneurs should be included in the proposed broad-based CSR. For this category of CSR, which puts local firms and entrepreneurs at the centre of innovations that raise the quality of life of the citizens, the chapter specifically looks at how the work of the **Citizens Economic Empowerment Commission** (CEEC) could be leveraged by the State to drive a broad-based CSR agenda in Zambia that is also underpinned by nationalistic imperatives. Furthermore, the chapter also observes that foreign investors and companies operating in Zambia should be included in this new CSR thrust.

1 Introduction

Since Zambia's return to multiparty politics in 1991, Corporate Social Responsibility (CSR) has been gaining ground in the country. This scenario has been coupled with an increased awareness in the country as regards the role that the private sector and other commercial entities, in general, and CSR in particular, can play in the overall development of Zambia. This understanding is usually couched in the narrative of 'giving back' to the community or something along these lines. Despite this increased consciousness as regards CSR, there seems to be a skewed appraisal

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and implementation of the former, in the country. This is due to the way CSR is appraised and perceived which seems to suggest that only the mining sector can play a critical role in this arena. Perhaps this assumption is not misplaced given the fact that most of Zambia's exports emanate from the mining sector. Also, pressure has been brought to bear on the mining sector, by various actors from both the government and civil society, because of the foreign character of the sector—which stems from the privatisation of the copper mines after the collapse of the one-party dictatorship in 1991. Curiously, during the one-party state era, the mining sector had actually played comprehensive developmental roles even though its profits dwindled over the years due to lack of re-capitalisation, mismanagement, political interference, among other pitfalls. Also, there was a slump in the global demand for copper. Therefore, an expectation was placed on the citizenry by the political authorities that the copper mines would always save the day, so to speak. This issue will be examined later in detail under the historical context section of this chapter.

In this regard, the purpose of this chapter is to critically examine CSR activities in Zambia. It argues for a broad-based approach to CSR than the present one. The chapter opines that CSR should hinge on the notion of *engaged citizenship* that could result in business entities participating effectively in overall national development efforts. Therefore, this discussion links *engaged citizenship* to the **Citizens Economic Empowerment Commission** (CEEC) which was established by the Zambian government to empower poor and marginalised citizens. The chapter notes that the CEEC could be the incubator of this new perspective to CSR in Zambia. In its summations the discussion proposes that CSR should be underpinned by nationalistic imperatives. Thus, the CEEC could play the role of imbuing this new slant of CSR with nationalist objectives. In broaching the chapter for discussion, it is important to state what its contentions are.

2 Stating the Problem: Some Issues for Consideration

Giving back to the country is something that should be a national objective whereby all Zambians, from various walks of life, are encouraged to engage in national initiatives aimed at fostering social cohesion and raising the quality of life of the citizens. Therefore, such an undertaking should be a citizenry obligation which is meant to 'give back to the nation' in a true sense and not something that people or business entities are compelled to do. However, this national calling should begin with politicians and business leaders. It is important that leaders in Zambia lead by example and not expect citizens to be the ones to solely inspire a nation. This notion is closely related to CSR in that the private sector and other corporations should spread their profits to the rest of the society or more specifically, to the communities where they conduct their businesses. As noted earlier, CSR has been gaining traction in Zambia but it has been spearheaded by mainly the mining sector even though other businesses pursue it. This is because mining is the mainstay of the Zambian economy and thus significantly commands a large share of the nation's financial resources. However, this sector is not doing enough in terms of developing the country. Perhaps this shortfall can be attributed to this sector's 'expatriate character' as it is dominated by foreign firms.

In their Op Ed, Kabemba and Lange (2018) rightly observe that by all accounts, the mining sector should have been a saviour of the country's economy and that is why Zambians have consistently monitored the health of the mining sector, as they are fully aware of its contribution to the overall economy. Thus, when the price of copper goes up, hopes are raised that lives will change and when the price goes down, fears abound of operations scaling down, leading to massive job losses and a decline in contributions to the fiscus. These authors also observe that the citizens' fears are legitimate because there is already in place a problematic and inefficient CSR framework governing the operations of mining companies in affected communities. For Frederisksen (2017, p. 12) "CSR features very little in the national debate on natural resource governance in Zambia. Times when the local practices of mining companies have boiled onto the national debate are few and have attracted swift action from national government." Indeed, it can be seen that Zambia's total exports were very much driven by copper. For instance, in Q1-2017 exports were US$1.90 billion compared to US1.55 billion in Q1-2016. The top five export commodities were copper; salt and Sulphur; sugars and confectionery; tobacco and tobacco products, and other base metals. In the same period, the country earned US$1.45 billion from copper exports compared to US$1.08 billion in the corresponding quarter in 2016 (Bank of Zambia, 2017). It is therefore easy to decipher that copper continues to be the country's number one export earner.

Nevertheless, CSR remains inchoate due to the country's inability to strategically leverage the business sector for national development purposes. According to this discussion, one of the shortcomings of the present approach is that CSR does not seem to have a clear developmental thrust but has strong philanthropic overtones. This is why the mining sector can remonstrate and argue that it is doing a lot for the country while most of the CSR activities easily dissipate as many are not developmental. Therefore, for CSR to become more effective and developmental, it must be linked to social policy as argued elsewhere by this author (Noyoo, 2013a). Social policy could become a crucial vehicle to operationalise CSR in Zambia because of its general orientation and tradition. It could essentially provide a framework for the articulation of CSR within a developmental agenda. This close connection between CSR and social policy was a feature of past political epochs in Zambia—beginning with first colonial and then post-colonial political patronage. After Zambia became a one-party state dictatorship in 1972, its fortunes dwindled (Noyoo, 2013a). In this way, corporations would not be lost in piece-meal activities and tout these as CSR initiatives. But they would not be pursuing solid developmental objectives. Another issue that is related to the stated problem is perceiving the mining sector as the lead actor in this arena. This is problematic for the country's development prospects. Due to this, CSR is beginning to be erroneously seen as something that should be pursued by foreign enterprises only. In order to have a holistic CSR agenda, there is need to remodel the role of the mining sector in CSR by turning it into a nation-building tool. Even Zambians who are in the private sector could use it to raise the quality of the citizens. In this way, the private sector could be factored into Zambia's development equation and robustly work with the government as a true partner for development.

Moving beyond the mining sector would unshackle CSR from its peripheral role in the Zambian economy and bring it into the mainstream. This means that there is a need to undertake a scoping exercise to other sectors of the economy to ascertain CSR's viability. For instance, such an argument can be made for the tourism sector. In the case of the city of Livingstone, McLachlan and Binns (2014) note that CSR is an aspect of tourism activity that has thus far not been explored in relation to sustainable tourism development and community upliftment. In fact, the potential of CSR as an agent for positive tourism development, however, remains largely unexplored. These two authors sum up their arguments in this manner:

> To continue to promote sustainable tourism development and uplift the local community, government and local tourism bodies in Livingstone should encourage all businesses to become involved in CSR and community support. Government could possibly create legislation that requires all new tourism-related businesses within Livingstone (and indeed elsewhere) to initiate some form of CSR as a condition for establishing the business. Local tourism bodies, working closely with local Chambers of Commerce, could identify such projects within the community, and encourage the establishment of new projects, fostering links between the different parties. Alternatively, other businesses could be linked to the work that such corporations as SI are doing, encouraging partnerships and further enhancing the outreach that tourism development can have for local community development (McLachlan & Binns, 2014, p. 109)

What this illustration above points to is that even in the burgeoning and booming tourism industry, CSR is *ad hoc* and fragmented. This again is attributed to the government's weak legislative framework as regards CSR in Zambia (Noyoo, 2016). This gap resonates with the assumption of this chapter that regards CSR as playing a minuscule role in the country's development due to an overreliance on the mining sector, important this may be, to drive the CSR agenda in Zambia. Even in the mining sector, CSR seems to be skewed towards the more established firms and not the small-scale mining sector. Lungu and Shikwe (2007, p. 10) who had undertaken research in this area more than a decade ago were able to determine that there were not many CSR activities in this sector because it was itself fraught with various challenges. These authors note that "the small-scale mining companies operate in very uncertain conditions and circumstances. Many of them operate in areas where geological surveys have not been done and so they are not sure of what they will find underground. They operate by sheer luck. This is compounded by the problem of lack of access to finances leading to lack of appropriate equipment to carry-out mining operations. As a consequence very few are successful..." They conclude their study accordingly:

> From this perspective, this study on Corporate Social Responsibility in the small-scale mining sector also concludes that there are few companies who[that] are involved in making visible and tangible corporate social investments. It also concludes that some other companies may not be involved because they are operating at a scale so small that, even if they were

> involved in making corporate social investments, these would be negligible (Lungu & Shikwe, 2007, p.10).

In terms of small-scale industries in general, Choongo, van Burg, Masurel, Paas, and Lungu (2017, p. 29), found out that internal motivations (financial motivation and moral, and ethical motivation) are the reasons why SMEs adopt community-CSR and environmental-CSR practices in Zambia—after they examined the motivations of different forms of CSR by small and medium-sized enterprises (SMEs) in Zambia. In addition, the identification of sustainable opportunities also positively influences the adoption of community-CSR practices. External motivation appears to play no role at all for any form of CSR engagements. Notwithstanding the cited shortcomings, it does not mean there is nothing happening in the arena. It can be observed that there is a will in the sector even if it may not seem like that. However, the main impediment is how the sector is structured in Zambia and this militates against CSR. As it will be unpacked later, the thrust that is proposed in this chapter is where the government boosts such business entities and others in the small to medium scale arena. The next section seeks to provide an overview of the country under discussion.

3 Zambia: The Land and its People

Zambia is a landlocked country situated in south-central Africa, with an area of 752, 614 km^2. Zambia's neighbours are Angola in the west, Botswana in the south, Namibia to the south-west, the Democratic Republic of the Congo (DRC) to the north, Malawi towards the east, Mozambique to the south-east and Tanzania is in the north-eastern direction, while Zimbabwe is directly south of the country. According to the country's 2010 census, its population stands at 13,046,508, with 49% males and 51% females. Regional distribution of the population shows that 7,978,274 people (61%) reside in rural areas and 5,068,234 (39%) live in urban areas. At the provincial level, Lusaka, the capital city, has the largest population of 2,198,996 followed by the Copperbelt at 1,958,623. The Northern Province is the third largest with 1,759,600 followed by the Eastern and Southern provinces at 1,707,731 and 1,606,793 respectively. Exhibiting the lowest population numbers are Luapula Province, Western Province and the North-Western Province with 958,976; 881,524 and 706,462 in that order (Central Statistical Office, 2011). The country now known as Zambia was comprised of two territories of North-Western Rhodesia and North-Eastern Rhodesia before 1911. Afterwards, the former territories were amalgamated to form the colony of Northern Rhodesia in 1924. Before this merging of territories, the British South Africa Company (BSAC) ruled the area. At the helm was Cecil John Rhodes who was an ardent proponent of British imperialism. The BSAC was preoccupied with the exploitation of natural resources and specifically minerals for export to Britain. It was not concerned with the development of the area and built only rudimentary infrastructure during its rule, to facilitate the export of the territory's natural resources to Britain. Zambia was not a homogenous society prior to colonial rule, but a heterogeneous spread of polities with autonomous boundaries. Pre-colonial Zambia was initially inhabited by the San people. Later on, immigrations from the Luba-Lunda Kingdom resulted in many Bantu ethnic groups settling in present-day Zambia. Eventually these groups drove out the San people. Pre-colonial Zambia was always in a state of flux as there were migrations, inter-ethnic wars and long-distance trade.

The arrival of European colonisers was the most significant force to envelop pre-colonial Zambia. Colonial rule was inadvertently aided by the penetration of the interior of central Africa by missionaries such as David Livingstone. Livingstone encouraged the subsequent immigration of other missionaries, traders and administrators into central Africa. The Paris Missionary Society (PMS) which gained a foothold in Barotseland (now the Western Province of Zambia) was the first organised body to settle in the country and it was followed by the London Missionary Society (LMS)—that made an in-road into Zambia from the north. These Christian organisations were Protestant groups and would convert Africans into Christianity. Missionaries were also the initiators of social welfare activities in colonial Zambia. Their motives were very different from those of the colonialists, as religion (or Christianity) was the major driving force behind their efforts. After colonial occupation, the colonial authorities' efforts in this arena were piece-meal and were meant to maintain the colonial set-up where Africans would remain subdued. They were not oriented towards developing the locals. Zambia attained independence on 24 October 1964. Thereafter, the first African government to take over from Britain embarked on an ambitious and fast-paced programme of social and economic development that aimed to elevate the standards of living of the majority of the people who were confined at the time to illiteracy, disease and poverty. This state of underdevelopment was created by the colonial authorities' neglect of the plight of Africans, through their policies of racial segregation. The new post-colonial government had a monumental task of developing the country. It took up the challenge and even managed to make huge strides in developing health-care and education infrastructure, and heavily invested in social development. However, the economy was heavily dependent on copper as its main export commodity.

Development programmes—at least in the decade after independence—could be financed from the profits of copper sales. At the time, the ideology of the ruling party, the United National Independence Party (UNIP) dictated the pace as well as the content of development. Major policies in the social and economic arenas were brought in line with the ideology of Humanism. This ideology sought to establish an egalitarian and non-racial society based on its principle of 'man' being the centre of all human activities. It was for this reason that social services were free and universal to all citizens in the decades of the 1960s, 1970s and early 1980s. The government also placed great emphasis on community development in the same decades as an important arm of social welfare. From the mid-1980s to the 1990s, the living conditions in the country plummeted to low levels, thus making the lives of many Zambians extremely difficult. Even though standards of living had been slowly declining from the 1970s, this period witnessed an immediate sharp decline of the living standards of most Zambians. As the country's economy continued to plunge further downhill, Zambia's politics also changed. A new political and economic order, which was neo-liberal in content dawned on Zambia. This situation came to pass after the UNIP government and the first president of Zambia, Kenneth Kaunda, were defeated at the polls in 1991 by the Movement for Multiparty Democracy (MMD) of Frederick Chiluba. From thereon, the new government would strictly implement economic reforms as prescribed by the World Bank and the International Monetary Fund (IMF).

Unfortunately, the MMD government did not effectively deal with the social costs of adjustment and hence such economic reforms only translated into heightened social dislocation exemplified by huge job losses through retrenchments, and high levels of poverty and chronic hunger. There was also less accountability on the part of the government and its officials as corruption was left unchecked (Noyoo, 2013b; Noyoo, 2016). From 1991 to about 1996, the MMD government rushed through the liberalisation of the economy and abolished subsidies in key areas of health-care, food, transport and education—without providing sufficient safety-nets for the casualties of the economic restructuring programme. The attendant privatisation of state firms was also riddled with serious anomalies and lacked critical ethics. The SAP was the key policy thrust during the 1990s (Noyoo, 2013b; Noyoo, 2016). In spite of this, social ills were amplified exponentially in the said period. By the beginning of the new millennium, Zambia's economic prospects were beginning to brighten once more after a grim period of almost 30 years. The copper prices were on the upswing and the government began to take concrete steps to arrest the extreme poverty levels in the country. New social welfare measures such as the cash transfer scheme were instituted, (albeit under the patronage and the guidance of donors (Noyoo, 2013b).

Discussions were also underway for the introduction of broader social security measures in the country. By 2005, when the country was ruled by a new president, Levy Mwanawasa, the country's economic growth hovered around 6% per annum and inflation had drastically reduced to single digit levels. Mwanawasa's administration also began to approach the restructuring of the economy in a sober manner. Despite this, the economic fortunes of Zambia began to dim with the onset of the global financial crisis towards the end of 2008. The resulting effects of this global downturn were extremely dire: the price of copper again plummeted, mines and factories shut down and retrenched workers were again struggling to make ends meet. After Levy Mwanawasa passed away in 2008, Rupiah Banda was elected as the new president of the country on an MMD ticket. He would sign significant bilateral co-operative agreements with China which led to the resuscitation of the mines, which had been abandoned by certain investors during the global economic crisis. In the process, some jobs were reactivated whilst others were created, thus at least guaranteeing some Zambians steady income vital for sustaining their livelihoods. But the problem in Zambia still remains that of *economic growth without human well-being*. Only a minority of political elites seem to be benefitting from the export of copper, whilst the majority of Zambians continue to wallow in abject poverty (Noyoo, 2013b). Rupiah Banda and the MMD were defeated at the polls in

2011 and succeeded by the late Michael Sata and the Patriotic Front (PF). This new government with its populist rhetoric did not do much to develop Zambia but only managed to sink it back into the debt hole that it had just emerged. After Sata died in 2014, Edgar Lungu became president. However, the PF's governance record continues to be dismal to date.

After providing this background, it is important to throw some light on the conceptual premises upon which this chapter's discussions are grounded.

4 Conceptualising Corporate Social Responsibility (CSR)

There are many definitions of CSR. Despite the fact that CSR has been variously defined, all these recent definitions have a common theme: they all state that modern business must recognise the economic, social, and environmental impacts of their operations/actions on both their stakeholders and the natural environment, or requires them to minimise the adverse effects of and minimise the consequential benefits of their actions on stakeholders and the environment (Idowu, 2009, p. 16). In addition, over the years there has been a normative preoccupation with whether corporates are a 'good' or 'bad' thing for society. This obscures not only the ideological fault-lines along which the study of CSR has run, but also the ambivalences, contradictions and potentialities that inhere in the morality of the corporate form. For this chapter, the former could possibly be circumvented through the burgeoning ethical industry where anthropologists have begun this process of sense-making, tracing how 'responsibility' is practiced in every-day routines of the organisation and differentially grounded in particular social and material realities (Dolan & Rajak, 2016, p. 2). Visser (2014, p. 3) takes this notion further by likening CSR to DNA. Whilst relying on this biological metaphor he presents the DNA model of CSR. In this model, he refers to the four DNA responsibility bases. In this case, the DNA responsibility bases are: value creation, good creation, good governance, societal contribution and environmental integrity.

According to Ward (2008) CSR is underpinned by public policy. It has undeniable links with law. But the relationship between CSR, law and public policy has been difficult to pin down, whether prescriptively or descriptively. A major reason is differing views on the optimal relationship between state and market among people working to promote CSR. Hopkins (2007, pp. 10–11) goes a step further and argues that CSR should be the first step and then this should be followed by what he terms *Corporate Social Development*. For him, such a concept is more action-oriented than CSR *per se* and includes social actions for all stakeholders. He also notes that his definition of CSR has a wide conception of 'social' that also includes environmental, financial, governance, economic concerns as well as those that are normally considered 'social'. The foregoing definition, where CSR is extended to represent *Corporate Social Development* could be appropriate for a country like Zambia where some corporations seem to see it as merely 'ticking the boxes' and not an empowering or developmental tool. For many, it seems like it is all about compliance purposes so that their licences are not revoked by the government and that they continue making profits. Therefore, there should be more holistic and comprehensive approach to CSR in Zambia, which is along the lines of *Corporate Social Development*.

The International Labour Organisation (ILO) (2006) seems to extend this approach to CSR by linking it to social protection. It defines CSR as a way in which enterprises give consideration to the impact of their operations on society and affirm their principles and values both in their own internal methods and processes, and in their interaction with other actors. In this sense, CSR is a voluntary, enterprise-driven initiative and refers to activities that are considered to exceed compliance with the law. It can be discerned from the foregoing accounts that there has been an evolution in the thinking of CSR globally. Therefore, CSR is something that is not static or even consigned to a geographic area but has spread all over the globe. A catalyst to this situation is globalisation which has seen various companies and enterprises transcend national boundaries and go and set up businesses in other parts of the world. Multinational corporations are synonymous with this type of movements whereby they are able to spread their tentacles from developed northern countries to the poorer parts of the globe. With these business ventures certain malpractices had emerged such as the exploitation of local workers, wanton degradation of the environment, especially where these entities operated and built *clientelistic* networks to ingratiate themselves with the ruling political elite class. These wrong practices were challenged by a global movement led by international organisations like the United Nations seeking to rectify the damage that they wrought on local communities.

Thus, guidelines or international codes of conduct, related to business practices, were arrived at by various organisations to stem the various malfeasances of large corporations doing business in the world, especially in the developing world. Gordon (2001) refers to these guidelines and international instruments when he reviews those by the Organisation for Economic Co-operation and Development (OECD). He looked at the following instruments in his review: the Caux Principles for Business, the Global Reporting Initiative, Global Sullivan Principles, the Principles for Global Corporate Responsibility—Benchmarks, Social Accountability 8000 (SA 8000) and the United Nations Global Compact (Gordon, 2001, p. 3). He points out that the "global instruments reviewed here have different sponsors—intergovernmental organisations, individuals, religious groups and groups of business executives. The question of sponsors—whose ideas and principles the instrument represents, how broad the consensus underpinning the instrument is—is a key consideration in trying to understand the channels through which these instruments might influence business conduct" (Gordon, 2001, p. 3). More international codes, guidelines or protocols have been advanced by different bodies and agencies since Gordon's (2001) work. The issue to consider here is that due to the global nature of big businesses, there is a need for regulatory frameworks to keep in check the actions of corporations.

This awareness has been linked to various CSR initiatives across the globe. The interconnectedness of the world and the role that globalisation plays in this sphere necessitated the development of such instruments. Given the foregoing, this chapter adopts the definition of CSR advanced by Idowo (Idowu, 2009, p. 16). He "holds the view that CSR is about business putting the interests of others before their own. CSR is about being concerned with the welfare of all of an entity's stakeholders whether primary or secondary—everyone who would be affected either directly or indirectly by its actions including its competitors. CSR is about decency in the conduct of the affairs of the entity with all its stakeholders including the natural environment." On this note, the following section looks closely at the evolution of CSR initiatives in Zambia.

5 Some Background Issues: CSR in Zambia

CSR in Zambia can be traced back to the colonial era and especially in the mining sector in the Copperbelt region. The mining sector provided social benefits to both its African and white workers. Such forms of patronage were buoyed up by the profits from the copper sales. Thus, this nascent form of CSR was linked to the colonial social policy that sought to comprehensively meet the needs of the white settler population but at the same time sought to keep the 'native' 'happy' to continue producing profits for the colonial business enterprises. This is because the mining industry was key in creating a welfare state for the white settler population to the exclusion of the local population (although the African miners were included to some extent). This system was typified by a racialised formal labour market in which the white working class had won for themselves a fairly extensive set of welfare rights (Mkandawire, 2004). In post-colonial Zambia, however, the mining sector's activities were leveraged in such a way that the profits from the copper mines were used to advance social policy goals for all citizens. For instance, after the Zambian government nationalised both the Anglo-American Corporation (ACC) (to form Nchanga Consolidated Copper Mines—NCCM) and the Roan Selection Trust (RST) (becoming the Roan Copper Mines—RCM), in 1969—in what were known as the Matero Economic Reforms, which followed the 1968 Mulungushi Reforms—the mining dividends were overtly used by the state to shore up social investment.

In 1982, NCCM and RCM were merged into a single state-owned mining entity, the Zambia Consolidated Copper Mines (ZCCM). Frazer and Lungu (2006) point out that ZCCM had operated a "cradle to grave" social welfare system. During its boom years, it had employed up to 45,000 pensionable workers and provided free subsidised health, education, housing, water, refuse collection and electricity. Even roads were built by ZCCM. Also, workers were compensated with high wages and excellent fringe benefits. Furthermore, state-led industrial development was possible because of the copper revenues that were channelled to industrial transformation and rural development. In addition, the government relied on both monetary and fiscal policies to promote growth in the manufacturing sector. To this end, the import substitution strategy was adopted according to the United Nations Development Programme (UNDP) (2003). But this model was unsustainable. Nationalisation and import substitution strategies proved very costly. Zambia failed to diversify the economy from copper mining. Import substitution industries proved inefficient and uncompetitive due to high input costs, high monopoly prices, reliance on government subsidies, and lack of technological dynamism (Zimba, 2003). In the end, the elaborate and comprehensive welfare system collapsed. This is when the privatisation of the mining sector was initially discussed in Zambia. When the country became a multi-party state, the privatisation of the mining sector was instituted.

The transition to multi-party politics had raised the expectations of Zambians with many wrongly thinking that all would be well with this new political dispensation. The new president at the time, the late Frederick Jacob Titus Chiluba preached privatisation and the liberalisation of the economy in line with the Structural Adjustment Programme's (SAP's) incomprehensible idea of an 'enabling environment'. This was actually not the case. Noyoo (2016) remonstrates:

> Unfortunately privatisation did not translate into higher standards of living for the majority of the Zambians, but it actually reversed the positive social and human development strides that were made during the socialist era. The private sector that emerged from the initial privatisation phase, between 1991 to 2001, arguably resembled cut-throat *laissez-faire* type of businesses, whose activities were mostly devoid of social goals.

That is why there were mounting calls from many quarters of Zambia for CSR to be adhered to, when the country returned to multi-party politics, as many businesses did not seem to exhibit any form of social consciousness. The next section proposes a new pathway for CSR in Zambia.

6 Broad-Based CSR: Towards a Nationalistic Approach

Broad-based CSR is a concept that is taken in this chapter as something that should transcend the artificial boundaries created by both the government and the private sector in CSR in Zambia. The forgoing statement alludes to the current restrictive approach to CSR which has been adhered to in Zambia for more than two decades. The problem in Zambia is that not much intellectual and strategic thinking has gone into streamlining and shaping this sphere for national development goals. To date, there has not been much of a clear strategy, policies and legislative framework from the government to guide CSR activities in the country (Noyoo, 2016). On the other hand, the private sector that is engaged in CSR, approaches it from its own understanding, which is, in most cases, limited and not linked to national development goals. For this discussion, a broader comprehension of CSR needs to be based on the idea of *engaged citizenship* where upcoming local business are also designated for CSR activities by the government. In the same vein, these local businesses would have been helped to 'take off' by the government through start-up capital and other incentives. A pre-condition to access such capital and repay it, would be for Zambians who want to start a business to develop a CSR plan—just as they would in the case of a business plan or Environmental Impact Assessment (EIA). In this way, there would be a shift from an over reliance on the foreign firms doing business in Zambia, especially in the mining sector, to be the drivers of CSR. Furthermore, there is a need for a CSR code in Zambia that is guided by nationalistic principles and the idea of an engaged citizenry.

Thus, broad-based CSR would incorporate other sectors of the economy that could play meaningful roles in improving the living conditions in the country. With this new thrust, CSR could be remodelled along the lines of nation-building and thus taking on nationalistic overtones. CSR pursued from this angle would be more robust and future oriented. The key point here is that these business entities also 'give something back' to the country through CSR initiatives, after they have been helped to grow. Such firms would then be compelled to engage in CSR activities as part of meeting their obligations of repaying the government the seed funding it had provide to them. With these issues in mind, it does not mean that foreign firms would go scot-free and not meet their CSR obligations. In fact, this new thinking in CSR would compel these firms to follow the same nationalistic principles as the local firms that were incubated by government. As long as a firm is doing business in Zambia, it has to think of Zambia first in all its business undertakings. The foreign business enterprises would have to *sign a Business Code of Conduct* pledging to put the interests of Zambia first in their business undertakings. In this way, both foreign and local firms would be made to include in their business plans the building of Zambia first as a business objective. It is proposed in this chapter that a structure such as the **Citizens Economic Empowerment Commission** (CEEC), which already exists, should be leveraged for the growth of this new CSR slant.

7 The Citizens Economic Empowerment Commission (CEEC)

According to the **Citizens Economic Empowerment Commission** (CEEC) (2019), the CEEC is a body corporate that was established through the enactment of the Citizens Economic Empowerment Act No.9 of 2006 to foster broad-based economic empowerment in Zambia. The Act's mandate is to promote broad-based and equitable economic empowerment of citizens who are or have been marginalised or disadvantaged and whose access to economic resources and development capacity has been constrained due to various factors such as race, sex, educational background, status and disability. Targeted citizens are Zambians who historically have been either marginalised or disadvantaged and have no access to economic resources or opportunities (CEEC, 2019). The CEEC would be the ideal structure to enforce this broad-based CSR given its already nationalistic mandate. This discussion is proposing the CEEC not as something that can dispense an antidote to the country's development challenges. Rather, it sees this organisation as a spring-board for small businesses or start-ups to expand on their operations and mandates.

Nevertheless, this chapter takes cognisance of the CEEC's shortcomings as well as lack of strategic vision, among others. Therefore, before the CEEC could be leveraged, it should first get its house in order. Due to its lacklustre performance, Phiri (2016, p. iv) made the following recommendations in his research study:

> . . . the Commission should relax collateral requirements and charge lower interest rates; scale down standard requirements before loans are disbursed and increase Public Awareness. The government should provide adequate financial resources to CEEC and increase the independence and autonomy of the Commissioners.

The role that the CEEC could play in expanding CSR, by linking it to small and indigenous businesses it supports, could have far-reaching implications for the development of the country. This sector could unlock the micro and people-to-people actions of solidarity. The government's support of the small-scale and medium enterprises sector could unleash a lot of developmental spin-offs given the way it is located in the Zambian economy. Phiri (2016, p. 16) explains:

> SMEs in Zambia constitute more than 95 per cent of all firms and hence play an important role in job creation, poverty reduction and economic development. They also help create an environment for innovation and entrepreneurship. Since 1991, the SME sector population has experienced exponential growth. It is estimated that only 500,000 (12.5 per cent) of the potential labour force of 4,000,000 Zambians are in formal employment. The remaining 3,500,000 (87.5 per cent) are engaged in informal employment (SMEs). The predominance of SMEs is also translated into their contribution to the production value in the manufacturing sector.

8 Conclusion

This chapter argued that there was need for a new approach to CSR that went beyond the mining sector and incorporated new business entrants. However, the discussion argued for a need for the state to create and harness such businesses which would also be orientated in such a way that they saw CSR as a national duty and not just something businesses had to do to meet the government's regulations. It also suggested that the **Citizens Economic Empowerment Commission** (CEEC) could be the one to foster this new CSR. However, this new thrust can only be effective if the CEEC has a strong strategic vision and intellectual depth to drive such an agenda. Furthermore, there is a need to strengthen the country's policy and legislative frameworks governing CSR.

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Part III
CSR from The Americas

Bolivia
Canada
Cuba
Mexico
USA

Corporate Social Responsibility in Bolivia

Corporate Social Responsibility in Bolivia: Context, Policy, and Reality

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Abstract Nowadays, Bolivia is experiencing big social and economic changes. Due to strong economic growth and deep political changes, the Bolivian society has high expectations for a better future. However, historical social injustices, weak government institutions, corruption, poverty, unenforced regulations, low industrial productivity, and high economic informality are hindering that future. In developing countries where weak institutions do not address social problems sufficiently, Corporate Social Responsibility (CSR) can serve as an alternative way to address social problems through corporate actions, rather than government actions, that seek to minimize harm to, and maximize benefits for, both disadvantaged social groups and the environment. Currently, private and public firms are attempting to use CSR practices to improve Bolivian people's lives. However, as a developing country, CSR practices still are developing from philanthropy to sustainable practices. In this chapter, we argue how Bolivia's specific country-specific context has shaped CSR practices in Bolivian private and public firms. Our analysis of contextual influences takes into consideration Bolivia's situation along political, historical, socio-cultural, geographical, environmental, regulatory, institutional, business, economic and technological dimensions. Amongst other results, we find that most public and private firms use philanthropy as their main type of CSR practice. However, as we find through interviews, some firms are moving towards sustainable business practices as a more comprehensive type of CSR practices. We discuss Bolivian cases of

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successful CSR initiatives undertaken by private and public firms and outline future challenges for the success of CSR programs.

1 Introduction

This chapter attempts to delineate how Bolivia's specific situation along multiple contextual dimensions has shaped the CSR practices in Bolivia. The presentation of these contextual dimensions will allow for a better and more holistic understanding of CSR practices in Bolivia. The following sections in this chapter outline Bolivia's political, historical, socio-cultural, geographical, environmental, regulatory, institutional, business, economic and technological situation that has influenced CSR practices. Then, we provide examples of specific CSR practices implemented by Bolivian firms. Finally, we summarize the unique characteristics of CSR practices in Bolivia, and we draw implications for improving such practices.

2 Political and Historical Context

In Bolivia's territory, archaeological sites have been discovered, indicating that this region was inhabited 21,000 years ago. From 700 BC to 1200 AD that territory was ruled by the Tiahuanaco Empire. From the thirteenth to the sixteenth centuries, the region was incorporated into the Inca empire. In 1538, the Spanish crown, represented by Francisco Pizarro, conquered the region and annexed it to the viceroyalty of the Rio de la Plata. It followed the arrival of Spanish colonizers, and new cities were founded. Specifically, cities such as Chuquisaca (now known as Sucre), Potosí, La Paz, and Cochabamba formed the future Bolivian nation. The great wealth of silver mines from Potosí encouraged the arrival of new Spanish colonizers. At that time Bolivian indigenous people were used as free labor for the extraction of silver. Moreover, due to the Spanish rulers' social hierarchies, children born in Bolivia were not considered Spaniards (known as criollos), nor were children from mixed Spanish and indigenous people (known as mestizos). These unfair social practices caused a war for independence from the Spanish Crown. Led by Simon Bolivar, Bolivian independence took place on August 6, 1825. Five days later, Bolivia adopted its current name honoring Simon Bolivar. Due to a mining tax to a Chilean mining company, in 1879 Chile seized Bolivian territory (Antofagasta) and forced Bolivia to declare war, which is better known as the War of the Pacific or the Saltpeter War (1879–1883). Chile won the war, and ever since Bolivia is landlocked. From 1901 to 1903, Bolivia experienced another war with Brazil (Acre War or Rubber War) because the region of Acre possessed rich gold deposits and an abundance of timber, principally rubber trees. The war ended with a Brazilian victory in which Bolivia ceded the region known as the Acre. In 1935 another war disrupted Bolivia (Chaco War), which is attributed to a long-standing territorial dispute between Paraguay and Bolivia and to the discovery of oil deposits on those Andean plains. As a consequence of this war, Bolivia lost and had to transfer another piece of its territory to Paraguay. This reconfiguration of Bolivian territory led to political instability and caused Bolivia to experience a coup d'état almost every year between 1850 and 1950. However, Bolivia experienced stages of economic prosperity with the exploitation of quinine, a plant used as a medicine (1830–1850), guano (organic fertilizer) and saltpeter (1868–1878), latex (1895–1915), and tin (since 1880). These conditions of high political instability and social hierarchies, inherited from the Spanish rule, caused extreme poverty for the majority of Bolivia's population (mostly indigenous people) and extreme wealth for a few landlords (mostly criollos). From a legal perspective, indigenous people were free, but the landlords still used them as free labor. These problems caused a popular uprising to take power in 1952, led by the Nationalist Revolutionary Movement (MNR). Once in power, the MNR nationalized the mines, promoted universal vote, and implemented an agrarian reform. In 1964, the Bolivian army took power. In that period, the Bolivian guerrillas were formed and led by Ernesto "Che" Guevara. In 1967 the Bolivian army captured and executed Ernesto "Che" Guevara, ending the short-lived presence of Bolivian guerrillas. After social unrest, in 1982 Bolivia returned to democracy and civil power. However, due to bad finances and ill-conceived government policies, the country experienced a series of economic and political crises. For example, in 1985 Bolivia experienced the highest inflation of its history (11,750%).

In the early 1990s, during the government of Gonzalo Sanchez de Lozada (MNR), the country adopted economic liberalism, privatized the mines, and sold public firms (known as *capitalización*). However, social and economic instability continued. Consequently, public discontent with the government grew. Since 2000, Bolivian people fought against the privatization of the public water services of Cochabamba, favored the plantation of coca leaves, increasing the taxes of hydrocarbon fuels, and favored the nationalization of previously privatized firms. All this culminated with the fall of President Sanchez de Lozada's regime and the seizure of La Paz by the indigenous population, leading to Evo Morales becoming president of Bolivia through democratic elections in 2005. During the presidency of Evo Morales, Bolivia has experienced economic growth, mainly due to higher international commodity prices. The most important measures taken by the current government include (a) a new constitution, (b) the nationalization of previously privatized public firms, (c) higher control of interest rates, (d) a periodic increase of minimum wages, and (e) opposition to free trade agreements. In addition, due to its political orientation, Evo Morales' government has worked on the redistribution of income and wealth to the poor and indigenous people. However, this redistribution might not be sustainable because it consists of conditional cash transfers through bonuses and rents for political support (Morales 2014).

As the Bolivian history shows, the ability to build trust among Bolivians was affected by the existence of multiple ethnic groups scattered across geographically distant areas. This problem was further exacerbated by the discrimination and exclusion of the indigenous people by the elites in power. This caused a lack of trust among social groups and thus low social capital (Newton 2001). Moreover, as we report above, most governments concentrated their economic policy on the exportation of raw materials as their main source of income. The volatility of international commodity prices brought periodic economic and political crises, which caused further social division and poverty. The importance given by different governments to the exploitation of natural resources has contributed to a Bolivian mindset that considers it the only way to generate wealth. Thus, human capital, technology, and institutions were constantly relegated and became historically weak. In the specific political and historical context of Bolivia, CSR practices thus face enormous challenges in its implementation. However, CSR practices also have the opportunity to fill a gap in government policy and thus to effectively build trust, create wealth, and develop sustainable growth for the Bolivian economy.

3 Socio-cultural Context

3.1 Language

The Bolivian constitution recognizes 38 ethnic groups. The official languages of Bolivia are Spanish and 36 other languages spoken by the indigenous people. Among these languages, only four are used by a substantial share of the population: Spanish (84% of the population), Quechua (28% of the population), Aymara (18% of the population); and Guarani (1% of the population). Therefore, the Supreme Decree 2477 (2015) established that, in addition to Spanish, public and private firms must have signage in indigenous languages to facilitate indigenous people the access to their services. For example, the BCP bank offers its services in Aymara and Quechua languages for their indigenous clients (La Razón 2010). However, most public and private firms still do not comply with this norm.

3.2 Religion

Most Bolivian people are religious. Catholicism is a major religion and is followed by more than 76% of people. This religion plays a major role in shaping Bolivian culture. Although the Bolivian constitution declares Bolivia a secular state, Catholic practices are part of mainstream culture. Thus, public and private firms have to adapt their operations to Catholic holidays. For example, firms halt their operations during Christmas and Good Friday to allow people to perform religious rituals and attend Catholic Church activities.

3.3 People

According to the Bolivian Institute of Statistics (INE 2018), Bolivia has a population of around 11,307,000 inhabitants, of which 50.7% are women and 49.3% are men. In 2017 Bolivia's population density was estimated at around 9.2 people per square kilometer. Compared to its neighboring countries (21.18 people per square kilometer on average), it has less than half of the population density. According to CIA (2019), 55% of Bolivia's population is indigenous people (Amerindians), which is the largest share within South America and the Americas. In 2015 the adult literacy level was 96.5% for males and 88.6% for females. Medina and Schneider (2018) report that Bolivia has the biggest informal economy in the world at 62.3% of its GDP. Therefore, more than half of the Bolivian population work in the informal economy, do not pay taxes, do not have social security, and do not have any access to quality health services. Regarding the relatively low percentage of people working in the formal economy, labor unions have been encouraged during the presidency of Evo Morales. These labor unions maintain strong relationships with the government and thus have high collective bargaining power despite firms' lower production efficiency. Consequently, from 2006 to 2017 the minimum wage rose by 300% (Página Siete 2018a), increasing the financial pressure on Bolivian firms.

3.4 Gender Equality

The Bolivian constitution promotes the principle of equality, and women represent around half of the population of Bolivia. However, compared to men, their status in Bolivian society is inferior. For example, according to CEPAL (2017a), in Bolivia only 27.8% of cabinet ministers are women. Moreover, gender violence is widespread. The number of femicides is among the highest in the region with two crimes per 100,000 women (CEPAL 2017b). Government statistics show that 90% of women will be experiencing some form of violence, with 87% experiencing it within their families. Thus, Bolivia has the highest rate of female violence carried out by partners in Latin America. The reasons for this scenario are social and cultural. Bolivian society is a male-dominated society and thus macho values are celebrated. In the formal and informal economy, firms do not want to hire women because when they get pregnant, they will take maternity leave. Consequently, women do not play an active role in the Bolivian economy.

Some firms are tackling this problem by using innovative CSR practices. For example, at the airline BOA, women constitute 40% of the personnel (Castillo 2018). Moreover, the firm established specific flights named "He for She," where the aircraft crew consists of women only.

3.5 Poverty

Traditionally, poverty in Latin America is attributed to the state capture by the elites (Roberts 2002), to capital market imperfections (Robinson 1999), to inequality of opportunities, to lack of good education (Janvry and Sadoulet 2000), to labor market segmentation (Telles 1993), and to discrimination against women and indigenous groups (Hoffman and Centeno 2003).

For Bolivia poverty is a historical problem. According to the Human Development Index (United Nations Development Programme 2018), Bolivia ranks 118 of 189 countries and is qualified as a medium human development country. Moreover, according to an estimate of Messina and Silva (2017), Bolivia's Gini Index (an indicator of income inequality) is 45.8. In the past 25 years, this indicator reached a maximum value of 63.0 in 2000 and a minimum value of 42.0 in 1990. Despite those statistics, according to Gonzales (2017), no other country in South America made more progress than Bolivia in lowering its Gini Index. National and local governments, in collaboration with NGOs and International Cooperation Agencies, are implementing different programs to reduce poverty. For example, in Bolivia since 2012, the Autonomous Municipal Government of La Paz has run the Dynamic Businesses Program supporting micro, small, and medium enterprises (SMEs) to launch businesses and help create innovative products and services. This program is funded by the European Union and supported by UNDP's ART Initiative and by local partners. It has trained employees of more than 400 firms and entrepreneurs to develop budgets, to make good presentations, and to brand their products. A community of 117 businessmen and entrepreneurs was created to identify potential for entrepreneurship and to ease collaboration among entrepreneurs (United Nations Development Programme 2019). In addition, in order to reduce poverty, the Bolivian government is working toward improving the legal and investment framework. For example, in 2016 the Bolivian government signed a bill for poverty alleviation (Law 786 2016). This plan aimed to increase public investment in order to reduce extreme poverty from 17.3% to 9.5% of the population by 2025. However, these types of government-funded poverty alleviation programs are not self-sustainable because they rely on increased government revenues. In particular, the improvement of Bolivia's economy coincided with a decade of higher commodity prices (Bolivia's main source of income). During the economic expansion (2006–2014), the Bolivian GDP increased four times, and the surplus was invested in social programs. However, the end of higher commodity prices in 2014, the Bolivian income was reduced by 35%. Moreover, in the last decade, gas and minerals represented 80% of Bolivian income, causing Bolivia's dependency on high commodity prices to finance its poverty alleviation programs. Moreover, those programs have a political dimension. Specifically, in order to get reelected to office, the Bolivian government prioritizes investment in areas where it has political support. For example, in 2015 the Airport of Chimore (Cochabamba) was inaugurated in a rural area characterized for supporting the government, despite the area having only 21,000 inhabitants. By contrast, urban areas, such as the City of Potosi with a population of 823,517 inhabitants, still do not have an airport (ANF 2015).

3.6 Human Rights

Another problem the Bolivian government is facing is related to the violation of human rights. As we report above, Bolivia was ruled by the army before becoming a democracy (1962–1982). The army rule was characterized by authoritarian governments that constantly committed human rights violations. However, even after becoming a democracy, Bolivia is facing human rights violations, even though on a much lesser scale. According to Human Rights Watch (2018), the extensive and arbitrary use of pretrial detention and long trial delays in Bolivia both undermine the defendant's rights and contribute to prison overcrowding.

In 2014 the Bolivian government enacted the Law 548 (2014) to exceptionally authorize children from 10 years of age to work. According to the Bolivian government, child labor was a necessary evil to reduce poverty. In this way, children both help their families satisfy their needs and develop a social conscience. However, Bolivia previously adopted Convention 138 on the Rights of the Child (ILO 1973), which forbids children under 14 years of age to work. Moreover, Law 548 (2014) did not offer any legal protection to children that worked in dangerous activities such as fishing, construction, agriculture, or others. In addition, as an unintended consequence, children could decide to have earnings instead of having an education. Thus, from 2014 onwards, Bolivian firms were allowed legally to employ children for their operations. Upon international outrage in 2018, the Bolivian government eventually reestablished its prior policy of banning children under 14 years of age from work.

Violations of human rights occur not only at the national level but also at the firm level. As previously mentioned, Bolivia has the biggest informal economy in the world (Medina and Schneider 2018). This causes many formal and informal firms to avoid offering (a) job security, (b) decent working conditions, and (c) minimum working hours. However, some firms, such as Vidrio Lux S.A., are working on improving their employees' working conditions (Perez 2018). For example, Vidrio Lux S.A. uses a CSR practice named *Shares de Seguridad* (security shares), where every employee shares some personal experience with coworkers to improve their working conditions and their lives. Other firms, such as Pisos Mamut, are providing affordable housing to their employees (Laredo 2018). Specifically, Pisos Mamut is building houses to be sold to its employees at prices below market price that can be paid with the employees' monthly salaries. Another firm that is working on improving its working conditions is Banco Unión. This firm has opened a medical center where its personnel can receive advice about ergonomics for workstations (Ortuño 2018), thus contributing to improvements in employee health.

3.7 Corruption

The problem of corruption in Bolivia has proven difficult to eliminate. Corruption has become part of daily life for Bolivians. Many people have the wrong belief that it is morally correct to mix public office positions with family, friends, and business. Bolivia has a deep-rooted culture based on moral values for converting spaces of public administration into private businesses. Frequently, the manager-employee relationship acquires a rather pernicious meaning of concealment. This culture of concealment is related to cultural norms of reciprocity and of exchange of favors. The Corruption Perception Index ranks Bolivia as the second most corrupt country in South America (Transparency International 2017). Large networks of patronage and clientelism dominate several sectors of the economy. Although Bolivia has laws against corruption, they are poorly enforced. Bribery is present in all sectors of the economy, and thus firms sometimes resort to unethical activities for short-term benefits by bribing public officials. Many times, public officials and business managers make deals based on a corrupt understanding of the law. While both parties benefit, the Bolivian state loses in the form of tax revenues that could make social programs sustainable.

4 Geographical and Environmental Context

Bolivia is generally known as a highland country. However, only a third of its territory lies in the Andean mountains. Most of the nation's largest cities are located in the highlands, which have attracted the largest share of mining, commercial, and business investment. Recently, the demographic and economic landscape of Bolivia began to change as the eastern lowlands, such as Santa Cruz, experienced rapid economic development. This heterogeneous geographical landscape is home to diverse environmental resources, which are valuable but also vulnerable. As the Intergovernmental Panel on Climate Change (IPCC 2018) suggests, climate change is really taking place and human activities are its main cause. According to Wheeler (2011), Bolivia is predicted to be the 12th most susceptible country to extreme weather. Therefore, the lives of millions of Bolivians may be affected negatively by the consequences of human-induced climate change.

Oxfam International (2009) suggests that the factors making Bolivia particularly vulnerable to climate change are (a) high inequality, (b) a high percentage of indigenous people living in poverty (c) a high variety of ecosystems that are vulnerable to the different impacts of climate change, (d) high levels of deforestation, (e) a geographical location in a climatically volatile region, and (f) being home to about 20% of the world's tropical glaciers. Particularly, due to its highlands (dry cool climate) and lowlands (humid jungles), Bolivia is susceptible to both intense droughts and floods that can affect agricultural yields negatively. Agriculture is important to the Bolivian economy in terms of employment and subsistence. The expected change in climate patterns will increase the risks and uncertainties for agricultural production. Moreover, high deforestation, intense droughts, and glacier retreats may limit access to water in cities. For example, Cook et al. (2016) suggest that the glacier retreat following climate change will be felt in large Bolivian cities that rely on glacial melted water. Moreover, in the future, firms that make intensive use of water, such as in the soft drink industry, will face enormous challenges for their water supply chains.

As previously mentioned, Bolivia is characterized by high inequality, and thus the large share of poor people will be ill-equipped to deal with the impacts of extreme weather conditions. According to Oxfam International (2009), Bolivia has a high percentage of its population already at risk of flooding and drought, with the most exposed being the poor and the indigenous people. These extreme weather conditions could cause poor and indigenous people to leave their communities in the search for better opportunities in cities. This immigration trend is felt with the rapid urbanization of major Bolivian cities and with the lack of urban planning and regulation. Without government control, immigrants look for the cheapest land available in precarious housing zones near rivers or on steep cliff sides without access to electricity, clean water, or proper waste disposal methods. Thus, the rapid urban expansion in Bolivia could worsen Bolivia's vulnerability to climate change.

In addition to the previously discussed problems, the high rate of deforestation is of high concern. According to FAO (2010), Bolivia has the sixth-largest expanse of tropical forest in the world (58.7 m ha), with annual deforestation of 308,000 ha per year (0.58%). The current government granted some 20 million hectares to timber companies, while large portions of forest were cleared for soybean and coca cultivation. Although the government passed laws that required the logging industry to replant forests to ensure sustainability, many firms have bypassed the requirement. In addition, illegal logging operations have smuggled timber into Brazil, where it is exported as Brazilian wood. Moreover, the government issued a decree allowing hydrocarbon exploration inside the country's protected areas (Fernández-Llamazares and Rocha 2015). These policies prevail over the country's international biodiversity commitments, thus undermining the conservation of its biological and cultural diversity. Hence, these deteriorating environmental conditions can bring Bolivia to an environmental catastrophe.

At the firm level, the Supreme Decree 26736 (2002) established the Environmental Regulation for the Industrial Sector (RASIM) to regulate the activities of Bolivian firms and to promote the adequate use of natural resources and energy for sustainable industrial development. Specifically, RASIM seeks to reduce the use of pollutants and dangerous substances in the installation, operation, and closing of operations and processes for the transformation of raw materials, supplies, and materials in intermediate or final products. For example, in order to fulfill the requirements from the RASIM, the brewing firm CBN has implemented a liquid effluent treatment system (CBN 2016). This system allows the firm to obtain purified water, under the parameters of RASIM, which will be reused for the irrigation of green areas of the city of La Paz and in the construction of roads. Thus, on the positive side, RASIM introduces concepts of cleaner production to improve the productive and environmental performance of firms. However, on the negative side, RASIM excludes the industrial manufacturing activities of hydrocarbons, mining, and metallurgic firms that are well-known polluters. Moreover, RASIM only focuses on the treatment of solid and liquid waste instead of emphasizing actions for pollution reduction and an increase in the efficiency of energy use.

5 Regulatory and Institutional Context

The Bolivian regulatory framework that determines CSR practices is based on the Bolivian constitution. According to article 47 (Bolivian constitution 2009), every Bolivian has the right to economic activity as long as it does not damage the collective good. Hence, CSR practices are viewed positively by the government. Moreover, consumers and firms are aware of CSR practices, but due to poverty, purchase decisions mainly are based on price. However, recent research by Herbas-Torrico et al. (2018) suggests that Bolivian consumers also are considering CSR practices in their purchase decisions.

Bolivia does not have explicit policies regarding CSR practices. Instead, Bolivian firms try to accomplish the UN's Millennium Development Goals. For that purpose, they use the Global Reporting Initiative methodology to present their results. Although the Bolivian government has a positive view of CSR practices, most private and public firms focus on the UN's Millennium Development Goals, and only a very small number of firms focus on the UN-supported ISO 26000 (2010) standard.

Bolivia has scattered legislation that regulates CSR practices, but government authorities rarely enforce this legislation. For example, article 8 of the Bolivian constitution promotes a nation of common well-being, responsibility, social justice, and distribution of products and social assets to ensure a high standard of living. However, even the government cannot fulfill its own legislation. Moreover, other laws, such as the Labor Law (1942), are a complex web of regulations difficult to enforce. For example, Law 223 (2012) indicates that at least 4% of the personnel in public and private firms should be people with disabilities. However, neither public nor private firms are fulfilling this requirement. In addition, most firms' infrastructure lacks the modifications necessary for people with disabilities.

To support consumer protection rights, the Bolivian government enacted Law 453 (2013). This law regulates the sales, delivery, warranty, and complaints of products and services for Bolivian consumers. The government also created the Vice Ministry of Defense of User and Consumer Rights (Supreme Decree 29894 2009), which requests information on, verifies, and follows up on consumer complaints. Some of its work can be seen in banks, where customers can complain about the bank's service or about any other matter to a representative of the Vice Ministry in the Consumer Service Office (ODECO). However, many consumers complain that the work of ODECO is far from good and does not necessarily protect the consumer (Romero 2017).

Law 071 (2010), or Mother Earth Law, promotes environmental CSR. The Ministry of Environment and Water is in charge of its implementation. Until now, its implementation has not been successful. For example, the Mining and Metallurgy Law (Law 845 2016) allows mining firms and cooperatives the exploration and exploitation of minerals and recognizes these firms' right to unlimited use of water. It charges taxes of 7% to firms and of 1.5% to mining cooperatives. Consequently, Bolivian lakes, such as the Poopo Lake, are drying up, affecting the ecosystem and the communities depending on that water for their subsistence (Revollo 2001; Satgé et al. 2017).

The Bolivian government promotes the development of CSR practices in its laws, but it does not give any incentive to implement such practices. Instead, firms use CSR practices to gain public support and improve consumer attitudes (Herbas-Torrico et al. 2018) or to defend themselves legally against claims that their land use does not fulfill any socially valuable purpose (Laws 1775 and 3545: Community Land Reform laws).

Since 2009, social groups are part of the Authorities of Supervision and Social Control (Supreme Decree 0071 2009). This authority controls and supervises (a) telecommunications and transportation, (b) water and sanitation, (c) forest and land, (d) pensions, (e) electricity, and (f) firms. The Authorities of Supervision and Social Control have the right to audit activities of firms and to request public disclosure of information. For example, the Supervision Authority of the Financial System has released CSR regulatory norms for financial firms (ASFI 2013). These norms establish guidelines for public and private financial firms regarding (a) accountability before society, (b) transparency, (c) ethical behavior, (d) respect for stakeholders, (e) compliance with laws and regulations, and (f) respect for human rights. Moreover, in 2018 the Ministry of Productive Development and Plural Economy has launched a guide for implementing CSR practices as a tool to support the implementation of socially responsible practices in the social, environmental, and economic fields. The first Bolivian firm implementing this guide is Pisos Mamut (Laredo 2018).

In addition, private Bolivian institutions work toward the improvement of CSR practices. For example, the Bolivian Council of Corporate Social Responsibility (COBORSE) attempts to promote and spread the concept and practices of CSR to firms and the Bolivian society. Moreover, the Bolivian Institute of Foreign Trade (IBCE) attempts to show worldwide the most outstanding CSR practices from Bolivian firms. In particular, the IBCE developed a CSR certification named the *Triple Sello* (triple seal). It is named *Triple Sello* (IBCE 2018) because a firm certifies its CSR practices by three institutions: the Bolivian Institute of Normalization and Quality (IBNORCA), the United Nations International Children's Emergency Fund (UNICEF), and the International Labor Organization (ILO). This certification informs the public that the firm is free of child labor, discriminatory practices, and forced labor. In 2014 the first Bolivian firm to be awarded the *Triple Sello* was Ingenio Azucarero Guabirá.

6 Business and Economic Context

Due to the influence of the Spanish colonial period, the Bolivian economy has been organized based on the exploitation of natural resources: minerals, oil, and natural gas. The exploitation of these natural resources generated significant income for the benefit of the state and still is an important source of tax revenues. However, the dominant reliance on natural resources has limited the diversification and industrialization of the Bolivian economy and thus has brought poverty. Therefore, the Bolivian economy has experienced natural resource booms followed by a decline in GDP per capita (Sachs and Warner 1999). These natural resource booms did not manage to alleviate poverty and to reverse historical inequality. Moreover, the exploitation of natural resources also significantly contributed to the structure of exports and savings in foreign currency. However, erratic public policies did not allow the Bolivian economy to grow sustainably. Therefore, the basis of the Bolivian economy is still heavily dependent on the exportation of natural resources.

According to Morales (2018), the Spanish colonizers were mostly soldiers and unemployed people, with a lack of farmers. The absence of farmers showed Spanish colonizers' lack of intentions to make Bolivian territory their home. Rather, the Spanish colonizers tended to consider Bolivia as a big mine with free labor that could offset the transportation costs of minerals to the sea. Even today, the idea of Bolivia as a big mine endures and is heightened by the image of gas wells and of the Uyuni salt flats surrounded by indigenous people.

Before the arrival of Spanish colonizers, the accumulation of capital was based on agriculture and afterward was based on mining. By the end of the twentieth century, it was based on the exploitation of gas. Morales (2018) suggests that when Bolivia became a nation, it had around one million inhabitants with 10% living in cities. Democratic election of government officers was limited to literate males. Thus, the participation of the Bolivian population in politics was limited to 30,000 to 40,000 people. Later, during the Republican period the Bolivian economy experienced five stages: (a) liberalism (1900–1930), (b) nationalism (1930–1952), (c) national revolution (1952–1985), (d) neoliberalism (1985–2005), and (e) new statism (2005–today). Table 1 presents the characteristics of each economic stage.

While the Bolivian government has aimed to accelerate economic growth through a rentier state (Weyland 2009), fundamental problems have slowed down this strategy: political instability, poverty, corruption, lack of infrastructure, a fixed exchange rate, and limited access to markets. Therefore, economic policy historically has been oriented toward the collection of income based on the exportation of natural resources, the distribution of income, and the allocation of income to politically profitable groups such as *criollos* (earlier times) or indigenous people (today). According to the Ministry of Economy (2011), the current economic model identifies two pillars: surplus generation and generation of income and employment. Specifically, the model identifies four strategic sectors for surplus generation: hydrocarbons, mining electricity, and environmental resources. Moreover, the model also identifies income and employment generation through manufacturing, tourism,

Table 1 Characteristics of the economic history of Bolivia

Period	Stage	Characteristics
1900–1930	Liberalism	• Isolation of the indigenous population regarding property, education, and human rights. • Low concern for the education and health of the Bolivian population. • Low diffusion of technologies and innovations.
1930–1952	Nationalism	• Mining boom. • Taking into account the indigenous people. • Change of the conceptualization of the economy from mining and farming to a whole complex system. • Development of the nation's institutional framework.
1952–1985	National revolution	• Universal suffrage. • Nationalization of tin mines. • Agrarian reform with land for indigenous people. • Universal and mandatory education. • Social security. • Resource allocation of surpluses with a higher emphasis on manufacturing. • Higher diffusion of technologies and innovations. • Development of labor unions. • Higher inflation due to dependency on international commodity prices.
1985–2005	Neoliberalism	• Small government. • Shock therapy policies to reduce inflation (Supreme Decree 21060 1985). • A new currency regime (bolsin). • Privatization of public firms (known as capitalización). • Higher unemployment due to mass ousting of supernumerary employees in public firms. • Weaker institutions.
2005–today	New statism	• Higher participation of indigenous people in the government. • Higher commodity prices. • Nationalization of previously privatized public firms. • Higher investment in infrastructure. • Subsidized credits to firms. • New Bolivian constitution. • Lower poverty. • Higher clientelism.

Source: Adapted from Morales (2018)

housing, and agricultural development. This model proposes that the surpluses generated by hydrocarbons, mining electricity, and environmental resources will be allocated to manufacturing, tourism, housing, and agricultural development. In other words, the government plays an active role in the economy, transferring the resources from surplus sectors to employment and income generators. In addition, the government reallocates the surplus resources to social programs for poverty alleviation. Some Bolivian economists suggest that the government's surplus allocation to social programs should be considered a set of CSR practices. Specifically, according to Villarroel (2017), the Bolivian state has the biggest and most developed CSR program in Bolivia, allocating more than five billion US dollars to social programs: *Bono Juancito Pinto, Renta Dignidad*, and *Bono Juana Azurduy*. Specifically, the *Bono Juancito Pinto* attempts to reduce high school student attrition by giving cash to children from public high schools. The Renta Dignidad is a universal noncontributory pension where a monthly income for life is given to all Bolivians of 60 or more years of age. Finally, the Bono Juana Azurduy is a conditional cash transfer program that benefits pregnant mothers and children under two years who comply with attending complete health controls.

According to the Bolivian CSR Observatory (2016), Bolivian private firms are working on (a) fair labor practices, (b) support and sustainable development for poor people, (c) consumer well-being, and (d) inclusion of suppliers in sustainability programs. Consequently, private firms expect that CSR practices will allow them to (a) be recognized by the community, (b) improve their corporate image, and (c) improve relations with their workers. Some private firms argue that they do not engage in CSR practices because of poor knowledge about CSR and lack economic resources. 45% of firms do not have a clear concept of CSR practices. Moreover, most private firms conceptualize CSR with (a) social conscience (15.3%), (b) business ethics (11.6%), (c) good relations with workers (9.1%), (d) firm's policy (9.0%), (e) climate change (8.9%), and others (46.1%). CSR practices are used primarily by big firms (76%) and secondarily by SMEs (24%). According to the CSR records published by the Bolivian CSR Observatory, from 2015 to 2018, the most frequently used CSR practices by private firms are (a) philanthropy and charitable activities (27.04%), (b) pollution mitigation (18.24%), (c) sustainable consumption (10.38%), (d) human rights (9.12%), (e) education and culture (8.81%), (f) fair labor practices (6.60%), (g) community involvement (3.77%), and (h) other practices (16.04%). Furthermore, individual sectors have undertaken CSR initiatives, most notably the airline industry. For example, the airline BOA offers free flights for poor people that need family reunification or health treatments (Castillo 2018).

7 Technological Context

Bolivia's technological status is far from satisfactory. In terms of information and computing technology (ICT) and modern manufacturing technology (MMT), Bolivia falls far behind the rest of the world. In 2016 the World Economic Forum (Balla et al. 2016) ranked Bolivia 111th among 139 countries on the Networked Readiness Index. In 2018 the World Economic Forum (Schwab 2018) ranked Bolivia 105th among 140 countries on its Global Competitiveness Report. Both reports from the World Economic Forum suggest that the technological weaknesses of Bolivia mainly result from low business dynamism, a weak labor market, low innovation capabilities, weak institutions, underdeveloped infrastructure, a weak political and regulatory environment, costly technologies, weak mathematics and

Table 2 Barriers to the diffusion of technology in Bolivia

Type of barrier	Characteristics
Economic and financial	• Low market development (big informal economy). • Low payment capacity (low per capita income). • Lack of information among potential users, which causes decision makers to be cautious in adopting new technologies.
Political and institutional	• Disequilibrium between administrative and technical personnel in government favoring administrative personnel. • Conflicts of power, income, and prestige among ministries to favor certain social groups.
Technical	• Lack of technological capabilities and quality standards in the Bolivian industry. • Lack of capacity building of technology users regarding correct operation of technological systems. • Uncertainties regarding the continuous adoption of new technologies. • Lack of technological capabilities at the governmental level, in the private sector, and in academia.
Social and cultural	• Lack of confidence in dealing with new technologies (for a theoretical discussion of cultural influences, see Frank et al. 2013, 2015; Herbas-Torrico and Frank 2019).

Source: Adapted from Buch and Filho (2012)

science education, and firms' limited use of technology. Buch and Filho (2012) suggest that the diffusion of technologies in Bolivia faces four types of obstacles: (a) economic and financial barriers, (b) political and institutional barriers, (c) technical barriers, and (d) social and cultural barriers. Table 2 presents the characteristics of each type of barrier.

Nowadays, Bolivia is attempting to make progress in its deployment of technology. For example, 91% of Bolivians are using mobile phones (CIA 2019). Moreover, 39.7% have access to the Internet. The government recently created the Agency of Electronic Government and Communication and Information Technologies (AGETIC) to lead the process of developing and implementing e-government. In addition, the government is working on the Science, Technology, and Innovation Law. Furthermore, the government is working with multinational firms to elevate its technological status. For example, in 2018 the government signed a contract with a German firm for developing the industrialization of lithium from the Uyuni salt flats (Página Siete 2018b). In addition to representing a step forward in developing Bolivia's economy and industrial technology, this project can help Bolivia become a major supplier to automotive battery manufacturers in future electric vehicle supply chains, whose stated objective is to counteract climate change. Hence, such government collaboration with multinational firms carries the potential to achieve economic, technological, and CSR-related objectives in accordance with the multidimensional concept of sustainability (Herbas-Torrico et al. 2018).

In summary, the technological status of Bolivia is still weak. However, in combination with CSR practices, ongoing technological improvement has the potential to become the foundation of sustainable business processes. Moreover, technological progress can help firms in Bolivia to tackle historical problems related to social injustice, poverty, and climate change. For instance, through the development and use of technology, Bolivian firms can create new recyclable products that encourage consumers to care for the environment. In addition, although RASIM focuses only on the treatment of solid and liquid waste, firms can use CSR practices for pollution reduction and can increase the efficiency of energy use for tackling climate change.

8 Examples of CSR Practices: Corporate Answers to Institutional Challenges

The previous discussion presented along different contextual dimensions the different challenges that Bolivian firms have to face in implementing CSR practices. Next, we will present examples of Bolivian firms' successful CSR practices that have led to benefits for their stakeholders.

8.1 Ingenio Azucarero Guabirá (IAG)

The Ingenio Azucarero Guabira (Sugarcane Mill Guabirá) is the largest sugarcane mill firm in Bolivia. It is located in Montero, Santa Cruz. IAG is a firm with more than 1676 shareholders, mostly sugarcane producers. It has 1330 factory workers, 1471 sugarcane workers, 2300 agricultural workers, 2500 sugar harvesters, 1000 transporters, and 300 electrical technicians. IAG's activities involve more than 50,000 people along its supply chain in Bolivia (Guabirá 2019). According to IBCE (2017), IAG's CSR practices are implemented together with different stakeholders, including firms and friendly institutions such as UCG, IBCE, CEDES, SOLIDARIDAD, ALCOS, UNICEF, municipalities, and others. Such collaboration has given IAG's employees the motivation to implement and extend CSR practices needed for the construction of a better society through sustainable development. IAG shows its commitment to the community through different activities, such as health, sports, education, public safety, environment, and other social causes. In particular, IAG adopts the ISO 26000 norm for its CSR practices. Moreover, as mentioned above, since 2014 it has the Triple Sello certification. For example, one of its CSR practices is named *Perder para ganar* (losing for winning). In this CSR practice, overweighed workers and their families are coached by health professionals to lose up to 8 kilos. At the end of the program, they have to run 5 km in a competition sponsored by IAG. Another CSR practice used by IAG consists of giving out university scholarships to workers'children that have outstanding scholastic achievements. IAG also works on developing the entrepreneurial abilities of workers'wives by providing them cooking and baking courses, which may lead to additional sources of income for workers'families. In addition, IAG also has implemented environmentally friendly practices for water recycling. Specifically, IAG recycles more than 1.8 million cubic meters of water. The recycled water is reused for the irrigation of cane fields. There is also a composting plant making the conversion of waste to organic fertilizer with a high content of nutrients and microorganisms. Moreover, AIG has a system of gas scrubbers in the chimneys of the boilers with high efficiency in the retention of particles and air pollutants.

8.2 Farmacorp

This firm is the largest pharmacy chain in Bolivia. It was founded in the city of Santa Cruz de la Sierra in 1937. In 2018 it had more than 103 branches and it employs more than 1600 workers (La Prensa 2018). Farmacorp has implemented the campaign *Farmacorp es garantía* (Farmacorp is reliability) that aims to promote and defend good health practices, the correct dispensation of medicines and sensitize the Bolivian market of the risks of buying illegal or smuggled medication. Among its CSR practices is the program *Centavo a centavo* (cent to cent). In this program, the firm does not round the price. When the consumer pays for a product and Farmacorp does not have enough cents to give them the exact change, the consumer is asked whether he or she wishes to donate those cents to a charity institution. Another CSR practice that Farmacorp has implemented is related to financing UNICEF causes through the collection of money from socially conscious consumers (IBCE 2017).

8.3 BOA

In 2007 the Bolivian government created the National Strategic Public Company of Aviation (BOA). This company is under the tuition of the Ministry of Public Works, Services and Housing. It employs more than 1700 workers (BOA 2017). According to IBCE (2017), BOA's CSR practices are based on four guidelines: (a) responsibility to the state; (b) responsibility to the customer; (c) responsibility to the internal client; and (d) responsibility to society and the natural environment. In particular, due to its public nature, the responsibility to the state is related to assigning the firm's utilities for the payment of the Bono Juancito Pinto, an aforementioned social program by the Bolivian government. Regarding the responsibility to the customer, the firm seeks to obtain certification in international quality and safety standards. BOA addresses its responsibility to the internal client by seeking to comply with all legal requirements stipulated by the Labor Law. To achieve this objective, the firm has an internal training program for training and brush-up courses. Finally, BOA addresses its responsibility to society and the natural environment through philanthropic programs such as the Programa de Ayuda Social. In this program, the firm offers free flights to poor people for health and family-related issues. Moreover, it has the Programa Apoyo Inclusivo, which aims to promote indigenous fabrics that are included in the uniforms of the flying crews. These fabrics are designed and produced by indigenous women from the rural areas of José de Chiquitos (Santa Cruz) and Tapacari (Cochabamba).

9 Discussion and Conclusions

As we show above, Bolivia is a relatively young country with a turbulent history. Bad decisions and historical inequality have hindered its development as a nation and economy. History shows that due to its Spanish heritage, complicated geography, scattered population, and multiple cultures, social groups in Bolivia have low trust. Moreover, according to Ciudadanía and LAPOP (2014), Bolivians have one of the lowest levels of trust in institutions in the Americas. As a consequence of the lack of trust among Bolivians, there is a low accumulation of basic factors of production: human capital, social capital, and technological capital.

Bolivia is rich in natural capital (natural resources). However, the statistics presented in the geographical and environmental context section show that Bolivia is overexploiting its natural resources. Climate change likely will exacerbate the negative consequences of overexploiting natural resources. Although the Bolivian government has enacted laws, such as the Mother Earth Law, for environmentally sustainable development, it lacks the resources to enforce them. This suggests that the environmental assessment system in Bolivia is weak. Environmental problems caused by large firms, such as by firms in the oil and mineral sector, may be solvable by (a) strengthening the existing systems for environmental assessment, (b) stepping up enforcement of existing environmental laws, and (c) investing in modern technology. However, as previously shown, most of Bolivia's environmental problems are linked to poverty and inequality, and thus will not be solved by environmental policy alone (Slunge and von Walter 2013). Therefore, the government needs to strengthen its capacity to integrate environmental considerations into decisions.

Regarding Bolivia's regulatory and institutional context, CSR practices are supported by the constitution. Different norms, such as the Supreme Decree 29894 (2009), attempt to encourage public and private firms to implement CSR practices. However, similarly to environmental laws, the government does not enforce nor incentivize CSR practices. Consequently, firms strategically resort to CSR practices as a way of improving consumer attitudes or gaining public support. Most companies prefer to focus on the UN's Millennium Development Goals and very few on the ISO 26000 (2010) standard. Some private institutions, such as IBNORCA or the IBCE, are working to encourage firms to certify their CSR practices with the *Triple Sello* certification.

Regarding human and social capital, the Spanish colonial period influenced the economic history of Bolivia. Like in the past, the Bolivian economy still relies on the exportation of natural resources. The economic history of Bolivia in its different stages (liberalism, nationalism, national revolution, neoliberalism, and new statism) were characterized by the dependence on the exportation of natural resources, and thus today the economy still depends on international commodity prices. Moreover, indigenous people, who constitute the majority of the Bolivian population, historically tended to be isolated without playing a significant role in the economy. Although the last economic period (new statism) has increased their participation in the economy and has reduced their poverty through higher commodity prices, the sustainability of these improvements is doubtful. Some economists argue that such social programs (*Bono Juancito Pinto, Renta Dignidad and Bono Juana Azurduy*) in Bolivia should be considered CSR practices. However, from a theoretical perspective, such programs rather qualify for being considered political philanthropy or implicit CSR (Matten and Moon 2008). Implicit CSR is related to public policies formed as rules and laws, and therefore not recognized as real CSR practices but more as a social contract between public firms and society (Lauesen 2011). In that line, the dependency between Bolivians and the government can affect the CSR practices of public firms. Such social programs promoted by the government could be perceived as dilapidation of public finances for political gain. Specifically, because Bolivians do not have the option of choosing another government with a better social program, government officials tend to regard Bolivian citizens as a future source of votes aiding their political career. Therefore, the political decision making behind CSR practices implemented in public firms follows political considerations that cast doubt on the sincerity, integrity, and trustworthiness of such governmental actions.

In contrast to the public sector, Bolivian private firms are mainly working on (a) philanthropy and charitable activities, (b) pollution mitigation, (c) sustainable consumption, (d) human rights, (e) education and culture, (f) fair labor practices, and (g) community involvement. Using the framework suggested by Matten and Moon (2008), these CSR practices can be considered explicit CSR. According to Matten and Moon, explicit CSR consists of corporate policies to assume responsibility for the interests of society. Moreover, explicit CSR consists of voluntary, self-interest-driven policies, programs, and strategies of firms addressing issues perceived as belonging to the social responsibility of these firms. Therefore, private firms are working on explicit CSR practices. Moreover, compared to public firms, private firms not only are working on philanthropy but also on other types of CSR practices. However, as we report above, philanthropy also is the main type among private firms' CSR practices. Hence, Bolivian public and private firms show a preference for philanthropic and charitable activities over sustainable CSR practices. Despite this predominant focus on philanthropy, private firms are leading the way in the implementation of other CSR practices that address social issues such as gender equality and human rights. Therefore, we suggest that Bolivian CSR practices are still developing from political philanthropy toward more holistic sustainability.

Regarding technological capital, Bolivia is lagging behind both its neighbors and developed countries, but the Bolivian government is committed to reducing this gap through public infrastructure, an institutional framework, and joint-ventures with national and international firms. Those firms can play an important role in the technological advancement of Bolivia. In this context, it is necessary for the Bolivian government to (a) reduce the informal economy, (b) reduce the country's dependency on the exportation of natural resources to sustain economic growth, (c) favor the inclusion of technical personnel in public positions, (d) develop technical capabilities and quality standards for the Bolivian industry, (e) develop economically sustainable projects, (f) promote the adoption of subsidized new technologies, and (g) improve the Bolivian education system to strengthen technological capabilities available in the government, private sector, and academia. Moreover, CSR practices and technology should work together toward becoming the foundation of business processes to reduce waste, improve energy efficiency, and tackle the effects of climate change in Bolivia.

Finally, CSR practices in Bolivia will become sustainable when the government, public firms, and private firms work together across all different contextual dimensions discussed here. In particular, due to Bolivia's historical context, the government, firms, employees, and population suffer from a lack of mutual trust. In order to build the social capital necessary to improve the life of millions of Bolivians, enhancing the level of mutual trust is important. As a tool for garnering the trust of stakeholders through contributions to social welfare, CSR practices have to potential to build trust among all Bolivian stakeholders that the country and its firms need for sustainable development. Moreover, to make CSR practices sustainable rather than short-lived, public and private firms need to go beyond legal constraints or improvement of consumer attitudes, and recapture the voluntary essence of CSR practices for improving the well-being of the Bolivian society.

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Corporate Social Responsibility in Canada

Corporate Social Responsibility in Canada: A Uniquely Multi-faceted Perspective

Ruben Burga and Davar Rezania

Abstract Corporate social responsibility (CSR) is a concept embraced in Canada in multiple sectors with each having a variety of stakeholder groups. This chapter describes the multiple viewpoints about CSR according to the perspectives of different industries and how those perspectives influence the use and approach to CSR by Canadian firms. Founded in 1867, Canada has a short history but from the perspective of the indigenous people of Canada, the land has been settled for thousands of years. The arrival of European settlers approximately 500 years ago, and the establishment of businesses that extracted, processed, and traded natural resources destabilized an organizational system established by First Nations people that considered social responsibility and balance in the context of social and environmental stakeholders. However, the current dissonance of a natural resource extraction sector working within a culture of sustainability driven by global climate and societal changes is unique in a country like Canada and creates challenges for local firms to implement CSR. From today's perspective of achieving CSR through sustainable goals (for example the United Nations' 17 Sustainable Development Goals), there are economic pressures on corporations to succeed using the available resources and contribute to a positive triple bottom line—creating economic, societal, and environmental value. At the rural level in Canada, firms are pushed towards sustainable farming methods with minimal environmental impact but high societal contributions. At the urban level in Canada, the influx of manufacturing and service corporations, increasing the pull of inhabitants to urban centres creates social, environmental and economic pressures that are difficult for municipalities to handle without the cooperation of corporations. This chapter focuses on the last ten to twenty years, where the paradox of living in a resource-rich country, is described from the perspective of what Canadian firms are doing at the corporate level and across industries to comply with institutional and societal pressures to improve their current CSR practices.

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1 Introduction

Canada is the second largest country in the world, by land mass but with a relatively small population (37 million people[1]). It is also sparsely inhabited with over 80% of its population in urban centres.[2] Canada occupies much of the northern half of North America, spans multiple time zones and is rich in natural resources. Manufacturing and service industries are predominantly situated close to the major urban and transportation centres.

Established as a country in 1867, the country now known as Canada was colonized over several hundred years by waves of settlers initially from England and France. This colonization and subsequent exploitation of the land happened in spite of the presence of indigenous peoples, now formally recognized in Canada as First Nations. First Nations people, as the first inhabitants of the America's, established over more than 10,000 years a relationship with the land and nature that can be characterized as what Gladwin, Kennelly, and Krause (1995) have termed as an eco-centric mindset; a view considering humans as just one component of the natural world tempered with a pragmatic fear and respect for the unpredictability of natural events.[3] This viewpoint clashed with the view of the early settlers who appropriated the land and extracted its resources (hunting, farming, mining) through a mindset described by Gladwin et al. (1995) as a technocentric mindset. In this mindset, technology is used to control the environment and is often viewed as an opposing view to the eco-centric mindset. This divergence in view continued largely unabated until the beginning of the twenty-first century when sustainability and social responsibility emerged from a latent societal consideration to an institutionalized expectation.

Today, the broad views around sustainability are defined by the accountability of organizations to arrive at a socially acceptable position. This accountability becomes enacted through the corporate social responsibility (CSR) of firms. The concept of CSR will be expanded later in the chapter but essentially CSR is a manifest exhibition of sustainability through the consideration of a firm's environmental, social and economic impact. Since the turn of the twenty-first century, through its leadership on climate action initiatives, Canada, has taken a leadership role on the global stage with sustainability initiatives (Maciunas & Saint-Geniès, 2018).

This chapter starts with a historical perspective on sustainability. The tension in this viewpoint is exemplified by the divergence of a First Nations perspective on sustainability and the pragmatic uses of resources by corporations. The discussion is then viewed through the role of governmental institutions and organizations in

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[1]Statistics Canada Census October 1, 2018 retrieved from https://www150.statcan.gc.ca/n1/en/subjects/population_and_demography

[2]Statistics Canada, retrieved from https://www150.statcan.gc.ca/n1/pub/11-630-x/11-630-x2015004-eng.htm

[3]For examples see the traditional tales of evolution described by Holst (1997) in his exploration of the link between the natural world and spirituality.

promoting CSR, and the increasing impact of CSR in various industrial sectors. We will end with an example of today's institutional efforts to embed CSR at the community level through the description of one localized case in a medium sized community in Canada.

2 Historical Perspective

It is important to consider the historical roots of sustainability in Canada. This viewpoint, as well as the current socio-economic context impacts the CSR initiatives of firms operating in Canada today.

Canada, as with the rest of North America, was initially inhabited by indigenous peoples: some of these are the Inuit in the North, the Nuu-chah-nulth, Kwakwaka'wakw, Haida, Coast Salish and Haislaon on the West Coast of Canada; the Mi'kmak on the East Coast of Canada; the Anishinaabe and Haudenosaunee or Six Nations in Central-Eastern Canada; and the Cree and Dene nations in the Central-Western provinces.[4] Another group of First Nations people are the Metis who are the offspring of aboriginal with non-aboriginal parents and initially made their home in Central Canada. Even though the First Nations people are culturally diverse, they co-habit within a culture embedded with sustainability principles. Prior to the arrival of European settlers across North America and the division of the continent into the political entities of Canada, the United States, and Mexico, there were overlapping geographical boundaries between many First Nations peoples. Modern political boundaries and the physical displacements of First Nations people by colonials have led to changes in their way of living.

Much of the history and traditions of the indigenous peoples of Canada are oral and are weaved through with references to relationships with the earth (for example the Anishinaabe tale of the 'turtle' as the embodiment of the earth) and relations with all living entities (plants and animals).[5] Although the arrival and conflicts between early settlers and indigenous peoples was contentious and have historically resulted in discontent, misappropriation of resources and social strife; over the past ten years there has been tangible efforts at reconciliation (Honouring the Truth, 2015; Truth and Reconciliation, 2015).

As previously stated, First Nations people in Canada have a rich oral tradition. This oral tradition makes it difficult to triangulate factual claims with written history which was often written from the perspective of colonists. However, based on accepted First Nations narratives and traditions, the relationship between people

[4]There are many more First Nations peoples and languages that make up 5% of the Canadian population; for those interested there is a synopsis available through The Canadian Encyclopedia retrieved from https://www.thecanadianencyclopedia.ca/en/article/aboriginal-people

[5]Much of the legends from the First Nations are spread orally and captured through art, folklore, and traditions. For example see http://www.native-art-in-canada.com/turtleisland.html for an example of the legend of turtle island.

and nature are intrinsically woven together. In tales and stories from the people in Eastern Canada and the Western shores of British Columbia, the origin stories of the First Nations people were rich in covenants made by people with nature. Explicit in the tales and the traditions are a sense of deep respect and honour with nature/land and the natural environment. Relationships among peoples were also inclusive of the natural context. One reported agreement that is still recognized by the Anishinaabe people of Central Canada is the Dish with One Spoon covenant that settled debates by considering that all peoples shared nature's abundance with one spoon—exemplifying a social inclusivity that included nature as an important stakeholder (Lytwyn, 1997). Other reported traditions include a consideration of later generations—the future seventh generations, in the deliberation and consideration of tribal resolutions (Clarkson, Morrissette, & Régallet, 1992).

This is contrasted with the written history of colonialism which was initially composed by English and French settlers. These settlers' primary motivation in coming to Canada was the opportunity to take advantage of natural resources—land, pelts, in spite of the presence of the aboriginal peoples. The settler's philosophy of ownership clashed fundamentally with the First Nations people's philosophy of stewardship creating a dissonance that has lasted well through the foundation of the nation of Canada and through the twentieth century. Different waves of migrations of different immigrants were attracted to Canada with promises of open land for farming, escape from political persecutions (British Loyalists escaping from America), escape from famine (Irish settlers), and exploitation of natural resources (settlers from Eastern and Central Europe).[6] As Canadian forestry resources were important for ship-building and the abundance of fertile lands were considered important for farming and homesteading, people were attracted deeper into Canada. Similarly, the discovery of precious metals in the geological formations in Central Canada, the discovery of coal in the Maritimes, potash and oil in the central provinces, gold and precious metals in the Northern territories propelled people with less eco-centric viewpoints to settle and through institutional government fiat displace the original First Nations people into government appointed reserves and locations. In the last century, the discovery and refinement of petroleum resources from tar sands, the abundance of natural gas in the Prairie provinces (in particular Alberta) brought further extractive and lucrative industries to Canada.[7]

In the twenty-first century, increased concern with environmental destruction, social inequalities, and a societal discontent with corporate misconduct is dramatically changing attitudes among Canadians, its institutions and the corporations that do business within Canada (Maciunas & Saint-Geniès, 2018). There is an increased emphasis on moving from a cost-based value optimization model towards a strategic

[6]The Canadian Encyclopedia describes the waves of early Canadian immigration as retrieved in https://www.thecanadianencyclopedia.ca/en/article/immigration

[7]An excellent source of information for Canadian history is available through Hallowell's 2004 "The Oxford Companion to Canadian History" available from http://www.oxfordreference.com/view/10.1093/acref/9780195415599.001.0001/acref-9780195415599

CSR framework that includes the viewpoint of First Nations in the sustainable development of resources (Fitzpatrick, Fonseca, & McAllister, 2011; O'Faircheallaigh, 2010). The creation of the United Nations Millennial goals followed by the global consensus on the 17 more explicit United Nations Sustainable Development Goals is also driving actions among institutions and corporations to increase their CSR goals and activities (Verboven & Vanherck, 2016). In Canada, there are now multiple bodies coordinating corporate actions (UN Global Compact Canada, Canadian Business for Social Responsibility, Chambers of Commerce, federal, provincial, and local institutions), citizen action groups (Net Impact chapters across Canada for example), and educational actions (the UN's Principle for Responsible Management Education for example). Corporate and social activism are now prominent in the minds and actions of Canadians (KPMG, 2017). As a resource-rich country dependent on the extraction of primary resources and large-scale utilization of land for farming, combined with clusters of highly industrialized urban centres, and a high neighboring interaction with one of the most industrialized country in the world (the United States), Canada is uniquely positioned in the world and the way it handles these challenges is a rich field for studies on CSR.

The next section will discuss the corporate sector's perspective on CSR and accountability issues since both large corporations and SMEs are the primary drivers of economic growth in Canada.

3 Corporate Social Responsibility and Accountability Issues in Canada

The CSR literature often cites Carroll as one of the initial researchers of CSR and often refer to his conceptual CSR pyramid (Carroll, 1991, 2015). Researchers view the pyramid as both a conceptual foundation for the relationship between legal, economic, ethical and philanthropic responsibilities and as a contentious issue where the complexity of CSR implies a less hierarchical (more interactive) relation between these responsibilities. CSR is contentious as it is dependent on social constructions of what is defined as the social responsibilities of a corporation. In addition, the term sustainability—although initially used in the context of an overarching perspective of action that does not affect future generations (Brundtland et al., 1987) is interestingly similar to a First Nations perspective of not doing harm to future generations (Clarkson et al., 1992). Sustainability as a term has often been co-opted with reference to environmental concerns and so also is a contentious term. Although both sustainability and CSR are contested terms, Montiel (2008) reports a convergence in their research stream. More recently Verboven and Vanherck (2016) integrate the United Nations Sustainable Development Goals (SDGs) into the consideration of CSR for small to medium sized enterprises. KPMG (2017) reports an increase of the consideration of the SDGs in the CSR reports of public firms. There are other perspectives about CSR and sustainability from the Organisation for

Economic Cooperation and Development (OECD), the International Organization for Standardization (ISO), and other regulatory bodies. For our purposes, the Canadian government provides a definition for CSR as “voluntary activities undertaken by a company to operate in an economically, socially and environmentally sustainable manner” (Global Affairs Canada, 2014, p.2).

An important pillar of CSR is accountability. This is defined in various ways also but essentially Burga and Rezania (2015), through a scoping review of the literature on accountability, summarize it as the obligations of an ‘accountee’ to report to an account-holder who has the power to impose sanctions or adjust the ‘accountees’ behaviors. It is an important pillar because of the implicit contract to act responsibly with the stakeholders of a corporation, whether they are organizational, societal or economic. The mechanism of accountability is outwardly manifested through reporting and signaling to stakeholders of the CSR efforts made by corporations. Basil and Erlandson (2008) reported on an increase in CSR reporting of a sample of Canadian companies from the top 1000 in the country over the three-year time of 2003–2006. They noted that internal CSR activities tend to be more apparent than external activities and may indicate an increased effort at marketing and signaling increases in CSR efforts to stakeholders. In addition, Thorne, Mahoney, and Manetti (2014) find that Canadian firms tend to engage in these CSR reporting activities as a result of pressure from stakeholder interests. In further research Thorne, Mahoney, Gregory, and Convery (2017) also find a correlation between standalone CSR reporting and CSR strategic alliances and that these strategic activities are done differently between the US and Canada.

KPMG, as one of the big four global auditors and professional services consultants, has reported for many years on Corporate Responsibility by major global corporations and within countries. In 2002, KPMG reported 19% of major firms in Canada reported on their Corporate Responsibility (Kolk et al., 2002). This increased to 41% in 2005 (Kolk et al., 2005) and 81% in 2016 and 84% in 2017 (KPMG, 2017). On a large scale, corporations are signaling to their stakeholders a greater concern with CSR. In addition, corporate CSR efforts are beginning to incorporate a focus on the UN SDGs as evidenced by the 39–43% of global firms connecting their CSR activities to the UN SDGs (KPMG, 2017). These efforts in Canada have mirrored efforts in the rest of the world in the increased use of CSR reports and indicates a rapprochement back to sustainability in the twenty-first century.

4 Government and Civil Society

Governments and civil society are important in the discussion of CSR in Canada as they form the framework in which CSR succeeds or fails. The institutionalization of sustainability efforts across government agencies and the influence of non-governmental organizations provide a mimetic incentive for corporations to follow suit. In addition, legal requirements for firms involved in activities that impact social and environmental conditions force firms to engage within their community and may in this way reinforce CSR initiatives.

The Canadian federal government, regardless of its political affiliations, has been active in promoting CSR efforts since its broader efforts in the arena of global climate policy that originated from The Toronto Conference of 1988 involving the UN Environment Programme, the World Meteorological Organization, and the Canadian government all the way through COP 21 in Paris in 2016 (Maciunas & Saint-Geniès, 2018). Corporate activities intersect with society and so the increased focus of federal, provincial, and municipal legislation impacts their own CSR efforts. For example, at the federal level, a national carbon tax initiative implemented in 2018 aims to reduce the carbon footprint of Canada and become aligned with global commitments.[8] Provincial initiatives to eliminate the use of coal has led to increased pressure on power generation firms to diversify and adjust their view of CSR[9] . Municipal initiatives reward firms that operate with strong CSR initiatives by recognizing their efforts and including them in municipal discussions (for example, the Smart Cities Challenge promoted by Infrastructure Canada[10] but implemented by local communities across Canada).

Extractive industries such as mining, or petroleum extraction have a regulated and legal requirement to engage with communities—First Nations or local governments—to ensure minimal or beneficial impact to the community of their activities.[11] Extractive industry firms in Canada are regulated by the Extractive Industries Transparency Initiative (EITI) and fall under federal oversight from a federal Ombudsman and Advisory Body for Responsible Business Conduct abroad.[12] Considering that in 2013 almost half of all exploration and mining company headquarters were based in Canada, the federal government has adopted these regulations and initiatives to govern their CSR practices both at home and abroad (Global Affairs Canada, 2014). There is some controversy however, as Bodruzic (2015) finds that close partnerships in the enactment of CSR initiatives between industry actors in the mining industry and government agencies involved with foreign affairs may provide "a social license to operate" (p. 129) Canadian mining interests in locations abroad.

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[8]For more information on this carbon tax initiative and what led to it, see https://www.canada.ca/en/environment-climate-change/news/2017/05/pricing_carbon_pollutionincanadahowitwillwork.html

[9]See "The End of Coal" as described by the Ontario government; retrieved from https://www.ontario.ca/page/end-coal

[10]Smart Cities Challenge retrieved from https://www.infrastructure.gc.ca/cities-villes/index-eng.html

[11]A Supreme Court of Canada decision in 2004 and 2005 "held that the Crown has a duty to consult and, where appropriate, accommodate when the Crown contemplates conduct that might adversely impact potential or established Aboriginal or Treaty rights" as retrieved from https://www.aadnc-aandc.gc.ca/eng/1100100014664/1100100014675

[12]Details of this oversight body can be obtained from Global Affairs Canada retrieved from https://www.international.gc.ca/trade-agreements-accords-commerciaux/topics-domaines/other-autre/csr-rse.aspx?lang=eng#RBC

In summary, CSR in Canada is part of the complex web of interests and discussions that forms the socio-economic framework of firms doing business in Canada. We will now review the current perspective of for-profit corporations and how that has evolved over the past twenty years.

5 Corporate Perspective

It is widely known that Canada's industries are primarily based on the use of primary resources and to a certain extent on manufacturing industries linked to those resources and to its main trading partner, the United States. Increasingly, over the past fifty years, the services sector of the industry (inclusive of financial, retail, tourism and hospitality) have grown. In all cases, the greatest impact to the country's Gross National Product results from the activities of for-profit organizations and corporations. This section will touch on some Canadian industries but will focus on the extractive industry, the agricultural industry, the manufacturing industry, the energy sector and the services sector. Each of these industries need to address a wide spectrum of CSR issues. From a perspective of the UN SDGs, they focus on specific goals particular and salient to their sectors. For the sake of brevity, we can only address some of the more salient of those issues.

The extractive industry in Canada is defined here as the petroleum, the mining, and the forestry sectors. Their common theme lies in their extraction of natural resources and in effect, their fundamental position as users of non-renewable resources. CSR from their perspective is highly regulated as most of their activities involve the use or extraction of material that is on land that may be privately owned, leased, administered by the Canadian or provincial governments, or on land that is either owned or stewarded by First Nations people. The consideration of salient stakeholders is not only federally required but also expected to be signaled in annual reports, sustainability reports, or through direct engagement with communities. Dilling and Harris (2018) find that requiring the use of externally accepted reporting frameworks including sustainability reports promoted through the International Integrated Reporting Council (IIRC) for Canadian companies in the energy and mining sectors provides over the long-term value creation and maintains stakeholder confidence. Furthermore, Wanvik (2016) finds that increased CSR in the form of involvement with First Nations people has shifted from a government responsibility to a governance responsibility on extractive companies. In addition, the acceptance and promotion of the UN SDGs by the Canadian government has increased the visibility and expectations of organizations and their stakeholders to either comply or aim to comply to international guidance documents.

Farmers by nature need to implement sustainability in their practices to ensure the viability and success of their farming operations. However, as the number of farmers has decreased and been displaced by factory farming, there has been an impact on sustainability. According to Statistics Canada, in 1931, one in three Canadians was involved in farming as compared to 2016 when the ratio decreased to one in

58 Canadians.[13] As in the rest of the developed world, a push towards factory farming in the twentieth century was incorporated into the activities of farming operations (involved in poultry, hogs, cattle, etc.). However, in the twenty-first century and with the pressure of civil society and their concern for healthy production and consumption, agricultural operations have increased their CSR efforts by considering not just the sustainability of their operations but also considering the ethical treatment of animals, and the moral obligation to use safe farming practices (Koc, Macrae, Desjardins, & Roberts, 2008; Laforge & McLachlan, 2018).

CSR efforts in the manufacturing industry is reported to have increased over the past decades as more companies are embracing the SDGs. For example, the UN Global Compact Canada (the local initiative based on the UN Global Compact[14]) was only launched in 2013 but its activity has significantly increased. This organization provides guidance to corporations on incorporating the SDGs into their operations and annually reward organizations in the for-profit sector who are considered by their peers to be leaders in the implementation of SDGs.[15] Similarly, an exploration of the top public firms in Canada shows that their inclusion of CSR in their annual reports has increased dramatically over the past twenty years (KPMG, 2017). Another reporting mechanism assembled by Corporate Knights[16] (a certified B-corporation) provides an annual report of Canada's 50 Best Corporate Citizens and since 2002 provides additional measures of sustainability and corporate responsibility.[17] As an advocate for capitalism in the context of CSR, Corporate Knights reflects and magnifies Canadian culture and its concern with sustainability.

In Canada, the energy sector is significant as a large proportion of the nation's electricity is generated from hydroelectric sources. There is an important segment of this power that is produced by nuclear stations and a much lower amount from wind farms, solar power, tidal power, and geothermal power.[18] Although there are still some coal burning and diesel-powered generating plants across the country, the emphasis by various branches of government is to divest themselves of these power sources whenever possible (for example Ontario has banned coal powered plants and the federal government is imposing a carbon tax scheme in 2019[19]). In these cases, just like in the extractive industry, from the viewpoint of CSR the scale of power generation plants implies a high degree of stakeholder engagement during its

[13] *The Socioeconomic portrait of Canada's farm population* sourced from Statistics Canada data. Retrieved from https://www150.statcan.gc.ca/n1/pub/11-627-m/11-627-m2018041-eng.pdf

[14] Established in 2005, the UN Global Compact describes itself as the world's largest CSR initiative. Information retrieved from https://www.unglobalcompact.org/what-is-gc

[15] See the UNGCNC SDGS for Canada Leadership awards. Information can be retrieved from https://www.globalcompact.ca/about/gcnc/

[16] This magazine and its reports can be retrieved from https://www.corporateknights.com/

[17] Corporate Knights retrieved from https://www.corporateknights.com/

[18] Natural Resources Canada provides information about power generation in Canada. See https://www.nrcan.gc.ca/energy/facts/electricity/20068

[19] https://www.canada.ca/en/environment-climate-change/news/2017/05/pricing_carbon_pollutionincanadahowitwillwork.html

commissioning and operation (see for example the engagement with First Nations during the construction of major hydro-electric dams in Manitoba, British Columbia, and Quebec: Fortin, 2001). Social pressures force the consideration of alternative energy sources (see for example, the closing of coal plants in Ontario in 2011 that generated both positive and negative feedback from stakeholders and led to the fall of the ruling provincial government: Aung et al., 2017). In addition, the transport of petroleum for refining purposes continues to draw stakeholder concern and engagement along planned routes (see for example the dispute about the Canadian Government purchase of the Trans Mountain Pipeline to British Columbia from Alberta—a case where a climate-friendly government acquires a contested pipeline situation for economic gains but yet is stopped by the courts to gain more stakeholder discussions with First Nations people[20]). CSR is not just a consideration but is operationalized in reaction to stakeholder concerns.

CSR in the financial service industry tends to be oriented towards behaviours that should be socially acceptable along the morals and ethical planes. The occurrence of financial misdeeds in the capital markets at the turn of the twentieth century caused international subsidiaries and purely Canadian corporations in the banking and other financial sectors to extend their CSR activities. Financial services industries are focusing on the areas of sustainability in their practices, ethical care through codes of ethic or conduct, and community engagement in their tactical activities (KPMG, 2017).

Furthermore, financial institutions are governed by regulations that requires specific reporting (in Canada, each provincial jurisdiction governs their securities market but are compatible with each other). Since 2006, security regulations suggest that a Code of Conduct be part of a public company's reporting. For example, the 2004 Ontario regulation for filings by public companies states that "Every issuer that has adopted a written code of business conduct and ethics must file a copy of such code on SEDAR no later than the date on which the issuer's audited annual financial statements must be filed, unless a copy of such code has been previously filed" (OSCB, 2004, p. 972). Banks with large asset bases (one billion dollars or more) are required by law to report on their contribution to society. These financial institutions also follow the Equator Principles, a set of guidelines that governs a bank's consideration of funding projects in the context of social and environmental impacts (Industry Canada, 2014).

As a sparsely habited country, tourism and exploration of the land is a popular draw. The perspective of Canadians within the geographical diversity of their natural landscape has led to the promotion of sustainable and eco-tourism (see the advertisements for Newfoundland and Labrador[21] or the Rocky Mountaineer train trips on the West Coast[22] or even the Polar Bear Express tours in Northern Ontario[23]).

[20]https://www.bbc.com/news/world-us-canada-45972346

[21]https://www.newfoundlandlabrador.com/

[22]https://www.rockymountaineer.com/

[23]https://www.northeasternontario.com/partner/polar-bear-express-train-excursion/

However, researchers such as Dodds and Graci (2009) find that the approach to sustainability in the light of climate change is piece meal among the provincial Ministries of Tourism and that a coordinated approach or framework to address climate change issues is missing.

It should be becoming clear that the initial divergence between a sustainability eco-centric perspective as embraced by the original First Nations people of Canada and the techno-centric views of early Canadians is experiencing a rapprochement evidenced through both civil society, governments and corporate efforts. The next section will describe one of the mechanisms through which CSR becomes embedded in Canadian society.

6 Institutionalization/Integration of CSR as Practice

Institutional theory (DiMaggio & Powell, 1983) describes various ways that institutions resemble each other organizationally. This isomorphism can be mimetic (imitative), coercive (mandated), or normative. All three modes are seen in the Canadian landscape and are shaping CSR from its dissonance in the twentieth century to a more integrative sustainable viewpoint. Various governmental and regulating bodies now impose requirements that firms must comply to, in order to continue operating. Lately those regulations are clearly aimed at improving CSR practices. For example, security regulators since 2006 have requested firms to provide a Code of Conduct with their annual financial reports submitted to a System for Electronic Document Analysis and Retrieval (SEDAR).[24] In addition, other regulatory firms require the control of effluents and accounting for violations of environmental laws (the Canadian Environmental Protection, the National Pollutant Release Inventory, the Greenhouse Gas Emissions Reporting Program: Industry Canada, 2014). Cormier, Ledoux, and Magnan (2011) find that among Canadian firms a strategy of the disclosure of information relating to environmental and social strategies reduce information asymmetry in the stock market. Financial stakeholders view environmental or social disclosures as substitutes for each other when evaluating a firm's sustainability efforts. This additional CSR reporting thus reduces the information gap with stakeholders and provides guidance on a firm's CSR strategy.

Firms that signal to stakeholders their efforts towards achieving the UN SDGs gain legitimacy (for example the UNGC Network Canada awards SDG Leadership awards annually[25]). In this way, firms will mimic each other's success, gain legitimacy, social acceptance and enhanced brand recognition (for examples see the

[24] See 'About SEDAR' in https://www.sedar.com/sedar/sedar_en.htm

[25] For an example of how UNGC Network Canada conducts these awards, see https://www.globalcompact.ca/sdg-leadership-awards-2019/

home pages of some of the previous award winners such as Stantec,[26] Frontera Energy Corp.,[27] Enviro-Stewards,[28] and BASF Canada[29]). Using a qualitative study, Foster, Meinhard, Berger, and Krpan (2009) find that firms that integrate corporate philanthropy at the outset as part of their CSR efforts are distinct and more committed to incorporating strategic CSR initiatives into their business whereas firms that try and incorporate it as part of their marketing strategy tend to have lower tangible commitments to CSR but still benefit from signaling their CSR focus to stakeholders.

Normative isomorphism describes a rational reason for firms to improve their CSR. Improving their CSR provides the firms a way to signal to stakeholders that they are a worthwhile investment and improves their standing among similar firms. KPMG (2017) reports that firms in Canada, as they are highly involved in extractive industries and associated financial sectors, are more concerned now about climate related issues and incorporate these concerns as part of their strategic considerations. Considering that CSR is also about internal issues, Searcy, Dixon, and Patrick Neumann (2016) report an increased reporting on internal work environment indicators among Canadian firms but that the lack of regulations promotes the use of self-determined indicators. In addition, inconsistencies are found for gender support for volunteering efforts as part of a firm's CSR initiatives (MacPhail & Bowles, 2009). From a business perspective, firms are improving their CSR reporting and their social acceptability, but the lack of a regulatory framework makes the comparison of their reporting difficult to do.

An example of how institutionalization is being used in Canada can be seen through the Smart City initiative that is promoted by the Federal Government of Canada[30] and which the City of Guelph and Wellington County have embraced. A synopsis of this initiative and how this top-down approach is supported by bottoms up stakeholder engagement will be described. In the end CSR is expected to be embedded in the participating community partners and throughout the region.

[26] https://www.stantec.com/content/dam/stantec/files/PDFAssets/2018/stn-2017-sustainability-report.pdf

[27] http://www.fronteraenergy.ca/

[28] https://www.enviro-stewards.com/

[29] https://www.basf.com/ca/en.html

[30] http://www.infrastructure.gc.ca/cities-villes/index-eng.html

7 Case Study (Example of a Smart City Initiative in Guelph, Ontario Canada)

Infrastructure Canada initiated a Smart Cities Challenge competition in 2018 to embed sustainability in communities.[31] Communities across Canada competed in three categories based on population. One of the category finalists was the community of the City of Guelph and County of Wellington in Southwestern Ontario (Guelph-Wellington). This is a community of 226,000 people in a high-tech corridor that includes over 15,000 high technology corporations; a rural infrastructure; a transportation artery linked to the United States; and several institutes of higher education.

The initiative by Guelph-Wellington is to become the country's "first technology-enabled Circular Food Economy" (City of Guelph and Wellington County, 2018, p. 1). This will be done through a plan that involves the cooperation and engagement of businesses. Guelph-Wellington aims to create at least 50 new businesses and/or collaborations by 2050 oriented around a circular economy. Circular economies by their nature incorporate social and environmental considerations in the context of profitable enterprises (Ellen McArthur Foundation, 2017). Guelph-Wellington's initiative is a complex interconnected initiative catalyzed by a top-down government competition (administered by Infrastructure Canada) but which engages corporations in a way that embeds CSR principles in their strategic framework ((City of Guelph and Wellington County, 2018). In addition, the focus on rural development through the University of Guelph's Arrell Food Institute[32] and the focus on sustainability inherent in the community is an attempt at reconciling industry's need for growth in the spirit of corporate social responsibility.

8 Conclusion

This chapter touched on many aspects of a young Canadian nation (just over 150 years old) as they relate to CSR and sustainability. The early roots of Canada's sustainability and CSR efforts originated in the eco-centric perspective of First Nations where sustainability was embedded in the way of living. The divergence from this view as the abundant riches of the land were exploited led to both an economic growth and a divergence from sustainability in the twentieth century. Subsequent civil society reactions, awareness of sustainability issues, government and global initiatives, and corporate actions in this twenty-first century

[31]Similar initiatives along sustainable issues can be explored through other Smart City Challenges finalists from Ontario, Manitoba, Quebec, Nunavut, New Brunswick, Alberta, British Columbia, Saskatchewan, Nova Scotia, and the Northwest Territories. See http://www.infrastructure.gc.ca/cities-villes/index-eng.html

[32]https://arrellfoodinstitute.ca/

is leading to an integration of CSR back into the Canadian culture. This embedding can be seen in the example of Guelph-Wellington and its Smart City Initiative and the example of similar communities across Canada. We have shown in this chapter that CSR and sustainability are not just buzzwords but have become the norm in Canada across civil society and the corporate sector.

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Corporate Social Responsibility in Cuba

Denise Baden and Stephen Wilkinson

Abstract This chapter draws upon data collected over several research trips to Cuba undertaken between 2013 and 2017 that evidences how the concept of Corporate Social Responsibility (CSR) is understood there. Firstly, some background on Cuba is provided, describing the island nation's economic journey from the status of a free enterprise oriented US 'neo-colony' in the first half of the twentieth century, through several decades of strong Soviet inspired state control after the 1959 revolution, before it gradually adopted what has been termed a 'market socialist' model after Fidel Castro left the Presidency in 2007. The chapter then presents a snapshot of the fledgling state of CSR in Cuba as understood and practised in newly licensed private small and medium-sized enterprises and state-business partnerships. The kinds of practices that are seen as belonging under the CSR umbrella are compared. The chapter acknowledges the unique political and economic conditions in Cuba and the problems that arise in applying concepts, measures and definitions which have been formulated in the context of Western economies. The chapter therefore provides an insight into how CSR is constructed in a country that has adopted cultural norms of solidarity and collectivist ethics. This is contrasted with the way the concept is understood and operationalized in liberal capitalist countries with paradigmatically 'neoliberal' and individualist values, where the norm of self-interest prevails in economic discourse. Finally, we argue that this case study of CSR in a highly regulated economy offers a valuable input to the on-going debate over the merits and demerits of strong state regulation in terms of achieving socially and environmentally responsible business practices.

Keywords Corporate social responsibility · Cuba · Fidel Castro · Market socialism · Social and solidarity economies

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1 Introduction

The way in which the concept of corporate social responsibility (CSR) is understood and practised, and the role it plays in society differs greatly according to the institutional context (Jamali, Lund-Thomsen, & Khara, 2017; Kostova & Roth, 2002; Muthuri & Gilbert, 2011; Tan & Wang, 2011). This is particularly the case when comparing CSR in capitalist economies where CSR is conceived more as a form of voluntary self-regulation, to CSR in socialist economies where state regulation covers many aspects associated with CSR, leaving less room for organisational freedom of action. In the West, key issues relating to CSR are the extent to which the constructions, practices and motivations relating to CSR are sufficient to counter incentives towards business practices that may be profitable but are unethical in that they impose externalities upon society and/or the environment. In contrast, debates in Cuba revolve around how to reduce state control and increase economic well-being through private enterprise without compromising the revolutionary promise of Cuban sovereignty, equality and social justice. In this chapter the socialist Cuban economy will be compared with Western free-market liberal democratic and capitalist economies such as the US and UK. Although it is obvious that geographically Cuba is in the West, the term 'Western' is understood here as referring to a liberal democratic free-market capitalist economy.

2 Cuban Historical Context

As a postcolonial society, it is important to note that, apart from a brief interlude of a social-democratic government in 1933, until the advent of socialism in 1959, Cuba was a place where matters such as social welfare, the protection of the environment and citizens' rights were not respected or even considered important in any meaningful way by the government or the ruling elite. In this section, we present a brief history of the Cuban political economy to explain the context in which what would be regarded as CSR practices take place today.

Firstly, the legacy of colonialism and slavery is a powerful influence still because Cuba's liberation from Spanish colonialism came some 70 years later than the rest of Spanish America colonies. It took two Wars of Liberation (1868–78 and 1895–98) to eject Spanish rule but not without sacrificing Cuban autonomy to the United States. By its military intervention in Cuba in 1898, the US first established political dominion and then constructed the first Cuban Republic in 1902.

Cuba was essentially a part of the larger US economy, providing sugar for the US market. US financial interests included 90 percent of Cuban mines, 80 percent of its public utilities, 50 percent of its railways, 40 percent of its sugar production and 25 percent of its bank deposits. The island produced sufficient wealth for a white elite and a middle class based in Havana, but little for the rest of the population that was impoverished and subject to harsh labour conditions, seasonal unemployment, general underemployment, and economic stagnation or uncertainty. The economy was dependent on agro-exports with declining terms of trade and on demeaning services such as tourism, gambling and transnational organised crime (Corrales, 2001). Culturally, US influence dominated. Those Cubans with wealth grew accustomed to the luxuries of 'the American way of life' with its consumerist excess. They drove American cars, owned TVs, watched Hollywood movies and shopped at Woolworth's department. Income mal-distribution and poverty were serious problems compounded by unemployment. During the sugar harvest and the tourist high season of January to April, unemployment normally fell to 9–11%. In the off-season, however, the level rose to 20–21% since only a small proportion of the 400,000 to 500,000 sugar harvest workers found work for the rest of the year.

Given this scenario, Cuba in the 1950s was a society bereft of any form of social responsibility. After the overthrow of the democratic system by Fulgencio Batista in the coup d'état of 1952, the influence of the mafia increased, resulting in policies that were detrimental, not only to the wellbeing of the citizens but to the fabric of society itself. Drugs, gambling and prostitution became pervasive, and corruption at all levels of government endemic. It was the abject disregard for morality characteristic of the Batista regime that led to its rejection by the largely Catholic middle class and their consequent support for the Castro rebellion that triumphed in 1959.

Castro's leadership can be summarized as encompassing a moral purpose, not only of improving the quality of life for the huge number of bitterly impoverished citizens but also of enhancing the ethical standards of a nation that had been stripped of dignity by the criminal dictatorship. In his speech, 'History will absolve me', which became the manifesto for his organisation, the 26th of July Movement, Castro affirmed his commitment to a project that would place politics and economics at the service of the social good. Without using the word socialism, he nevertheless expounded a plan that implied regulation of the free market in order to address the problems of poverty and underdevelopment.

Castro's commitment to resolving the problems of monoculture, dependence and income inequality through state regulation, progressive taxation and the nationalisation of key industries led inevitably to confrontation with the United States and ultimately Cuba's radicalisation and alliance with the Soviet Union.

Along with the rest of the Soviet Bloc, Cuba ran into debt repayment difficulties in the early 1980s that resulted in a deep transformation of the political economy. Unlike the former Soviet Union, which adopted market solutions in the guise of Perestroika, Cuba took decisive action prior to the changes in Moscow, to increase mass participation in order to address the fiscal difficulties in ways that resisted the wholesale introduction of market forces (Hamilton, 2002). Unfortunately, this so called 'rectification' campaign was soon overtaken by the end of the Cold War and the subsequent collapse of the Soviet Union that created a huge economic crisis known in Cuba as the 'Special Period in a Time of Peace.' Suffering a collapse of over 85 per cent of its foreign trade and a reduction in GDP of more than 35 per cent in less than two years, Cuba was forced into a period of severe austerity in which economic reform and opening to the global market became unavoidable.

However, Cuba's opening to the market was carried out in a consensual manner. Between 1991 and 1993 a series of consultations were carried out in what were called 'workers' parliaments'. Here, the citizenry was encouraged to participate in workplace discussions and amend policies to allow the circulation of the US dollar, foreign direct investment by capitalist enterprises from capitalist countries and limited opportunities for self-employment for Cubans. Following this mass consultation, economic reforms started in 1993 that began a process of reorienting the Cuban economy and agriculture to meet the demands of the new situation. It is important to note that this process did not involve making any workers redundant, nor did it involve the reduction of social, health, welfare and education spending. The Cuban government held firm to a commitment to maintaining what it termed the 'conquests of socialism'.

In this regard, since the turn of the millennium it is possible to argue that Cuba has been following the same policy of a gradual opening to the global marketplace and the extension of market oriented reforms. Again, the reforms have been preceded by open consultations with the whole working population (Ludlam, 2012) in two phases so that a national consensus is established before changes are introduced. This has culminated in the extension of the areas and size of private enterprise that is allowed and a whole series of other decentralising structural reforms that are aimed at raising living standards and satisfying individual consumption needs through the use of market mechanisms. To some observers this has been seen as adopting a Chinese model of economic management but to others this not exactly the case. Rather than copying the Chinese, Cuba is learning from the Chinese experience. What is being undertaken therefore is a distinctly Cuban style of market socialist economic reform (Gabriele, 2011; Wilkinson, 2012).

Thus for historic and political reasons, we conclude that the Cuban revolutionary government has always exhibited a high moral regard for the well-being of the population. Additionally, in terms of environmental protectionism, a primary concern of CSR, Cuba offers a particularly salient example. Even before the consequences of environmental damage were acknowledged internationally, Cuba under Fidel Castro had already argued for a radical rethink of how humanity interacted with nature. For example, reforestation programmes began immediately after the triumph of the revolution in 1959 and Cuba's first nature reserves and national parks were established shortly thereafter. Cuba incorporated the rights of the environment into its constitution in 1976 and has a government department dedicated to protecting the environment. Since 1992, Cuba has stepped up its environmental protection by launching a clean energy investment drive, sustainable agriculture, a sustainable tourism policy and extension of its protected areas (Wilkinson, 2008).

Therefore we argue that although Cuba may not explicitly embrace the tenets and discourse of CSR, it nonetheless exhibits a level of social awareness throughout its society that finds its way into the day to day running of enterprises both state and private. In this way Cuba provides a case study in terms of the way in which the enterprises; state, joint ventures and private, understand their roles. We ask how far do socialist or socially responsible attitudes prevail in these enterprises? Does Cuba, with this radical, moral and socially conscious socialist history, offer the opportunity to see less than or other than profit oriented motives at work? More succinctly, does Cuba provide examples that those in the West interested in a more socially responsible corporate culture can learn from?

3 Terminology

An important starting point in any discussions of CSR, especially in a cross-cultural setting, is terminology, as what is understood by the term CSR varies across contexts. The terminology of CSR differs across contexts with numerous terms often used semi-synonymously with CSR, each with a slightly different focus, such as corporate citizenship, business ethics, sustainability etc. (Baden & Harwood, 2013). Corporations, as understood in the West, do not exist in Cuba, and it is more common for the term 'socially responsible enterprise' to be used. The term 'private business' is rarely used in Cuba, with most Cubans preferring the term 'non-state enterprises' (Baden & Wilkinson, 2014). This may be because the term 'private property', with its connotations of private wealth accumulation, does not properly describe the varieties of non-state enterprises present in Cuba such as cooperatives and self-employed trades people. Another common term used in socialist countries such as Cuba, is the more broadly conceived 'social and solidarity economies' which is a movement that aims to combine market dynamics with socialist values (Sagebien, 2012).

Matten and Moon (2008) make a distinction between implicit and explicit CSR which is especially pertinent to the Cuban context. They draw upon Whitley's (1998) national business systems approach which identifies four key features that can differentiate historically grown national institutional frameworks i.e. political, financial, education/labour and cultural systems which provide the underpinning for the type of CSR that is practised in each country. Matten and Moon (2008, p.409) distinguish between explicit CSR which "refer to corporate policies that assume and articulate responsibility for some societal interests" examples of which might be philanthropy, voluntarily adopting social or environmental standards such as ISO14000 or ISO26000, or voluntary partnerships with NGOs to address social and/or environmental impacts. By "implicit CSR," they refer to "corporations' role within the wider formal and informal institutions for society's interests and concerns" which consists of "values, norms, and rules that result in (mandatory and customary) requirements for corporations to address stakeholder issues and that define proper obligations of corporate actors in collective rather than individual terms."

Matten and Moon (2008) propose that explicit CSR occurs in liberal, laissez-faire economies as such economies have relatively little regulation thus a larger share of corporate responsibility issues are left to the discretion of the companies. Implicit CSR is proposed to occur in coordinated economies as most of the social and environmental impacts of companies are regulated by institutional and legal frameworks. It is taken for granted in such economies that businesses will address these issues, thus there is no need to explicitly articulate that they are doing so. The US for example is a proto-typical liberal economy demonstrating explicit CSR where paying a living wage, covering health insurance, protecting the environment, donating to schools, hospitals poor etc. is based on corporate discretion.

Even though the Cuban government is keen to roll back the role of the state in enterprise, it still has a much stronger regulatory presence than in most capitalist countries. Strong state regulation prohibits unethical practices, leaving much less up to voluntary self-regulation. Most ethical issues relating to business in Cuba are covered by State regulations so there are few areas where business can act unethically without breaching regulations. In addition, Cuba's revolutionary history predicated on norms of social equity lead to profit-making private enterprise being seen as the best means to the end of social welfare, rather than as an end in itself. The type of CSR practiced in Cuba is thus what Matten and Moon would term 'implicit CSR' as most issues relating to social and environmental welfare are covered by the State, leaving little room for voluntary CSR. CSR is also implicit in the more general sense that interviews with Cuban business managers indicate that the assumption is that business is there to serve society, not the other way round (Baden & Wilkinson, 2014).

4 CSR Practices in Cuba

Due to the institutional environment and history of strong state control, it is difficult to talk about CSR in Cuba without discussions veering back to the State as many of the businesses had fairly recently been run by the State. This initially created difficulties in reforming the mind-set ingrained from years of strong state regulation learned from the centralised Soviet system. Nevertheless, despite the vast differences in the political-economic framework, there is much overlap between Western and Cuban notions of what constitute CSR practices.

The Centro de Estudios de Técnicas de Dirección/Centre for the Study of Management Techniques (CETED) is Cuba's foremost Management Science School, and in the following section academics from CETED, provide an overview of their perception of what constitutes Business Social Responsibility in Cuba. Sections in italics are taken directly from a presentation given on CSR in Cuba in 2013.

Their first point differs little from a Western perspective as it is clear that social responsibility is not only about fulfilling legal obligations, but also about offering quality products and services in order to respond to clients' needs:

Fulfil the mission statement and offer to the clients a quality product.

This can be broken down into two dimensions:

Internal: Includes Human Resources, their objectives, problems and needs.

External: Includes all the relations that the enterprise establishes with the stakeholders: local communities, suppliers and clients.

Business Social Responsibility is seen as a continuing relationship with society. Stakeholder terminology is also used, with CSR being seen as:

. . . a process whereby all stakeholders participate. This process includes also individual actions to achieve social goals.

It is emphasised that *Social Responsibility has to be guide for strategic management.*

The enterprise has to demonstrate:

- *Ethical behaviour in all its actions.*
- *A security and health system to protect its workers.*
- *Has to be integrated with the community.*

An enterprise is considered to be socially responsible when it covers five principal dimensions:

1. *Ethics*
2. *Environment*
3. *Community Commitment*
4. *Responsible Marketing*
5. *Labour quality*

Relationships with stakeholders are further specified as:

1. *Community (participation and solving problems)*
2. *Environment (take care, decrease the impact)*
3. *Moral Obligations (with suppliers, clients, goverment, social assistance etc.) and to regulations and laws (81 MA, Environmental Management System ISO 14000)*
4. *To Employ (employ the local citizens, social politics)*
5. *Consumers (fulfil the promise made by the enterprise, provide information)*
6. *Social Marketing (responsible marketing)*

It is worth noting at this point that, although there is similar terminology in Cuba to the West, some terms are understood differently in Cuba. In particular, the term ‘responsible marketing’ in capitalist economies tends to be about avoiding exploiting or misleading the customer. However, Cuba is a country with very little marketing or advertising for products, so here the term ‘responsible marketing’ incorporates issues like social inclusion and diversity to ensure that everyone has access to the products and services they need.

Internal Dimensions of Social responsibility include:

1. *Quality of products*
2. *Pure products*
3. *Security and health systems, salaries, remunerations*
4. *Systematic attention to retired persons: multiple services.*
5. *Respect for diversity: gender focus, racial, handicap persons.*
6. *Efficient use of resources.*
7. *National products are prefer vs imported products.*
8. *Decrease costs, reasonable prices.*

9. *Social organizations (Trade Unions and other mass organisations such as the Women's and Student Federations)*

Cuban businesses also adopt similar theories and management practices such as the balanced scorecard, but the Cuban scorecard is more likely to include metrics related to social and environmental outcomes and the factors listed above.

An example of CSR practices in State-business partnerships presented by the University of Havana Management School was that of *Suchel*, which is a joint venture with a Spanish firm that produces soaps, detergents and perfumes. In this case workers were well rewarded and had a representative on the board of directors. The company was compliant with environmental laws concerning production and health legislation regarding its products.

Suchel.

Ethics: Suchel fulfils its mission statement. This enterprise offers clients quality products, respecting the environment with clean products.

Community Commitment: Offer to the retired workers multiple services such as: social club, retirement association, hairdressers.

Environment: Some elements of its products have a harmful environmental impact. Dedicated multiple resources to decrease the impact to the environment. Have a natural line of products: soaps, lotions, cosmetics, baby care products.

Responsible Marketing: Suchel promotes diversity and social inclusion. Produce products for all kinds of people.

Labour Quality: creation of good conditions of work, salaries.

There has been a continued practice in this enterprise to embed Social Responsibility in its Strategic Management.

It is also of note that many socially responsible practices in Cuba stem from the political drive for social equity inherent in the socialist system rather than from the consciousness of enterprise directors. One example from what management academics called "one of the oldest cases of CSR" is the sugar industry, a wholly state owned industry. Measures taken include:

> *the construction of housing and social clubs, social support for the workers and their families and education and training for the workers and members of their families.* (Baden & Wilkinson, 2014).

It is debateable the extent to which such measures can be categorised under the CSR umbrella as they were introduced by the state in fulfilment of its socialist commitment. Furthermore in towns the mills have:

> electrical generation plants that burn the waste from the cane providing cheap electricity for the towns and the excess is put into the national grid. This is carbon neutral and very good for the environment. (ibid)

Some sectors are not in private hands, but despite being state run, have to demonstrate efficiency and run on business principles. An example is the Cuban biotechnology and pharmaceutical industry. The ultimate strategic goals of the sector are to meet Cuban health needs, address global health needs, and use money from exports to finance their public health requirements. The metrics of success are therefore health needs, and this has resulted in a highly efficient sector that, despite Cuba's poverty, punches above its weight in terms of pharmaceutical innovation and international medical solidarity (Baden, Davis, & Wilkinson, 2015; Haseltine, 2012). However, although Cubans are justly proud of the work they have done combatting diseases in their own and developing countries, there is low awareness of other ethical issues, such as GM, or relating to religious orientation, and there is little transparency about animal welfare which is not seen as an important moral issue. Instead the biotech and pharmaceutical sector is most interested in scientific advance and making treatments and vaccines to help not just their own population but to address pressing health needs internationally. Cuba shows a particular solidarity with, and desire to help developing countries who are unable to afford Western medicines. A notable example is Cuba's collaboration with Brazil who together produced and sold vaccines for meningitis for a very low cost and helped to eradicate meningitis in sub-Saharan Africa (Huish, 2014).

5 Social Responsibility in Small Business

The section above focusses on large businesses and state-business partnerships, yet most new businesses in Cuba are micro businesses such as hairdressers, mechanics, *paladars*—small restaurants or *casa particulares*—lodging in people's homes. Also common are organic gardens or farms which can range from rooftop gardens that serve the local area, to larger scale farming cooperatives which serve an entire province. Similar to other countries, the term CSR was rarely used by small businesses, and the focus is generally on being of service to the local community the business serves through its products, services and employment. Philanthropic practices are also common, with many small businesses describing themselves more as social enterprises, with profit viewed as a means to sustain the business financially so it can contribute to the community, rather than as a goal in its own right. For example, a community gardener who supplies produce free to the church and local poor, and a farming co-operative selling its produce at a price lower than the price it could get based on supply and demand because the cultural norms of equality are stronger than the drive to profit maximise.

In contrast to the West where CSR discourse has a strong focus on the relationship between corporate social performance (CSP) and corporate financial performance (CFP), the discourse of CSR in Cuba focusses mainly on the social and environmental impacts of enterprise. The questions debated in Cuba are not the extent to which CSP predicts CFP but revolve around to what extent is private enterprise helping to fulfil state goals of social and economic well-being, health, inclusion, access to goods and services, equality and Cuban sovereignty? When profit is discussed, it tends to be in terms of being a metric by which to judge the efficiency of state-run organisations.

Another contrast to most other countries is a lesser focus on CSR in the supply chain. Due to the US embargo, which severely limits the trading ability in Cuba, the preference has been to manufacture goods locally where possible. However where imports are necessary, the US embargo has meant that Cuban enterprises have not had the luxury of being able to omit international suppliers on ethical grounds.

Environmental issues and practices in Cuba also are a direct result of its history and the embargo. The lack of resources has made it necessary to conserve, repair, reuse and recycle, giving rise to Cuba being called the only truly sustainable country (WWF, 2006). On the other hand, the same issue has made Cuban enterprise reliant on out of date Soviet polluting machinery.

6 Summary

Despite there being little explicit discussion or understanding of the concept of CSR in Cuba, this is predominantly a result of the implicit acceptance of practices that would be labelled as CSR in capitalist economies, but in Cuba are internalised as socialist ethics.

The ethical issues faced in Cuban business differ somewhat to those faced in capitalist economies. The tension between social and financial goals felt by business owners operating in the capitalist system with a stronger norm of self-interest, and legal obligation to create value for shareholders over other stakeholders, is less apparent in Cuba. One of the underlying causes of much business irresponsibility in capitalist countries is due to businesses prioritising financial interest over social and environmental impacts and there is little evidence of this in Cuba. Instead most ethical issues are still in the realm of state-run industry and relate to countering corruption, transparency and enforcement of environmental regulations.

The unique political and economic conditions in Cuba mean caution needs to be applied in the use of concepts, measures and definitions that have been formulated in the context of capitalist economies. Even where terminology is the same, the way it is interpreted can be different. For example, in a country where there is no marketing or adverts for products, the term 'responsible marketing' takes on a different meaning, referring more to producing useful products for all needs. Similarly, like academics from capitalist countries, Cuban academics also use the term 'stakeholders' but the practice of stakeholder management in Cuba is based upon more normative principles. Creating value for stakeholders such as the community and the work force are seen as primary goals, rather than secondary to financial performance. This is in contrast to capitalist economies where the approach to stakeholder management tends to be more instrumental. In other words businesses attend to such stakeholders because there are costs in terms of reputational damage which may have negative repercussions on corporate financial performance if they fail to do so.

A notable difference relating to Cuban CSR is a difference in the cultural norms which affect our perceptions of what kind of behavior is acceptable. In Cuba the prevailing norms are of solidarity with others and communal values, which facilitates business social responsibility. This has come about in part through a revolutionary history unique to Cuba, so the Cuban mindset cannot simply be adopted by a different country with a different history. Despite this, the Western discourse seems to have almost deliberately cultivated business values that are antagonistic to genuine social responsibility. This is perpetuated in part by economic models which assume self-interest as the most rational behavior, assumptions which many scholars have argued can become self-fulfilling. For example, Miller (1999) proposes that:

> a norm exists in Western cultures that specifies self-interest both is and ought to be a powerful determinant of behavior. This norm influences people's actions and opinions as well as the accounts they give for their actions and opinions. (p. 1053).

This is reflected in the fact that even theories specifically related to CSR, such as Carroll's pyramid of CSR, assume that economic responsibilities come before ethical responsibilities, and Baden (2016) argues that not only does this not reflect actual beliefs, but it undermines the power of the CSR construct to promote genuinely pro-social business behaviour.

The key difference between the Cuban approach to CSR and the approach in capitalist economies is that in Cuba the ultimate goal is social welfare, and the metrics of success reflect this. This is in contrast to the prevailing capitalist view of profit maximization as the ultimate goal of economic endeavour as typified by the famous quote by Milton Friedman that the social responsibility of business is to make a profit (Friedman, 1970). This has led to CSR being typically justified in the West in terms of its ability to benefit the bottom line rather than as a goal in itself. This can result in key social and environmental negative impacts of business being unaddressed if they fail to meet the business case or are not covered by regulations. Examples common in capitalist economies are exploitative supply chains based on sweat shop labour, degradation of communities by extraction industries and unsustainable consumption encouraged by marketing practices of business. Indeed, the ability of the construct of voluntary 'explicit' CSR as practiced in capitalist countries to provide an effective means to ensure ethical business behaviour in the face of institutionalized pressures on business to maximize profit is increasingly being doubted. In this sense CSR as practiced in Cuba appears to be truer to the spirit of CSR than the capitalist interpretation.

As Cuba continues to engage with the global marketplace and invite Foreign Direct Investment (FDI), it is important to bear in mind that the government maintains a firm grip on the process of FDI and insists upon firms adhering to the law that protects workers' rights and the environment. Although Raúl Castro stood down as President in April 2018, he remains the General Secretary of the Communist Party until 2021. His successor Miguel Díaz Canel has affirmed his commitment to maintaining the policy of reform put in place under Raúl (Chase, 2018). This we can assume that the commitment to social responsibility will continue in the near to medium term.

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The Government's Role in the Mexican CSR Development. Human Rights, Energy Reform and Social & Environmental Assessments

Armando Garcia Chiang

Abstract The development of Corporate Social Responsibility (CSR) in Mexico during the last two decades is closely linked to the various initiatives within the business sector. The first organizations that were involved with CSR (in the second half of the decade of 1990) rose as a central objective to integrate the concept of CSR in the sphere of business.

During the last ten years the development of CSR in Mexico has taken a greater momentum. It is throughout this period that the Mexican Government has begun to have a most important role in CSR development.

About this new role, it must be signaled that the Mexican State has signed two international agreements concerning CSR: the first one of them is the Declaration of Santiago (2013) where Mexico, through the Bilateral Cooperation between the EU and the CELAC, basically promised to realize efforts about the legislation concerning the CSR, as well as in the elaboration of a National Action Plan aligned with the recommendations about CSR that are already contemplated in the majority of the European Union States.

The NAPs Draft, according to the Work Group guided by the Ministry of the Interior, was going to be be finished in December 2016, but there has been an important delay.

The second major agreement signed by the Mexican State is the implementation of the OECD Guidelines for Multinational Enterprises for which there is an operational instance at the national level: the National Contact Point created in 2011.

In this context, the present paper aims to analyze the new role of the Mexican Government in the development of CSR and the future implications.

Keywords Corporate Social Responsibility · Energy Reform · Social Impact Assessment · Mexico

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1 Introduction

In the current Mexico, the Corporate Social Responsibility is an emerging topic among the different sectors involved in economic activities but also between new actors and international organizations and civil society. Thanks to this, the panorama has been transformed and the discussion has been enriched the concept and its scope, specially, in terms of visibility of conflicts linked to human rights.

These advances are due in part to the recent involvement of both Mexican State and international bodies in the application of corporate social responsibility schemes. But in the last few years both national and international contexts have been crucial for the incorporation of new actors within the debate on social and environmental responsibility. Among these new actors are civil society organizations that have expressed their concern about the impacts of both private and state sectors in the field of human rights, environment, corruption, indigenous peoples and gender questions.

The result of this approach between emerging actors has been an interesting advance in terms of agreements signed with international organizations, especially through the bilateral cooperation in the field of CSR and Human Rights. However, there are many obstacles in Mexico to the real implementation of any policy or international agreement on business and human rights. In that context, this paper has as main purpose to present an overview of the current status of CSR and human rights in Mexico.

1.1 Very brief background of CSR in Mexico

The development of Corporate Social Responsibility (CSR) in Mexico during the last two decades is closely linked to the various initiatives within the business sector. The first organizations that were involved with CSR (in the second half of the decade of 1990) rose as a central objective to integrate the concept of CSR in the sphere of business.

From those years and until recent times, these organizations have developed and implemented various strategies to promote and encourage the integration of the responsibility paradigm to the functional schematics of a greatest possible number of businesses in Mexico, from the largest and most up to Small and Medium-Sized Enterprises (SMES).

In parallel, the very development of the operational concept of CSR in Mexico has been closely linked to the same group of organizations of the private sector involved in its promotion since the 80s. In sum, to speak of Social Responsibility in Mexico, it must be made clear that there is a close relationship since its beginnings between the Mexican business sector and the CSR development.

Among the organizations that in the decade of 1990 were incorporated in the development of CSR, we find the Employers Confederation of the Mexican

Republic (COPARMEX), founded in 1929, the Social Union of Mexican businessmen founded in the 1960s; the Mexican Foundation for Rural Development (also founded in the 1960s); the Business Coordinating Council (founded in 1976). These organizations functioned as a lobby of the Mexican business sector that promoted the liberalization of the economy in a time in which the State maintained certain guidelines on it. In 1988 it was created the Mexican Center for Philanthropy, (CEMEFI) a private and non-profit institution. This nonprofit organization that distinguishes companies as socially responsible, under four factors: ethics and corporate governance, quality of life in the company, relationship and commitment to the community and its development, care and preservation of the environment (Cemefi, 2010), originally had as its mission "to promote and articulate a philanthropic participation, committed and socially accountable to citizens, social organizations and businesses organizations to achieve a more equitable, solidary and prosperous society ". However, following Fernando Lámbarry (2016), the CEMEFI's label, named Socially Responsible Company (ESR) is obtained through a questionnaire, without evidencing that companies do meet their act responsibly.

A little more than a decade of its creation, the CEMEFI took is especially important place in the dissemination of CSR among the private sector at a national level.

The proposals on CSR and partnerships between these organizations to foster through regulatory programs, awards and certifications symbolic began to develop in 1997 when the CEMEFI created the Program of Corporate Social Responsibility. Three years later, the alliance between the COPARMEX, SMU, Business Development and the Mexican Editorial Group Expansion, launched a national call that had as objective to recognize best practices of Corporate Social Responsibility of the private sector. The following year, in 2001, for the first time in Mexico, it was launched ver the hallmark of Socially Responsible Company (ESR) to 17 companies in different productive sectors.

Until then, the situation corresponded much more to what was described by Luis Velazquez, Amina Marin and coauthors in 2008 who pointed out that lack of transparency and access to information about Mexican companies' Corporate Social Responsibility Programs challenge some of the theoretical concepts that have been discussed during the last few decades in the literature where implementing Corporate Social Responsibility initiatives should result in increased productivity and a better image; however, this could not be possible in Mexico because Mexicans are unfamiliar with the concept of Corporate Social Responsibility.

Therefore, they cannot appreciate the enormous benefits that could emanate from its practice. Mexicans are happy to participate in corporate charitable programmes promote basically for altruistic reasons; however, some Mexicans hesitate to participate because they are suspicious about corporations' genuine social concerns (Velázquez et al., 2009).

In the same line, for an author like Francis Weyzig (2004), in the first decade of this century, CSR was still in an early phase in Mexico where traditionally, enterprise managers associate CSR with corporate philanthropy, not related to the core-business of a company, and do not seek engagement with civil society. For what it was possible to say that the Mexican civil society had a traditional perspective centred on legal compliance and characterized by a hostile attitude towards the private sector.

For Weyzig, the historical lack of cooperation between different sectors of society was a large obstacle for the development of CSR in Mexico. Although he points out that for a large part these traditional attitudes persisted ten years ago, a slow culture change has set off among enterprises and other relevant actors. A new CSR perspective, which defined the social responsibility of an enterprise in terms of responsibilities towards all enterprise stakeholders, was founding its way from Europe to Mexico.

The research performed by Weyzig showed that interaction between Mexican civil society and business-oriented organizations were very limited, though, within civil society, some organizations began to adopt a new CSR perspective, and several organizations were clearly ahead of civil society in taking up the theme of CSR.

These organizations had formed a broad network to promote CSR and reached a common set of guidelines for minimum CSR norms, that, in general, showed many characteristics of a new CSR perspective that emphasized the business case and demonstrated that the promotion of CSR through business networks and exchange of experiences was important, because even when CSR initiatives can be profitable investments, not all enterprises will automatically recognize this.

Francis Weyzig also notes that few organizations displayed an alternative non-traditional CSR perspective that stresses the personal responsibility of managers instead of the responsibility of enterprises towards their stakeholders. In this perspective, the focus was on ethical rather than business incentives and was characterised by ‘soft’ strategies, with an emphasis on awareness raising. In countries like Mexico, where both legal and civil regulation mechanisms are weaker and social awareness is considerably lower, such ‘soft’ strategies may become more important, at least as a complement to other strategies.

In this context, till the year 2014 the CEMEFI has identified with this label 952 firms in Mexico. Any diagnosis on the dissemination of CSR in the country, serves to see that this private sector organization occupies a central place in the achievement of CSR at the national level. This is probably the organization in Mexico that has had the biggest role in the dissemination of the CSR, not only between companies but also among the population.

This fact is partly due to the important role that has played the label Socially Responsible Enterprise (Empresa Socialmente Responsable), which throughout the years has turned into a type of recognizable brand in the daily life, especially in the cities where the managerial sector has notable visibility across the products that are consumed daily in the supermarkets, in the advertising of the companies, in the public space and in the transport.

Beyond the CEMEFI, it should be said that since the early years of the twentieth century other organizations of the private sector have also been involved in the promotion of CSR. Organizations such as the National Committee of productivity and technological innovation (Comité Técnico de Normalización Nacional de Sistemas de Administración de Seguridad y Salud en el Trabajo) produced in

2001, the Guidelines on Social Responsibility and Integrity with the participation of the society.

This standard, entitled Guidelines for the implementation of a social responsibility management system were intended to provide the guidelines that support an organization that aims to fulfill the questions related to CSR.

The Guidelines of Social Responsibility are: "to act in a transparent manner internally and externally; develop, implement and maintain policies and procedures on the basis of the social responsibility; to express to the interested parties that their policies, procedures and practices are in accordance with the guidelines of this management system and create in organizations a civic commitment citizen".

From this moment, we can identify private sector organizations, that during the have been shaping important national alliances that bring together a number of organizations promoting CSR.

Probably the most important of these it happened in the year 2001, when the was created the Social Responsibility Alliance (ALIARSE), This Alliance is integrated by the Consejo Coordinador Empresarial, the Confederación Patronal de la República Mexicana, the Unión Social de Empresarios de México, IMPULSA, Caux Round Table, the Centro Mexicano para la Filantropía, the Confederación de Cámaras Industriales de México, the Cámara Nacional de la Industria de Transformación, the Comité Nacional de Productividad e Innovación Tecnológica, A.C., the Cámara Mexicana de la Industria de laConstrucción, the Cámara Nacional de Comercio de la Ciudad de México, and the Instituto Mexicano de Ejecutivos de Finanzas..

On the other hand, it is also worth noting that in Mexico there are Certified models such as: Family Responsible Enterprise (EFR), Socially Responsible Enterprise (ESR), Including Company (DEI), the three above, are programs operated by the Federal Ministry of Labor and Social Prevention (STPS) (PROFEPA) and at the state level, exclusive of the state of Jalisco, the Voluntary Environmental Compliance Program (PCAV), in addition to ISO 26000 in Social Responsibility and ISO 14000 Focused on the environment, and lastly the A8000 certificate focused on the practices of corporate social development (Vargas-Hernández, Sandova, & Luis, 2017 pp. 532).

Finally, an interesting proposal to move towards a Mexican CSR model is the one proposed by Fernando Lámbarry (op. cit., 2016, p 113–114), who proposes a model proposes that uses the guidelines of CEMEFI which complements with Ethos, and ISO 26000. This model consists of 7 dimensions, and the following indicators:

1. Values, Transparency and Corporate Governance: Legality, corporate governance, ethical commitment, anti-corruption commitment, fair competition, self-regulation of behavior, transparent relations with society, responsible political participation, social leadership, processes and decision-making structure, fair competition, promoting social responsibility in the value chain, respect for property rights, fair marketing practices.
2. Quality of life in the company (labor practices): Legality, employability and labor relations, social dialogue and participation, working conditions and social

protection, work-family balance, training and human development, health and safety, respect for the individual, decent work.
3. Bonding, active participation, and community development: Legality, active participation in the community, job creation and skill development, research, technological development and innovation, value and income generation, health, social investment, education and culture.
4. Care and preservation of the environment: Legality, pollution prevention, sustainable use of resources, mitigation and adaptation to climate change, protection and restoration of the natural environment, protection and restoration of the natural environment, environmental education and culture, accountability towards future generations.
5. Human Rights: Civil and political rights.
6. Suppliers: Selection, evaluation and association with suppliers.
7. Consumers and Customers: Health protection and consumer safety, sustainable consumption, customer services, support and resolution of complaints and disputes, protection and privacy of consumer data, access to essential services, education and awareness, social dimension of consumption.

1.2 The Mexican State and the International Agreements on CSR and Human Rights

Speaking in pragmatic terms, the Mexican state has begun to actively engage in CSR since about five years ago. It has signed two major international agreements on CSR:

The first one is the Declaration of Santiago of 2013 where Mexico, through the bilateral cooperation agreement between the European Union and CELAC, basically undertook to make efforts in the legislative area on CSR. In addition, the State is committed to elaborate a National Plan of Action that includes all the recommendations of regulations on CSR that are already carried out in most of the European States. According to the National Reports of Central America and Mexico, EU-LAC 2015, about the National Plan of Action there are still no great advances, neither in Mexico nor in CELAC (García Chiang, 2018).

Perhaps one of the reasons why the National Action Plan[1] moves slowly, has to do with the State, the business sector and the State productive companies, faced in recent years to the emerging issue of Human Rights and the staging of the local in matters that involve, above all, transnational corporations in Mexico. On the other

[1]About the NAP It is worth pointing that the European Union published in 2001 a document named *Communication on Corporate Social Responsibility* where it was introduced the concept of National Action Plans (NAP) for Business and Human Rights. Regarding them we can say that they are Comprehensive plans developed by governments which set out in practical terms how they will implement the United Nation's Guiding Principles on Business and Human Rights (UNGPs) within their country. Since 2011, NAPs have been a central part of the EU's vision for advancing Business and Human Rights/CSR.

hand, the current crisis of violence in the country in a good part of its territory and the undeniable crisis of Human Rights do not help to an optimal performance of the relations between the sectors with economic activities and the communities where these have their impacts.

Proof of the aforementioned is the fact that in 2016 more than 100 civil society organizations, groups, communities and academics working in the defense of human rights, interested in the issue of Corporate Social Responsibility, coordinated a report to the Working Group on Business and Human Rights of the UN.

Based on 67 documented cases, patterns of violations and abuses of human rights are identified by the State and by companies from different sectors, including energy, mining, construction, agribusiness, maquila, among others. This information also allows us to glimpse the degree of implementation of the Guiding Principles on Business and Human Rights by the Mexican State and the companies that carry out activities in the country. ".

The NAPs Draft, according to the Work Group guided by the Ministry of the Interior, was going to be finished in December 2016, but there has been an important delay. On June 29, 2017, after two years of process to generate the National Program for Business and Human Rights (PNEDH), an articulation of civil society organizations urged the Ministry of the Interior to rethink several key issues in the text of the Program, as well as the process for its development.

For the participating organizations, the forums held were not regional in nature, the participation of indigenous communities was not guaranteed, their results were not known and they did not comply with the consultation standards. The text of the NAP has not been presented to communities affected by megaprojects of investment and development nor has it been submitted to free, prior and informed consultation with said communities in accordance with international standards.

The draft of the Online Program does not make clear the obligations of national and transnational companies, as well as the government, to guarantee respect for the human rights of individuals, groups and communities in the context of business activity, including investments and commercial treaties. This clarity implies the realization of prior, free, informed, culturally appropriate and good faith consultations in development projects that may affect the environment and put at risk the rights of indigenous, rural and comparable communities. The result of the consultations should be binding and contemplate the option of stopping those projects that do not obtain the consent of the communities and/or imply negative impacts on human rights.

The triumph in the elections of July 1, 2018 of the candidate of a leftist party that brought with it enormous expectations of change in Mexican society, seems to be the end of the NAP or at least a very significant pause, because the new government is placing greater emphasis on the search for persons disappeared due to violence linked to drug trafficking and put aside the impulse that had been acquired in the creation of a National Plan for Human Rights and Business.

The second major agreement signed by the Mexican State is the implementation of the OECD guidelines for multinational companies for which there is an operative figure, which is the National Contact Point.

In addition to the guidelines revised and updated for the last time in 2011, the OECD approved and instructed all its members to create a National Contact Point. This NCP is an organization constituted by the government of each of the acceding countries, whose main objective is to promote and implement the 2011 Guidelines on CSR (Fabiana Oliver, 2004). The NCP help companies and interested parties to take appropriate measures to promote the application of these guidelines. They also constitute a platform for mediation and conciliation to solve practical problems that may arise.

Consistent with the objective of functional equivalence and in order to favor the effectiveness of the Guidelines, the acceding countries have the flexibility to organize their NCPs, seeking to obtain the active support of social agents, including the sector business, workers‘organizations, other non-governmental organizations and other interested parties.

Consequently, the National Contact Points:

1. They shall be composed and organized in such a way as to provide an effective basis for dealing with the broad spectrum of issues covered in the Guidelines and to allow the NCP to operate in an impartial manner, while maintaining an appropriate level of responsibility to the acceding countries.
2. They may use different forms of organization in order to achieve this objective. A NCP can be composed of the highest ranking representatives of one or more ministries; it can be a senior government official or a government body headed by a senior official, it can be an inter-ministerial group, or a group of independent experts. Representatives of the business sector, workers‘organizations and other non-governmental organizations may also be included.
3. Develop and maintain relationships with representatives of the business sector, workers‘organizations and other interested parties that are capable of contributing to the effective functioning of the Guidelines. “

Although the PNC seemed to represent the role of the State in the issue of CSR, the panorama was rather discouraging and the development of this body appeared incipient. However, since the agreements taken in the OECD in 2011, it’s actions seemed to encourage a real participation of the State in a matter that historically has been taken by the hands of the private sector (Secretaría de Economía, 2015).

It is possible to say that in the past administration, the Mexican government did not give much support to the NCP, even though its development vision was focused on international trade opening. With a new administration that does not seem to want to look outwards, it is possible to think that the progress made by the NCP in terms of being an interlocutor with multinational companies will be halted and its role reduced to a minimum formal expression in order to comply with OECD guidelines.

1.3 Human Rights and ONG's in Mexico

In that context the diagnosis of CSR in Mexico that can be offered by unrelated actors, neither to the State nor to the private sector can be of great value if we want to have a complete overview. In this regard, recently in 2016 more than 100 civil society organizations, groups, communities and academics working in the defense of human rights, interested in the issue of Corporate Social Responsibility, coordinated a report to the Working Group on Business and Human Rights of the UN.

According to the Coalition of Civil Society Organizations, the objective of that report is "to give a perspective of the situation of companies and human rights at the national level. Based on 67 documented cases, patterns of violations and abuses of human rights are identified by the State and by companies from different sectors, including energy, mining, construction, agribusiness, maquila, among others. This information also allows us to glimpse the degree of implementation of the Guiding Principles on Business and Human Rights by the Mexican State and the companies that carry out activities in the country" (García Chiang, 2016).

The panorama of the activity of the business sector in relation to the current Mexican context, where conflict and violation of various human rights are constant, touches several areas in which the State, beyond the companies themselves, takes particular prominence:

The first of these has to do directly with the State and with the influence that the business sector has on its functioning, especially in matters of public security and observance and implementation of the laws at all levels of government, from the federal to the local cases.

We can say that in Mexico there is a systematic omission on the part of government authorities of the rule of law that regulates business activity and guarantees the human rights of citizens and communities against all types of extractive, industrial, agro-industry, construction, maquila, etc. This conduct of the State at all levels is the great context in which business activity and local actors develop their conflicts in terms of social welfare, environment and natural resource management.

In terms of legislation, the State has also generated conditions for the conflict between actors, especially after the approval and implementation of structural reforms in key sectors of the national and global economy. In this regard, it is worth quoting verbatim the human rights violations that generate these constitutional changes, especially the one in 2013 in which a reform in energy matters was approved "with the purpose of eliminating the exclusivity of the Mexican State in the exploration and exploitation of the oil and other hydrocarbons and incorporate the national and transnational private sector into these activities, as well as others in the electricity sector. It should be noted that this process of approval of the constitutional and legal reform in energy matters was made in violation of various rights of the Mexican population:

In the first place, the information made available by the federal government for the promotion and justification of the reform was clearly insufficient and deficient in terms of availability, quality and accessibility for the population.

Secondly, citizens were not allowed to participate to decide on this reform that would have consequences for all Mexicans. In this way, from the beginning, the right of access to information, inherent to other human rights, was violated, as well as essential to carry out a true and profound national debate on the subject prior to making decisions about it .

But the real problem of these intangible violations of human rights is their territorial and social manifestations. The Energy Reform and its secondary laws contradict other rights that local sectors have, especially indigenous. There is a systematic violation of the right to consultation and multiculturalism by ignoring the negative social and environmental impacts of natural resources exploitation in indigenous territories and communities (Grupo Focal sobre Empresas y Derechos Humanos en México, 2017).

In this sense, it is important to mention that natural resources, as well as the route of various infrastructure projects necessary for the implementation of the Energy Reform, coincide with indigenous lands and territories. The legislation of the Reform has also created juridical figures that violate the right to free, prior and informed consultation and the right to consent of indigenous peoples and communities. For example, the affected communities are not granted the right to refuse exploration and exploitation of resources in their territory, according to article 96 of the Hydrocarbons Law and article 71 of the Electricity Industry Law. Everyday affected communities have not access to justice in Mexico, furthermore, this legal framework favors the use of land for energy projects over any other use, for example for agriculture, violating other rights such as the right to food and the job.

In the same sense we could talk about the systematic violations of human rights in the cases of the Reform of the mining law and the Labor reform, both recently approved in the different chambers of the Republic.

Another area of conflict between companies and local actors is the lack, manipulation, coercion or judicial omission of the implementation of the democratic consultation mechanism prior to the development of large business projects.

This issue appears as fundamental because it gives rise to a whole series of conflicts that the State could to avoid. On the contrary, this situation is perfectly articled to the lack or low level of legal regulations on environmental matters, as well as with the state insufficiency to diagnose the impacts that the establishment of certain business activity in certain territories can generate.

1.4 Human Rights, Energy Reform and the Evolution of Social and Environmental Assessments

In the search for possible solutions to the lack or low level of legal regulations on environmental matters, and the insufficiency of the Mexican State to diagnose the impacts that the establishment of certain business activity in certain territories can generate, it is worth noting that since the second semester of 2015, the establishment of the Law's Regulations of the Electric and Oil Industries triggered and evolution of the social and environmental impact assessments performed in Mexico. They became much more complex, and it is important to say: it makes more complete.

About this process, is useful to note that it was Petroleos Mexicanos (Pemex) the State owned, mexican oil company; who introduced in the early 2000 two kinds of new of contracts named.

Integrated Petroleum Exploitation Contracts and Financed Public Work Contracts (CIEP and COPF for its Spanish acronyms), which were overseen by the Secretariat of Energy and the National Hydrocarbons Commission (Comisión Nacional de Hidrocarburos, CNH).

These contracts made obligatory the elaboration of a socioeconomic baseline to complement the already mandatory environmental assessments (Pemex, 2013). The socioeconomic baseline has as its main goal to establish social responsibility plans and to create practical social responsibility actions to incentive the social development of the population who live in those oil blocks. Those studies were an important step in the good direction but were not realized according with a specific format and each company was free to apprehended them at its convenience.

This situation changed radically with the establishment of the Regulations mentioned. The most relevant result was the creation of three formats to the Social Impact Evaluation of the Project, they were called A, B, C and D. The first one was principally occupied of the corner shop from oil-bearing public and electric energy generation up to 2.5 MW. The second one was occupied of gas and oil storage and also electric energy generation up to 50 MW.

The third format is the one which occupies about the most complex issues, as maritime superficial exploration; terrestrial seismic superficial exploration,; oil treatment and refining; transportation by duct of hydrocarbon, oil-bearing and petrochemical; the generation of electric energy by solar radiation, hydraulic or eolian central with a capacity among 40 to 60 MW and also about the exploration and extraction of hydrocarbons into the contractual area o assignment area.

Therefore C Format was intended for the construction of new pipelines and the D format is the one which belong to exploration's contractual areas and hydrocarbons exploitation. To understand this new complexity it is convenient to introduce in a summary way the subsections it contains:

- Project's General Information

It must be done an executive summary about less than 25 sheets, it ought to contain project's general information, promoter's general information and also the same information from the responsible of the Social Impact Evaluation's; just like the results obtained with emphasize in Mitigation's and Extension's Positive Impacts Measures; and in Social Management Plan.

- Methodology of Social Impact Evaluation

It must be included into the Social Impact Evaluation a subsection with the description of the employed methodology, specifying methodological aspects related to the Influence Areas, Base Line Raising and Social Impact's Valuation. Base Line must be supported by quantitative and qualitative methodologies, for the last one, it must be considering focal groups, participatory exercises, semi-structured interviews and/or any other participatory technique.

- Area's Delimitation of the project's influence

It must be included into the Social Impact Evaluation a subsection that delimits and describes the area of the project's influence. Influence's Area must allow spatial extension of direct and indirect Socials Impacts which results from a project and the logical structure to the limit's definition of the Social Impact Evaluation. That influence's area would be integrated by a core area, a direct and an indirect influence area.

- Base Line Study and about interested actors

It must be included into the Social Impact Evaluation a subsection with the results of the Base Line Study which includes the analysis of the collected information, as well as the analysis of the relationship between sociodemographic, socioeconomic and sociocultural items.

- Characterization of People and Indigenous Community

It must be included into the Social Impact Evaluation a subsection that describes people and indigenous community which is located in the project's influence's area, using at least the next criterions:

- Identification, characterization, prediction and valuation of Social Impacts

It must be included into the Social Impact Evaluation a subsection with the identification, characterization, prediction and valuation of Social Impacts. Into this, it must be done:

I. An analysis of the interaction from the social impacts with other impacts. To Explain the current reactions between the identified different impacts independently of its nature; Action's Design and strategies that has as objective to avoid, decrease and make up for the Social Impacts; and III. Action's designed and strategies that has as objective to strengthen positive Social Impacts to contribute to the sustainable development of the affected communities.

g) Social Management Plan

It must be included into the Social Impact Evaluation a subsection with the Social Management Plan of the project. The Social Management Plan would be make up, at least:

I. Implementation's Plan of the Prevention's and Mitigation's Measures, and about the Extension Measure's of Positive Impacts
II. Communication and community interaction plan
III. Social Investment's Plan
IV. Health and Security Plan
V. Dismantling Plan
VI. Monitoring Plan (García Chiang, 2018)

Since a personal perspective, this new format and the obligation to realize a social impact study is a positive step to the knowledge of the territory where oil projects will be developed, it's the fist and essential step to implement development's actions. Likewise, the implementation and supervision of a Social Management Plan and of its related Social Development Plan could include the oil communities' development if and when companies were obligated not only to undertake with cut off actions of social support but to try to establish a long term relationship in which a mutual benefit exists.

2 Conclusions

Finally, it is important underline that regardless of the business activity in Mexico, there is a structural condition of crisis in terms of violence and systematic violation of the human rights almost all-over Mexican territory, both of communities and individuals that seek to defend a right previously established in national laws or international instances.

This crisis is aggravated when access to justice is conditioned by the power exerted by promises of investment or development of the local and regional economy which brings business activity in certain sectors. Frequently, this occurs when megaprojects are developed over rural areas or those with an agricultural vocation. But it happens more violently and on a daily basis in urban areas and over areas with some environmental value where the State does not seem to exist.

On the other hand, it must be underlined that the triumph in the elections of July 1, 2018 of a candidate of a leftist party, for the first time in history, brought with it enormous expectations of change in Mexican society, With regard specifically to the issue of Human Rights, the Government emerged from the elections of July 2018 placing greater emphasis on the search for persons disappeared due to violence linked to drug trafficking and put aside the impulse that had been acquired the creation of a National Plan for Human Rights and Business (NAP).

This new government has indicated as priorities the construction of three large infrastructure projects that push the development of the most backward regions. The projects are a) A new refinery in the region of Dos Bocas, Tabasco, b) a train that runs through the Isthmus region and c) the so-called Tren Maya that is a railroad with a line of 1500 kilometers in the Yucatan peninsula. Each of these studies should involve conducting social and environmental impact studies that have high quality standards and allow understanding of local realities. It is to be expected and to wish that the current Mexican Government is willing and able to do so.

Likewise, it is contemplated that consultations should be held with the indigenous communities that inhabit the future outline of the Maya train, which must strictly comply with ILO Convention 169 on Indigenous and Tribal People.

As a conclusion, it can be said, that the Mexican current economical and political context does not help to the development of an integral scheme of CSR in Mexico, in which the Human Rights contemplated at the national and international levels can be respected.

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Corporate Social Responsibility in the United States of America

Contemporary Meaning and Practice of Corporate Social Responsibility in the United States

Kareem M. Shabana

Abstract This chapter offers a review of literature on corporate social responsibility in the United States of America and provides examples of institutional and strategic CSR practices. The review examines corporate social responsibility definitions as well as definitions of corporate social responsibility reporting. The review and the discussion highlight that American CSR is a two faceted construct. On one hand it is an informal mechanism for the control of business; on the on hand, it is a mainstream business practice that corporations use to enhance their competitiveness and further their interests.

Keywords Corporate social responsibility · Corporate social reporting · Institutional CSR · Strategic CSR · CSR in the United States

1 Introduction

Corporate social responsibility (CSR) has evolved over time at country and global levels. Today, several theoretical concepts use it as their centerpiece (Carroll, 2015) and its practice across countries exhibits significant variation (Matten & Moon, 2008). This chapter offers a discussion of the contemporary meaning and practice of CSR in the USA and provides examples illustrating its variety. The discussion is organized to reveal a two-faceted character of American CSR: On the one hand, CSR acts as an informal mechanism for the social control of business, which aims at protecting the social and natural environments. On the other hand, it serves as a mainstream business function, which aims at enhancing a company's chances for survival and success.

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As an informal mechanism for the social control of business, through an outside-in institutional perspective of corporate performance (Suchman, 1995), institutional forces and social actors impose expectations on business. Institutional forces, acting through isomorphism mechanisms (DiMaggio & Powell, 1983), and social actors, acting as institutional entrepreneurs (DiMaggio, 1983) promote CSR practices to protect and improve the social and natural environments. In turn, corporations adopt common wide-spread practices to gain legitimacy by conforming to their environments (Meyer & Rowan, 1977) and resembling one another (Deephouse, 1996). As a mainstream business function, through an inside-out managerial perspective of corporate performance (Suchman, 1995), corporations strategically adopt CSR practices in pursuit of competitive advantage (Kurucz, Colbert, & Wheeler, 2008). Through innovation and emphasis on uniqueness of adoption, they integrate CSR practices with their core strategies (Porter & Kramer, 2011) to differentiate themselves from their competitors and gain tangible business benefits (Carroll & Shabana, 2010).

The two facets of CSR, the institutional and the managerial, are pronounced in the USA to a large extent due to the character of the business environment of the country. In comparison to other countries, the business environment of the USA is primarily market based, where legal regulations are minimal. Influence on corporations to promote responsible behavior is primarily exerted through institutional mechanisms and social pressure. Stakeholder groups like interest groups and non-governmental organizations advance agendas to promote responsible business through applying social pressure on business. In turn, corporations respond to this social pressure in a strategic manner to maximize their benefits or minimize their losses. This interaction allows for the marked appearance of the two orientations of CSR. The institutional orientation appears in the actions of interest groups and non-governmental organizations and the managerial orientation appears in the actions of corporations.

To highlight the two facets of American CSR, literature on the subject is organized and synthesized to demonstrate the dual character CSR and to demonstrate that CSR practices are driven by institutional and strategic factors (e.g., Shabana, Buchholtz, & Carroll, 2017). The chapter is organized in four sections. The first discusses the meaning and nature of CSR, the second offers a discussion of CSR reporting as a case of CSR practice, the third discuss provides a further discussion of institutional and managerial CSR, and the fourth offers concluding remarks.

2 Meaning and Nature of CSR

The core function of CSR is legitimacy enforcement and management. This is because it is concerned with the "expectations that society has of organizations at a given point in time" (Carroll, 1979, p. 500), and whether organizations meet these expectations. These expectations constitute the elements of legitimate operation. Corporations are expected to behave such that their actions "are desirable, proper, or appropriate within [the] socially constructed system of norms, values, beliefs, and definitions" adopted by society (Suchman, 1995, p. 574). Operation in-accordance with social expectations deem corporate actions legitimate and warrants it a license to exist in society, thereby enjoying the freedoms it seeks (Drucker, 1985). Operation that is incongruent with what is desirable is deemed illegitimate and results in sanctions, where stakeholder groups withhold their support for the corporation (Wood, 1991).

Society *enforces* legitimacy. It imposes its expectations on the Corporation by virtue of the social contract that organizes the relationships between society's different institutions. Shocker and Sethi (1974) articulate the principles that organize these relationships by positing:

> Any social institution—and business is no exception—operates in society via a social contract, expressed or implied, whereby its survival and growth are based on:(1) the delivery of some socially desirable ends to society in general, and(2) the distribution of . . . benefits to groups from which it derives its power (p. 67).

Society, therefore, sanctions the Corporation and permits it to pursue its interests to the extent that the Corporation delivers desirable outcomes and distributes them among the groups that support its existence in an acceptable manner.

Enforcing social expectations and pressing corporations to meet these expectations occur through legal mandates and social pressure. Legal mandates impose expectations by the force of law. Social pressure obliges corporations to comply to protect theory legitimacy. Legal mandates are enacted by the government. For example, the Clean Air Act is a federal law that is designed to control air pollution from stationary sources such as factories and refineries (Harvard Law Review, 2015). Social pressure is typically promoted by interest groups and non-governmental organizations (NGOs). For example, People for the Ethical Treatment of Animals (PETA) is an NGO that "educates policymakers and the public about animal abuse and promotes kind treatment of animals" (PETA, 2017).

Corporations are, therefore, the subject of society's scrutiny. They participate in CSR to *manage* their legitimacy. They engage in CSR activities such that their conduct is perceived to be desirable. The paramount benefit that corporations gain from their participation in CSR activities is legitimacy. However, the corporation may accrue other benefits from its participation in CSR activities; yet these benefits are secondary. If CSR activities "mitigate risks, enhance reputation, and contribute to business results, that is all to the good. But . . . those outcomes should be [considered] a spillover" (Rangan, Chase, & Karim, 2015, p.42), not the *raison-d'etre* of CSR or the primary rationale for corporate participation in it.

Indeed, corporations may *augment* the reason for which they participate in CSR activities by motives to realize tangible benefits that extend beyond gaining legitimacy. These motive constitute a business case for CSR (Carroll & Shabana, 2010), where corporations participate in CSR activities in pursuit of (1) cost and risk reduction, (2) enhanced competitive advantage, (3) improved reputation, and/or (3) realization of synergistic relationships (Kurucz, Colbert, & Wheeler, 2008). For example, participation in corporate social responsibility reporting, which entails the disclosure of information about a corporation's social and environmental performance, is argued to be carried out as a corporate action aimed at gaining legitimacy as well as enhancing reputation (Hooghiemstra, 2000). Corporations, strategically, disclose information (Lindblom, 2010) as they engage in impression management (Schlenker, 1980) that is "designed to influence audiences' perceptions of the organization (Elsbach, 2006 p. 12).

Peter Drucker (1985) grasps the managerial philosophy of legitimacy management and realizes the potential for augmenting legitimating activities with business case pursuits. He conceives:

> The first responsibility which management owes to the enterprise in respect to public opinion, policy and law is to consider such demands made by society on the enterprise (or likely to be made within the near future) as may affect attainment of its business objectives. It is management's job to find a way to convert these demands from threats to, or restrictions on, the enterprise's freedom of action into opportunities for sound growth, or at least to satisfy them with the least damage to the enterprise (p. 384).

Clearly, Drucker accepts society's demands on the corporation as part of its business environment, even if such demands constitute a threat. Yet, he envisions that such demands may be converted through managerial talent into opportunities for growth. Porter and Kramer (2011) suggest that such conversion is attainable through the careful and purposeful integration of CSR activities with an organization's core strategy. For example, Wal-Mart, a cost-leading retailer in the USA, adopted eco-efficiency practices to "double fleet efficiency between 2005 and 2015" (Whelan & Fink, 2016). Such action aims at enhancing the company's legitimacy as well as helping to enhance its reputation and reduce cost.

CSR is a two faceted construct. It represents an imposition from society on the Corporation, which presses it to act in accordance to social expectations. Yet, at the same time, it represents a venue for the Corporation to pursue growth opportunities. CSR is a demand on the corporation and, simultaneously, an object of its pursuit. This complex nature of CSR is reflected by Berger-Walliser & Scott (2018, p. 171) observing that there exists "differences in the way the term [CSR] is defined and the metrics used to assess it" and echoing the contention of Aguinis & Glavas (2012, p. 942) that these differences are not shallow but deep "construct-level differences."

3 Volunteerism: The Essence of American CSR

The two facets of CSR as legitimacy enforcement and legitimacy management are pronounced to the extent that CSR is practiced in a voluntary manner. Where CSR is legally mandated, the contrast between the two orientations is subdued. The notions of explicit and implicit CSR (Matten & Moon, 2008) illustrates this point. Explicit CSR, the variety of CSR practiced in the USA, is reflected in the explicit mention of corporate participation in CSR activities and the use of CSR in self-presentation (Maignan & Ralston, 2002). In addition, it is reflected in corporate engagement in voluntary activities, such as the adoption of voluntary codes of conduct (Kuk, Fokeer, & Hung, 2005) and the participation in charitable donations (Brammer & Pavelin, 2005). In contrast, implicit CSR, the variety of CSR that is practiced in Europe is "codified and mandatory" (Matten & Moon, 2008, p. 411). Adoption of CSR practices is limited to those mandated by law.

The difference between explicit and implicit CSR illustrates the difference between the American society and its European counterpart relating to the principles of how society governs the conduct of business. As previously mentioned, the core function of CSR is legitimacy enforcement and management. How this legitimacy is enforced by society and how corporations manage this imposition is the substance of explicit and implicit CSR. The American society enforces CSR primarily through non-regulatory means, while the European society utilizes regulatory means more often in enforcement. This means that CSR in the USA is promoted more through social pressure than through legal mandates. This is because the institutional environment of the USA encourages "discretionary agency," "liberalism," and "network governance." In contrast, CSR in Europe is promoted more through legal mandates than through social pressure. This is because the European institutional environment encourages "obligatory agency," "solidarity," and "partnership governance" (Matten & Moon, 2008, p. 411).

4 Revealing the Two Facets of CSR

Examination of various definitions and conceptualizations of CSR and CSR practices would help reveal its dual orientation, because it is the content of definitions that reveal the meaning and nature of objects. The *Meriam-Webster* Dictionary articulates the term Definition as: "(1) a statement of the *meaning* of a word or word group or a sign or symbol or (2) a statement expressing the essential *nature* of something [emphasis added]." A discovery of the meaning and nature of CSR and CSR practices, therefore, would be aided by an examination of their definitions. By examining these definitions, the institutional and managerial orientations of CSR may be revealed, illustrating the dual nature of CSR conceptualization as a legitimacy enforcement and a legitimacy management instrument. To explore these definitions, this chapter relies heavily on sourcing them from the extensive review of CSR definitions presented in Carroll (1979) and Carroll (1999) and analyzing them using the legitimacy analysis frameworks identified in Suchman (1995).

4.1 Institutional Orientation

Suchman (1995, p. 577) following Elsbach (1994) explains two orientations to organizational legitimacy, institutional and managerial. An institutional orientation takes "the viewpoint of society looking 'in'" at the organization, while a managerial orientation takes "the viewpoint of organizational managers looking 'out'" at the organization's environment. The institutional viewpoint, therefore, is most suitable for scrutinizing organizational behavior from society's perspective. In contrast, the managerial viewpoint is most suitable for strategic pursuits that aim at achieving favorable outcomes from corporate interaction with the business environment.

When taking an institutional orientation and assuming "the viewpoint of society looking 'in'" at the organization (Suchman, 1995, p. 577), the primary concern is for society, for the social and natural environments. This orientation is clear in several definitions and discussions of CSR. For example, Eells & Walton (1961, pp. 457–458) observe that CSR is concerned with the "problems that arise when corporate enterprise casts its shadow on the social scene, and of the ethical principles that ought to *govern* the relationship [emphasis added]." Eells and Walton are explicitly conceptualizing CSR as a matter of governance. Their view is an outside-in view. They are looking at the corporation for society's standpoint. Their aim is to protect society. Similarly, the Committee on Economic Development contends that the economic pursuits of the organization should be conducted in a manner with a sensitivity to social values and priorities, present and emerging (CED, 1971). Again, here, the orientation is institutional. Concern is for social welfare and demands are placed on the corporation.

This institutional orientation is also evident in discussions of CSR in the context of the relationship between business and society. The emergence of the CSR movement (Carroll, 1999; Davis & Blomstorm, 1966; McGuire, 1963) may be regarded as an expression of a new social contract between business and society (Hemphill, 1997). It was trigged by "a sharp shift in public mood toward more social concern" (Davis & Blomstorm, 1966: 4), which, in part, was due to a decline of confidence in the prevailing "political, social, and economic institutions" (Lipset & Schneider, 1987: 17). The CSR movement was, therefore, seen as a call upon business to "protect and improve the welfare of society as a whole along with [its] own interests" (Davis & Blomstorm, 1966 6).

4.2 Managerial Orientation

When taking a managerial orientation by assuming "the viewpoint of organizational managers looking 'out'" at the business environment (1995, p. 577), the primary concern is for the organization's welfare: its survival and growth. This orientation is clear in several definitions of CSR. For example, Carroll (1979) argues that CSR "encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations" (p. 500). Carroll's definition is managerial in that it articulates what CSR means for managers, which, in turn, allows them to set performance objectives. Indeed, CEOs of American corporations view that the economic, legal, ethical, and philanthropic responsibilities that society has of organizations constitute CSR (Aupperle, Carroll, & Hatfield, 1985).

The economic responsibilities encompass the expectations of business to operate efficiently and generate profits. The legal responsibilities represent the mandate that business complies with the laws and regulations imposed by the government. The ethical responsibilities embody the societal expectation that business operates not only according to the letter of the law, but according to the spirit of the law. These responsibilities call upon business to conform to prevailing social norms and values. The discretionary expectations of business include society's desire that business gives back to the community and engage in charitable and philanthropic activities (Carroll, 1991).

Frederick (1994) discussion of the concept also presents a managerial orientation as he asserts:

> Social responsibility in the final analysis implies a public posture toward society's economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms. (p. 60).

Frederick's assertion is similar to that of Drucker, discussed above. It informs managers about how to address the social pressure imposed on corporations under the notion of CSR through a "willingness to see" the broader context the business environment.

The managerial orientation of CSR may also be seen in the notions of corporate social responsiveness and corporate social performance that complement the concept of CSR. In contrast to the concept of CSR, which focuses on obligations, corporate social responsiveness focuses on action (Clarkson, 1995 & Frederick, 1994), while corporate social performance focuses on outcomes and results (Carroll, 1979, Wartick & Cochran, 1985 & Wood, 1991). Action-oriented corporate social responsiveness is concerned with the "literal act of responding" to social pressure (Frederick, 1994, p. 154). Outcome-oriented corporate social performance is concerned with the "'internal stakeholder effects, external stakeholder effects, and external institutional effects'" (Wood & Jones, 1995: 230) of corporate operation. Both of these complementary concepts of CSR are managerial in that they aim to provide guidance to managers for managing their social responsibility obligations.

The managerial orientation of CSR is also evident in the notions of strategic CSR (Burke & Logsdon, 1996; Matten & Crane, 2005), stakeholder management (Freeman, 1984; Freeman, Harrison, Wicks, Parmar, & de Colle, 2010), and creating shared value (Porter & Kramer, 2011). All these variants take the viewpoint of the organization looking out at its environment and are concerned with integrating CSR activities with core business activities and strategies. The aim is to prevent CSR from being "fragmented" or "disconnected from business and strategy" (Porter & Kramer, 2006: 79) and to make it strategic "by supporting core business activities..." (Burke & Logsdon, 1996: 496).

4.3 Summation: Capturing the Institutional and Managerial Orientations of CSR

Carroll (2015) traces a trajectory of the evolution of CSR, which indicates incidents of the institutional orientation of CSR and incidents of the managerial orientation of CSR. The institutional orientation of CSR is indicated by the Social movements that preceded the emergence of CSR and by the obligation-oriented concept of CSR. In contrast, the managerial orientation of CSR is indicated by the concepts of corporate social responsiveness and corporate social performance as well as by the concept of stakeholder management. Indicative of the two facets of CSR, is the complexity of the concept and the difficulty of defining it. Matten and Moon (2008) opted not to explicitly define the concept of CSR in their study of explicit and implicit CSR and instead observed that “defining CSR is not easy” and that its nature is “dynamic.” Similarly, Husted, Jamali & Saffar (2017, p. 2051) noted that “the concept remains controversial and contested.” In addition, Godfrey and Hatch (2007, p. 87) described CSR as “a tortured concept.” This complexity and ambiguity left Aguinis and Glavas (2012) raising a question about what we know and what we don’t know about CSR.

To further illustrate the institutional and managerial orientations of American CSR, this chapter explores a case of one of the practices of CSR: corporate social responsibility reporting. In this exploration, more evidence, albeit anecdotal, will reveal that indeed CSR practices possess an institutional orientation and a managerial orientation. In doing so, the chapter demonstrates the specific characteristics of CSR in the USA and underscores their distinctiveness and difference from CSR practices in other countries.

5 The Case of Corporate Social Responsibility Reporting in the USA

Selection of corporate social responsibility reporting as a representative practice of American CSR rests on the condition that corporate social responsibility reporting is voluntary in the country. This volunteerism allows for ‘seeing’ the institutional and managerial facets of CSR and their underlying promotion mechanisms. Institutional forces and social pressure promote CSR reporting from the outside-in to monitor and control corporate social and environmental performance. In contrast, corporate strategic actions capture CSR reporting and use it to advance corporate interest.

5.1 Corporate Social Responsibility Reporting as a Governance Mechanism

Among the various practices of CSR is the practice of disclosing and communicating information about a corporation's social and environmental performance. This practice has been carried out under the rubrics of social accounting, social audit, social responsibility accounting, socioeconomic accounting, social reporting, and social responsibility disclosure (Parker, 1986: 73) as well as under the rubric of sustainability reporting and social responsibility reporting (e.g., Bela & Cooper, 2011; Delbard, 2008; Farneti & Guthrie, 2009; Frias-Aceituno, Rodriguez-Ariza, & Garcia-Sanchez, 2013; Jensen & Berg, 2012; Nikolaeva & Bicho, 2011; Reynolds & Yuthas, 2008; Thompson & Zakaria, 2004). In the USA, for the most part, substantive disclosure of information pertaining to corporate social and environmental performance is voluntary.

Hess (2008, p. 448) argued that CSR reporting is a governance mechanism that is suitable for monitoring and controlling the social and environmental performance of organizations, since "traditional command-and-control regulatory approaches" do not have the capcity to monitor and control this type of performance. Wilson (2000) conceived of CSR reporting as a means to make available information about an organization's social and environmental performance in a comprehensive, understandable, standardized, and audited manner. Antal et al., (2002, p. 25) contended that CSR reporting is a mechanism that aims to "take account of the social impacts of their activity in a more detailed, timely and lasting manner." These conceptions of CSR reporting are clearly institutional in that they are taking an outside-in approach to examining corporate behavior. The concern is for society and the aim to monitor and control corporate conduct.

This outside-in approach to examining the social and environmental performance of corporations, as previously mentioned, is motivated by institutional forces and social pressure promoted by institutional entrepreneurs. In the case of CSR reporting several social actors promoted CSR reporting thereby exerting pressure on corporations to adopt the practice. "[I]n response to the Exxon Valdez oil spill," and in the same year, the Coalition for Environmentally Responsible Economies (CERES) was founded as an "advocate for sustainability leadership" (CERES, n.d.). In 1991, The International Organization for Standards (ISO) established the Strategic Advisory Group on Environment to articulate "how International Standards could support better environmental management" (ISO, 2009: 4). In 1995 AccountAbility; was established "to lead and advise the global community on ethical, environmental, and socially responsible practices" (AccountAbility, n.d.). In 1997, the Global Reporting Initiative (GRI) was founded (GRI, n.d.-b) to promote "economic, environmental and social sustainability" through advocating sustainability reporting (GRI, n.d.-a). Social Accountability International (SAI) was also founded in 1997 to improve "workplaces and communities by developing and implementing socially responsible standards" (SAI, 2012). In 2000, The United Nations launched the UN Global Compact (UNGC), which is a "leadership platform for the development, implementation and disclosure of responsible and sustainable corporate policies and practices" (UNGC, n.d.). The Foundation for the Global Compact was then established in 2006 to support Global Compact projects (UNGC, 2008). In 2011, the Sustainability Accounting Standards Board was developed and incorporated" (SASB, 2013).

All these efforts aimed at promoting CSR from the outside-in. They changed the institutional environment of business where "governments, activists, and the media have become adept at holding companies to account for the social consequences of their activities" (Porter & Kramer, 2006: 78). The objective was "collating and reporting information" to aid in advancing social issues like the "protection of consumers" and corporate behavior's "impact on the natural environment". Focus was on measuring, evaluating, and monitoring corporate performance and its impact on the well-being of society.

Over time, through coercive, mimetic and normative, isomorphism, CSR reporting diffused among corporations and took root (Shabana et al., 2017), becoming a mainstream business practice (KPMG, 2011). Coercive isomorphism "results from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations function", memetic isomorphism occurs when "organizations . . . model themselves on other organizations" in the face of uncertainty, and normative isomorphism materializes through the diffusion of practices on normative grounds through professionals that join organizations (DiMaggio & Powell, 1983, pp. 150–153).

5.2 Corporate Social Responsibility Reporting as an Impression Management Tactic

Hooghiemstra (2000) examined CSR reporting using a corporate communication perspective. Through his examination, he posited that corporations use CSR reporting to manage their legitimacy as well as to manage their reputation. His proposition was then then illustrated in several studies (e.g., Bansal & Kistruck, 2006; Dawkins & Fraas, 2013; Fassin & Buelens, 2011; Kuk, Fokeer, & Hung, 2005; Laine, 2009; Perrini, 2005; Tixier, 2003; Verboven, 2011). Hooghiemstra's proposition and the studies that demonstrated how corporations use CSR reporting as a communication tool illustrate the managerial orientation of CSR reporting. Through communication, a corporation aims to influence its constituencies' perceptions to view it "not only as more worthy, but also as more meaningful, more predictable, and more trustworthy" (Suchman, 1995: 575).

To "inform and influence" its constituencies, Lindblom (2010) suggested that corporation use four strategies. They can (1) educate corporate stakeholders about positive changes that the corporation adopted to enhance its social and environmental performance, (2) change their erroneous perception of poor corporate performance, (3) change their expectations about what corporate social performance ought to be, or (4) distract them from issues of concern. Further, corporations were found to disclose more information when their social performance is high or low; in contrast to disclosing less information when social performance was moderate (Dawkins & Fraas, 2013). In addition, it is argued that some corporations misuse CSR reporting through the practice that has become to be known as greenwashing (Delmas & Burbano, 2011). Through greenwashing corporations manipulate the perceptions of corporate constituencies to get away with poor social and environmental performance where reports become "selective" and "self-serving" (Dierkes & Antal, 1986, p. 114) as well as "self-Laudatory" (Hooghiemstra, 2000, p. 56).

In addition, through CSR reporting, a corporation aims to enhance its reputation thereby gaining tangible benefits such as "premium prices for products, lower cost of capital and labor, improved loyalty from employees, greater latitude in decision making, and a cushion of goodwill when crises hit" (Fombrun, 1996: 57). Reputation management is distinctively different from legitimacy management. This distinction is due to the difference between the nature of reputation and that of legitimacy. Reputation is built on difference, while legitimacy is conferred upon the organization based on similarity (Bitektine, 2011). An organization enhances its reputation by demonstrating that it is superior than its competitors reading distinctive features. In contrast, an organization demonstrates its legitimacy by illustrating that it resembles its counterparts and its environment Meter & Rowan, (1977).

5.3 Current Status of CSR Reporting in the United States

While CSR reporting has been traditionally motivated by stakeholders other than stockholders, disclosure of CSR information is found to be valued by investors and play a role in investor decision-making in cases where external assurance is present (Brown-Liburd & Zamora, 2015). *The KPMG Survey of Corporate Responsibility Reporting 2017* documents that CSR reporting increased by 5%, from 87% to 92%, in the United States between 2015 and 2017, which is attributed to governmental regulations, stock exchange mandates, and investor pressure. This increase places the United States among countries where disclosure rates are above 90% like the UK, France, India, and Mexico (KPMG, 2016).

This increase in the rate of corporate social responsibility reporting and its acceptance by stockholders as well as stakeholders indicates that the institutionalization and mainstreaming of the practice. And that over time, CSR reporting has become more substantive than symbolic with real implications on corporate behavior and performance. Yet, differences remain in the manner of CSR reporting adoption among countries. For example, CSR disclosure in the U.S. has more depth and broader scope than less developed countries like South Korea (Kane, Dikec, & Park, 2017).

While compared to Europe, CSR reporting in the United States is mostly voluntary, there has been an increase in relegations and mandates by the government and the stock exchange relating to social and environmental disclosure. Carrots & Sticks, a report published by KPMG International, GRI, UNEP and the Centre for Corporate Governance in Africa, identified 15 reporting instruments in North America compared to 154 instruments in Europe. Among these instruments in the United States are the Dodd–Frank Wall Street Reform and Consumer Protection of 2010, the SEC Guidance on Disclosure Related to Climate Change of 2010, and the Business Supply Chain Transparency on Trafficking and Slavery Act of 2015 (Carrots & Sticks, 2016).

6 Institutional and Managerial Orientations of CSR

The discussion presented above, illustrates that CSR has an institutional orientation as well as a managerial orientation. These orientations were demonstrated through the examination of CSR definitions and conceptualizations as well as by the case of CSR reporting. In this section, chapter provides further information about the institutional and managerial orientations of CSR in relation to other CSR practices as well as in relation to their determining factors.

6.1 Institutional CSR: CSR adoption through Institutional Mechanisms

Institutional CSR, CSR that is motived by external factors to the corporation, seems to be the more prominent driving force of corporate participation in CSR. Husted, Jamali & Safar (2017, p. 2067) noted that "salient institutional pressures" influence "CSR engagement." The authors found empirical evidence that corporate geographical proximity to financial center, major cities, and areas characterized by high CSR density are more involved in CSR activities than their counterparts. The authors findings are consistent with Miles (1987) notion that corporations are more vulnerable to their social environment at higher levels of business exposure. High business exposure is associated with corporations that are closer to their customers, produces necessity products, or located in geographical areas where their social performance is subject to higher levels scrutiny.

Marquis, Glynn & Davis (2007, p. 932) explain how institutional pressures shape CSR engagement. The authors posit that corporate engagement is CSR is motived by cultural cognitive factors, social normative factors, and regulative factors. The cultural cognitive factors pressure companies to "want to appear legitimate to key stakeholders." Social normative factors make companies "more aware of the social needs" of their communities, and regulative factors encourage companies to participate in CSR in pursuit of benefits such as tax credits.

The appeal of CSR to the populace in the United States and their awareness of it is notable. "Although U.S. young adults seem to have a low awareness overall, they are relatively aware of charitable donation programs, educational programs, environmental protection programs and local community involvement programs" (Zapata-Ramos & Kim, p. 145). Further, stakeholders seem to support corporations that appoint a Chief CSR officer as is reflected by a favorable impact on the firm's financial performance. This impact is true under certain conditions, especially when the Chief CSR officer is female and has a CSR functional background (Wiengarten, Lo, & Lam, 2017).

It is worth noting, however, that due to the multitude of actors promoting CSR, the resulting institutional environment is complex (Lars, 2016). That is, the institutional pressures acting on organizations represent multiple logics, which are often incongruent. Institutional logics refer to the understanding of "how to interpret organizational reality, what constitutes appropriate behavior, and how to succeed" (Thornton, 2004, p. 670). This complexity represents challenges to organizations as they are faced with a multitude of demands.

6.2 *Managerial CSR: Stakeholders, Strategy, and Competitive Advantage*

Managerial CSR, CSR that is motived by corporate pursuit of self-interest, is promoted under a variety of terms that include stakeholder management (Freeman, 1984; Freeman et al., 2010), strategic CSR (Burke & Logsdon, 1996 & Matten & Crane, 2005), and creating shared value (Porter & Kramer, 2011). Under these notions, corporations participate in CSR to realize tangible benefits (Carroll & Shabana, 2010). Stakeholder theory posits that "[t]o maximize shareholder value over an uncertain time frame, managers ought to pay attention to key stakeholder relationships" (Freeman & Philips, 2002, p. 337). A substantial effort in purist of this thesis is sought through the notion of stakeholder engagement. Similar to stakeholder management, strategic CSR promotes CSR participation from a managerial perspective. Strategic CSR contends that corporations may "carry out social programs to add profits to their organizations" (Johnson, 1971, as cited in Carroll, 1999). To do, corporations are advised to integrate CSR activities with core business activities so as "it yields substantial business-related benefits to the firm. . ." (Burke & Logsdon, 1996). Creating shared value proposes that corporation look beyond making trade-offs in their strategy because the "[c]apitalist system is under siege" (Porter & Kramer, 2011, p.62). Corporations are advised to adopt "policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which [they] operate" (p. 66).

In pursuit of competitive advantage corporations engage in CSR strategically as the impact of CSR engagement on corporate performance varies from one corporation to the other. For example, Sirsly and Lvina (2019) demonstrated empirically that CSR engagement enhances firm reputation in a dynamic manner where rising expectations prompts an increase in CSR to improve corporate reputation. Corporations with higher initial levels of CSR experience bigger improvements than those with lower initial levels. This relationship, allows CSR leaders to increase their lead over their competitors, thereby strengthening their competitive advantage. Oh, Cha, and Change (2017) also demonstrated that CSR ratings are highest at higher levels of institutional and insider ownership (2017).

In addition, U.S. firms engage in deliberate CSR strategies, such as CSR alliances, to signal favorable corporate citizenship more than they are motivated by stakeholder pressure., unlike other countries such as Canada (Thorne, Mahoney, Gregory, & Convery, 2017). This orientation may be attributed to that stakeholders' responses to CSR participation is not homogenous. For example, Russell, Russell, and Honea (2016) observed that U.S. consumer responses to corporate CSR violations depends on the individual consume r's environmental consciousness where consumers with high environmental consciousness were more likely to penalize corporations for CSR violations, especially when such violations are in relationship to governmental mandates.

6.3 Integrating Managerial and Institutional CSR

A telling evidence of the institutional and managerial orientations of CSR is the notion of collaborative governance (Lars, 2016). Through collaborative governance, organizational stakeholders, together with corporations, forge standards for appropriate and acceptable conduct. Organizational stakeholders set frameworks, but do not specify standards, allowing corporations to fill in the details. This space for organizational discretion promotes strategic organizational action and may be used to accommodate the multiplicity of institutional logics imposed on the corporations.

Through collaborative engagement with stakeholders, organizations form "partnerships with dispersed stakeholder groups, such as customers, communities, advocacy groups, or other parties, to pursue or accomplish shared goals" (Desai, 2018, p. 222). This collaborative effort seeks to accomplish social goals with the participation of corporations as an active party to the issue. This symbiotic relationship allows stakeholders to garner organizational accepts and, therefore, compliance with the solutions to be advanced and, at the same time, allows organizations to influence the solutions being forged to protect their interests

7 Conclusion

This chapter offers a discussion of the concept and practice of CSR in the USA. The discussion portrays American CSR as a two-faceted construct. On one hand, it is an informal mechanism for the social control of business; on the other hand, it is a mainstream business function. Review of definitions of CSR and CSR reporting illustrated that CSR and its practices possess an institutional and a managerial orientation. The institutional orientation utilizes CSR to shape business behavior and ensure that its conduct conforms to social mandates and that the welfare of society is served. In contrast, the managerial orientation utilizes CSR to ensure an organization's legitimacy and in addition, when possible, enhance its competitive advantage and improve its chances for survival and growth.

While both facets of CSR are at work, it seems that institutionally oriented CSR is more prominent and influential than managerial CSR, even though that managerial CSR justifies corporate participation in CSR by means of several theoretical frameworks. A condition that left some pointing out that managerial frameworks for CSR have not yield enough guidance for corporations and that participation in CSR remains to be "an unprecedented journey for which there is no road map" (Lubin & Esty, 2010: 42).

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Part IV
CSR from Asia

India
Indonesia
Japan
Nepal

Corporate Social Responsibility in India

The Impact of Mandated CSR: Evidence from India

Shuchi Pahuja

Abstract The concept of CSR is not new for India. It has its footprints in ancient India when CSR was known as social duty or charity. The concept got a more formal prominence during nineties when companies started integrating sustainability concerns into their business goals. This was also a period when Government of India initiated many reforms to liberalize and de-regulate the Indian economy and to integrate it with the global market. These reforms helped Indian economy to grow in many sectors; but soon it was realized that this growth was not all inclusive growth. Despite a booming economy, India performed poorly on many social indicators like poverty, sanitation, employment, health, education, environmental protections etc. Successive governments failed to address these social problems and the need was felt to constructively involve private sector in handling these social issues. In 2013, the Government of India gave a fillip to CSR by passing a landmark legislation making it mandatory for specified big corporations to spend a portion of their profits on the CSR activities or to explain the reasons for not doing the same. Section 135 and Schedule VII of the Companies Act, 2013 deal with CSR activities of the companies, making it indirectly compulsory for the companies to spend a specified portion of their profits in the social responsibility areas that come in the ambit of the Act. Now the drive for CSR has started coming from regulatory directives. *This paper aims to examine the impact of current legislative changes on the CSR practices of large corporations in India.* Empirical works in the area for past 10 years (2008–2018) have been analyzed to compare CSR practices of the large companies in pre and post 2013 period. Empirical evidences suggest improvement in CSR spend after enactment of Companies Act, 2013. CSR is no longer limited to charity or philanthropy. It is gradually becoming a way of conducting business in a more socially and environmentally responsible manner.

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1 Introduction

Historically, CSR in India has been understood as corporate philanthropy or charity. It used to be a concept whereby companies voluntarily engaged in good corporate citizenship activities (such as building schools, hospitals, roads, temples, etc.) for the benefit of society and its different constituents like, employees, customers and local community. Big corporations in India have always shown their sensitivity to social issues and have voluntarily played a supplementary role to government's efforts towards development of society. Over a period of time, it has also been realized that being socially responsible makes good business sense. It helps businesses to enhance their goodwill, improve their market access, obtain license to operate, retain good quality human resources, increase productivity, have increased access to capital market, and all this may significantly boost profits of the concern.

CSR became an integral part of business activity in India mainly after liberalization and globalization of Indian economy in 1991. The easy entry of foreign companies and investors in Indian market resulted in enhanced competition and efficiency. It also led to increased demand from various stakeholders asking companies to follow global trends in being socially and environmentally responsible. During post liberalization period, Indian economy grew significantly, but the progress made on most of the social parameters was not as per expectations. Soon it was realized that the growth achieved during this period was not a comprehensive growth as the benefits of growth could not reach to all segments of the society (IICA, 2014). It was essential to take steps to ensure that the benefits of development could reach to larger community of people and need was felt to involve corporate sector in this enormous task.

With a view to make business socially responsible for its activities and to make it participate in the overall sustainable development of the nation, the Ministry of Corporate Affairs (MCA) released a comprehensive statement in 2011 in the form of the National Voluntary Guidelines (NVGs) on Social, Economic and Environmental Responsibilities of the Business (MCA, 2011). NVGs were voluntary but suggested increased uptake of CSR activities by the corporate sector. The CSR activities in India started taking momentum after the release of NVGs. The Government of India gave a further fillip to CSR through legislation in 2013 making it mandatory for specified large companies to spend a prescribed portion of their profits on the CSR activities or to explain the reasons for not doing so (MCA, 2013). India became the first country in the world to have mandatory CSR spending provision for specified large companies along with mandatory reporting. Section 135 of the Companies Act 2013 govern the social responsibility activities of the companies in India providing for compulsory spending on CSR activities or reporting the reasons for non-spending. Schedule VII of the Act clearly defines the range of areas that come under the compulsory CSR provisions. Now the drive for CSR has started coming from regulatory directives. CSR activities have become a critical part of the business strategy after enactment of Companies Act, 2013.

It has been more than six years since CSR spending and disclosure of CSR activities have been made obligatory in India. This paper attempts to examine the impact of current legislative changes in the Companies Act on CSR practices of the large companies in India with the help of review of existing literature. Empirical works in the area for past 10 years (2008–2018) have been analyzed to compare CSR practices of the large companies in the pre and post 2013 period. The paper has been structured as follows: the present Section is introductory in nature. Section 2 will present theoretical considerations in CSR. Section 3 deals with the growth of the concept of CSR in India. The Section will also cover relevant provision of Companies Act, 2013 on CSR. Section 4 will review various studies conducted in India to evaluate CSR practices of large Indian corporations. Section 5 will present discussion and policy recommendations. Finally, Section 6 will conclude the paper.

2 CSR: The Concept

In its conventional form, CSR was used to be taken as charity done by companies out of social conscience. The emphasis was on the fact that since business takes its inputs from the society, it has responsibility towards society, i.e. giving back what you have taken from the society. The concept had a negative shade in it as CSR was taken as duty of the business to compensate for something wrongfully taken from the society (IICA, 2014). The 1950s saw the start of modern era of CSR. The modern interpretation of CSR involves recognizing those activities of the concern which may have impact on the society and managing these impacts responsibly. The father of modern CSR, H.R. Bowen, who initially proposed the CSR term in 1953, suggested that social responsibility is "the obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Bowen, 1953). The concept of CSR expanded during 1960s and took further momentum during 1970s. During 1960s, Keith Davis gave the "Iron Law of responsibility" which held that social responsibility of a business should be directly related to the social power it enjoys. Higher the social power, greater should be the social responsibility. He defined social responsibility as, "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic and technical interest (Davis, 1960)". The CSR, at that time, was considered to be certain responsibilities beyond a firm's economic, technical and legal responsibilities.

During 1970s, a contrary opinion emerged and some scholars even criticized the concept of CSR. Famous economist, Milton Friedman argued that business is fundamentally an economic institution and the primary responsibility of business is to increase profits and to use resources of the business in most fruitful way. Any activity which is not directly related to generation of revenue is not the responsibility of business (Friedman, 1970). But overall trend was in favour of expanding the traditional definition of corporate obligation. It was increasingly felt that business must besides earning revenue, take into consideration interest of the society. 1970s was also marked with the surge in managerial approach to CSR. (Carroll, 1979) gave a three dimensional model of Corporate Social Performance. He said that "the social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point of time". In 1991, Carroll gave pyramid of CSR having four layers; economic, legal, ethical and philanthropic responsibilities (Carroll, 1991). This set of four responsibilities provide a foundation which helps to describe the nature of business's responsibilities to the society of which it is a part.

During 1980s, Bhopal Gas Tragedy of India, insider trading scandals on Wall Street, false and deceptive advertising, growing bribery, illegal contracting and other widely reported ethical issues all over the world led to enhanced focus on CSR. Drucker (1984) seemed to be in favour of combining economic and social considerations of the business. He stated that "the proper social responsibility of business is to tame the dragon, that is, to turn a social problem into economic opportunity and economic benefit into productive capacity, into human competence, into well-paid jobs and into wealth." (Jones, 1980) emphasized on voluntary CSR which extends beyond shareholders and includes other stakeholders also like customers, employees, suppliers and neighbouring community. Jones defined CSR as, "the notion that corporations have an obligation to constituent groups in society other than the stockholders and beyond that prescribed by law and union contract".

1990s saw the predominance of terms such as business ethics, stakeholder theory, sustainability, triple bottom line and corporate citizenship. The term sustainability was popularized by the Brundtland Commission's 1987 report-Our Common Future. The aim of sustainability is to have "development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Brundtland, 1987)." Sustainability requires a balance between people, planet and profit which are the three important pillars of sustainability. The definition of sustainability originally emphasized environmental responsibility only, but now it has been expanded to triple bottom line concept which includes economic, environmental and social responsibilities of business.

In twenty-first century, the emphasis shifted from theoretical considerations in CSR to empirical research on the extent and impacts of CSR practices. International agencies like World Bank, United Nations, and European Commission encouraged the inclusive market movements. The World Bank promoted CSR through its research and training branch—the World Bank Institute. In 2000, due to ever increasing demand for a more inclusive and sustainable global economy, United Nations launched the UN Global Compact (UNGC), the first CSR initiative at global level which became one of the most prominent international CSR instrument overtime (UNGC, 2000).

Past two decades have seen tremendous growth in the CSR as a concept. Several new and more comprehensive definitions of the CSR have emerged in the literature over these years. Some of the commonly used definitions of CSR are:

The European Commission defines CSR as "the responsibility of enterprises for their impacts on society" and "to fully meet their corporate responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders (European Commission, 2011)".

World Business Council for Sustainable Development defines CSR as "the commitment of a business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life (WBCSD, 1998)".

The United Nations Industrial Development Organization (UNIDO) has defined corporate social Responsibility (CSR) as "the responsiveness of businesses to stakeholders' legal, ethical, social and environmental expectations (UNIDO n.d.)".

Hence, the concept of CSR these days is based on the notion that not only government but companies should also take the responsibility for dealing with social and environmental problems. There has been widening of scope of CSR from just employee welfare and philanthropy to broader sustainability concerns. Business today is expected to undertake CSR activity proactively in order to ensure sustainable development of the economy. Gone are the days when businesses used to thrive only for profits. Now corporations are being asked to take responsibility for the impact of their operations on the society and the environment. The proposition is that economic, social and environmental issues cannot be seen as isolated units. A business can successfully make profits while taking care of social needs and reducing negative environmental consequences. The focus now is on a holistic approach of CSR which must be integrated into core business strategy of a concern for enabling it to contribute positively to the welfare of the society.

3 The Growth of CSR in India

Business involvement in social welfare and development has been a long tradition in India dating back to the nineteenth century. The concept of helping the poor and disadvantaged by kings and rich is often cited as culture of India in many ancient literatures. Philosophers like Kautilya preached and promoted ethical principles while doing business. According to Chahoud et al., the growth of India's CSR approach is closely linked to its political and economic history, in which four phases can be distinguished (Chahoud et al., 2007):

During **the first phase (1850–1914)**, philanthropy and religion were the key drivers for CSR. CSR activities during this period were mainly related to charity for social welfare and religion based donations. The pioneers of industrialization in India were a few business families such as Tatas, Birlas, Bajaj, Godrej, and Modi who had strong inclination towards philanthropy motivated CSR. These industrial families were used to establish schools, primary healthcare centers, temples, roads and other infrastructure for general public.

The second phase (1914–1960) was the era of India's struggle for Independence and nation building. In this period, "CSR was largely influenced by Mahatma Gandhi's theory of trusteeship which aimed at consolidating and intensifying development of poor and underprivileged". The social responsibility was in the form of various social reform programmes such as abolition of untouchability, empowering women, rural development etc. After independence, industrialist JRD TATA pointed out that there are number of ways in which business can contribute to public welfare. The community development and social welfare programs of the premier Tata Company, TISCO, effectively started the concept of Social Responsibility in India. The ideology of CSR in 1950s was primarily based on the assumption of the obligation of business to society.

The third phase (1960–1990) was based on the concept of the 'mixed economy'. This was the period of command and control or licence raj where public sector was given the role of big brother in development and there were rules and regulations to check the activities of private sector.

The fourth phase (1990–2013) was characterized by a gradual shift from traditional philanthropic engagement to sustainable business trends in India. There was a growing realization that business cannot succeed only by striving for profits. For sustainable growth, social development is also necessary. Since 1991, a phase of reforms started in India leading to liberalization, privatization and globalization of Indian economy. Old licensing system was dismantled and a number of areas previously dominated by public sector were opened for the private sector. The economy was also opened for foreign companies and sectors. All this resulted in increased competition in Indian market leading to more efficiency and competitiveness of Indian business and enhanced growth and development of the economy.

During post liberalization period, the country showed remarkable growth in all the sectors, but its biggest failure was inadequate use of the resources generated by the economic growth for improving basic quality of life of large part of its population (IICA, 2014). It was soon realized that the growth achieved during this period was not all inclusive growth as it did not reach to villages and poor segments of the society. Rapid growth had also put pressure on natural resources, infrastructure, human resources and the supply could not keep pace with the ever increasing demand. All this led to increasing social disparity and environmental degradation. The question usually raised was—is this growth sustainable? Need was felt for an all-inclusive sustainable growth where benefits of development were not restricted to a select few but trickle down to a large community of people. It was made an explicit goal in 12th five year plan (2012–17) which aimed at faster, sustainable and more inclusive growth (Planning Commission, 2012).

Post liberalization, companies started increasing their CSR activities in line with global trends, but in the absence of any regulatory framework, the nature of CSR activity was scattered and unstructured. There was lack of permanent involvement or long term commitment. It was also realized that since the development concerns in India were complex and unique to itself, an Indian centric agenda for CSR was required. For that huge investments in areas like education, health care, human resources, environmental protection and infrastructure were required which would not only boost current productivity but also contribute to long run sustainable development of the economy. It was difficult for the government to shoulder such an enormous task alone and a need was felt to involve corporate sector constructively in meeting country's social, economic and environmental goals.

The first formal attempt by the Government of India to bring CSR on the forefront was in 2009 with the release of Corporate Responsibility Voluntary Guidelines (MCA, 2009). This was followed by the issuance of National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business by MCA in 2011 to provide business with some guidance in dealing with expectations of all inclusive sustainable growth and working closely within the framework of national aspirations and policies (MCA, 2011). The purpose of NVGs was to create a common standard to be followed by all the companies so as to provide uniformity and consistency in their CSR efforts. The NVGs comprised 9 interrelated principles and their related core elements and represented holistic approach to business responsibility. These were voluntary guidelines which suggested voluntary uptake of social and environmental concerns by the corporate sector.

In 2012, the SEBI made it mandatory for the top 100 companies (now top 500) to furnish annual Business Responsibility Reports (BRRs) (SEBI, 2012). This represented the clear policy intervention. SEBI also introduced various penalties for non-disclosure of CSR practices by the companies similar to the penalties relating to non-disclosure of financial information. The ESG disclosure was in addition to the mandatory financial disclosure.

3.1 Current State of CSR in India (2013 Onwards)

The current mandatory CSR phase in India started with the introduction of mandatory CSR spending and CSR disclosure provisions under the Companies Act, 2013 (MCA, 2013). After lot of debate and consultations with various concerned stakeholders, Section 135 was added in the Companies Act, 2013 containing provisions relating to CSR, making India the first country to mandate (indirectly) spend on CSR activities. The objective was to facilitate corporate participation in sustainable inclusive growth of the country.

According to Section 135 of the Act, "every company having a net worth of rupees five hundred crore or more, or a turnover of rupees one thousand crore or more, or a net profit of rupees five crore or more during immediately preceding financial year shall constitute a Corporate Social Responsibility (CSR) Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director" (MCA, 2013). The Board's report shall disclose the composition of the CSR committee.

The CSR committee shall formulate a CSR policy of the company. The committee will also recommend the CSR activities to be undertaken by the company from the areas specified under Schedule VII and the amount of expenditure to be incurred on these activities. It shall monitor the CSR policy of the company from time to time. The Board shall ensure that the company spends, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its CSR policy. While making the CSR spends, the company shall give preference to the local area and areas around it where it operates. If the company fails to spend such amount, the Board shall, in its report made under Section 134, specify the reasons for not spending the amount.

In 2014, MCA notified in its rules a list of specific activities on which the companies are free to spend the amount earmarked under their CSR policy (MCA, 2014). The list included areas such as education, healthcare and sanitation, eradication of poverty, gender equality and women empowerment, promotion of national heritage, rural development and environmental sustainability. The companies can collaborate with a NGO to conduct CSR activities or can do it through their own trusts and foundations or by pooling their resources with another company.

The Act requires that the Board of every specified company shall, after taking into account the recommendations made by the CSR committee, approve the CSR policy for the company and disclose the contents of such policy in its report and also place it on the company's website, if any, in such manner as may be prescribed. It will be the responsibility of the board to ensure that the activities, as are included in CSR policy of the company, are actually undertaken by the company.

The Companies (Amendment) Act, 2019 made some changes in Section 135 (MCA, 2019). According to the Act, the companies that fall in the purview of Section 135 but which have not completed the period of three years since incorporation shall spend on CSR two percent of the average net profits made in preceding financial years since incorporation. Another major amendment was regarding unspent amount on CSR. The Act specified that if a company fails to spend the target amount which is not related to an ongoing project, the same should be transferred to a fund specified in Schedule VII within a period of six months from the expiry of such financial year. Unspent amount related to an ongoing project must be transferred to an 'Unspent CSR account' opened in a scheduled commercial bank within 30 days from the end of the financial year. This amount should be used within 3 financial years from the date of such transfer, otherwise penalties may be imposed.

The mandatory CSR provision has been considered by many as a historic step that could prove to be a game changer for the country's CSR where the government and corporate sector can work together in solving social problems and taking country on the path of long term sustainable development. And this could be beneficial for the corporate sector also because of increasing emphasis by investors and other stakeholders on ESG issues in their decision making.

The five phases of CSR development in India have been illustrated in Fig. 1.

4 CSR Practices in India

Over past few decades, CSR in India has been the focus of many academic deliberations and research. Numerous studies have been conducted to analyze CSR practices of corporate sector in India. The purpose of this Section is to examine CSR practices of large companies in India in pre and post 2013 era with the help of review of existing literature in the area. Research works in the area over a period of

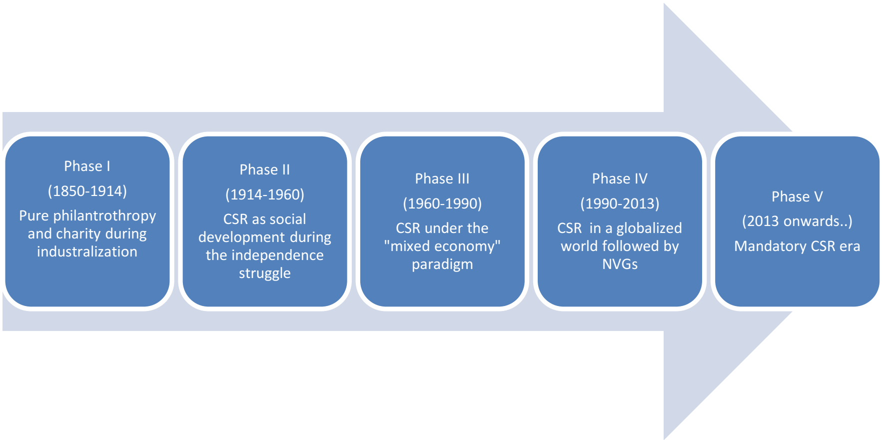

Fig. 1 Five Phases of CSR development in India. Note: adopted partially from (Chahoud et al., 2007)

10 years (2008–2018) have been analyzed to see the impact of current legislative changes on the CSR practices of large Indian companies.

As mentioned before, India's economic reforms during nineties resulted in significant growth of the corporate sector as well as economy. CSR activities of large companies were expected to rise significantly in this period to keep pace with global trends. But contrary to the expectations, India's CSR approach mostly retained its own characteristics (Chahoud et al., 2007) and was primarily driven by philanthropy. Before announcement of NVGs, the CSR activity in India was on increasing curve, but it was still limited in terms of number of companies undertaking it and areas covered under CSR domain (Bansal, Parida, & Kumar, 2012; Bedi, 2009; Das, 2009; Gautam & Singh, 2010; Khan, 2010; Sarkar & Sarkar, 2015).

Gautam and Singh (2010) examined how India's top 500 companies view and conduct their CSR, identified key CSR practices and analyzed these against Global Reporting Initiative Standards. Out of the top 500 companies analyzed by them, 229 did not report on CSR activities and were therefore excluded from the analysis. 49% of the remaining 271 companies were reporting on CSR. They found that many companies were making only token gestures towards CSR and only a few companies had a structured and planned approach. It was found that CSR policies varied with turnover and profit and every company defined CSR in its own way as per its needs.

Sarkar and Sarkar (2015) tried to examine CSR behavior of 500 large companies listed on BSE for the period 2003–2011. They found steep rise (from 7% to 62%) in companies reporting on CSR during the study period. The sample companies engaged in various CSR activities like providing food, drinking water, sanitation, health care, education, and skill development in rural and less developed areas. Energy and environmental issues also featured prominent among CSR initiatives.

During this period, the drive for CSR was not coming from regulations but from the company's interest, self-regulation and social responsiveness. There was also a growing realization that CSR activities have positive impact on company's profits also. Many studies found positive relationship between CSR and Corporate Financial performance (Bedi, 2009; Bihari & Pradhan, 2011; Mishra & Suar, 2010; Rajput, Batra, & Pathak, 2012; Srinivasan, 2014; Tyagi, 2012). Analyzing sales and profit figures of largest 500 Indian companies for two years, 2008–09 and 2009–10, (Rajput et al., 2012) found a statistically significant relationship between CSR and CFP. They concluded that the companies which innovatively invest in CSR get significant financial benefits. Bedi (2009) examined CSR practices of top 1000 Indian firms rated by Karamyog, a Mumbai based NGO for the year 2007–08. Out of 1000 firms, only 37 companies were considered who spend some amount to fulfill their CSR. The analysis revealed that there is a positive relationship between CSR and financial performance. Rather CSR expenditure depends upon the financial performance of the company. Govindarajan and Anulan (2013) also found positive linkage of CSR initiatives with company's financial performance and stock market valuations.

In post liberalization period, CSR activities were increasing in India, but in the absence of any regulatory framework, such contributions lacked regularity, uniformity and direction. To provide a direction, shape and structure to the way companies could catalytically contribute to nation's social development, NVGs were announced in 2011. After introduction of NVGs, CSR practices in India started taking a new turn. A survey was conducted by Mercer (2014) covering 40 organizations in India, with respondents based in different cities in India and from various sectors. 75% of the respondents felt that CSR had become more important at their companies over the past 2 years (after enactment of voluntary guidelines). 81% felt it to be the extremely important component of their business strategy. According to the survey, 81% of the companies surveyed said that their CSR spend was on activities related to education; 64% on community development and 61% on environmental sustainability. Majority of the firms partnered with a local, independent, non-profit organization in undertaking their CSR activities.

Announcement of NVGs made CSR an important part of corporate policies and strategies, but CSR activities were yet restricted to few areas like education, health and community development. Companies from some sectors like IT and Automobiles were voluntarily undertaking CSR activities, while others like FMCG sector were not focusing much into SR initiatives (Sharma & Kiran, 2012). CSR disclosures also did not show significant improvements. In order to provide momentum to uptake of CSR by companies as per NVGs, SEBI mandated the top 100 listed companies in India to report on their adoption of NVGs in their annual reports from the financial year 2012–13. The CSR reporting increased significantly after that (Rajput, Chopra, & Aggarwal, 2014). According to *KPMG Global survey of Corporate Responsibility Reporting* in 2013, the CR reporting rate in India increased from 20% in 2011 to 73% in 2013 mainly due to SEBI reporting requirements (KPMG, 2013). Out of the countries surveyed, the highest growth in CR reporting since 2011 was seen in India (+53 percentage points).

In 2013, the Companies Act was enacted with the object of involving private sector in achieving the goal of growth along with strong emphasis on equality and environmental sustainability. Section 135 making provision for mandatory CSR spend was based on the reasoning that legal compliance forms the foundation of socially responsible corporate behavior.

Jahangir (2017), Sai (2017), Rai and Bansal (2014), Anchula and Karamala (2015) studied CSR practices of companies before and after mandatory CSR provision and found significant increase in CSR spends by Indian companies after enactment of Section 135. It was interesting to see that in the year 2012–13 itself, just after the compulsion, companies' CSR spending increased even when CSR became compulsory from the year 2014 (Rai & Bansal, 2014). The spending on CSR showed an increasing graph though less than the prescribed limit by the government. Jahangir (2017) compared CSR practices in pre and post 2013 era. The study concluded that prior to Companies Act, 2013, companies preferred direct method to fund CSR activities, but after 2013, it has been seen that companies started spending on CSR through third party also. The results also showed that after mandatory CSR requirement, companies started funding in areas like sports, national heritage etc. which were not very popular before 2013. Even after CSR becoming mandatory, there was still seen a gap between actual amount spend by CSR and the limit prescribed by the government. The reason for underutilization of funds was being disclosed by annual reports of the companies. Anchula and Karamala (2015) attempted to diagnose the CSR practices in Maharatna PSUs through the fund allocated and utilized before and after the Companies Act, 2013. They found that before implementation of Companies Act, 2013, average allocated fund for CSR practices to PSUs was even lower as compared to fund used after enactment of Sec. 135. But average utilized fund was higher before the mandatory when compared to after mandatory requirement. Analyzing funds allocated and funds utilized to Maharatna PSUs during 2009–2013, they found that PSUs were failing in their social responsibility by not spending even the funds allocated. They found the need to choose best projects and priority giving to support backward districts.

Many works indicated significant rise in the CSR activities in post 2013 period. A survey on Corporate Social Responsibility was conducted by FICCI (2016). Based on 150 responses from wide array of companies, it was found that a majority of the responding companies reported an increase in their CSR budget in the year 2014–15 in comparison with that in 2013–14. 12% of the companies reported a decline in their CSR budget, while another 6% cited no change. About 83% of the companies anticipated an increase in their CSR spend in the coming year also. 79% of the companies had an independent director in CSR committee, while 26% cited to have two independent directors. 74% reported to have CEO as a part of the committee. 95% of the respondents told that their CSR projects were linked with the Government's development initiatives like Swacch Bharat mission, while 21% of the respondents indicated their efforts towards promoting education, special education and vocational skills. About 31% of the companies said that children were the main beneficiaries of their projects, followed by women and environment.

Dharmapala and Khanna (2016) analyzed Business Responsibility Reports (BRRs) of the 100 largest firms in India for the years 2014 and 2015. They found that there was significant increase in CSR activity among firms subject to the new

CSR provision. For a subset of large firms, they found that while firms initially spending less than 2 percent increased their CSR activity, firms initially spending more than 2 percent reduced their CSR expenditure after Section 135 came into effect.

Until 2013, CSR was mainly governed by firm's interest. It was voluntary in nature and could be related with the desire of the companies to show them as good corporate citizen. Rai and Bansal (2015) tried to find the reasons that determine the CSR expenditures by firms before implementation of the law through a cross section study. They found that profitability, firm size, environmental performance and industry type explained CSR expenditures of the firms. In the post 2013 period, the drive for CSR started coming from the legal regulation. Jothi (2016) analyzed the driving factors of CSR practices of the selected public and private firms in India. Based on the 318 responses received from the questionnaires sent to top and middle level executives of largest 12 companies selected from Economic Times top 500 companies, he found compliance of Companies Act as the most important driving factor of CSR practices by companies followed by community group pressure and philanthropy as second and increasing social awareness and education as third. Other driving factors were commercial pressure or competitive advantage, rising international standards and domestic regulations.

Bodoo (2016) analyzed whether mandatory CSR reporting regulation led to an improvement in corporates' social performance. He found that companies listed on BSE significantly improved in all aspects of environmental, social and governance performances. However, improvements in governance and social performance were significantly greater than those in environmental performance. The results indicated that firms focus on governance and social dimensions the most.

Sarkar (2018) analyzed CSR expenditure for all companies listed on NSE satisfying specified criteria after enactment of Section 135. Using PRIME database for the financial years 2014–15 and 2015–16, he found that in the year 2014–15, of the 1270 NSE listed companies, 894 came under the purview of Section 135. 85% of these companies undertook CSR expenditure for a total of INR 6521 crore as against the total minimum mandated CSR expenditure of INR 8115 crore under the provisions of Section 135. There were about 115 companies which spent INR 761 crore more than what was required of them under the CSR provisions. In the year 2015–16, there was both an increase in the number of companies that came under the purview of CSR, and improvement in compliance rate. As a result, the total CSR spend rose sharply by about 29%. In 2015–16, about 205 companies spent INR 1184 crores more than the mandated amount. The prime reason seems to be the signal value of over compliance i.e. social consciousness.

The study also found that a small number of large, profitable companies accounted for the major part of the total CSR expenditure. Education, health and environmental sustainability together accounted for about fifty percent of the total CSR expenditure. It was found that contribution to government relief funds was increasing rapidly. According to the study, the possible reason for this could be that the smaller companies find it a very convenient route to meet CSR obligations without having to create in-house capabilities for identifying and monitoring CSR projects which may be too costly for these companies.

The MCA collates and compiles the CSR data for all qualifying companies and therefore maintains a much wider database of CSR spends. According to that database, a total of 5097 companies undertook CSR expenditure in 2015–16 which is about six times the number of companies covered by the prime database. The total CSR expenditure of these 5097 companies came to INR 9822 crore *(adopted from* Sarkar, 2018).

India CSR Outlook Report by NGO box and CSRbox (2018) *was* based on in-depth analysis of CSR spend of big 359 companies in FY 2017–18. It was found that public sector enterprises accounted for over one-fourth of India's total CSR spend. More than one-third of the CSR spend was on education and skill development projects while over one-fourth was on healthcare projects. The report showed 6% increase in the prescribed CSR and 8% increase in the actual CSR spend from FY 2016–17 to FY 2017–18. CSR funding on education and skill development areas increased by 50% from 2015–16 to 2017–18. Maharashtra, Karnataka and Gujarat together received 25% of India's total CSR fund.

According to a report by nseinfobase.com (2018), the CSR spend by companies listed on NSE witnessed an increase of 11% to INR 10,030 crore in the FY 2017–18. CSR expenditure by companies listed at NSE grew at a healthy compounded annual growth rate (CAGR) of 16% in the preceding 4 years. The analysis was based on 1080 companies listed on NSE as on March 31, 2018 which were obligated to spend on CSR and for which CSR details were available.

KPMG (2018) analyzed CSR reporting of top 100 listed companies in India as per market capitalization on 31st March, 2017. 98 of the N100 companies had a CSR policy in the public domain, while 94 disclosed details regarding vision/mission/philosophy behind their CSR initiatives. 22 companies allocated a higher amount in their CSR budget than required in 2016–17, as compared to 10 companies in 2014–15. While 7 companies committed less than prescribed. The number of companies spending less than prescribed 2 percent came down by 29% from 52 companies in 2014–15 to 37 companies in 2016–17. Education was the most popular area followed by healthcare. Majority of the companies used direct implementation followed by external agency. 71% of the companies implemented projects in local areas which matches with spirit of the Act which also says that companies should give preference to local areas around them in implementing their CSR projects.

This is evident that CSR activities in India increased significantly after enactment of mandatory CSR provision in 2013. But most of the CSR spend was on education and skill development, healthcare projects, environmental sustainability and community development; while education remained the top priority (EY, 2013; FICCI, 2016; KPMG, 2018; Loura, 2014; Mal & Chauhan, 2014; Rai & Bansal, 2014; Sarkar, 2018).

An analysis of distribution of CSR expenditure across states showed that the distribution was highly skewed. There was indication that CSR expenditure is relatively high in states with high concentration of factories (Sarkar, 2018). States like Maharashtra, Gujarat, Uttar Pradesh and Karnataka received higher number of CSR *projects* (KPMG, 2018; NGO box & CSRbox, 2018).

There are very few studies which examined impact of CSR on the development in the concerned area (Loura, 2014; Mal & Chauhan, 2014; Parekh & Tenneti, 2018; Poonam, 2016). Parekh and Tenneti (2018) examined the impact of corporate social responsibility in rural areas. It was found that besides government, the corporate houses were making efforts for rural development by adopting various villages. It was found that the CSR spending of the top 100 BSE companies in FY 2015–16 was approximately INR 917.68 crore which was disbursed through CSR grants for community development and infrastructure in rural areas. But these were just 1 percent of the funds that the government channelized into rural development. Overall, 63 out of top 100 companies were supporting rural development through CSR. It seems that companies have realized the importance of rural development for better future and overall development of the society. They highlighted many problems in CSR approach of businesses like, reluctance to work with government, lack of integrated approach and too much focus on adopting villages and too little on catalyzing capacity. The article advocated collective impact model for rural development.

Some studies found that many banks are adopting CSR practices in rural areas for welfare services like health, education, sanitation, women empowerment and rural development (Bihari & Pradhan, 2011; Maqbool & Zameer, 2018; Moharana, 2013; Poonam, 2016; Sharma & Mani, 2013). Many banks used CSR as a marketing tool to spread word about their business (Moharana, 2013). It was expected that this would have positive impact on banks' business and profitability. Large banks try to undertake more CSR activities to show better market performance. On the other hand, relatively less profitable and smaller banks may want to increase their CSR initiatives to build stronger relationships with the stakeholders (Narwal, 2007). Maqbool and Zameer (2018) analyzed secondary data of 28 Indian commercial banks (15 public sector and 13 private banks) listed on BSE for a period of 10 years from 2007–2016 for checking relationship between CSR and Financial performance. Their results indicated that CSR has positive impact on profitability and stock market returns of the Indian banks. They felt that CSR initiatives can be used as a strategy creating legitimacy, reputation and competitive advantage.

Though some companies managed CSR spends themselves, majority of the companies preferred spending through third parties like local agencies or NGOs *also* (EY, 2013; Jahangir, 2017; KPMG, 2018; Mercer, 2014). On the Impact audit conducted, some companies have started getting the impact of their CSR activities audited by a third party and some even intend to use the outcome of the audits for CSR project implementation also (FICCI, 2016).

Hence, the initial trends after enactment of mandatory provisions are encouraging, though need is there to provide a direction to the CSR activities of the companies by the government to make these efforts wider in scope and cover more areas. Efforts should also be made to bring regional equality in these CSR spendings.

5 Discussion and Policy Recommendations

In the past two decades, the concept of CSR has grown in importance both academically and in the business sense. CSR in India has gone way beyond the old philanthropy of the past to become an integral part of the organization policy and an all year responsibility. As India moved from the era of market reforms to sustainable development, it was realized that the development concerns of India were different from those of other countries. As one of the most populous country in the world, India was facing number of challenges like eradicating poverty, reducing inequality, improving public infrastructure, providing affordable healthcare facilities and education to all, empowering women etc. The challenge was also to maintain the pace of growth along with managing sustainability issues like reducing pollution, dealing with water and energy crisis and protecting country's precious natural resources. It was felt that the government or the private sector in isolation cannot shoulder such a massive task. The need was there for involving private sector in achieving the goal of long term sustainable development. This led to the origin of current phase of CSR in India.

The current phase of CSR started in India with release of NVGs for Social, Economic and Environmental Responsibilities for Businesses by the Ministry of Corporate Affairs in 2011 which finally culminated into the mandatory CSR provision inserted into the Companies Act, 2013. With enactment of Section 135, India became the first country in the world to make it obligatory for the specified companies to spend a prescribed percentage of their profits on CSR or to explain the reasons for not doing so. The spirit of the Act is to maintain a balance in economic, social and environmental considerations of business as CSR spend has been made mandatory only for the large companies who have reached a certain level of activity or profitability. This implies that in their introductory phase, companies can engage in activities to increase their profits. But once the revenues start flowing in and profits reach to a particular level, companies are expected to put a percentage of their profits into areas directly impacting national sustainability development goals. Schedule VII has listed number of activities where companies could spend CSR funds giving sufficient flexibility to the companies in choosing and implementing their CSR projects. The objective was to promote efficiency and effectiveness in project selection and implementation.

The early trends of CSR practices in post 2013 era are enthusiastic. The review of existing literature in India has shown that companies in India have started focusing on strategic CSR initiatives concerning nation's social development. Business entities have also realized that there are financial benefits in being socially responsible. The Act has led to greater attention being paid to CSR at Board level within companies. CSR committee of the board assesses the needs of the society and the environment, formulates a comprehensive CSR policy, decides the CSR fund allocation, engages in CSR projects and then monitors its implementation closely to ensure that all projects and programs are executed in an effective manner. In fact, CSR has now become a way of conducting business by which corporate entities in India can conscientiously contribute to social and environmental good for the nation.

Before introduction of new legislation, only some large companies were voluntarily taking the CSR initiatives. The new provision has brought a sizable number of large and medium sized companies under mandatory CSR ambit. This has resulted in significant increase in CSR spending during post 2013 period. But it has been found that the bulk of the CSR spend is still accounted by a small number of companies, while a large number of companies are collectively contributing only a small fraction of the total CSR amount. This has implication regarding the costs and benefits of CSR especially from the point of view of the small and medium enterprises (Sarkar, 2018). It would be better to simplify the procedures for implementing and monitoring the CSR expenditure of these small, less profitable companies to reduce compliance and monitoring costs in undertaking CSR activities.

As per Section 135, CSR spend now depends upon the average net profits earned by the companies in the past three years. It must be noted that the cyclical fluctuations of net profits or an unexpected downfall in the profits may have an unintended impact on the sustainability of CSR projects of smaller companies especially those projects which require continuing engagement. This lack of consistency in CSR spend may adversely affect the beneficiaries of these projects. In order to bring some consistency in CSR spends by these companies, the companies should be encouraged to develop some sort of CSR stabilization fund to deal with unexpected changes in profits.

There is limited literature available on the analysis of actual impact of CSR initiatives undertaken by the companies, in the absence of which it is difficult to assess the efficiency and effectiveness of the efforts made towards social development. It must be understood that CSR expenditure is only an input to the inclusive growth process which does not guarantee the desired output. Government as well as corporates must undertake periodic impact assessment studies to evaluate the performance of their CSR projects, without which CSR regulation may become just a ‘tick-box” regulation (Sarkar, 2018). There is a danger that if it is done only to satisfy regulations, the intended objects of the regulations might not be fulfilled.

The CSR activities and the money spend on them must be properly recorded and periodically evaluated by an independent third party. To facilitate proper accounting and verification of CSR records, professional accounting bodies must develop a comprehensive theoretical and accounting framework for CSR. It would make integration of social and environmental concerns into business accounts easier.

Companies usually undertake CSR activities in the local area where they operate and this is advised in the Act also. This has led to uneven distribution of CSR funds across states. Distribution of CSR expenditure across states shows that CSR activities are concentrated in some of the states like Maharashtra, Gujarat, Karnataka and Uttar Pradesh. These are mainly rich states where many industries are located. The government must encourage companies to undertake CSR activities in other states also especially poor states to ensure regional equality in growth. One solution could be that companies in industries which do not have any single major location, such as banking, financial services and Information Technology can be encouraged to make more of their CSR expenditure in the lower income states.

The analysis has shown that most of the companies place relatively higher emphasis on projects related to education and skill development, health and environmental sustainability. Some of them allocate funds for rural development and women empowerment also. This is a healthy trend. It is expected that the investment of money in these activities will enhance capabilities of youth and women in rural areas, which in turn will be better for their employment prospects. However, it is important to emphasize other areas also. Scope of Schedule VII can be widened to include more activities. Efforts must be made by government to encourage the companies to spend in different areas. It should also be noted that though companies have started making efforts towards environmental protection and sustainability, lot is yet to be done to bring down pollution and emissions of greenhouse gases in compliance with international norms and regulations.

The initial 'comply or explain' provision has served its purpose in giving a strong start to CSR agenda in India. To give a further momentum to the move, the current 'comply or explain' provision has now been replaced with 'comply or punish' principle. Companies Amendment Act, 2019 has issued some penalties in the event of non-compliance with the mandatory CSR provision. It is felt by many that in order to encourage companies to spend beyond the mandatory requirement, some sort of incentives like tax rebates can also be given. Provisions of the Act should be implemented in true spirit to achieve the desired results.

6 Conclusion

The CSR agenda in India has started moving in line with global trends. CSR in India is no longer a peripheral activity, it is now integrated into core business processes and strategies. From a voluntary and self-regulation regime, India has moved to mandatory CSR phase. Section 135 has strengthened the social and environmental initiatives taken by the companies. It has been understood that business decisions should be screened for their social and environmental impacts in order to achieve the objective of long term sustainable development. An analysis of CSR practices in post 2013 period has shown significant increase in CSR expenditure by companies in India. But most of the funds are still going to education and skill development, healthcare, and environmental protection. Distribution of CSR expenditure across states show that most of the CSR projects are undertaken in rich states. If this trend continues, the objective of bridging the gap between economic and social progress cannot be achieved. Steps are required to be undertaken to check implementation problems, reduce compliance and monitoring costs and to improve activity and region wise distribution of CSR funds. Review through tight monitoring and evaluation process is also essential to see the real impact of CSR initiatives. In nutshell, there is still lot of scope for improving social and environmental performance of the Indian companies by strengthening their CSR activities.

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Corporate Social Responsibility in Indonesia

Why Is Environmental Disclosure the Least Disclosed Information in Annual and Sustainability Reports for Natural Products Industries in Indonesia?

Juniati Gunawan

Abstract Multiple studies have concluded that natural products-related industries, such as mining and energy, are particularly vulnerable to environmental concerns. These industries therefore have an obligation to disclose their corporate social responsibility (CSR), especially information related to environmental issues.

However, the findings from this study revealed that environmental information was the least disclosed information among annual and sustainability reports for 39 Indonesian listed mining companies between 2016 and 2017. Based on these findings, this study attempted to seek further of the reasoning behind the scarcity of environmental disclosures.

Content analysis was applied to calculate the extent of information disclosed within reports. While companies were found to have conducted a substantive amount of CSR activities, environmental information was the least disclosed information. This was compared to other information, such as governance, economy and social disclosures. Further in-depth interviews with CSR-related functions of the company resulted in several insights. First, natural products-related companies faced difficulties in calculating environmental figures. Second, as one of the most highly-scrutinised industries, natural products-related companies feared the potential backlash from non-governmental organisations (NGOs). Third, all natural products-related companies are obliged to participate in in annual environmental rating evaluation by the Indonesian government, called PROPER. Therefore, information pertaining to the evaluation by PROPER are considered sufficient, and, as a result, companies are hesitant to disclose more information.

The findings of this study could provide various insights into companies' practice of CSR disclosures. While a substantial amount of existing studies have discussed topics related to the most disclosed sustainability information, this study focuses on the opposite. Scholars may find an added benefit by analysing both sides of the

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spectrum. Additionally, this study may also provide a better understanding on the increasing gap between the extent of reporting companies disclose, and their reality in practice.

1 Introduction

Differing from the traditional talks of increasing economic performances, the Global Economy Forum (2018) and the UN General Assembly (2015), referred to the environment as its focal point, and considered it to be the most prominent issue influencing economic stability. Meanwhile, as the largest archipelagic country in the world, Indonesia is highly impacted by environmental issues, from deforestation to natural disasters, including issues in the mining industries. With 131.3 million hectares of forest and 1904, 569 square kilometres of land, Indonesia faces global pressure to safeguard its environment and how mining companies practice their business responsibly. In an important study, Austin et al. (2017) analysed oil palm driven deforestation across Sumatra, Kalimantan, and Papua, and discovered that oil palm production continues to be an important driver to deforestation, with a relatively stable annual deforestation rate of 117,000 ha. Environmental concerns also impact local political and community instabilities. Similarly, through their study, Alesina, Gennaioli, and Lovo (2019) showcased the country's high level of deforestation and its positive relation towards ethnic fractionalisation, leading to further political instability.

Multiple studies have concluded that natural products-related industries, such as mining and energy, are particularly vulnerable to environmental concerns. While natural products-related industries are known for its economic benefits, especially for emerging economies, the nature of these industries are also known to have potentially-irreversible negative environmental impacts. The mining industry is known for its series of environmental risks. In a study by Shen, Muduli, and Barve (2015), the Indian mining sector was analysed through the increasing adoption of green supply chain management (GSCM). They note that such concerns range from biodiversity loss, increased emissions to air, contribution to global warming, reductions in rainfall rates, and the creation of water scarcity. Similarly, a study by Carvalho (2017), provided a detailed explanation of the evolution of mining sectors, sustainable developments and their environmental impacts. One specific concern deal with mine tailings and acid mine drainage, where the former can contain toxic materials that may be released into the biogeosphere, while the latter possessing hazardous effects towards human health (Carvalho, 2017). Kusi-Sarpong, Sarkis, and Wang (2016) studied various supply chain activities in mining operations in Ghana, proposing a comprehensive framework for guidelines on green supply chain management (GSCM). They note the damage that different aspects of mining activities can create, from soil erosion and habitat destruction from mining exploration, to acute soil and water contamination from oil spills due to drilling. Meanwhile, Hebblewhite (2017) instigated the rapid decline of Canadian Boreal woodland caribou, due to the nearby presence of oil and gas companies.

The energy sector is just as vulnerable, not only in their environmental risks, but also in regards to their impact on human health. In a study conducted by Silva, Adelman, Fry, and West (2016), exposures to ozone and fine particular matter, which can cause cardiopulmonary diseases and lung cancer, were analysed. They found that pollution coming from the energy sector is particularly worrying for individuals living in emerging economies such as East Asia and India, In India; the energy sector led the greatest impact on ozone mortality. Meanwhile the industry and energy sector affected the East Asia region the most.

These industries therefore have an obligation to disclose their corporate social responsibility (CSR) related to environmental issues. However, regulations need not be an end-all towards the industry; on the contrary, a study conducted by Söderholm et al. (2015) concluded that there exists a positive space where environmental protection regulations can exist without undermining mining industry competitiveness.

Consequently, mining practices and its sustainability impacts have become an important debate in this era. A study by Abood, Lee, Burivalova, Garcia-Ulloa, and Koh (2015) compared the magnitudes of forest and carbon loss, and forest and carbon stocks remaining within four Indonesian industry sectors; oil palm plantation, logging, fiber plantation (pulp and paper), and coal mining concessions. They found that fiber plantation contributed the largest forest loss, followed by logging concessions and oil palm industry. The mining industry is not only complicit in environmental negative impacts, but also social instability in nearby communities. In an anthropological study, Welker (2009) analysed the event of a violent attack from a group of local men hired by the US company Newmont Mining Companies, towards environmental activists in the village of Tongo, Sumbawa, Indonesia. The author found that the combination of the CSR industry, development projects and so-called corporate environmental activities were problematic, especially in their usage of grassroot approaches for corporate security. Similarly, Jenkins and Obara (2006) investigated the risks of dependency that mining companies can create towards vulnerable communities and local governments, whether intentionally or not, through their CSR operations. A case study was carried out among two multinational companies located in the Western Region of Ghana, West Africa. Ultimately, they concluded, CSR operations are not borne out of the intention to solve the adverse impacts on the environment, society and economy that they bring, but for their own strategic interests.

The adoption of sustainability practices for natural products-related industries may help companies to minimize their negative environmental impact and improve their corporate social responsibility (CSR) disclosures. In a study by Driussi and Jansz (2006), the Australian mining and mineral processing industries' pollution reduction efforts were analyzed. They found that companies did pursue effective policies in sectors of environmental, health and safety and community. However, while it is crucial for these industries to include environmental topics on sustainability disclosures, there are relatively few studies on the topic.

Several notable studies showed a poor quality of reporting in this industry due to irresponsible mining activities. Using content analysis, Lee (2017) studied the relationship between quantity and quality of environmental disclosure report among 55 Australian mining and metal companies listed in the Australian Securities Exchange (ASX). Firms sizes were found to positively correlate with both the quantity and quality of the disclosures. Similarly, Msweli, Wushe, and Mandudzo (2013) conducted a literature review on the impacts of corporate community engagement in extractive industries in Zimbabwe. They summarised that although companies have increased their efforts in CSR practices, corporate commitments are still limited, and corporate-community conflicts are on-going. Meanwhile, using Legitimacy Theory, Nurhayati, Brown, and Tower (2006) investigated the levels of natural environmental disclosures among 100 Indonesian companies listed in the Jakarta Stock Exchange (JSX) up until 2003. They established that there was a worryingly low level of disclosures among companies, affected by firm sizes and a company's type of industry.

Based on the importance of environmental disclosures from mining companies to evaluate what they have been doing in preserving the environment, this study aims to find the fundamental reasons as to why Indonesian natural products-related companies disclose so little environmental information?

2 Theoretical Review

2.1 Sustainability

In 1987, as an extension of the increasing concern on the negative and potentially-irreversible ecological impacts from mass industrializations, the World Commission on Environment and Development introduced the Brundtland Report (Brundtland, 1987). It served as one of the first prominent global initiatives to discuss sustainability. The conference defined sustainability as: "the development that meets the present needs without compromising the ability of future generations to meet their own needs". As the academic literature surrounding sustainability evolved, there have been numerous interpretations and variations of the issue, based on the different academic backgrounds of its authors. However, most definitions subsequently developed to encompass three main topics: social sustainability, economic sustainability and environmental sustainability upon clarifying and synthesized different theoretical concepts of sustainable development, Ciegis, Ramanauskiene, and Martinkus (2009), catalyzed three fundamental approaches: economic, environmental and social development. Earlier, Goodland's (1995) literature review had also concluded to the same conclusion, with an additional emphasis on intergenerational sustainability as important goals. Similarly, Herremans and Reid (2002) pointed the effectiveness in using the three dimensions into educational tools for educators in classrooms, applying it to a case study involving sustainability in national parks.

These topics have been over-used when measuring sustainability practices, in particular when evaluating cross industry disclosures. Hence, it has often been found that discussions on disclosures has not been specific, and has led to a failure of arrive at specific conclusions, for example, environmental information.

As such, the Sustainability Accounting Standards Board (SASB), a nonprofit organization which sets financial reporting standards, has developed sustainability standards for specific industries. The organization focuses on intractable issues that are closely tied to resource-use and business models. The board has further provided a disclosure list on common sustainability issues specifically for natural products-related companies, including mining companies. The very nature of the mining industry has been known to be environmentally disruptive, unsustainably depleting non-renewable materials and exploiting poverty-stricken labors (Sinding & Peck, 2002). In their study, the authors investigated the extent of mining groups disclosing their environmental and social performances through their websites. Four types of reporting characteristics can be categorized as: Reporters, starters, resisters and hoarders. Generally, companies need to vastly improve their disclosing processes, in order to be seen as complete and verifiable reporting.

Further, several authors have found that negative environmental performances lead to a fall of share prices. In a study conducted by Magness (2009), a decline in equity prices transpired when an environmental disaster occurred within the Canadian mining industry. Similarly, Klassen and McLaughlin (1996) provided empirical evidence on companies' positive returns as a result of effective environmental management, and vice versa, negative returns from environmental crisis. Cormier, Magnan, and Morard (1993) also concluded similar findings when evaluating the relationship of market valuation of publicly-listed companies and their social performance-displayed by pollution record relative to environmental regulations. Shane and Spicer (1983), also achieved similar results when exploring the effect of security price movements of firms' environmental performances in four industries.

The SASB has identified eleven sustainability issues for natural resources companies including mining companies: (1) Greenhouse Gas Emissions, (2) Air Quality, (3) Energy Management, (4) Water Management, (5) Waste & Hazardous Materials Management, (6) Biodiversity Impacts, (7) Community Relations, (8) Security, Human Rights, and Rights of Indigenous Peoples, (9) Workforce Health, Safety, and Well-Being, (10) Labor Relations, and (11) Business Ethics & Payments Transparency. These topics are considered relevant for the purpose of sustainability disclosure evaluations within mining companies.

For this study, a focus on the importance (materials) of disclosure list on natural products-related companies, including mining are highlighted, including measuring sustainability activities of the companies.

2.2 Sustainability Disclosure

Another important aspect in business and sustainability is the extent of a company's sustainability disclosure. Sustainability disclosure is defined as "the disclosure of information regarding corporations' social impacts" (O'Dwyer, 2002). The purpose of sustainability disclosure is to evaluate the environmental, social and governance performance of companies, through their management of non-financial capital associated with sustainability. It assists in the development of integrated business strategies and assess sustainability risks and opportunities inherent to investment decisions. It complements financial reports side by side, and provides a complete view of a corporation's performance and value creation for all forms of capital.

In addition to SASB, this study also applies corporate natural capital accunting (CNCA) standards to add more insights of the natural capitals, described in the following section.

2.3 Corporate Natural Capital Accounting

As an extension of the industry's responsibility towards the environment, natural capital accounting was developed, serving as the sustainable answer to classical financial accounting.

This concern was exemplified in a study by Agarwala, Atkinson, Baldock, and Gardiner (2014), who noted that although the partnership between governments and businesses are starting to increase in terms of natural capital accounting, more collaboration is urgently needed to tackle the risks of climate change. Natural capital refers to the stock of natural assets upon which our economies and societies are built. To present a framework for Natural Capital Accounting (NCA), Corporate Natural Capital Accounting (CNCA) was established by the Natural Capital Committee. It allows corporations and landowners to account for natural capital resources.

CNCA utilises a balance sheet to document natural capital assets and liabilities, with natural capital valued over time. The tool is based on two main reporting statements:

Natural capital balance sheet. Reports the value of natural capital (assets), and the costs (liabilities) of maintaining those assets.

Statement of changes in natural assets. Reports the change (gain or loss) in asset values and liabilities over an appropriate accounting period.

Other forms of NCA include the UN Statistical Commission of the System for Environmental and Economic Accounts (2014) and its predecessor, Wealth Accounting and the Valuation of Ecosystems (2015), as well as EU's Natural Capital Accounting (2019). Relevant debates upon this issue revolve around the need to extend the frameworks to measure economic welfare. For example, the lack of standardization in environmental accounting systems, have propelled Boyd and

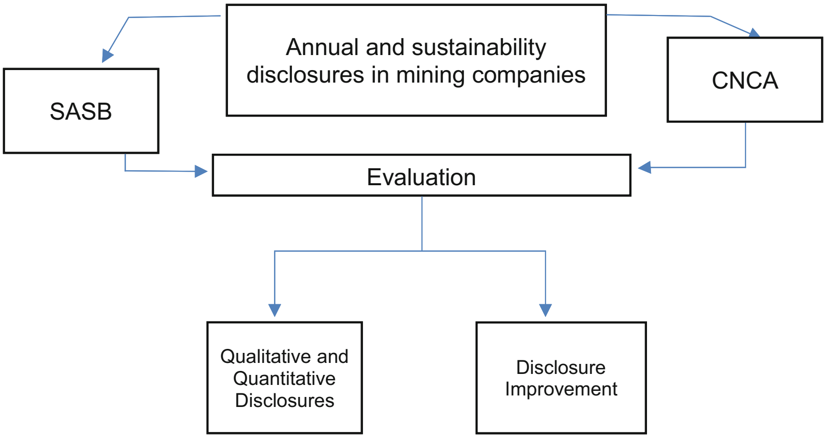

Fig. 1 Research Framework

Banzhaf (2007) to integrate a rigorous definition based on the inclusion of both ecology and economic welfare theories. Walker and Pearson (2007), equivalently, also proposed a stock-based approach in national accounting, based on sustainable development. Meanwhile, on the other side of the spectrum is Bartelmus (2009), who argues for the exclusion of measurements of economic welfare. He proposed that environmental accounting should measure environmental sustainability of economic operations, as the cost of natural capital consumption.

2.4 Research Framework

This study aims to evaluate the sustainability disclosures in natural products-related industries, such as mining, using SASB and CNCA references as described in Fig. 1.

This study obtains information from the sustainability and annual reports from selected companies' during 2016 and 2017. This information are then assessed based on SASB and CNCA references. The extent of their sustainability disclosures, both qualitatively and quantitatively, is also evaluated. Finally, potential improvements are also discussed.

3 Research Methods

This study is a descriptive exploration research, aimed to evaluate sustainability information from 39 (thirty nine) mining companies listed in the Indonesian Stock Exchange, from 2016 to 2017. The total amount of information, based on both annual and sustainable reports, accumulates to 78 reports in total.

3.1 Content Analysis

Content analysis is defined by Krippendorff (2013, p. 18) as "a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use". Wolfe (1991) noted its usefulness as a series of systematic procedures to study written documents contents. While, earlier usage of content analysis was more frequently used for quantitative studies (See: Riffe, Lacy, & Fico, 2005; Weber, 1990), it has, more recently, developed its qualitative side as well (Drisko & Maschi, 2015).

Content analysis has been widely used and considered an appropriate method to analyze the extent of disclosures. In this study, content analysis was used to analyze the extent of qualitative and quantitative sustainability disclosures, from annual and sustainability reports. Sustainability information was converted from these reports, into numerical scores. The content analysis process is shown in Fig. 2.

The step-by-step guidelines for the content analysis process were as follows:

Texts within the 2016–2017 annual and sustainability report, including the financial reports of the mining companies selected for the study, were read and analysed to gain a deep understanding of the content.

References of SAB and CNCA were read and analysed, in order to find linkages within the information provided in the annual and sustainability reports.

Information disclosed within the reports were analysed to idenitfy whether it was in accordance to SASB & CNCA performance indicators.

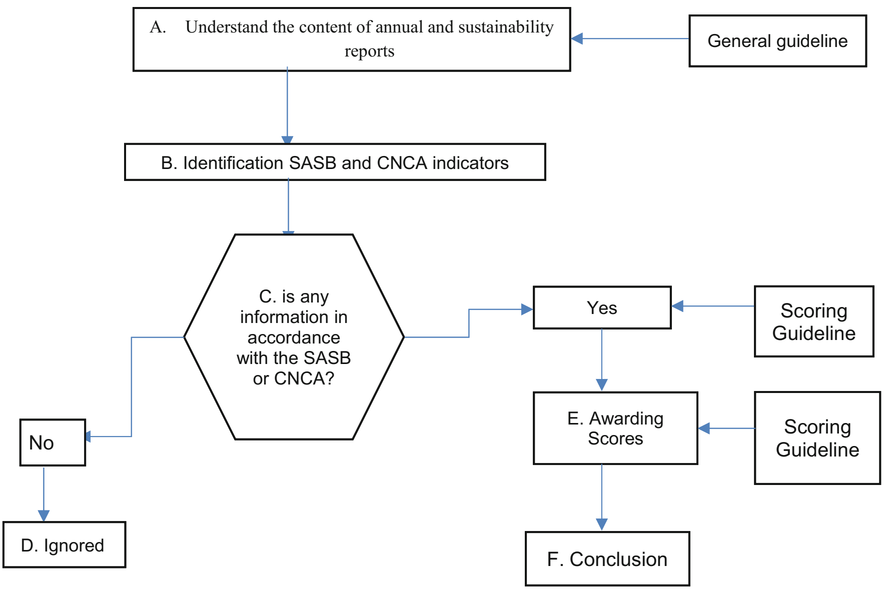

Fig. 2 Process of awarding scores in the content analysis. Adapted from: Gunawan and Abadi (2017)

All irrelevant information were ignored, and a score of 0 (zero) were given if the disclosed information were not relevant to SASB & CNCA performance indicators.

Scores were awarded (in accordance with determined quantitative and qualitative scoring system) when disclosed information relevant to SASB & CNCA performance indicators appeared.

Scores were summed to describe the level of disclosures in a sustainability report. The higher the score, the more comprehensive its sustainability reports were, as well as its accordance to the SASB & CNCA performance indicators.

3.1.1 Scoring Quantity of Disclosure

A quantitative scoring system used in this study followed Gunawan (2015) [1], scoring table, with relevant modifications. The extent of sustainability information disclosure was classified from a score of 1 (one), which served as the lowest score possible, to 5 (five), conveyed as the highest score possible. The scoring guidelines were as follows:

Score 0 (zero) was given if the information on the report were not disclosed in accordance to measurement standards based on SASB indicator items.

If a diagram (figure, table or chart) revealed one word, it was considered a sentence. In the measurement of quantity, score 1 (one) were given if the disclosure contained at least one word and as much as 1 sentence.

Score 2 (two) was given if the disclosure contained at least 2 sentences; considered as 1 paragraph.

Score 3 (three) was given if the disclosure contained 2 to 3 paragraphs.

Score 4 (four) was given if the disclosure contained 4 to 5 paragraphs.

Score 5 (five) was given if the disclosure contained more than 5 paragraphs.

The highest possible score for the disclosures is 'five', which is rewarded for disclosures containing more than 5 paragraphs. This information usually describes a certain topic in detail and the company's corresponding social activities to address it.

3.1.2 Quality of Disclosure

The score for quality disclosures ranges from one to eight, and measures how the information is disclosed. In a study conducted by Suttipun (2015), the extent of sustainable development reporting among 100 companies listed in the Stock Exchange of Thailand (SET), based on 2005–2012 annual reports were analysed.

[1]The study provided updating scoring to quantify qualitative information into quantitative in order to provide more evident and analysis from reports.

The author used content analysis to quantify word counts of sustainability reporting level. This study used the following guide developed by the author:

A score of 1 (one) was given or disclosures inhibiting only a description or narrative.
A score of 2 (two) was given for disclosures providing a description and nominal value of a particular currency.
A score of 3 (three) was given for disclosures revealing a description, size of particular units, such as weight, volume, size, and percentage.
A score of 4 (four) was given for disclosures revealing a description and either picture, graph, chart or table.
A score of 5 (five) was given for disclosures revealing a description, nominal value of a particular currency, and other units than currency.
A score of 6 (six) was given for disclosures revealing a description, nominal value of particular currency, and either a picture, graph, chart or table.
A score of 7 (seven) was given for disclosures displaying a description, size of a particular unit excluding currency (such as weight, volume, size, percentage) and either a picture, graph, chart or table.
A score of 8 (eight) was given for disclosures revealing a description, nominal value of a particular currency, size of a unit not including currency, as well as either a picture, graph, chart or table.

Secondary data were obtained from the Indonesian Stock Exchange website IDX (http://www.idx.co.id), or from the individual company's website. Information on sustainability disclosures and natural capital disclosures, including financial statement, were then extracted from the annual and sustainability reports.

4 Findings and Discussions

Descriptive analysis was performed to calculate the sum and mean scores of sustainability and CNCA disclosures, both qualitative and quantitative, from 2016 to 2017. The maximum score for qualitative disclosure was 312 (this number was obtained from 39 samples, and multiplied by 8—as the highest score for qualitative disclosures). The maximum score for quantitative disclosure was 195 (39 samples multiplied by 5—as the highest score for quantitative disclosure).

4.1 Disclosures Based on SASB

Table 1 shows the sum and mean scores for both sustainability qualitative and quantitative disclosures in 2016 and 2017.

After calculating the scores for qualitative and quantitative disclosures, a ranking of most disclosed information was established in Table 2.

Table 1 Sustainability Qualitative and Quantitative Disclosures Based on SASB

Category and Aspects	2016				2017			
	Qualitative		Quantitative		Qualitative		Quantitative	
	Sum	Mean	Sum	Mean	Sum	Mean	Sum	Mean
Environment								
Greenhouse Gas Emissions								
Gross Global Emissions, percentage covered under a regulatory program	40	1.026	33	0.846	47	1.205	35	0.897
Description of long term and short term strategy or plan to manage emissions	47	1.205	57	1.462	43	1.103	51	1.308
Air Quality								
Air Emissions for the following pollutants: CO, Nox, Sox, PM, Hg, Pb and VOCs	38	0.974	30	0.769	46	1179	34	0.872
Energy Management								
Total energy consumed, percentage of grid energy and renewable energy	73	1.872	47	1.205	68	1.744	47	1.205
Water Management								
Total fresh water withdrawn, percentage recycled and baseline water stress	73	1.872	63	1.615	70	1.795	70	1.795
Waste & Hazardous Materials Management								
Total weight of mineral processing waste and percentage recycled	64	1.641	68	1.744	50	1.282	52	1.333
Biodiversity Management								
Description of environmental management policies and practices for active sites	75	1.923	62	1.590	83	2.128	72	1.846
Total for Environmental Disclosures	410	1.502	360	1.319	407	1.491	361	1.322
Social								
Community Relations								
Discussion of process to manage risks and opportunities associated with the community	94	2.410	87	2.231	123	3.154	111	2.846
Security, Human Rights, and Rights of Indigenous People								
Discussion of engagement processes and due diligence practices with respect to human rights	43	1.103	61	1.564	87	2.231	98	2.513

(continued)

Table 1 (continued)

Category and Aspects	2016				2017			
	Qualitative		Quantitative		Qualitative		Quantitative	
	Sum	Mean	Sum	Mean	Sum	Mean	Sum	Mean
Workforce Health, Safety, and Well-being								
MSHA All-Incidence Rate, Fatality Rate, and Near Miss Frequency Rate for Employees	96	2.462	106	2.718	96	2.462	109	2.795
Labor Relations								
Percentage of active work-force covered under collec-tive bargaining agreements	167	4.282	121	3.103	174	4.462	126	3.231
Total for Social Disclosures	400	2.564	375	2.404	480	3.077	444	2.846
Corporate Governance								
Business Ethics & Payments Transparency								
Description of the manage-ment system to prevent cor-ruption and bribery	35	0.897	78	2.000	35	0.897	79	2.026
Total for Corporate Governance Disclosures	35	0.897	78	2.000	35	0.897	79	2026

Based on Table 2, the mean values for the 2016 environmental, social and governance information qualitative sustainability disclosures of mining companies, based on SASB, were: 1.502; 2.564; 0.897, respectively. These numbers are considered substantially low compared to the possible maximum scores of 8. Therefore, these results show that the disclosures of environmental, social and governance information were in poor quality. Meanwhile, the 2016 quantitative sustainability disclosure scores for environmental, social and governance information were: 1.319; 2.404; and 2.000, respectively. Compared to the possible maximum score of 5, the quantitative results showed a better extent of sustainability disclosures, compared to its qualitative results. These findings demonstrate that mining companies disclosed a substantial amount of sustainability information, but with less comprehensive quality, as found in values (monetary and non-monetary), graphs or graphics.

Below, Table 3 demonstrates the 2017 disclosure ranking for qualitative and quantitative sustainability disclosures.

Based on Table 3, the 2017 scores for qualitative sustainability disclosures of environmental, social, and governance information in mining companies, based on SASB standards, were: 1.491; 3.077; 0.897, respectively. These numbers reveal that the qualitative scores of disclosures are far behind the total maximum score of 8. Meanwhile, the mean values for environmental, social and governance information of the 2017 quantitative sustainability disclosure were: 1.322; 2.846; 2.026, respectively. These numbers come close to the median score of the highest possible

Table 2 Ranking for Sustainability Qualitative and Quantitative Disclosures Based on SASB in 2016

Category And Aspects	2016 Qualitative Sum	2016 Qualitative Mean	Category and Aspects	2016 Quantitative Sum	2016 Quantitative Mean
Environment			Environment		
Biodiversity Impacts			Waste & Hazardous Materials Management		
Description of environmental management policies and practices for active sites	75	1.923	Total weight of mineral processing waste and percentage recycled	68	1.744
Water Management			Water Management		
Total fresh water withdrawn, percentage recycled and baseline water stress	73	1.872	Total fresh water withdrawn, percentage recycled and Baseline Water Stress	63	1.615
Energy Management			Biodiversity Management		
Total energy consumed, percentage of grid energy and renewable energy	73	1.872	Description of environmental management policies and practices for active sites	62	1.590
Waste & Hazardous Materials Management			Greenhouse Gas Emissions		
Total weight of mineral processing waste, percentage recycled	64	1.641	Description of long-term and short-term strategy or plan to manage emissions	57	1.462
Greenhouse Gas Emissions			Energy Management		
Description of long-term and short-term strategy or plan to manage emissions	47	1.205	Total energy consumed, percentage of grid energy and renewable energy	47	1.205
Greenhouse Gas Emissions			Greenhouse Gas Emissions		
Gross global emissions, percentage covered under a regulatory program	40	1.026	Gross global emissions, percentage covered under a regulatory program	33	0.846
Air Quality			Air Quality		
Air emissions for the following pollutants: CO, NOx, SOx, PM, Hg, Pb, and VOCs	38	0.974	Air emissions for the following pollutants: CO, NOx, SOx, PM, Hg, Pb, and VOCs	30	0.769
Total for Environmental Disclosures	410	1.502	Total for Environmental Disclosures	360	1.319
Social			Social		
Labor Relations			Labour Relations		
Percentage of active workforce covered under	167	4.282	Percentage of active workforce covered under	121	3.103

(continued)

Table 2 (continued)

Category And Aspects	2016 Qualitative Sum	2016 Qualitative Mean	Category and Aspects	2016 Quantitative Sum	2016 Quantitative Mean
collective bargaining agreements			collective bargaining agreements		
Workforce Health, Safety, and Well-being			Workforce Health, Safety, and Well-being		
MSHA All-Incidence Rate, Fatality Rate, and Near Miss Frequency Rate for employees	96	2.462	MSHA All-Incidence Rate, Fatality Rate, and Near Miss Frequency Rate for employees	106	2.718
Community Relations			Community Relations		
Discussion of process to manage risks and opportunities associated with the community	94	2.410	Discussion of process to manage risks and opportunities associated with the community	87	2.231
Security, Human Rights, and Rights of Indigenous People			Security, Human Rights, and Rights of Indigenous People		
Discussion of engagement processes and due diligence practices with respect to human rights	43	1.103	Discussion of engagement processes and due diligence practices with respect to human rights	61	1.564
Total for Social Disclosures	400	2.564	Total for Social Disclosures	375	2.404
Corporate Governance			Corporate Governance		
Business Ethics & Payments Transparency			Business Ethics & Payments Transparency		
Description of the management system to prevent corruption and bribery	35	0.897	Description of the management system to prevent corruption and bribery	78	2.000
Total for Corporate Governance Disclosures	35	0.897	Total for Corporate Governance Disclosures	78	2.000

score of 5 and hence, the quantitative disclosures of mining companies can be considered being in the medium range. The results of sustainability disclosures for the years of 2016 and 2017, both for quantitative and qualitative information, displayed similar findings.

Another interesting finding from the evaluation scoring process is the extent of disclosures between sustainability reports and annual reports, where the former had higher amounts of disclosures. Consequently, this means that companies publishing separate sustainability reports will gain better scores, compared to companies which only publish annual reports.

Table 3 Ranking for Sustainability Qualitative and Quantitative Disclosures in 2017

Category and Aspects	2017 Qualitative Sum	2017 Qualitative Mean	Category and Aspects	2017 Quantitative Sum	2017 Quantitative Mean
Environment			Environment		
Biodiversity Management			Biodiversity Management		
Description of environmental management policies and practices for active sites	83	2.128	Description of environmental management policies and practices for active sites	72	1.846
Water Management			Water Management		
Total fresh water withdrawn, percentage recycled and baseline water stress	70	1.795	Total of fresh water withdrawn, percentage recycled and Baseline Water Stress	70	1.795
Energy Management			Waste & Hazardous Materials Management		
Total energy consumed, percentage of grid and renewable energy	68	1.744	Total weight of mineral processing waste, percentage recycled	52	1.333
Waste & Hazardous Materials Management			Greenhouse Gas Emissions		
Total weight of mineral processing waste, percentage recycled	50	1.282	Description of long-term and short-term strategy or plan to manage emissions	51	1.308
Greenhouse Gas Emissions			Energy Management		
Gross global emissions, percentage covered under a regulatory program	47	1.205	Total energy consumed, percentage of grid energy and renewable energy	47	1.205
Air Quality			Greenhouse Gas Emissions		
Air emissions for the following pollutants: CO, NOx, SOx, PM, Hg, Pb, and VOCs	46	1.179	Gross global emissions, percentage covered under a regulatory program	35	0.897
Greenhouse Gas Emissions			Air Quality		
Description of long-term and short-term strategy or plan to manage emissions	43	1.103	Air emissions for the following pollutants: CO, NOx, SOx, PM, Hg, Pb, and VOCs	34	0.872
Total for Environmental Disclosures	407	1.491	Total for Environmental Disclosures	361	1.322
Social			Social		
Labor Relations			Labor Relations		
Percentage of active workforce covered under collective bargaining agreements	174	4.462	Percentage of active workforce covered under collective bargaining agreements	126	3.231
Community Relations			Community Relations		

(continued)

Table 3 (continued)

Category and Aspects	2017 Qualitative Sum	2017 Qualitative Mean	Category and Aspects	2017 Quantitative Sum	2017 Quantitative Mean
Discussion of process to manage risks and opportunities associated with the community	123	3.154	Discussion of process to manage risks and opportunities associated with the community	111	2.846
Workforce Health, Safety, and Well-being			Workforce Health, Safety, and Well-being		
MSHA All-Incidence Rate, Fatality Rate, and Near Miss Frequency Rate for employees	96	2.462	MSHA All-Incidence Rate, Fatality Rate, and Near Miss Frequency Rate for employees	109	2.795
Security, Human Rights, and Rights of Indigenous People			Security, Human Rights, and Rights of Indigenous People		
Discussion of engagement processes and due diligence practices with respect to human rights	87	2.231	Discussion of engagement processes and due diligence practices with respect to human rights	98	2.513
Total for Social Disclosures	480	3.077	Total for Social Disclosures	444	2.846
Corporate Governance			Corporate Governance		
Business Ethics & Payments Transparency			Business Ethics & Payments Transparency		
Description of the management system to prevent corruption and bribery	35	0.897	Description of the management system to prevent corruption and bribery	79	2.026
Total for Corporate Governance Disclosures	35	0.897	Total for Corporate Governance Disclosures	79	2.026

Among the three aspects, the most disclosed information was the social aspect, specifically in the category of labour relations. Many mining companies focused more on their human resources information rather than the environment, as they have to deal extensively with their employees. *This finding supports the studies of Kuasirikun and Sherer (2004) and Ratanajongkol (2004). It seems that social and local community pressure is still dominant forcing mining companies to disclose in-depth information of their community activities. In addition, for the mining companies, the context of sustainability is much more towards helping the surrounding communities become more independent, particularly for when the working companies' contracts have ended after the post-mining period.

In contrast, the least disclosed information within quantitative disclosures was the environmental aspect, specifically in the information related to air quality. This is similar to the findings of Vintró, et al., (2012), where environmental information was also the least disclosed. Companies may fear that this particular type of information could be interpreted badly- unless they could provide clear evidences of positive air quality management. Another explanation is that information of air quality may not be relevant for mining industries. The scarce information on air quality may inform stakeholders that the process of mining are not significantly associated to air quality, unlike, for example, cement industries.

4.2 Disclosures Based on CNCA

Table 4 below displays the sum and mean scores for natural capital in qualitative and quantitative disclosures for 2016 and 2017.

The mean values for the 2016 natural asset and liabilities qualitative disclosures, based on CNCA were: 0.776 and 0.667, respectively, out of the possible maximum score of 8. This result signifies a low extent of disclosures. Meanwhile, the mean values for natural asset in quantitative disclosures were 0.718, while 0.692 in liabilities information. Since the possible maximum score is 5, the results demonstrate a considerably low range of quantitative disclosures in 2016 (Table 5).

There were also similar findings for the 2017 qualitative disclosures, which were 0.814 and 0.692 for natural asset and liabilities information, respectively. Quantitatively, the disclosures in natural asset were 0.756 and 0.705 in liabilities information. These results also describe that for both qualitative and quantitative disclosures, the information for natural asset and liabilities were considerably low.

The poor disclosures based on the CNCA standards may be explained by the unfamiliarity that Indonesian mining companies have with the standards, leading to a low awareness of this particular disclosure. It may also be explained by the rare occurrences of investors requesting information related to natural assets and liabilities to mining companies, therefore leading to a non-disclosure of this type of information.

4.3 Information Disclosures Based on SASB

This study also attempted to classify information disclosures based on SASB standards, to identify which information was disclosed more than others.

Table 6 shows SASB-based qualitative sustainability disclosure classifications in 2016. Only one type of information, namely labour relations at 4.282, reached the medium range of 2.68–5.33. The remainder reached only the low ranges for disclosure classification. Meanwhile, the 2016 SASB-based quantitative sustainability disclosure classification demonstrated that the information in waste management, community relations, workforce safety, labor relations, and governance reached the medium range, while the remaining seven information sectors remained in the low ranges.

The 2017 SASB qualitative disclosure classification showed that community relations and labor relations reached medium scores of disclosures, while the

Table 4 Sustainability Qualitative and Quantitative Disclosures Based on CNCA

Category and Aspects	2016				2017			
	Qualitative		Quantitative		Qualitative		Quantitative	
	Sum	Mean	Sum	Mean	Sum	Mean	Sum	Mean
Natural Assets Disclosure								
Baseline Value of Renewable and Non-Renewable Natural Assets	64	1.641	58	1.487	64	1.641	57	1.462
Cumulative Gain/Loss of Renewable and Non-Renewable Natural Assets	2	0.051	2	0.051	4	0.103	3	0.077
Additional/Disposal or Consumption of Renewable and Non-Renewable Natural Assets	45	1.154	42	1.077	45	1.154	42	1.077
Revaluation and Adjustment of Renewable and Non-Renewable Natural Assets	10	0.256	10	0.256	14	0.359	16	0.410
Total Natural Asset Disclosure	121	0.776	112	0.718	127	0.814	118	0.756
Natural Liabilities Disclosure								
Legal Provision of Natural Liabilities	4	0.103	3	0.077	4	0.103	3	0.077
Other Maintenance Provisions of Natural Liabilities	48	1.231	51	1.308	50	1.282	52	1.333
Total Natural Liabilities Disclosure	52	0.667	54	0.692	54	0.692	55	0.705
Total Corporate Natural Capital Accounting	173	0.739	166	0.709	181	0.774	173	0.739

remaining ten information sectors only reached the low ranges of disclosures. Meanwhile, the quantitative disclosure classification showed medium scores for the information of water management, biodiversity impact, community relations, human right, workforce safety, labor relations, and governance. The remaining five information aspects only reached the low ranges of disclosures (Table 7).

These results may signify that mining companies disclose more information on human resources than on environmental aspects. The disclosures of human resource are considered crucial, as failures in human resources management may result in short-term adverse impacts, while failures in environmental aspects may only be experienced in the future.

Table 5 Ranking for Sustainability Qualitative and Quantitative Disclosures Based on CNCA in 2016 and 2017

Category and Aspects	2016				2017			
	Qualitative		Quantitative		Qualitative		Qualitative	
	Sum	Mean	Sum	Mean	Sum	Mean	Sum	Mean
Natural Assets Disclosure								
Baseline Value of Renewable and Non-Renewable Natural Assets	64	1.641	58	1.487	64	1.641	57	1.462
Additional/Disposal or Consumption of Renewable and Non-Renewable Natural Assets	45	1.154	42	1.077	45	1.154	42	1.077
Revaluation and Adjustment of Renewable and Non-Renewable Natural Assets	10	0.256	10	0.256	14	0.359	16	0.410
Cumulative Gain/Loss of Renewable and Non-Renewable Natural Assets	2	0.051	2	0.051	4	0.103	3	0.077
Total Natural Assets Disclosure	121	0.776	112	0.718	127	0.814	118	0.756
Natural Liabilities Disclosure								
Other Maintenance Provisions of Natural Liabilities	48	1.231	51	1.308	50	1.282	52	1.333
Legal Provision of Natural Liabilities	4	0.103	3	0.077	4	0.103	3	0.077
Total Natural Liabilities Disclosure	52	0.667	54	0.692	54	0.692	55	0.705
Total Corporate Natural Capital Accounting	173	0.739	166	0.709	181	0.774	173	0.739

4.4 *Information Disclosures Based on CNCA*

The results of disclosures based on CNCA were also classified to find the most disclosed information (Table 8).

The 2016 and 2017 CNCA qualitative disclosure classifications showed that only one information sector, namely provision liabilities, reached medium levels of disclosures, while the remaining five information sector reached the low ranges of disclosure. Further, quantitative disclosure classifications showed that only two information sectors, baseline asset value and provision liabilities, reached the medium ranges of disclosure, with the remaining information sectors scoring low. The minimum scores of CNCA-based disclosures may be explained by the low awareness of the standard by not only mining companies, but stakeholders alike.

Table 6 Classification for Qualitative and Quantitative Disclosures Based on SASB in 2016

Category and Aspects	2016 Qualitative Mean	Low	Med	High	2016 Quantitative Mean	Low	Med	High
Environment								
Greenhouse Gas Emissions								
Gross Global Emissions, percentage covered under a regulatory program	1.026	0–2.33	2.34–4.67	4.68–7	0.846	0–1.67	1.68–3.33	3.34–5
Description of long term and short term strategy or plan to manage emissions	1.205	0–1.33	1.34–2.67	2.68–4	1.462	0–1.67	1.68–3.33	3.34–5
Air Quality								
Air Emissions for the following pollutants: CO, Nox, Sox, PM, Hg, Pb and VOCs	0.974	0–2.33	2.34–4.67	4.68–7	0.769	0–1.67	1.68–3.33	3.34–5
Energy Management								
Total energy consumed, percentage of grid energy and renewable energy	1.872	0–2.67	2.68–5.33	5.34–8	1.205	0–1.67	1.68–3.33	3.34–5
Water Management								
Total fresh water withdrawn, percentage recycled and baseline water stress	1.872	0–2.67	2.68–5.33	5.34–8	1.615	0–1.67	1.68–3.33	3.34–5
Waste & Hazardous Materials Management								
Total weight of mineral processing waste and percentage recycled	1.641	0–2.67	2.68–5.33	5.34–8	1.744	0–1.67	1.68–3.33	3.34–5
Biodiversity Management								
Description of environmental management policies and practices for active sites	1.923	0–2.67	2.68–5.33	5.34–8	1.590	0–1.67	1.68–3.33	3.34–5
Social								
Community Relations								
Discussion of process to manage risks and opportunities associated with the community	2.410	0–2.67	2.68–5.33	5.34–8	2.231	0–1.67	1.68–3.33	3.34–5
Security, Human Rights, and Rights of Indigenous People								

Discussion of engagement processes and due diligence practices with respect to human rights	1.103	0–2	2–4	4–6	1.564	0–1.67	1.68–3.33	3.34–5
Workforce Health, Safety, and Well-being								
MSHA All-Incidence Rate, Fatality Rate, and Near Miss Frequency Rate for Employees	2.462	0–2.67	2.68–5.33	5.34–8	2.718	0–1.67	1.68–3.33	3.34–5
Labor Relations								
Percentage of active workforce covered under collective bargaining agreements	4.282	0–2.67	2.68–5.33	5.34–8	3.103	0–1.67	1.68–3.33	3.34–5
Corporate Governance								
Business Ethics & Payments Transparency								
Description of the management system to prevent corruption and bribery	0.897	0–2.67	2.68–5.33	5.34–8	2.000	0–1.67	1.68–3.33	3.34–5

Table 7 Classification for Qualitative and Quantitative Disclosures Based on SASB in 2017

	2017				2017			
	Qualitative				Quantitative			
Category and Aspects	Mean	Low	Med	High	Mean	Low	Med	High
Environment								
Greenhouse Gas Emissions								
Gross Global Emissions, percentage covered under a regulatory program	1.205	0–2.33	2.34–4.67	4.68–7	0.897	0–1.67	1.68–3.33	3.34–5
Description of long term and short term strategy or plan to manage emissions	1.103	0–1.33	1.34–2.67	2.68–4	1.308	0–1.67	1.68–3.33	3.34–5
Air Quality								
Air Emissions for the following pollutants: CO, Nox, Sox, PM, Hg, Pb and VOCs	1.179	0–2.33	2.34–4.67	4.68–7	0.872	0–1.67	1.68–3.33	3.34–5
Energy Management								
Total energy consumed, percentage of grid energy and renewable energy	1.744	0–2.67	2.68–5.33	5.34–8	1.205	0–1.67	1.68–3.33	3.34–5
Water Management								
Total fresh water withdrawn, percentage recycled and baseline water stress	1.795	0–2.67	2.68–5.33	5.34–8	1.795	0–1.67	1.68–3.33	3.34–5
Waste & Hazardous Materials Management								
Total weight of mineral processing waste and percentage recycled	1.282	0–2.67	2.68–5.33	5.34–8	1.333	0–1.67	1.68–3.33	3.34–5
Biodiversity Management								
Description of environmental management policies and practices for active sites	2.128	0–2.67	2.68–5.33	5.34–8	1.846	0–1.67	1.68–3.33	3.34–5
Social								
Community Relations								
Discussion of process to manage risks and opportunities associated with the community	3.154	0–2.67	2.68–5.33	5.34–8	2.846	0–1.67	1.68–3.33	3.34–5
Security, Human Rights, and Rights of Indigenous People								

Discussion of engagement processes and due diligence practices with respect to human rights	2.231	0–2.67	2.68–5.33	5.34–8	2.513	0–1.67	1.68–3.33	3.34–5
Workforce Health, Safety, and Well-being								
MSHA All-Incidence Rate, Fatality Rate, and Near Miss Frequency Rate for Employees	2.462	0–2.67	2.68–5.33	5.34–8	2.795	0–1.67	1.68–3.33	3.34–5
Labor Relations								
Percentage of active workforce covered under collective bargaining agreements	4.462	0–2.67	2.68–5.33	5.34–8	3.231	0–1.67	1.68–3.33	3.34–5
Corporate Governance								
Business Ethics & Payments Transparency								
Description of the management system to prevent corruption and bribery	0.897	0–2.67	2.68–5.33	5.34–8	2.026	0–1.67	1.68–3.33	3.34–5

Without significant pressures from stakeholders, it would seems that no companies will disclose this type of information (Table 9).

This study further attempted to conduct a simple quantitative analysis by performing an Independent sample t-test. This test was undertaken by combining the scores of qualitative and quantitative of both SASB and CNCA standards. The scores for each period, 2016 and 2017, were then compared, to identify the differences in disclosed information.

From Table 10, it can be seen that the significant level (2-tailed) value was above 0.05, at 0.61. This number signifies no significant differences between the disclosures in 2016 and 2017, both quantitatively and qualitatively, with SASB and CNCA standards. Although there was a slight increase of mean values between 2016 and 2017, no significant improvements in disclosures were identified.

5 Conclusion and Implication

5.1 Conclusion

Natural products-related industries, including mining are under greater scrutiny on their significant ecological footprints and impacts on communities. In a study by Cragg and Greenbaum (2002), the authors interviewed managers in a mining company and analyzed the perceptions of their responsibilities towards stakeholders. In regards to environmental and social welfare of the surrounding community, managers mostly think of them in a strictly business strategy, risk-adverse approaches. That is, business objectives are prioritized over ethical considerations. Therefore, it comes as no surprise when discussions with the local First Nation community had ultimately failed by generally ignoring their socioeconomic development. Meanwhile, using a game theory model, Engel, López, and Palmer (2006), analyzed the sociopolitical strategic interactions between communities and companies in the logging industry. Interestingly, they found that increasing the bargaining position of communities was found to actually enhance the community's interest to increase logging. Therefore, there is a higher need to create more awareness of the adverse effects of deforestations towards communities.

Another important study was conducted by Castro and Nielsen (2001), who investigated co-management agreements between indigenous communities, state agencies and other stakeholders in natural resource conflicts in Canada and South Asia. They found that often times, ethical ecology management is astoundingly complex and volatile, that it often fails to be delivered. A higher sensitivity towards communities is needed, and there needs to be a stronger partnership in utilizing local approaches with scientific approaches. In a similar vein, Veiga, Scoble, and McAllister's (2001) study in Canada also found the complicated challenges that are often found in a company's effort to create sustainable mining communities. They emphasized that companies need to increase their efforts in being acutely attuned towards the potential risks that communities face in mining operations.

Table 8 Classification for Qualitative and Quantitative Disclosures Based on CNCA in 2016

Category and Aspects	2016 Qualitative				2016 Quantitative			
	Mean	Low	Med	High	Mean	Low	Med	High
Natural Assets Disclosure								
Baseline Value of Renewable and Non-Renewable Natural Assets	1.641	0–1.67	1.68–3.33	3.34–5	1.487	0–1.33	1.34–2.67	2.68–4
Cumulative Gain/Loss of Renewable and Non-Renewable Natural Assets	0.051	0–0.67	0.68–1.33	1.34–2	0.051	0–0.67	0.68–1.33	1.34–2
Additional/Disposal or Consumption of Renewable and Non-Renewable Natural Assets	1.154	0–1.67	1.68–3.33	3.34–5	1.077	0–1.33	1.34–2.67	2.68–4
Revaluation and Adjustment of Renewable and Non-Renewable Natural Assets	0.256	0–0.67	0.68–1.33	1.34–2	0.256	0–0.67	0.68–1.33	1.34–2
Natural Liabilities Disclosure								
Legal Provision of Natural Liabilities	0.103	0–0.67	0.68–1.33	1.34–2	0.077	0–0.67	0.68–1.33	1.34–2
Other Maintenance Provisions of Natural Liabilities	1.231	0–0.67	0.68–1.33	1.34–2	1.308	0–1.33	1.34–2.67	2.68–4

Table 9 Classification for Qualitative and Quantitative Disclosures Based on CNCA in 2017

	2017				2017			
	Qualitative				Quantitative			
Category and Aspects	Mean	Low	Med	High	Mean	Low	Med	High
Natural Assets Disclosure								
Baseline Value of Renewable and Non-Renewable Natural Assets	1.641	0–1.67	1.68–3.33	3.34–5	1.462	0–1.33	1.34–2.67	2.68–4
Cumulative Gain/Loss of Renewable and Non-Renewable Natural Assets	0.051	0–0.67	0.68–1.33	1.34–2	0.077	0–0.67	0.68–1.33	1.34–2
Additional/Disposal or Consumption of Renewable and Non-Renewable Natural Assets	1.154	0–1.67	1.68–3.33	3.34–5	1.077	0–1.33	1.34–2.67	2.68–4
Revaluation and Adjustment of Renewable and Non-Renewable Natural Assets	0.256	0–0.67	0.68–1.33	1.34–2	0.410	0–1	1–2	2–3
Natural Liabilities Disclosure								
Legal Provision of Natural Liabilities	0.103	0–0.67	0.68–1.33	1.34–2	0.077	0–0.67	0.68–1.33	1.34–2
Other Maintenance Provisions of Natural Liabilities	1.231	0–0.67	0.68–1.33	1.34–2	1.308	0–1.33	1.34–2.67	2.68–4

Table 10 The Independent Sample T-test Result

	2016	2017
Mean	51.21	55.38
Variance	1404.17	1259.09
Sig (2-tailed)	0.61	

Noting a similar problem, Hodges' (1995) study examined the environmental risks in mineral-rich developing countries, and called for stronger reforms in government policies to regulate foreign mining companies.

Due to their significance, social and environmental information disclosures are very important so that stakeholders can understand what the companies have been doing. Disclosing this information is strongly suggested, either in the annual or sustainability reports.

During this study, it was discovered that sustainability reports had more social and environmental information compared to annual reports. Sustainability reporting is a potentially meaningful channel for these companies to communicate their environment and social performance achievements, even though the relationship between corporate sustainability performances and extent of disclosures are still mixed. In a study conducted by Herbohn, Walker, and Loo (2014) among Australian extractive industries, corporate sustainability performance was robustly related with disclosures, where asset ages and firm sizes contribute positively to the extent of sustainability. On the other side of the equation, Freedman and Wasley (1990) analysed the effects of pollution performances towards pollution disclosures among annual reports and 10 K reports under the SEC. They found no relations among environmental disclosures and actual environmental performances.

It is essential for companies to evolve from a "do no harm" perspective, to one that cares for the long-term development benefit. However, attitudes within the industry are often mixed. In a study by Cowell, Wehrmeyer, Argust, and Robertson (1999) the varying approaches and attitudes among primary extraction industries on non-renewable extractions were analyzed. The author categorized these views into two different perspectives. The first views the continuation of non-renewable resources extraction as a part of sustainable development. The second view posits that these extraction processes should be substantially decreased or ceases to exist altogether. Meanwhile, through a literature review, Warhurst (2001) offered a conceptual term of 'sustainability license' to bridge between the concepts of sustainable development and corporate social responsibility. The author explored various case studies of mining and energy sectors, especially those that are concerned with the partnerships of business, civil society organizations and government agencies. Management tools from these partnerships can be used as sustainability performance indicators for both sustainable development and CSR activities.

However, there is still no standardized measurement for the quality of sustainability reporting for natural products-related companies. Criticisms from civil society organizations can be one of the stronger drivers to improve sustainability reporting. Doh and Guay (2006) and their study identified the importance of

NGOs in bringing the concern of society towards unethical corporate mechanisms. Using neo-institutional and stakeholder theory to illustrate the differences between European and North America's institutional conditions, they analysed how it affects expectations of companies' responsibility towards society. They found that the differences in institutional structures and political histories between the EU and the US affect how CSR are implemented by governments and NGOs. Similarly, in providing an overview of the conceptual debate of CSR, Van Marrewijk (2003), also analyzed how the role of civil society organizations have evolved in what was once traditionally considered as a business-government partnership. NGOs have served as a catalyst of collective civilian actions to correct unethical corporate practices. However, it must be stressed that reporting practices are always evolving, and therefore, the stakeholders' concept of 'good quality report' should always be updated.

This study may conclude that there are many Indonesian natural products-related, especially in mining industries, that excludes environmental topics in both their annual and sustainability reports. This occurs even among companies that have conducted environment-related CSR activities. The results also significantly show that the quality of disclosures are considerably low, with less than 20% disclosed information, both for SASB and CNCA standards. Despite the fact that SASB and CNCA are not considered common standards for the development of annual or sustainability reports in Indonesia, the insights from these standards do demonstrate a lack of environmental information reporting. This situation may occur due to low pressures from stakeholders in regards to the disclosure of environmental information, thereby causing the lack of environmental information in companies' reports. Additionally, it may also be caused by the sensitive nature of environmental information within mining companies. If companies disclose adverse environmental impacts from their business operations, there would, understandably, be a series of negative opinions from stakeholders and public opinion alike. Furthermore, companies may also think that disclosing information more than the requirements of environmental regulations may not be so necessary. All mining companies in Indonesia, in fact, have the obligation to submit a report of their environmental activities to related government agencies. For instance, companies are obliged to report their waste management system to local governments every three months. Hence, mining companies may deem this kind of reporting sufficient to fulfill regulation purposes, and therefore, any disclosures beyond this scope as unnecessary or a case of 'over-reporting'.

Other than this, mining companies in Indonesia are required to participate in environmental evaluation processes every year, held by the Environment and Forestry Ministry. This rating evaluation is conducted based on a colour-coded evaluation system. The colours black, red, blue, green and gold are used to represent the kind of results companies may produce. A blue-coloured rating signifies that companies are fulfilling the minimum set of obligations and are exempt from receiving penalties. A green-coloured rating means that companies demonstrate a considerably positive achievement in maintaining their environmental conditions. Meanwhile, a gold-coloured rating exhibits the highest level of rating, where companies demonstrate the best environmental conditions, along with positive communities' activities.

Other finding shows that the number of disclosures; seem to increase from 2016 to 2017. This result is in line with the increasing trends of global concerns towards environmental issues. A substantial amount of economic world forums has vocalised their concerns on the impact of environmental risks towards economic performances, even stating how it serves as the biggest risk to economic performances in current times. It is expected that this rising awareness of environmental issues will continue to rise, and may result in more environmental information being disclosed in both annual and sustainability reports, not only for mining or natural-related industries, but also for other types of industries.

5.2 Implications

The role of government will be significantly needed to influence companies to conduct ethical business practices in regards to environmental protection, not only for mining companies, but also other types of industries.

One recommendation for governments to pursue is to apply the 'carrot and stick' approach clearly an firmly, in the form of awards and penalties. This is especially important for developing countries such as Indonesia, where law enforcements can be lacking. Another recommendation would be in the form of developing standards beside the SASB and CNCA, catered specifically towards the country's needs. Developing local environmental or sustainability reporting standards can be a great solution to influence the extent of sustainability practices in companies. And since there is always gap between the real business activities and the extent of reporting, governments should also benefit from performing observations and trainings. Different governmental ministries and agencies should also form a cohesive umbrella unit in synergy to support each other in promoting sustainable business, for example by encompassing the ministry of environment, ministry of social affairs, to financial ministry. Additionally, other civil society organizations should be united to strengthen this collaboration.

To improve the quality of sustainability reporting in natural products-related industries, it is necessary for these companies to consider referring to guidelines. Attitudes around corporate sustainability responsibility cast several doubts, however. Fonseca, McAllister and Fitzpatrick (2014) analyzed the changes that need to be implemented in GRI-based frameworks for mining corporations, to alleviate society's concern towards the looming environmental disasters. A qualitative research was conducted based on semi-structured interviews and literature reviews. Unfortunately, intentions of transformative and meaningful changes of corporate responsibility towards sustainability were found to be scarce. However, an effective solution can be further found by developing natural capital accounting. Dickie and Neupauer (2019) have brought forth the effectiveness of natural capital accounting in environmental management, through different forms of environmental, ecosystem and natural capital accounting. Used widely, it can be useful to accurately measure disclosures reporting, improve benchmark among industries, and thus, encourage the industry to place a greater concern on environmental topics disclosures.

The benefit of reporting should also be considered by companies, in particular to attract investors. Information needed by the investors or any other related stakeholders should be provided by companies to gain more trust and credibility.

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Corporate Social Responsibility in Japan

Responsible Business in a Changing Japan

Shūichi Suzuki, Hiroshi Sasaki, and Scott Davis

Abstract After years of economic stagnation, Japan is currently experiencing what may be its longest period of economic expansion in the post war era. However, the impact of this economic growth is unlike that of previous periods. Despite record corporate profits and dividend payments, the level of average wage income has not grown, and increasing taxes and prices have caused household buying power to decline. Faced with corporations offshoring jobs to save costs, a polarization in living standards, and a mood of anxiety regarding the future, the role, responsibility and social expectations of business has become the subject of heated debate. This chapter will examine three concepts—responsibility, accountability and resilience—that are being reconceptualized in the course of this debate, and four major initiatives undertaken by government and industrial associations that characterize efforts being made to reframe the social expectation of firms and redefine what it means to be a responsible business in Japan.

Keywords Abenomics · Japan 2.0 Initiative · Japan Association of Corporate Executives · Japan Business Federation · Japanese style management · Resilience · Society 5.0 Initiative

1 Introduction

We are writing this chapter during a particularly meaningful period in Japan's history. Having reigned for 30 years the current Emperor is—unusually for modern times—abdicating the throne in favour of his eldest son. Since Japan maintains an ancient practice of counting years from the commencement of an Emperor's reign, 2019 is thus the 30th and final year of the *Heisei* period which commenced in 1989. Abdication allows for a planned succession but also for remembrances and

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reflections on the past. The final years of Heisei have witnessed many reviews and evaluations of the past decades and aspirations for the decades to come.

The social role and responsibility of business (CSR) has featured in many of these reviews and plans. The more recent initiatives analysed in this chapter have been formulated amidst this prevailing public mood of closure and renewal. The effect being a tendency for public statements and policies to assume the long-term perspectives and levels of critical self-reflection which usually characterize periods immediately following significant social change or upheaval. This chapter will briefly introduce a number of trends that underlie the current reconsideration of the social responsibility of business in Japan and present a survey of several of the key initiatives implemented by government and business organisations that are in our opinion are most characteristic of this process of reflection and renewal.

2 Forces of Change

2.1 Japan Since 2008

Yoshimitsu Kobayashi, the Chairman and Representative Director of the Keizai Dōyūkai (the Japan Association of Corporate Executives), has recently urged Japan to face up to the reality of the "defeats" and "setbacks" that have defined the Heisei period (Kobayashi, 2019). Kobayashi maintains that a "deflationary mindset" has led Japanese industry to forego growth opportunities presented by new waves of technology—the internet, IT and, more recently, virtual technologies—and yield industrial leadership positions to China and the United States. For Kobayashi the fact that a survey conducted in the Summer of 2018 by the Cabinet Office showed that 74.7% of Japanese people were satisfied with their lives was a sign of something wrong: "people who are trying seriously to accomplish something are constantly hungering and never really satisfied" (Kobayashi, 2019, p. 98). Kobayashi's sentiments were echoed by the Keizai Dōyūkai (2019).

Japan's industrial structure has shown considerable change over time. The domestic economy has shifted from one previously supported by the manufacturing sector to one wherein the largest share of added value comes from the service sector. Seeking lower operating costs—particularly labour costs—Japan's manufacturing firms have a long history of shifting labour-intensive operations overseas. Within the last decade however, higher value-added functions such as research and development have also been relocated to overseas facilities. The development and application of information technology which facilitates the global management of supply chains has contributed to this trend and, at the same time, also enabled corporations to outsource information management and programming operations overseas. Today there remains only one Japanese firm listed among the world's top fifty corporations in terms of market capitalization. The reasons cited for this vary but one widely expressed view is that industry in Japan has been slow to invest in research and development in information technology—including financial technology (FinTech) and artificial intelligence—and that the government has been slow to implement deregulation in order to enable firms to compete. A feeling of lost opportunities lingers in the public mind even after the "lost 20 years" from 1992 to 2012 (Fukao, 2013) and the impact of the Lehman Shock in late 2008. The downturn following the Lehman Shock was marked by a stock market crash, a collapse in real estate valuations, and a credit crunch as banks stopped extending new loans to business and individuals. Households responded by increasing savings and cutting spending. Bankruptcies exceeded the establishment rate for new firms and Japan is said to have lost more than one million firms during this period.

The government announced in January 2019 that the Japanese economy had grown continuously since December 2012. Lasting 74 consecutive months, this may well be the longest period of economic growth experienced by Japan in the post-war period to date. However, unlike the previous three post-war economic expansions (the *Izanagi* period: 1965–1970, *Asset Bubble* period: and the 1980–1992, *Izanami* period: 2002–2008) the actual average rate of economic growth is lower than those preceding it. The current economic expansion has been supported by exports, a weak yen relative to the US dollar, and corporate investments in construction. The current average annual economic growth rate is around 1.2%. While this may be a recovery it is far from being a boom. Not only is the growth rate modest, its effects are being felt unevenly. During the current growth period the Nikkei stock average (Nikkei 225) has more than doubled (from ¥9527.39 in December 2012 to ¥21,425.50 in February 2019) and corporations are reporting profit levels at historical highs. By contrast however, average wages have decreased in real terms and the disposable income of households is being reduced by consumption tax and price increases. Although the economic recovery is real, the majority of the population are yet to fully feel its benefits. Japan seems to be experiencing a period of economic expansion wherein its undoubtedly strong industrial base is failing to generate substantial growth, and advances in its standard of living are failing to reach entire strata of society. As the current experience of prosperity seems to deviate increasingly from that of the past, the role, responsibility and social expectations of business have come into question.

Japan is currently confronting a range of challenging social issues that are already very well known: a shrinking population, ageing, escalating welfare expenditure, decline in rural areas, and looming costs of infrastructure renewal. All of these issues are of course increasing the awareness of prevailing definitions and implementations of responsible business in Japan. However, it is not sufficient to explain the recent developments in CSR in Japan in terms of their being a direct reaction and response to these trends. In order to fully contextualise the CSR initiatives to be introduced in the latter half of this chapter, the next three sections will present a survey of three more subtle yet equally profound developments that are altering the way that the social expectations of corporate accountability, value creation and innovation are being perceived, understood and conceptualized in terms of the boundaries of responsibility, the role of business, and the processes which constitute good business.

2.2 Employment as Responsibility: Economic Growth and the Distribution of Its Benefits

Throughout the post war period Japan's firms have operated under the social expectation that they would maintain high levels of employment and have made job creation and stable employment a priority for management. Society in Japan—including the judicial system, public opinion, labour organizations and the government—have historically tended to take a consistently harsh view of firms that have reduced their workforces. Employment in Japan has long been seen to rest on a framework of long-term employment, experience-based pay and age retirement practices and has traditionally focused upon male, full time employees.

According to the Statistics Bureau of the Ministry of Internal Affairs and Communications, Japan's unemployment rate averaged 3.0% between 1968 and 2018—fluctuating between 1.1 and 5.4% with a standard deviation of 1.26. During the last decade, due to the influence of the Lehman Shock, the unemployment rate rose to 5.1% in 2009 but fell again thereafter to 2.8% by 2018. Statistics show that the average for the period was 3.9% with a standard deviation of 0.89 thus suggesting that Japan's firms have largely met societies expectation to maintain employment.

The situation, however, has changed substantially in recent years. Recent statistics show that the labour market is changing as a result of the shrinking and ageing population. Although the numbers of male, full-time employees increased between the late 1980s until 1997, their numbers have decreased over the following years and only shown a slight increase since 2015. In contrast, the proportion of non-regular employees has increased. According to the Statistics Bureau of the Ministry of Internal Affairs and Communications, the total number of non-regular employees of 8.81 million in 1990 increased dramatically to 21.2 million (out of a total work population of 55.96 million) in 2018. The reason for the increase in non-regular employment is the growing severity of labour shortages due to the declining birthrate and the aging of the population which is prompting many firms to recruit from among the retired and elderly. According to the results of the 2018 Labour Force Survey, the proportion of non-regular employed men within the prime 35–44 years working age group between 2013 and 2018 was 9.5% compared to 53.9% for women. The level of non-regular women workers with spouses is particularly high due to women seeking employment income to supplement that of their spouse and therefore preferring only short working hours (Higuchi, 2018).

Jinno, a prominent scholar of public finance in Japan, has observed that: "Japanese-style management can be said to be a firm's assumption of the employment security and public welfare functions that were previously born by the state" (Jinno, 2010). Firms have historically assumed the responsibility of the state in providing public welfare services and employment to their own employees. This social welfare function is arguably the traditional corporate social responsibility of firms in the post war period. Jinno and Sawai (Jinno & Sawai, 2004) have argued that social systems pre-exist economic systems. Social systems being organizations where "human life is recreated" (Jinno & Sawai, 2004, p. 6) and where humans cooperate voluntarily in communities. For Jinno this pre-existing social dimension has meant that Japanese firms have traditionally also served their employees as:

> family-like pseudo-communities. Therefore, finding a job in a company is considered to be becoming a member of a corporate family, and not recognized as entering into an employment contract via the labour market. In Japan the term ‘contract employee’ does not refer to a regular employee who has signed an employment contract. This is because regular employees, even though they enter into employment contracts with their employers, do not consider their relationship to be ‘contractual’ (Jinno, 2010, p. 158).

Hamaguchi has termed this focus on maintaining the employment of regular employees as an “employment as membership contract” approach (Hamaguchi, 2011). According to Hamaguchi, this approach is in marked contrast to job-based employment systems found overseas and represents an “employment contract without a definition of job” (Hamaguchi, 2011, p. 16).

Each economic system is supported by its own unique institutions, each with their own historical path dependency (Sydow, Schreyögg, & Koch, 2009). Institutions evolve out of a history of mutual complementarity—defined by Aoki as a process of “systematic complementarity” (Aoki, 2008). By this process institutions support each other and mutually reinforce each other’s functional strengths. A systematic complementarity can be seen between membership contract employment and the innovation systems developed by Japanese firms (Aoki, 2008). For Japanese firms with their long-term, internal product development processes, the retention of engineers and skilled workers within the organization became a critically important objective. Since the work of employees under these contracts are determined over time by their employer, they tend to experience higher levels of in-house job transfer or rotation than their counterparts in firms overseas. Thus, enjoying relative protection from economic and labour market risks, workers under this approach develop strong bonds of corporate loyalty as *organizational men*, and their career incentive thus becomes that of developing firm specific skills in order to be promoted up through internal corporate hierarchies as generalist mangers.

These practices also come with long-term strategic disadvantages. Firms need to find in-house positions for workers with skills made obsolete by technological advances. Kōshiro attributes the diversification strategies implemented by Japanese manufacturing firms during the high economic growth period as attempts to create employment opportunities for the full-time employees within their existing organizations (Kōshiro, 1989, p. 292). In contrast firms overseas, by leveraging labour market liquidity and institutional complementarity in order to absorb external knowledge and human resources, are adept at innovation by the acquisition of new technologies through mergers and acquisitions.

Japan now faces a situation where its firms maintain cores of full time employed workers (mostly male) managed according to the institution of stable employment and comprehensive welfare benefits, and a growing group of non-regular employees (mostly female and the aged) employed without the assurances or rewards of stability; dependent instead upon the state. As the living conditions and future expectations of the two groups diverge, the former group’s strong identification with corporate interests contrasts markedly with the explicit trust seeking behaviour of the latter group and the attendant calls for promoting corporate transparency and accountability. The result of this is the development of a social structure of unequal, dual living standards known in Japan as the *Kakusa Shakai* (the Polarised Society) issue.

2.3 Accountability as Responsibility: Governance, Innovation and Corporate Performance

According to Aoki "firms should be managed so as to maximize the economic value generated by the enterprise as a whole in the form of the 'value of the business' (Aoki, 2010, p. 128)." The question is, however, in whose interest is this value created?

While firms overseas—particularly those headquartered in Anglo-Saxon societies—are taken to be the means for the maximization of shareholder profits, Japanese firms have traditionally been considered "corporations managed for employees" (Aoki, 2008, p. 135). Aoki defines these firms as being based upon a "corporate model with the functional objective of maximizing the gains of employees (for instance as income per employee) instead of maximizing stock prices" (Aoki, 2008).

According to Aoki (Aoki, 2010), companies under insider control—by the management of employees and their representatives—would seek to maximize benefits for current employees not those of the future. Lacking an interest in maximizing future profits, and the absence of incentives as capitalist enterprises to undertake creative innovation, firms would not allocate resources to long-term investments such as research and development. Firms would therefore cease to perform their function under capitalism as drivers of innovation, eventually leading to the exhaustion of their existing capital, knowledge and facilities. Such companies would not attract outside capital and funding, talented people and advanced knowledge, and would be increasingly disadvantaged in free market competition.

How could this be this possible in the case of a publicly traded corporation? Miyajima has recently shown that a correlation exists between the corporate governance of Japanese firms (structure of stock ownership) and their performance (as measured in Tobin's q and ROA) in terms of ownership share by "outsiders" (annuity trusts, investment trusts, individuals and foreigners) compared to "insiders" (corporations, city banks, life and non-life insurers) (Miyajima, 2017).

According to Miyajima the average percentage of shares in Japanese firms held by outsiders was 37.4% compared to 62.3% for insiders between 1990 and 1992. This prominence of insider shareholders in Japan is due to the practice of "cross-shareholding" whereby stocks are held mutually between companies, financial institutions and operating companies. This practice is designed to shield firms from external monitoring (Miyajima & Nitta, 2011) and obscure transparency (Porter & Sakakibara, 2004).

According to the Nihon Keizai Shinbun (Nihon Keizai Shinbun, 2018), 30% of the total market capitalization of the Tokyo Stock Exchange was held in cross-shareholdings in the 1990s. The effect of these of cross-shareholding relationships resulted in the creation of blocks (Japan's *corporate groups* and *main bank systems*) of firms who forfeited sound returns from their investments in other firm's shares in exchange for securing their silence as their own shareholders and thereby reduce their own exposure to calls for strategic innovation, greater returns on capital, and more robust corporate governance.

In the post Lehman shock period from 2010 to 2012, however, the ratio reversed to 67.4–32.4% and the percentage of cross-shareholdings has subsequently fallen to approximately 10% of the total market capitalization of the Tokyo Stock Exchange. Behind this reversal is the effect of the Abe cabinet's plan for economic revitalization of the economy initiated in 2012. As a part of this initiative the Tokyo Stock Exchange introduced its Corporate Governance Guideline which requires all listed companies to disclose their holdings in other corporations and explain the strategy behind each of these investments in an annual Corporate Governance Code report. After its original introduction in 2015 the Tokyo Stock Exchange revised its Corporate Governance Guideline (Corporate Governance Code) in June 2018 and strongly urged listed companies to reduce cross-shareholdings.

The markets where Japan's firms operate today are no longer the relatively closed markets of the 1980s. Markets for capital, knowledge, human resources, and goods and services are increasingly open to the world. Corporations are now experiencing the effects of a transition from being managed for employees to being managed transparently on the basis of their ability to compete in a changing world and perform in the interests of external shareholders. This transition has prompted public debate in Japan into the meaning of responsible business in terms of value creation and how this value should be measured.

2.4 Resilience as Responsibility: Effect of Holistic Approaches to Localized Experience of Natural Disasters and Resilience Building

Location strategies have been a major issue for firms in Japan since 2008. The term 'location strategy' refers to a firm's strategic choice to offshore or re-shore its operations, along with other strategic options for combining internal and external resources through building productive relationships with partners by alliances, outsourcing, and mergers and acquisitions. After the downturn of the world economy triggered by the global financial crisis in 2008 and the Great Tohoku earthquake in 2011 Japanese manufacturers were faced with a high-yen environment that undermined their competitiveness in global trade. In response many firms relocated production facilities overseas to low cost sites resulting in a phenomenon known in

Japan as *kūdōka*, or the "hollowing-out" of industry (Ministry of Economy Trade and Industry, 2012).

Even as *kūdōka* became an issue, it was quickly followed by economic recovery and the depreciation of the Japanese yen as a result of the implementation of the *Abenomics* policies from 2012**.** Since then relocation strategies have been influenced by two key factors: (1) rising payroll expenses at manufacturing bases in China prompting firms to relocate facilities to Southeast Asian countries, and by (2) considerations of building and maintaining healthy and resilient supply chains in the face of natural and man-made disasters.

Previous generations in Japan passed on the record of natural disasters in place names. Locations afflicted in the past by landslides and large floods often include words such as "snakes" or "dragons" in their names as warnings. Generations of people in Japan have thus preserved and transmitted knowledge regarding specific risks that exist in their local environment, along with the knowledge needed to identify and live with them (Nature Conservation Bureau Ministry of the Environment, 2016). The traditional response to disaster therefore was not just one of recovery, but preserving knowledge across temporal scales, maintaining holistic understanding of made environments, and ongoing resilience capacity building. In the aftermath of recent large scale natural and man-made disasters, nation-wide efforts are being organized to record, preserve and analyse the experience of disaster in modern society using advanced information technology and big data with the goal of improving, not simply restoring communities.

When the Great Tohoku earthquake, and the Kumamoto earthquake of 2016 hit the eastern and western regions of Japan respectively, the damage to supply chains in the automotive industry and several other manufacturing industries was extensive. Firms encountered considerable difficulties in relocating operations in alternative facilities—domestic or overseas—and in rebuilding and restoring supply chains. While this experience prompted some firms to intensify their offshoring strategies, many others actually reversed their offshoring strategies and relocated back to Japan as a result of their post disaster experience and their subsequent redefining of their approaches to business continuity and community.

Hiramoto has shown from analysis of the experience of recent disasters and their aftermath that they create *Bottom of the Pyramid* (BoP) business opportunities (Hiramoto & Watanabe, 2017, pp. 192–194). Hiramoto explains that a two-way flow of innovative products and services occurs between the disaster and non-disaster areas in the earthquake reconstruction process. This two-way process—what Hart refers to as a "great leap" (Hart & Christensen, 2002)—closely resembles BoP business models spanning developed and developing economies (Hiramoto & Watanabe, 2017), p. 192) in the sense that in disaster areas (1) local people need basic social services such as medical care, electronic power and safe water, (2) continuous support, (3) products and services responding to local specific needs and (4) that respect for the voluntary activities and intentions of local people in planning these business models are all essential. Uehara has called this a social-ecosystem approach and maintains that it is effective in planning and managing transformative reconstruction projects (Uehara, 2015).

Behaviour patterns during and after disasters are being analysed using big data collected from car navigation systems and smart phones and used to inform the planning and design of smarter, more resilient cities and communities. These initiatives are being strongly encouraged by both regional and national governmental agencies in projects ranging from the creation of new ecosystems for community entrepreneurship through cooperation between industry, university and local communities (Ministry of Education Culture Sports Science and Technology, 2017), and projects to develop cities as resilient ecosystems (Nature Conservation Bureau Ministry of the Environment, 2016).

These recent experiences of planning for healthy and resilient communities and cities using new processes that are sensitive to individual needs, engage stakeholders in the planning process, yet take a holistic perspective which allows for both synergies and resource efficiency are changing the way both the government and firms frame their roles and responsibilities operationally, and in turn are reshaping public expectations of them.

2.5 Japan at a Crossroads

Japan is at a crossroads—the perception of what constitutes responsible business and what is required to realise it is shifting. Japan is in the midst of a number of social, political and economic changes which are prompting a range of entities including government, industrial associations, civil society organisations, the media and corporations themselves to reconceptualise their expectations of the role and responsibility of business in society.

Concerns regarding these developments and their interpretations have shaped a number of initiatives which have redefined the conceptualization of responsible business in Japan in recent years. An overview of several of the most characteristic of these initiatives will be introduced in the next section, specifically the:

1. Society 5.0 initiative of the Japanese Government.
2. Implementation plan for the Society 5.0 initiative by the Keidanren.
3. Promotion of ESG as a measure of business performance by METI and in the second Itō Report.
4. Japan 2.0 initiative of the Keizai Dōyūkai.

Each of these initiatives, and the organizations responsible for them, while recognizing the underlying structural features of the challenges currently defining Japan both socially and economically, bring to the debate regarding the social responsibility of business their own theories and explanations of the present and proposals for a better future.

3 Part 2. Key Initiatives

Klaus Schwab, the founder of the World Economic Forum, has argued that the world has experienced four technologically determined industrial revolutions to date: (1) the steam driven production of the industrial revolution, (2) electric power enabling the age of mass production, (3) electronics and information technology facilitating the automation of production, and currently, (4) a digital revolution shaped by the:

> diffusion of... technologies and their interaction across the physical, digital and biological domains that make the fourth industrial revolution fundamentally different from previous revolutions (Schwab, 2016, pp. 11–12).

Schwab's idea of the Fourth Industrial Revolution has been particularly influential in Japan. It is not only the purported benefits of this fourth industrial revolution that have attracted attention. Schwab's and other's (Brynjolfsson & McAfee, 2014) warnings of the potential downsides of an economy shaped by digital technology have also significantly influenced both strategy and policymaking.

A key component of Schwab's conceptualization of a fourth industrial revolution is that it will require careful and collective management so that its benefits are fairly distributed, its negative externalities managed and, to ensure that it is shaped upon an awareness of the human condition and thus channelled so as to enable the realization of human potential (Schwab & Davis, 2018, p. 14). Schwab has proposed four principles to define the mindset necessary to lead the fourth industrial revolution: systems not technologies, empowering not determining, by design not by default, and values as a central issue. Schwab's contribution in identifying both the potential downside of the fourth industrial revolution being allowed to occur within the context of the existing industrial paradigm and his suggestion of the principles of engagement necessary to fully reap its benefits have been particularly influential in Japan (Schwab & Davis, 2018, pp. 14–15) and appears as a recurring theme or foundational concept in all the initiatives examined here.

Firms, either individually or as industrial associations, have traditionally assumed the primary role in promoting CSR in Japan. The Japanese government's approach to the promotion of CSR up until the early 2010s may best be described as a role of support rather than one of direct leadership (Davis, 2014, p. 45).

After the Democratic Party of Japan's general election victory in September 2009, and the subsequent proposal by the Hatoyama Cabinet of its *New Public Commons Plan* in 2010, the government's approach to CSR has shifted towards a more active stance (Davis, 2014, p. 46). Although the New Public Commons plan in itself had relatively little impact, its lasting effect can be seen in the succession of comprehensive government initiatives introduced under Prime Minister Shinzo Abe subsequent to the Liberal Democratic Party's return to power in December 2012. Since these early Abe cabinet initiatives have already been analysed in previous publications (Davis, 2016), we will focus our discussion on several of the more recent developments starting with the Japanese government's Society 5.0 initiative.

3.1 *Society 5.0*

3.1.1 Social Issue Resolution as a Source of Growth

The Cabinet Office of the Government of Japan explains Society 5.0 as being the current and fifth stage in the development of civilization. According to this interpretation, society has developed from an age of hunters and gatherers (Society 1.0), to a society based on agriculture (Society 2.0), onto an age of industrial manufacturing (Society 3.0), and into a society where the key resource is information (Society 4.0) (Cabinet Office Government of Japan, 2018b). Under this theory Society 5.0 is defined as a:

> human centred society wherein economic development and social issue resolution will be pursued simultaneously using systems based on the advanced integration of cyber and physical (real) spaces [technologies] (Cabinet Office Government of Japan, 2018b, p. 1).

The Cabinet Office's explanations of Society 5.0 are consistent in their emphasis that this national strategy is not aimed at achieving economic goals of growth *while* managing these social issues but, but towards creating opportunities for economic growth *by* the resolution of these social issues. In practical terms, Society 5.0 consists of a series of scenarios wherein Japan's considerable resources in manufacturing technology, knowledge and information are fused with advanced information technologies such as artificial intelligence, the internet of things, and blockchain technology. The government's "Growth Strategy [*Mirai Tōshi Senryaku*]" is the means to realise these scenarios. The planning process for this Growth Strategy comes under the coordination of the *Council on Investments for the Future* under the purview of the Cabinet Office. Chaired directly by the Prime Minister, the council is made up of a panel of experts drawn from industry, academia and civil society entities. The Council was first established in September 2016 (Cabinet Office Government of Japan, 2016).

The Growth Strategy Plan for 2017, which was approved by Cabinet on June 2017, introduced the initial overall scenario whereby Japan would stimulate new demand and enhanced levels of productivity needed to break out of the long-term stagnation effecting many developed nations by leveraging the advanced information technologies of the fourth industrial revolution, and achieve Society 5.0 wherein the needs of individuals would be meet and business based, integrated solutions to social and environment issues generated (Cabinet Office Government of Japan, 2017). The plan included four central goals: increasing longevity, realizing the mobility revolution, creating next generation supply chains, promoting amenable infrastructure and town planning, and promoting FinTech. In order to accomplish these goals the plan identifies three areas of value creation: (1) the establishment of institutions and processes to enable the sharing of Japan's otherwise fragmented data resources, (2) a comprehensive redesign of the nation's education and training system, (3) and the creation of a virtuous cycle between educational institutions and venture capitalists that would enable the creation of a robust platform for the development of entrepreneurs.

Also identified in the plan were three areas for government-wide reform including: (1) the creation of a "regulation sandbox" which would enable experiments in deregulation and innovative business collaboration to create added value using resources and processes otherwise restricted by legal regulation, (2) the simplification of industrial regulations and promotion of information technology systems, and (3) the strengthening of Japan's economic "earning ability" by promoting better governance and making business management more attractive to overseas and institutional investors.

The Council has recently released the *Growth Strategy 2018* plan which was approved by the cabinet on June 15, 2018. The Growth Strategy Plan for 2018 carries on the same basic format as its predecessor but introduces a new set of "flagship projects" (Cabinet Office Government of Japan, 2018a). These projects include: (1) the development of a next-generation mobility system and healthcare system, (2) innovation to promote carbon free energy production, (3) FinTech and a cashless economy, (4) promotion of digital government and next-generation infrastructure maintenance, (5) development of smart agriculture and cities, and (6) support for a productivity revolution for small and medium-sized manufacturing firms (Cabinet Office Government of Japan, 2018b, p. 4).

Among the "flagship projects" featured in the initiative are plans to develop technology to automate farming and facilitate the on-demand supply of agricultural projects in order to increase food production productivity while reducing waste incurred in distribution and retail. Another example is that of energy production and consumption—here the development of alternate energy sources that can be economized at a variety of scales and applied in accordance with localized regional needs, thus enabling energy independence, will provide reliable sources of energy while reducing emissions of greenhouse gases by closely integrating the management of supply as production in accordance with demand.

3.1.2 A New Globalism: Exporting Solutions Not Problems

As noted above, Japan is an economically advanced nation facing severe problems stemming from slow population growth, aging and maturing markets. Rather than look at these problems as structural disadvantages, the current growth strategy posits these problems as resources. By focusing its strategic growth initiatives primarily upon domestic issues, it may seem that Japan has succumbed to economic nationalism and foregone the globalism upon which its post-war economic recovery was built. Despite appearances to the contrary, the actual goal is to pursue a newly reframed approach to globalism. Specifically, Japan finds itself in a position where it has amassed advanced experience in issues that many other developed nations will be facing within the next coming years. The plan is therefore to exploit this as a first mover advantage and develop growth-based solutions to these issues which can then form a platform of services and products for export to other nations in need of them. Japan in the final stage of the Society 5.0 scenario would therefore become an exporter of solutions.

3.1.3 "New Value" Creation

The Society 5.0 initiative and the Growth Strategies presented to date, position social issues as opportunities for the development of new markets. The term used to conceptualize the objective of these processes for creating markets out of transformative solutions for social issues is "*New Value.*" A feature of this new value is that it will be created as a result of innovation processes that are designed to neither exacerbate existing, nor incur new, forms of inequality. This new value is specifically defined in accordance with a concept of distributional justice.

Many sections of the Japanese population have not benefited from economic growth in recent years. The elderly, employees of small and medium sized corporations, workers in traditional industries and people living in rural areas in particular, have not felt benefits commensurate with those living in urban areas, working in sunrise industries and members of the younger population. By focusing on social issues defined on a local and regional scale, the Society 5.0 strategy aims to replace centralized, unilateral and macro-scale solutions to social issues with decentralized, multilateral and micro-scale solutions resulted from engagement between the government, firms, local communities and specific interest groups on an ongoing and localized basis. The key themes of deregulation and marketization are designed to facilitate self-sustaining and ongoing collaborative engagements that will yield diverse solutions and resilient communities.

To date however, the society 5.0 scenario is still in its planning stage and the institutions and processes whereby this micro-scale level of engagement will be implemented are yet to be seen. The key to these engagements, however, will rest with firms as they seek new ways to define and inform their interactions with stakeholders.

3.2 Keidanren and the Society 5.0 Initiative

The Japan Business Federation (*Nihon Keizaidantai Rengōkai*, hereafter: *Keidanren*) is the representative of large employers and industry in Japan, and, through its subsidiary organization the *Council for Better Corporate Citizenship* (the CBCC), wields considerable influence in the promotion of CSR in Japan. The Keidanren was established in 1946 and by 2018 its membership included 1376 corporate executives representing the majority of Japan's leading firms and 47 regional economic associations.

The Keidanren is acting as the corporate partner of the government's Society 5.0 initiative. The Keidanren assumed the role of corporate partner to the Abe Cabinet's Society 5.0 initiative in 2016 when it formally included it as a key component of its policy platform (Nihon Keizaidantai Rengōkai, 2016). Keidanren's formulation of Society 5.0 is not, however, a carbon copy of that of the Cabinet and has been developed with remarkable speed and intensity.

3.2.1 Paradigm Change

Keidanren's conceptualization of Society 5.0 as an initiative was first articulated in 2016 with the release of a report entitled *Towards the Realisation of a New Economic Society* (Nihon Keizaidantai Rengōkai, 2016). The report defined the situation currently facing Japan as constituting a new industrial paradigm and called for radical change.

The report starts with a reiteration of Schwab's Fourth Industrial Revolution thesis and asserts that Japan, although long having been a leader in advanced technological industries, is now languishing in the midst of a wave of structural transformation that will radically change the face of industry and society. Japanese corporations compared with their overseas counterparts are said to be lagging in both the application of new smart technologies and the implementation of industrywide, government supported initiatives such as Industrie 4.0 in Germany, the Industrial Internet in the USA, e-Estonia in Estonia, and Singapore's Smart Nation Platform.

Keidanren proposes a new socio-industrial paradigm focused upon the individual that would result from firms producing new products and services which would: (1) empower diverse individuals to realize their preferred lifestyles, (2) encourage firms to enhance their productivity by digitalization and innovate in order to create new value, and (3) develop solutions for the issues facing Japan and, using the experience gained therein, develop new solution based business models to create business opportunities in global markets (Nihon Keizaidantai Rengōkai, 2016, p. 11).

The report identified four transitions required to accomplish this paradigm and characterized the process as one of "future creation" (in Japanese: Mirai Sōzō). These four transitions are shown in Table 1.

Transformation on the scope and scale proposed would not be served by the current institutional structure which was born out of the previous industrial paradigm and is not conducive to the nonlinear, disruptive transformations at the heart of the Keidanren's Society 5.0 plan. The report identifies five barriers (walls) that must first be broached in order to facilitate transformative innovation: (1) the silo structure functionally separating ministries and government organizations, (2) the legal system wherein current regulations preclude transformative innovation, (3) the organization of distinct technologies and knowledge separately by traditional disciplines or industrial definitions, (4) the mismatch of human resources in terms of areas of expertise and relevance of skill sets, and (5) the limited capacity of society to holistically debate and build inclusive consensus regarding the ethical, legal and social implications of newly emerging issues. The report marks these issues as targets for governmental reform.

The report makes seven proposals for the implementation of Society 5.0: (1) the establishment of "non-competitive" areas wherein cooperation between domestic and foreign owned firms can take place within Japan, (2) establishment of joint research involving industry, government and academia to develop scenarios for future society, (3) establish cooperative industrial ecosystems that include start-ups

Table 1 Keidanren's Society 5.0 transformation

Current social situation	Social situation reframed as future creation
Population shrinkage and declining industrial competitivity	**Smart society:** Smart society wherein prosperity is decoupled from population growth by: smart industry technology, workstyle reform, smart mobility, and smart consumption.
Advanced aged male dominated society	**Inclusive and individualized society.** Inclusive society where personalized and advanced medicine promotes individual wellbeing, robotically augmented motility and care, data empowered welfare management systems and, digitally mediated child care provision markets.
Constant threat of natural disasters and ageing infrastructure	**Physical and cyber secure society.** Real time monitoring of disasters and risks and AI based disaster navigation systems tailored to individual needs. Deploy sensor technology to monitor human needs and coordinate services. AI powered analysis of multi-sourced data to predict and monitor risks. Hardening of advanced info-structure with block-chain based cyber security.
Environmental damage, resource and water shortage	**Problem solving society.** Promotion of energy consumption efficiency by AI enabled management of renewable energy sources. Creation of massive smart grid to optimize lifeline service provision. Decouple living standards from material use by promoting intelligent sharing systems and infrastructure.

Source: Based on Nihon Keizaidantai Rengōkai (2016)

and small and medium-sized enterprises that can collaborate on future society projects, (4) promote standardization to facilitate the opening up and expansion of market opportunities, (5) promote the development of advanced human resources regardless of gender and nationality, (6) promote organizational reforms among corporations to facilitate the diversification of human resources and their integration as individuals and firms, and (7) promote work style reforms to facilitate job mobility and flexibility in work environments (Nihon Keizaidantai Rengōkai, 2016, pp. 30–35).

Almost 1 year later in early 2017 the Keidanren announced an action plan for the *Reconstruction of Japan through the Realization of Society 5.0* (Nihon Keizaidantai Rengōkai, 2017c). The plan consisted of collaboration between government and industry to prepare the foundations for the smart society proposed in the 2016 report. The plan identified five areas (cities, regions, product experiences and services, infrastructure, and cyberspace) wherein a series of innovations would be implemented.

In the cities networks of sensors feeding into shared information databases would be monitored by artificial intelligence (AI) to allow for the optimized coordination of traffic flow and product distribution, data analysis to enable the study and facilitation of highly personalised care for the aged, mobility, and closed-loop energy cycles to improve the quality of life, and the strengthening of the governance of individual regions so as to allow clear demarcations of authority and responsibility and to promote the openness (capacity to accommodate diversity) of society.

Projects for rural areas would include the adoption of intelligent technologies such as satellite monitoring and self-driving smart agricultural equipment to decouple farm production from its current intensive labour requirements thus freeing people in the primary industry sector to enjoy more freedom over their time and lifestyles. Self-driving vehicles and robotics would facilitate easier access to better care for the rural elderly and create challenging career development opportunities for the young. The use of efficient small-scale energy management systems that balance supply and demand with flexible technologies such as fuel cells and plug-in hybrid vehicles would increase the reliability of energy supplies and low-density population areas while reducing costs and environmental impact.

The area of product experiences and services (in Japanese: *Mono* [things or commodities], *Koto* [meaningful products or solutions] and *Service*) would see the introduction of production platforms where firms would cooperate in new ecosystems where new models of value chains, profit distribution, system optimization experiments could be conducted. Technological best practices from among small and medium to large corporations would be shared in collaborative training programs in fields that would contribute to the mastery of production using advanced technologies.

Infrastructure plans include introducing building and construction information modelling systems in accord with international standards in order to promote the use of advanced applications and hardware such as robotics in the construction and maintenance of buildings. The promotion of asset management technology where AI-based infrastructure data would be analysed to inform maintenance and future construction. Virtual infrastructure to augment the physical and thereby strengthen the resilience of urban systems in times of natural and other disasters.

The cyber area plans would involve creating a framework wherein data can be accessed in a shared yet secure environment thus enabling firms to access Japan's considerable information resources which are otherwise fragmented and isolated in the current uncoordinated information environment.

While the 2017 plan restates the need to overcome the five barriers to innovation raised in the 2016 report, it augments these calls with a battery of concrete plans by which these problems can be overcome and reconfigured into value creating processes. The Keidanren is emphasizing the development of an "*ecosystem approach* to the Society 5.0 opportunities" (Nihon Keizaidantai Rengōkai, 2018a) that encompasses not only its own member firms, but also small to medium sized firms, educational and research institutions, cosmopolitan and rural communities, and government agencies both central and regional.

3.2.2 Innovation and the SDGs: Promoting Unique Contributions to Standardized Goals

The Keidanren's implementation of the Society 5.0 initiative diverges from that of the Abe Cabinet on two points: the inclusion of the United Nations Development Programme's (UNDP) SDGs initiative and its emphasis on transformative innovation for the creation of New Value.

The extent of the Keidanren's commitment to the SDGs initiative distinguishes it from the Abe Cabinet's version of Society 5.0. The Keidanren has closely aligned itself with the SDGs to a degree remarkable in both its speed and intensity. Starting in 2017 the Keidanren released a series of reports and proposals which increasingly integrated the SDGs into its policies and initiatives. These announcements include: a Vision of Society 5.0 directly linked to achievement of the SDG goals (Nihon Keizaidantai Rengōkai, 2017d), a series of reports including: "*Creating New Value through the 'Three Business Principles for the Realisation of Society 5.0'*" in May 15 2018 (Nihon Keizaidantai Rengōkai, 2018b), the Keidanren's annual policy platform for 2018 "*Towards a 600 Trillion Yen Economy: Promoting Society 5.0*" in May 31, 2018 (Nihon Keizaidantai Rengōkai, 2018e), a case collection of corporate initiatives being implemented under the Keidanren coordination entitled "*Innovation for SDGs: Road to Society 5.0*" in July 2018 (Nihon Keizaidantai Rengōkai, 2018c), and a report entitled "*Society 5.0: Creating the Future Together*" in November 13 2018 (Nihon Keizaidantai Rengōkai, 2018d).

The Keidanren also directly signed a memorandum of understanding between the United Nations Development Programme (UNDP) in November 2018 to promote seed level corporate initiatives to realize the SDGs, develop tools to measure SDG achievement, and promote awareness and understanding of the SDGs throughout business in Japan, and announced a Joint Declaration of 20 international industrial associations entitled "*B20 Tokyo Summit Joint Declaration: Society 5.0 for SDGs*" which it hosted in March 15 2019 (Nihon Keizaidantai Rengōkai, 2019).

The Keidanren also revised its Charter of Corporate Behaviour in November 2017 under the title "Delivering on the SDGs through the Realization of Society 5.0" (Nihon Keizaidantai Rengōkai, 2017a) in order to explicitly incorporate the SDGs (Nihon Keizaidantai Rengōkai, 2017b). The revised charter identified the pursuit of the UN's SDGs as being in alignment with the effort to realize Society 5.0 as stated in the charter:

> In light of these developments, Keidanren is aiming for the realization of Society 5.0, a future society in which IoT, AI, robots, and other innovative technologies will be used to maximum effect for the optimization of individual lives and of society as a whole. In this future society, economic growth will become consistent with solutions to global and local challenges such as health and medical care, agriculture and food, the environment and climate change, energy, safety and disaster prevention, human and gender equality, and a society will be realized in which each and every individual can lead a comfortable life that is full of vitality. The creation of such a society is also in line with the principles of the SDGs of the United Nations. To this end, Keidanren will revise its Charter of Corporate Behaviour with the primary aim of proactively delivering on the SDGs through the realization of Society 5.0 (Nihon Keizaidantai Rengōkai, 2017a, p. 2).

By incorporating the SDGs the Keidanren is in fact assuming a triple bottom line approach—the difficulties of which are not to be underestimated. Elkington, in proposing the triple bottom line (TBL) concept, was urging firms to pursue "economic prosperity, environmental quality, and—the element which business has tended to overlook—social justice" (Elkington, 1997, p. 2). However, 25 years later in 2018 Elkington cautioned that TBL innovation and deployment still lacks in pace and scale (Elkington, 2018). Integrating the creation of economic, environmental and social value is difficult and easily succumbs to trade-offs in business operations including those occurring between economic and ecological goals (Beckmann, Hielscher, & Pies, 2014; Ketola, 1997; Stubbs & Cocklin, 2008), cost and benefit (Dixon-Fowler, Slater, Johnson, Ellstrand, & Romi, 2013; Panapanaan, Bruce, Virkki-Hatakka, & Linnanen, 2016), corporate social responsibility and core business activities (Guiral, 2012), alternate ecological solutions (Chertow & Miyata, 2011; Wolff, 1998), and between the needs of different stakeholders (Dyllick & Hockerts, 2002).

3.2.3 Innovation for New Value

The second, and arguably the most profound revision to the charter, was the inclusion of a renewed emphasis on the role and responsibility of firms as innovators as expressed in the revision to the first principle:

> The role of a corporation is to take the lead in the realization of a sustainable society by creating added value that will benefit society and generating employment, through autonomous and responsible behaviour, on the basis of fair and free competition. To this end, regardless of its location, a corporation is expected to comply with the letter and spirit of relevant laws and regulations and international rules and to fulfil their social responsibility with a strong sense of ethical values, by acting in line with the following ten principles:
> 1. (Sustainable economic growth and the resolution of social issues) Develop and provide socially beneficial and safe goods and services through innovation, and strive for sustainable economic growth and the resolution of social issues (Nihon Keizaidantai Rengōkai, 2017a, p. 2).

This interpretation of innovation was further elaborated upon in the report "*Creating New Value through the 'Three Business Principles for the Realisation of Society 5.0'*" released in May 2018 (Nihon Keizaidantai Rengōkai, 2018b). This report is of particular significance to a discussion of the Keidanren's contribution to CSR in that it best characterizes the most recent approach of the Keidanren towards the social role and responsibilities of firms and business holistically in terms of three principles. The Keidanren explains these principles as follows:

> In order to realize Society 5.0, it is important to implement business by first designing a holistic business model by identifying the SDGs wherein a firm's technological capabilities may be applied and the form of market creation that will best enable sustainable business growth. It is therefore necessary to first create a transformational business model (Principal One). Following which it is necessary to consistently create new knowledge through the development of superior products and services (Principal Two). Moreover, in order to create new markets founded on the creation of transformational products and services through

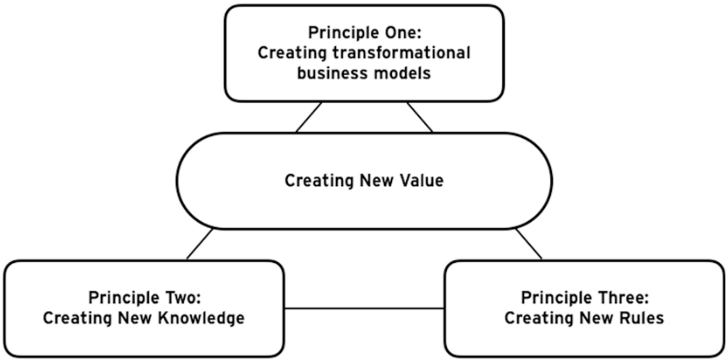

Fig. 1 Three principles for the achievement of society 5.0. Source: Nihon Keizaidantai Rengōkai (2018b, p. 3).

> business, it is essential to apply a social issue resolution approach and create rules which contribute to the enhancement of international competitivity (Principal Three) (Nihon Keizaidantai Rengōkai, 2018b, p. 3).

These three principles are interconnected and integrated through the function of new value creation as shown in Fig. 1.

These three forms of creation—business model, knowledge, and rules—have been proposed by Keidanren as the basic framework upon which innovation will be linked to the production of *New Value*, by the implementation of innovative business models to transform social issues into business opportunities, and reconceptualize the social responsibility of business away from the amelioration of negative externalities and instead towards the planning, implementation and evaluation of business in terms of its ability to create, sustain and share prosperity.

By combining the globally standardized SDGs framework with its own definition of innovation for New Value, the Keidanren is in effect making its Society 5.0 initiative into a rapid process of transformation—not just for business in Japan—but also for itself as an institution.

3.3 METI and Japan's CSR

The Ministry of Economy Trade and Industry (METI) has long been a driving force behind the promotion of CSR in Japan and was one of its first major proponents. METI has been pursuing reforms in the responsibility, accountability and governance of firms in Japan for many years. The key question for METI recently has been how to evaluate firms engaged in Society 5.0 strategies aimed at long term transformation in order to secure them the capital investments necessary for their operations?

This is the theme of what are widely known as the METI's two Itō Reports. The Itō Reports are the result of two initiatives by METI originally established as part of the Abenomics economic revitalization policy and now part of the Society 5.0 initiative — the *Project for Competitiveness and Incentives for Sustainable Growth: Building Favourable Relationships between Companies and Investors* and the *Study Group on Long-term Investment (Investment evaluating ESG Factors and Intangible Assets) toward Sustainable Growth*.

The message of the first Itō Report was both straightforward and subtle. Its impact was due to its straightforward call for Japan's firms to meet an annual capital performance goal of 8% ROE. Its subtlety was in its calling for ongoing shareholder dialogue and recognition of the socially-contexted definition of added value as the framework within which to accomplish this performance goal(Davis, 2016). The second Itō Report focused on a closely related issue—the apparent disconnect between capital productivity measures of business performance such as ROE and measures of socially contexted long-term value such as ESG. The report indicates that the Fourth Industrial Revolution has significantly changed the way companies compete, and that the importance of strategic investment in intangible assets is therefore increasing as a source of competitiveness. The source of the earning capacity of firms competing in world markets is shifting away from investments in tangible assets such as facilities and equipment and shifting towards investments in intangible assets such as human resources, technology, and brands which are relatively difficult to measure.

The returns of investments in tangible assets are readily measured on the short to medium term using such indicators such as ROE. These indicators are of importance to investors concerned with effective corporate governance and performance. However, long-term institutional investors are also increasingly employing ESG based evaluation performance indicators to guide their investment decisions making it important for firms to be able to explain the long-term social significance and responsibility of their business models.

3.3.1 ESG and Intangible Capitals

Business models designed to create New Value by providing transformational solutions to structural social and environmental issues are will require higher investments in social and relationship and human capital. According to the Itō Report 2:

> In order to create innovation and increase corporate value, rather than increasing their volume of tangible assets such as facilities and equipment, it is becoming more important for firms to secure and invest in 'human capital' including managerial personnel, intellectual capital such as technology and intellectual property, and intangible assets such as brands (Itō, 2017, p. 10).

The Itō Report 2 employs the International Integrated Reporting Council's definition of six capitals: (1) Financial, (2) Manufactured, (3) Intellectual, (4) Social and Relationship, (5) Human, and (6) Natural capital (International Integrated Reporting Council, 2013, p. 6). The Itō Report contends that firms will not be able to sustain long term investments in intangible assets such as social and relationship and human capital which currently tend to be treated as costs where short-term profitability is prioritized (Itō, 2017, p. 17).

3.3.2 Significance of Emphasizing Both ROE and ESG

The Itō Report 2 explains that the significance of pursuing both ROE and ESG goals simultaneously lies in the fact that taken individually neither measures are reliable indicators of long-term value creation. For Itō, overemphasizing one indicator over the other is unwise. ESG performance can be used as a 'cloak' to conceal poor economic performance and for management to claim an unfounded legitimacy. Conversely a strong ROE does not necessarily have to be built upon strong relationships of trust with stakeholders (Ito, 2019, p. 15) and may conceal serious long-term negative issues.

Itō similarly maintains that taking these two indicators as being mutually exclusive is short-sighted. According to Itō:

> Needless to say, more resources should be allocated to firms with higher capital efficiency. However, firms cannot grow over the long term without the trust of their stakeholders and society. Integrity and ethics are required of managers and firms. High quality ROE and ESG performance should therefore be compatible, and in that sense their 'integration' is essential. Based on this idea, I have proposed the concept of "ROESG" as a consolidated indicator of performance. The point is that we must move away from the position the two indicators are mutually exclusive (Ito, 2019, p. 15).

3.3.3 Strategic Stories of the Integration of ROE and ESG Performance

Firms investing in business models designed upon Society 5.0 based strategies risk incurring a disadvantage in attracting investment in capital markets primarily concerned with certain, short-term gains. The Itō Report 2 is addressing this issue by attempting to align performance in terms of both economic returns and social wellbeing. This difficulty to quantify ESG as a performance indicator is a product of a lack of understanding of the process of value creation and its particular meaning for specific stakeholders. Itō emphasizes the importance of firms making viable growth stories out of their business models whereby they strategically integrate both tangible and intangible assets to create value. Itō states that:

> from now on, integration of financial and non-financial information and tangible and intangible assets will be required. The 'Value Co-creation Guidance' is a guide for making it a story, and I hope that it will evolve as a common language for business owners and investors (Ministry of Economy Trade and Industry, 2018, p. 30)

To date the second Itō Report has not enjoyed the same traction as the first, primarily due to its lack of a quantifiable indicator of long-term business performance for firms operating in the markets of the Fourth Industrial Revolution. By employing the SDGs as a quantifiable indicator for ESG performance this shortcoming is seemingly surmounted. However, there is no assurance that the specific SDG goals will align with the objectives identified as the Society 5.0 plans progress and the *New Value* concept is developed further. The question of how to quantify and measure New Value has yet to be answered, but the fact that the question is being asked and widely discussed in Japan is another significant achievement of the Itō Reports.

3.4 Japan 2.0: Keizai Dōyūkai

3.4.1 About the DK

Another important institution in the CSR field in Japan is the Keizai Dōyūkai (the Japan Association of Corporate Executives). As an independent organization of individual (as in not representing their own respective firms) business people, the Keizai Dōyūkai occupies a unique position in Japan's discourse on CSR and its proposals tend to serve the role of a highly influential alternate diagnosis for corporate Japan. The Keizai Dōyūkai has a long and rich tradition of expressing often very provocative proposals for challenging and redefining the social role and responsibility of corporations in Japan. Davis has presented an analysis of this history up until 2006 (Davis, 2013) and from the years 2009 to 2013 (Davis, 2014). The Keizai Dōyūkai is again at the forefront of discussions on the social role and responsibilities of business having proposed its own vision for the future in the form of its Japan 2.0 initiative.

At his inaugural address as the incoming chair of the Keizai Dōyūkai in April 27, 2015, Yoshimitsu Kobayashi declared that Japan had entered a borderless age wherein the forces of "globalization, informatization and socialization" were changing both the world and Japan. Kobayashi characterized globalization as a force for diversity, informatization (later to be renamed *digitalization*) as the transcendence of barriers of time, space and language by the application of information technology, and socialization as the ongoing and increasing exposure and interaction of firms with other social entities (Kobayashi, 2015).

Speaking of the importance to society of "goods that cannot be purchased with money," Kobayashi spoke of the importance of creating and maintaining constructive relationships with stakeholders in order for firms to create value for society (Kobayashi, 2015, p. 6). For Kobayashi, in order for firms to survive in this new age:

> it is essential that they contribute to the development of society and win the support of stakeholders. This goal is compatible with the tradition of Japanese management as embodied in the principle of *Sampō Yoshi* but will require debate on a fundamental level [italics added] (Kobayashi, 2015, p. 6).

Kobayashi explained the role of the Keizai Dōyūkai as serving as a forum wherein business people can discuss fundamental issues and long-term plans for reform without concern for their own specific firms and industries (Kobayashi, 2015, p. 6).

3.4.2 Japan 2.0 and Responsible Business

The Keizai Dōyūkai officially announced its Japan 2.0 initiative on November 21st, 2016 to mark the 70th anniversary of its establishment (Kobayashi, 2015). The Japan 2.0 initiative was proposed by the Keizai Dōyūkai as a reassessment of the social role of business, a reconsideration of the post-war paradigm which equated social with economic development, and the reaffirmation of the traditional values of Japanese business in the current age of globalization.

The Keizai Dōyūkai takes the position that globalization can be the means by which the utilization of people, goods, capital, and information as resources can be optimized for the development of human well-being. However, as the integration of economies and markets proceeds, it is essential that frameworks and institutions be developed to manage problems such as climate change, energy security, pandemic, terrorism, and conflict on a global scale. It is important that the opponents of globalization be made to see the contributions of globalization for the promotion of human well-being (Keizai Dōyūkai, 2016c, p. 4).

Japan has been slow to respond to the social discord which has developed as a result of globalization and technological innovation. Specifically, despite the importance of globalization and information technology, Japanese companies are still unable to fully utilize human resources from around the globe or, take full advantage of developments in information technology and leverage their considerable strengths in manufacturing. (Keizai Dōyūkai, 2016c, p. 4). Looking at the structural cause for this inability, the Society 2.0 plan states that:

> Fundamental to these problems are the social structures that restrict the development of individuals who can challenge threats and preconceptions due to the inadequacy of corporate efforts to develop the institutions and processes necessary to attract talent, the false comfort of hierarchical organizations, and the slowing down of corporate action and decision making. Furthermore, because there are few formal channels for collaboration across organizations and functions, strategies and operations tend to be suboptimal, and it has not been possible to provide a complete picture of state and corporate management (Keizai Dōyūkai, 2016c, p. 4).

3.4.3 Japan 2.0 as a Holistic Response to Lost Opportunities

As an association of business leaders established to debate the current and future needs of the Japanese economy outside the bounds of their own specific interests, the Keizai Dōyūkai has long placed great importance on an objective and holistic approach to conceptualizing and confronting social problems. This has led them to release numerous survey results and policy proposals in the past that were seriously critical of prevailing situations and the practices that they were attributed to. However, the most remarkable characteristic of the Keizai Dōyūkai's recent statements regarding the social responsibility of business is the degree of critical self-reflection regarding the rights and obligations of firms upon which it is based. The Keizai Dōyūkai equates the global agenda issues of climate change, resource depletion, and food supply with the Japanese domestic issues of population decline, fiscal debt, and income disparities as the key issues for reinvigorating economic growth (Keizai Dōyūkai, 2016b).

The Keizai Dōyūkai's interpretation of the future facing Japan is this: the declining birth-rate combined with an aging society places an increased burden to finance social welfare on the young working population while reducing the benefits accrued by retirees due to the need to control costs. The resulting anxiety regarding the future has the effect of reducing household consumption thus causing the economy to stagnate and contract thereby further exacerbating the fiscal burden (Keizai Dōyūkai, 2016b). The Keizai Dōyūkai adds another dimension of loss to the *lost decades* when it states that inaction over the past decades have resulted in opportunities lost to develop the policies and institutions needed to manage the effects of population decline, increasing social security costs, and their attendant impact upon national finances.

Japan 2.0 is the Keizai Dōyūkai's call on business leaders and politicians to approach these problems not from ideological positions but from the perspective of optimization. This concept of optimization (social optimization) is fundamental to the Japan 2.0 initiative and consists of two themes: the need to look at problems objectively and the need to plan for their resolution holistically. Put simply, the idea of Japan 2.0 is that Japan has failed to reap the benefits of the transformative forces of globalization, digitization, and socialization due to the frictions caused by these forces for change when they are perceived and acted upon in accordance with Japan's conventional post-war systems. In short, Japan has continued in its game of catch up despite the fact that the world has changed and that in a world defined by opportunities for radical transformation there is no one left to follow. Japan 2.0 is therefore a challenge for Japan to rebuild its economic and social systems not to just address its current problems (Keizai Dōyūkai, 2016b).

The Keizai Dōyūkai defines *socialization* as the extent to which the entities comprising contemporary society interact with each other on a constant basis and, the degree to which the intensity (in terms of the degree of interaction) and scope (in terms of the diversity of entities encountered, including governmental and civil society actors as well as corporate) have both increased.

3.4.4 Japan 2.0: Planning for the "Optimal Society"

The initial planning phase for Society 2.0 was commenced in 2016 and will continue until 2020 (Keizai Dōyūkai, 2016b). The plan consists of developing an "optimal" scenario for Japan in 2045 and finalising the plans necessary for its implementation commencing from 2021. Taking the year 2045 as its reference point (the one hundredth anniversary of the conclusion of World War II and also the time by which it is estimated that artificial intelligence will "surpass the combined intelligence of all humans on earth") the Japan 2.0 initiative is designed around a backcasting planning process. The Japan 2.0 plan is designed upon the basis of three axes: social sustainability on axis-X, economic prosperity on axis-Y, and future oriented innovation on axis-Z. These three axes together contribute to a fourth axis—"national value" which is the product of the first three (Keizai Dōyūkai, 2016b).

The X-Axis. Managing for Economic Prosperity The proposals here concentrate mainly on issues of economic and fiscal policy, however, a proposal to redefine growth and how it should be measured, is particularly salient to a discussion of CSR. The Keizai Dōyūkai hinges part of its Japan 2.0 initiative on a redefinition of the concept of economic growth. Measuring the size of the economy as the sum of added value generated through economic activity fails to recognize that digitization and the growth of zero marginal cost and free services has caused a disconnection between utility and value as measured under GDP. In order to manage economic growth so that it promotes social prosperity it is therefore necessary to measure both the qualitative as well as the quantitative dimensions of value (Keizai Dōyūkai, 2016b, p. 2). Here, the Keizai Dōyūkai proposes a new indicator for measuring economic growth — the *GNI-Plus* (gross national income) (Keizai Dōyūkai, 2016b, p. 5). The GNI-plus metric is designed to measure economic value as expressed in monetary terms combined with indicators of value in terms of social sustainability, social stability, health, hygiene, life planning, childcare, and education (Keizai Dōyūkai, 2016b, pp. 5–6).

The Keizai Dōyūkai's *Beyond GDP Study Group* released a report in September 2016 detailing the logic behind this proposed GNI-Plus metric (Keizai Dōyūkai, 2016a). This new metric is similar to the Better Life Index (BLI) developed by the OECD and the Inclusive Wealth Index (IWI) developed by the United Nations University (Keizai Dōyūkai, 2016a, p. 6). In addition to GDP and GNI (Gross National Income), the GNI-Plus metric would also include: (1) Social sustainability (greenhouse gases, air and water pollutant outputs), (2) Social stability (natural disaster damage and injury, crime and, motor vehicle accidents and death rates), (3) Health, hygiene and longevity (life expectancy, medical personnel per thousand population, availability of aged care, total annual work and recreation hours, individual average residential living space), and (4) Childcare and education (preschool and day-care centre availability, childbirth and parenting leave rates, hours of education, average training time per employee by company) (Keizai Dōyūkai, 2016a, p. 6). This new metric is a long way from implementation however, the goal of the Keizai Dōyūkai in proposing this new metric is to promote debate regarding the meaning of growth and how it should be measured as shared prosperity.

The Y-Axis. Management of Forward-Looking Innovation Otherwise termed the "management of technology" this axis is defined upon the need to enhance the management of intangibles. Observing that 70% of GDP and employment in Japan comes from the service sector, the Keizai Dōyūkai emphasizes the importance of managing this "weightless economy" (Keizai Dōyūkai, 2016b, p. 6). According to the Keizai Dōyūkai:

> As an 'advanced issue nation,' Japan has only innovation to turn to as a source of solutions. In order to strengthen its industrial competitivity, contribute to the world, and support the

> prosperity of its citizens, Japan must aim to become a centre of innovation by promoting culture as well as science and technology (Keizai Dōyūkai, 2016b, p. 7).

The Keizai Dōyūkai identifies three key target areas for innovation: (1) innovation technology for the enhancement of daily life and well-being, (2) medical technology to promote health and longevity, and (3) environmental technology to promote global sustainability (Keizai Dōyūkai, 2016b, p. 7).

The Z-Axis. Management for Sustainability This axis emphasizes the management of employment and labour policies to accommodate population decline and aging, promotion of education in terms of both quality and financial access, promotion of Social Security, and management of energy security, supply and in balance with needs to protect the environment (Keizai Dōyūkai, 2016b, pp. 7–9).

3.4.5 Designing the "Optimized Society"

In December 2018 the Keizai Dōyūkai released a report entitled "Japan 2.0: Design for an Optimized Society" within which it announced its "Japan 2.0—Optimization of Society—Executives Declaration" (Keizai Dōyūkai, 2018). The declaration is comprised of ten strategic goals: (1) Maximization of corporate value, (2) Strengthening of creative innovation, (3) Promotion of opportunities for diverse individuals, (4) Promotion of inclusive social structure, (5) Formation of human resources capable of thriving under globalization, digitalization and socialization, (6) Acceleration of the digital transformation of society, (7) acceleration of corporate governance reforms and strengthening of governance of all other organizations, (8) Realization of a world wherein the benefits of prosperity can be enjoyed by all, (9) share the goals of Japan 2.0 and create the dynamics to enable the necessary transformation, and (10) maintain constant study and self-transformation (Keizai Dōyūkai, 2018, p. iv).

The Keizai Dōyūkai has recently conceptualized the goals of its Japan 2.0 as the achievement of a virtuous cycle wherein the pursuit of (1) maximization of national value contributes to (2) the enhancement of social sustainability, which in turn contributes back to synergise with the promotion of national value (Keizai Dōyūkai, 2018, p. 6). The report presents a collection of scenarios for Japan in 2045 organized according to the XYZ axes and the targets which must be met by 2020 in order for the goals in each scenario to be met.

While it is not possible to cover the entire content of these scenarios within the limited space of this chapter, it is worth noticing however, that this report defines an integral role for non-corporate stakeholders as the evaluators of goal attainment (Keizai Dōyūkai, 2018, p. 18). The report states that in order to promote and optimize the management of this transformation cycle it is necessary for stakeholders—other than what the report terms to be the solution providers—to evaluate results. The report identifies shareholders, employees, trading partners and local communities as potential evaluating stakeholders for corporate initiatives and proposes that their evaluation should be made quantitatively in terms of a cost-benefit analysis for each of the three axes — realization of economic prosperity, development of future by innovation, and the achievement of social sustainability respectively (Keizai Dōyūkai, 2018, p. 18).

4 Conclusion

The supply of statistics and information regarding CSR in Japan is plentiful. Statistical profiles and case studies illustrating the implementation of responsible business strategies abound. In this chapter we have attempted to go beyond presenting a survey wherein CSR is explained by CSR, and instead present an analysis of the changing conceptual context within which the characteristics of Japan's CSR have taken and are changing form.

As we have shown, Japan is experiencing a period of significant change. Population decline, shrinking workforces, advanced ageing, and increasing social welfare costs are among the issues that threaten to define both Japan's social and economic future. Looking, however, at the context of these trends reveals that their identification as negative issues requiring mitigation stems from the institutional lenses through which they have been identified and interpreted.

We have identified three such lenses:

1. The corporate responsibility of employment which was shaped by the expectations of a rapidly developing and changing society that have developed over time into a factor influencing the course of strategic planning and a limit on the options available for future action.
2. By prioritizing long-term growth and the strong, healthy relationships that this requires, firms have strengthened themselves to compete in markets defined by their own choice of constituents, which in time led to a redefinition of their role as innovators. Innovation to ensure stability has not served well in an age of disruptive technology.
3. Seeking to leverage their strengths in a world of changing conditions, firms have largely equated globalization with offshoring, and effectively decoupled profits from prosperity.

As a result, business practices and institutions which facilitated Japan's rapid economic development and growth in the post war years have gone from being valued as strategic advantages to being regarded as the artifacts of path dependency.

Lacking confidence in the utility of these practices of the past to link economic growth with prosperity, organizations ranging from the government to representatives of industry and executives are actively exploring the meaning of value beyond profit as *new value*, the organizational models by which issues can be transformed into opportunities by *new business principles*, and how differences in values, expectations and visions for the future, previously supposed to be liabilities for productive business planning, can be reframed by planning processes designed for *holistic optimization* into resources for constructive transformation.

As a result of these initiatives, the concept of good business in Japan is currently undergoing a process of redefinition on the following three dimensions:

1. Social issue resolution as value proposition: Responsible business is being redefined from a reactive and preventative process of problem avoidance and mitigation outside the scope of business activity, to a process of value creation which includes the resolution of social issues and problems within the scope of business model development.
2. Business ecosystem as social context: The social context of corporations is being increasingly defined in terms of business ecosystems within which the meaning of strategy, resources and organisational capabilities are redefined in terms of evolving ecosystems rather than singular, stable entities.
3. Process as an indicator of good business: Long-term trust in corporations as the stewards of economic development and future material prosperity and the attendant willingness of employees and other constituents to prioritise corporate over individual interests has given way to calls for corporations to actively earn trust on the short-term by developing and implementing managerial practices designed to promote transparency and accountability through their organisations.

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Corporate Social Responsibility in Nepal

Beset with the Syndrome of 'Who'll Bell the Cat?' as Philanthropic Views Dominate CSR Practices

Arhan Sthapit

The mind of the Superior man is conversant with righteousness; the mind of the mean man is conversant with profit
– Confucius

Abstract The chapter examines the current status of CSR practices in Nepal encompassing four critical issues: (1) awareness and perception of stakeholders (customers and employees) towards the CSR practices of firms; (2) corporate understanding and general CSR practices of Nepali firms; (3) the regulatory and government policy regime towards promoting responsible business; and (4) current status of university syllabi on CSR education.

The interface between business and society has been typical in Nepal, a relatively small (48th big country in the world), land-locked but resourceful nation situated in South Asia, with the population of 28.98 million; it is a least developed country (LDC) with developing business sector.

Based on the available CSR study, which is relatively under-researched in Nepal, the paper synthesises the findings under the four critical areas. *First*, customer awareness of CSR practices of their sellers is on gradual rise, and the buyers even make it a point to base their buying decisions on how well the firms have discharged their social responsibilities while employees perceive their employers' CSR performance as a factor to influence their work attitude, job satisfaction and commitment. *Second*, ambiguity about the CSR definition and domains is prevalent in the corporate sector, and philanthropic CSR is still dominant on all other domains. The lukewarm response of businesses to the business codes of conduct highlights the prevalence of '*who will bell the cat'* syndrome, despite high rhetoric of the business leaders.

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Third, through the new regulatory provisions, Nepal government has made a policy shift to make CSR activities mandatory rather than voluntary, as Nepal now straddles now between the voluntary and compulsory CSR regimes. *Finally*, among the eight universities in the country, Nepal Open University and Tribhuvan University have offered full-fledged, exclusive CSR modules in both bachelors and masters programmes of the Management stream while other varsities have just lagged behind. Yet, there is enough room to improve the pedagogy and develop teaching faculty.

Keywords Academia-industry linkage · Academic-industry initiatives (AII) · Business school · Capital gain tax · Caroll's CSR pyramid · Cash-cow mentality · Corporate white-washing · Corporate window-dressing · CSR education environment · CSR module · CSR regime · CSR syllabi · CSR teaching manual · CSR teaching pedagogy · Dabur Nepal · Economic CSR · Ethical CSR · Faculty of management · FNCCI Business Code of Conduct-2004 · Industrial Enterprise Act 2016 · Kathmandu University · Legal CSR · Mid-western University · National business initiative (NBI) · NBI Business Code of Conduct-2013 · NCell · Nepal Open University · Nepal Rastra Bank · Nepal · NRB circular · Philanthropic CSR · Pokhara University · Purbanchal University · Responsible business summit (RBS) · Stakeholders theory · Strategic CSR · Sustainable development goals 2016–2030 · Tribhuvan University

1 Introduction

The interface between business and society has been typical in Nepal, a relatively small (147,181 sq. km), land-locked but resourceful country situated in South Asia. Nepal—officially Federal Democratic Republic of Nepal—is located 26°26′ north – 30°26′ north latitude, and 80°03′ east – 88°15′ west longitude (CBS, 2019; NTB, 2019). The 48th big country in the world with the population of 28.98 million, Nepal is a least developed country (LDC) with developing business sector. The elevation of Nepal starts at 70 m above the sea level and ends with Mt. Everest at 8848 m on the Himalayan range. Doing business with social responsibility in Nepal has dwindled in recent decades although there was a culture among small businesses of being socially responsible in their own ways in the past. Corporate social responsibility (CSR) has, however, gained considerable attention of business leaders and public policy makers in the recent years in Nepal.

Corporate social responsibility (CSR) has been stated as "a concept whereby companies integrate social and environmental concerns in their business operations and their interaction with their stakeholders on a voluntary basis" (EC, 2001). The allure of CSR is that it intends to fulfil a firm's commitment to its consumers, employees, community, and environment (Lee, 2008). This chapter assesses stakeholders' take on CSR and current CSR practices and public policy regime *vis-à-vis* the CSR education in universities in Nepal.

1.1 Purpose of the Study

The present study on CSR practices is country-specific in nature. It has basically aimed at examining the current status of CSR practices in Nepal by encompassing the probe into four critical issues: (1) awareness and perception of stakeholders (customers and employees) towards the CSR practices of firms; (2) corporate understanding and general CSR practices of Nepali firms; (3) the regulatory and government policy regime towards promoting responsible business; and (4) current status of university syllabi on CSR education.

1.2 Cultural Prelude to CSR

Nepal—particularly the capital city of Kathmandu—is widely popular for its aboriginal Newars who have had a deep-rooted culture of serving the society and practising responsible business as they migrated to the length and breadth of the country to establish almost all indigenous markets and business centres of Nepal, even in the remote hilly areas. Newars, the predominantly business community of Nepal, account for about 5% of total population (CBS, 2011), and are known for their rich culture and history. It had been the common Newar tradition since the time immemorial in Nepal to establish a couple of caravanserais or *dharamshala*-s, as well as water-spouts in local communities from their business proceeds; it all constitutes a philanthropic initiative of business. *Dharamshala*-s (or caravanserais) are the religious rest-houses where they mean religious sanctuaries or rest-houses for pilgrims and travellers in Sanskrit and Oriental languages. In the past, business entrepreneurs and merchants also contributed to establishment and operation of Hindu temples and Buddhist shrines, monasteries, and stupas. But now, the business owners are no more limited to predominant Newar nationality people. Now, in recent decades, Nepali businesses owned by different ethnic and cultural groups have noticeably shunned the long-tradition of being responsible towards the society. To a greater extent may it be attributed to the influence of capitalistic propagation emphasising on profit-maximisation and wealth-maximisation on Nepalese businesses amid the exposure to the globalisation waves for more than half a century now.

1.3 Theoretical Bases and Assumptions

In order of examining the CSR practices from different stakeholders' perspectives in the Nepalese context, this chapter has primarily adopted the theoretical basis of CSR pyramid posited by Carroll (1991, 1999) that goes across the economic, legal, ethical and philanthropic dimensions to CSR. It has also partly followed the triple bottom line concept of Elkington (2004). In describing CSR on mandatory and voluntary lines, it has also followed the taxonomy of Jamali (2008) that identifies Economic, Legal and Ethical CSR as ‘mandatory,’ and Discretionary CSR (consisting of Strategic and Altruistic) as ‘voluntary.’

Furthermore, the present chapter has considered business ethics as an invariable and complementary component and influencer of CSR, as the firms’ business ethics and CSR are inextricably intertwined in real business practices.

2 Customer and Stakeholder Awareness and Perception Towards the CSR Practices

CSR practices of an organisation have significant impact on its reputation and resultant profitability of the organisation (Maignan & Fereel, 2001, 2004; Senthikumar, Ananth, & Arulraj, 2011). Hence, it is important for the organisation to pay attention to how stakeholders perceive and assess the CSR practices of the organisation. This section, therefore, discusses awareness and perception of such key stakeholders as customers and employees towards the CSR practices of the concerned organisations.

2.1 Customer Awareness and Perception

A study by Sthapit and Affeezah-Falak (2016) found that Nepali telecom subscribers (customers) showed a high level of awareness towards CSR practices of their service provider companies; and their awareness towards economic CSR was highest followed by Legal, Philanthropic and Ethical CSR.

Another Nepali research work by Sthapit and Sharma (2018) discovered a noticeable level of awareness among the customers of fast-moving consumer goods (FMCGs including food items and tooth products) towards the CSR activities of the companies, so that they opt for basing their buying decisions on the company’s CSR compliance to some extent. The survey on customers of FMCGs showed that their buying decisions were impacted by how they perceive the firms’ CSR activities and practices; mostly the Economic, Legal and Philanthropic CSR activities (Sthapit & Sharma, 2018). Ethical CSR of the companies made least impact on their purchasing decisions of Nepali buyers; the study revealed.

Baniya, Thapa, and Kim (2019) discovered increased consumer awareness towards responsible business practices in Nepal. Therefore, Nepali travel and tour operators (TTOs) have become increasingly and positively engaged in Corporate Social Responsibility (CSR); however, CSR engagement has not fully permeated the travel and tourism industry in Nepal as it is still considered ambiguous (Baniya et al., 2019).

It can be inferred from the past studies that the customers are increasingly aware of the firms' CSR performance and perceive it positively if the latter discharge their social responsibilities well; but a significant level of ambiguity as to what CSR is and what constitutes CSR persists.

2.2 Awareness and Perception of Employees and Managers

Concerning the employees as one of the key stakeholders in the CSR studies, Koirala and Charoensukmongkol (2018) explored the roles of corporate social responsibility (CSR) in organisational identification and commitment of employees in the banking industry of Nepal and Thailand. Using partial least squares regression their study discovered that bank employees who perceived their organisation as being actively engaged in CSR activities tended to demonstrate a higher level of organisational identification and commitment. There is positive relationship between the employee perception towards their organisation's CSR activities and their work attitudes in both Nepali and Thai banks, but the relationship tended to be weaker for Nepali employees than their Thai counterparts (Koirala & Charoensukmongkol, 2018).

In a case study of commercial bank of Nepal, Kandel (2018) found 83.33% of the employees of the studied bank as getting both satisfied and motivated in involving themselves in their bank's CSR activities. The study, however, did not specifically probe into the level of awareness of the bank employees towards its CSR practices.

Earlier, Chapagain (2008) reported that managers of commercial banks in Nepal were aware of their companies' moral duty towards different segments of society and convinced enough with the fact that CSR and profit maximisation were not the conflicting goals of the firm.

A study by Adhikari (2013) on CSR practices in commercial banks found that the main motive of the managers' involving in CSR activities was to improve "bank image and concern for society's future," rather than to respond to the pressure for complying with CSR regulations. It further revealed that bankers would associate their CSR performance more with social conduct related activities preferably by sponsoring social campaigns and involving the community, than investing in environmental protection activities. It discovered a statistically insignificant relationship existing between the bank managers' CSR motives and CSR performance; hinting at the presence and influence of some other factors than just manager's motives and willingness to make their business socially responsible.

Adhikari, Gautam, and, Chaudhary (2016) performed a qualitative study through a focus group discussion to assess CSR domains in Nepalese companies. The study discovered the philanthropic domain of CSR as largely dominant among Nepalese businesses and reported that there was a gradual shift from philanthropic to the economic domain of CSR, and some of the CSR intents were even linked to the Millennium Development Goals (MDGs) in Nepal. It is generally observed that the most common activities belonging to the philanthropic CSR in Nepal include blood donation, awareness walk and mass rally, river and road cleaning, donations to old-age homes and orphanages, and charity to victims of earthquake, floods, and landslides (Manandhar, 2015; Sthapit, 2016).

2.3 Integrated Take on Stakeholder Awareness and Perception

Studies have revealed that awareness of different stakeholders towards the CSR practices of the concerned of organisations has been on rise in Nepal. Customers in Nepal have increasingly perceived the discharging of CSR activities by the firms as a measurement of their corporate performance and as a basis of their purchasing behaviour. Likewise, employees have perceived their employers' CSR practices as a factor that would influence their work attitude and commitment. As for the managers, the philanthropic domain still prevails over other three domains of economic, legal and ethical CSR, as posited by Carroll (1991, 1999).

3 Corporate Understanding and General Practices of CSR

A review on how businesses view, comprehend and practise CSR in Nepal would churn out mixed insights and inferences. This section presents and discusses such reviews on antecedents and studies.

3.1 Corporate Understanding and Practices

Welzel's (2006) study of CSR in Nepal reported that there were no visible policies in place to enhance CSR and it was very difficult, if not impossible, to meet representatives familiar with the concept. It spoke of "lacking coherence, strategy and exchange" in case of CSR practices in Nepal and observed that there was "little pressure to exercise CSR" as very few Nepali companies were part of international supply chains. Many CSR activities started out as "philanthropy" and marketing are regarded as 'immoral' and there is, moreover, "no link" to core business activities (Welzel, 2006). Similarly, a study of 30 private sector businesses organised by UN-HABITAT in 2008 revealed that CSR was understood just as philanthropy: done after making profits, writing cheques, and after compliance with business laws, and it was primarily determined by the CEO, that too on an ad hoc basis.

Another study of CSR in 16 business enterprises carried out by Knoop (2014) notes some positives. The study states that "it is no longer possible to say that CSR does not exist in corporate Nepal." But CSR in Nepal is defined as "giving back to the community." This understanding of CSR means that businesses are undertaking activities with limited engagement, although the trend seems to be turning. Giving is an "unspoken moral obligation" felt by corporations, although (in some cases) image branding and trust building are also motivators (Knoop, 2014).

Likewise, Bajracharya, Chalise, Ghimre, Tamang, and Baral (2013) studied the status of institutionalisation of CSR in Nepali firms and Sthapit (2015) dealt with the international business dimensions to the CSR activities. They reported that the CSR awareness and institutionalisation of CSR in both multinational companies and domestic Nepali companies is just gradual and yet to be adequately expanded.

Carroll (1977, 1991, 1999) posited a four-domain pyramid of CSR comprising *Legal, Ethical, Economic* and *Philanthropic* social responsibilities that the businesses should discharge. But the concept and practices of CSR in Nepal have not developed beyond some basic philanthropic or charity activities that too are performed at the times of disasters like earthquakes and floods (Sthapit, 2016). In this context, a study by Upadhyay-Dhungel and Dhungel (2013) on Nepali commercial banks also found most of them to have been limited to philanthropic activities which they would propagate as their core CSR.

Many firms have made CSR a matter of creating media hype and glamour, while some other FMCG companies unscrupulously resort to cheating poor Nepali buyers with a bait of inflated lottery prizes that would never be delivered to the customers (Manandhar, 2015; Sthapit, 2014).

Baniya et al. (2019) argued that CSR in Nepal was deemed to be important due to customers' favourability towards organisations that implemented related activities. The study found that the tour and travel organisations which were essentially small and medium enterprises were focused on CSR implementation largely due to customers' pressure and/or demand.

However, according to a study by Parajuli, Rajbhandari, Joshi, KC and Bhandari (2019), the Nepalese corporate sector has been positively inclined towards enhancement of brand image, reputation and societal relationship by means of truthful engagement in CSR and societal entrepreneurship initiatives. The study had adopted a qualitative analysis based on a desk review of articles and news reports published in various times and took stock of various CSR activities reported in various media and interviewed a few professionals.

Earlier in 2008, Chapagain (2008) studied the management view of Nepalese bank managers on CSR and found that the moral view, which considers CSR as a moral duty of companies towards society, was much stronger than the strategic view, which held that CSR would contribute to the financial success of the company in the long run. It also discovered the top-level management of private sector commercial banks assumed a win–win relationship between CSR performance and financial performance of the company. Earlier, a study of ActionAid (2003) also reported that organisations held a moral view of CSR in Nepal.

Meanwhile, amidst the pressing need to promote awareness and dialogue among the corporate leaders and managers, and encourage socially responsible business practices, NBI took lead in organising the Responsible Business Summit (RBS) in Nepal in every 2 years since August 2014. The RBS expects to bring together hundreds of top executives, businesspeople and activists engaged in responsible business, and to motivate and facilitate businesses to integrate SDGs into mainstream business practices and also support in implementation of corporate social responsibility laws of Nepal (NBI, 2019).

3.2 Push for Code of Conduct

In Nepal, the business community first faced a severe exposure to ethical business and CSR issues when Germany's Panorama Channel reported on the use of some child labour in carpet industries in 1994 causing a massive damage to Nepal's hand-woven woollen carpet exports to the EU nations (Manandhar, 2015; Sthapit, 2015). It was followed by a series of gushing media revelations of corporate scandals involving mostly, bankers, business leaders and corporate honchos.

NCell—the largest private sector telecom and internet service provider (ISP) company with foreign investment in Nepal—was found to have attempted evasion of over NPR 40 billion (approx US$350.87 million) in capital gain taxes (CGT). The case has still been put for appeal at the upper court now. It has—to a great extent—unveiled the intention of the private sector firms. It is a matter of irony that NCell is the same organisation that had propagated organising lots of philanthropic programmes as a part of its CSR campaign, and even signed an 'integrity pact' with the Transparency International Nepal Chapter.

Furthermore, an investigation into a daylight murder of the president of Federation of Contractors Association of Nepal (FCAN) revealed nefarious links between business and crime and/or bribery (Manandhar, 2017). The same was the case with the controversial murder of Jamim Shah—the print and electronic media tycoon and owner of Channel Nepal and Space-time—in the last decade. Frequent revelations about the non-edible and adulterated 'Real' juice being sold by Dabur Nepal (a Nepali subsidiary of Dabur India Ltd) across the country add pain to the injury of people of this struggling country.

Therefore, the need for the business community to come up with a mutually agreed framework of socially responsible business practices or code of conduct has long been felt. In the international arena, there are such voluntary codes of conduct and reporting guidelines as UN Global Compact, Global Reporting Initiative (GRI), and OECD Guidelines that set standards for businesses to comply with. Back home in Nepal, the prolonged political transition (i.e., since 2007 through today) and its impact on businesses prompted Nepali business community to come out of their 'cash-cow mentality' and look for long-term, socially responsible business perspectives.

Consequently, it led to the emergence of bodies like the Corporate Ethics Forum (promoted by Federation of Nepalese Chambers of Commerce and Industry or FNCCI) and National Business Initiative (a private sector NGO). FNCCI—the umbrella body of private sector firms in Nepal—introduced an 18-point Business

Code of Conduct in 2004 to promote socially responsible business among the private sector companies in Nepal. But it just received lukewarm response. Almost after a decade, National Business Initiative (NBI) reviewed the CSR practices and business ethics and announced the NBI Business Code of Conduct in 2013 (NBI, 2015). NBI is an apolitical, non-government organisation working for promoting responsible business and peace-building, among others, in the country with active private sector initiatives (NBI, 2017a). While FNCCI's document was driven by the code to abstain from *negative behaviours*, the NBI's code emphasised on *positive behaviour* (Manandhar, 2015; Sthapit, 2017 June, 2017 Nov) towards the social responsibility and ethics.

It is observed that these codes of conduct were introduced under the mounting pressure of customers, trade unions, NGOs and government regulations. However, in execution of these codes by businesses, there is more rhetoric than action, and copious corporate white-washing and window-dressing. Hence, things have improved when it comes to the executive of CSR goals in Nepal.

4 Legal Provisions and Government Policy Regime in Promoting Responsible Business

Government policy regime to promote socially responsible business started relatively late in Nepal. It is only in the second decade of the new millennium that Nepal has ushered in a formal policy regime to promote CSR practices in the country. With the enactment of Industrial Enterprise Act 2016 and subsequently Industrial Enterprise 2020 (IEA, 2020; Pioneer Law Associates (2020), Nepal adopted a compulsory CSR regime while CSR typically associated with voluntary compliance across the world. Nepal's policy shift to make CSR activities mandatory rather than voluntary has largely come as hasty replication of the neighbouring Indian legislation without learning anything from India's implementation (Manandhar, 2017). The policy shift in Nepal can be attributed to the fact that the public and private sector awareness towards CSR has been either ambiguous or poor; and discharging and compliance of CSR expectations by the firms has been poorer or even non-existent. The recent legal push for mandatory CSR has come primarily from the devastation wrecked by the April 2015 Earthquake in Nepal (Manandhar, 2017; Sthapit, 2017 Nov).

Allocation and expending of funds for CSR activities has been made mandatory in Nepal, so that firms are legally required to spend the funds earmarked for the CSR activities. To be specific, two pieces of legislation—Industrial Enterprise Act, 2020 (earlier, Industrial Enterprise Act, 2016) and central bank Circular No. 11/073/74 dated January 25, 2017—have made legal provisions for (a) industrial firms and (b) banks and financial institutions (BFIs), respectively, in Nepal.

4.1 Industrial Enterprise Act 2020 (IEA, 2020) and Its Critique

The law (IEA, 2020) has made it mandatory for industrial enterprises to allocate at least one per cent (1 per cent) of the annual net profit for CSR activities failing which shall attract a penalty of 0.75% of the annual turnover revenue of the defaulter enterprise. According to the IEA-2020, the CSR requirement is applicable to all (1) medium industries and large industries and (2) cottage industries and small industries having annual turnover more than NPR 150 million. Earlier, Industrial Enterprise Act (IEA) implemented back in 2016 also made it mandatory for industries to earmark 1% of annual profit for CSR performance but with unclear provisions, which the new law of 2020 has rectified. The law has laid down the criteria of industries that are legally required to comply with the CSR fund allocation rule.

Thus, it has covered three types and strata of industries (MOI, 2019):

(i) Medium-scale industries having investment in fixed capital between NPR 100 million and NPR 250 million (i.e., approx. US$862,069 and US $2,155,172);
(ii) Large-scale industries having investment in fixed capital exceeding NPR 250 million (US$2,155,172); and
(iii) Cottage industries (based on traditional skills and technology, local raw materials, and resources) and small industries (having investment in fixed capital of less than NPR 10 million (approx. US$86,207) except micro and cottage industries whose annual turnover is more than NPR 150 million (approx. US $1,293,103).

For the purpose of IEA, the fixed capital is calculated on the basis of fixed assets such as land, buildings, factory, storage house, machinery, vehicles, furniture, and the like. The exchange rate of Nepalese Rupees (NPR) for a unit of US dollar is considered NPR 116 as of 4th March 2021.

The fund allocated for CSR shall be utilised in the specific sector as provided under Rule 37 of the Industrial Enterprise Regulation, 2019 (the "Regulation") by formulating annual plans and programmes (Pioneer Law Associates, 2020). The Rule 37 of the Regulation provides a number of sectors/areas or/and activities where the amount allocated for CSR shall be spent; these specific sectors include (a) natural calamities, (b) community health centres, (c) preservation of Nepalese architect, (d) culture socially backward communities, (e) community schools, (f) pollution control, (g) waste management, reforestation, (h) preservation of water resources, (i) promotion of alternative energy and environment protection, (j) campaign for the preparation and broadcasting of documentary against smoking and alcohol use, (k) rural drinking water, road, sewage and corresponding physical infrastructure for social benefits. The IEA 2020 further provides that the amount spent under CSR requirement can be deducted for the purpose of income tax. The plans and programs related to CSR shall be submitted within the end of 6 months of every financial year to the Department of Industry, the Government of Nepal. The plans formulated plans and programmes for CSR shall be implemented in co-ordination with local authorities.

In case of penalty over non-compliance with the CSR obligation, the IEA has put it flat at 0.75%; it is not clear whether the penalty varies between minor and major non-compliance cases. An industrial enterprise can be wary of facing a huge financial impact even for a miniscule, unintentional mistake concerning the CSR compliance. In particular, operators of construction companies (contractors) termed it much impractical, as 0.75% of their annual turnover is excessively huge *vis-à-vis* their scanty profit (return on sales) making the potential penalty a big atrocity for them.

Another critique of the IEA provision on CSR is that the law has not defined annual profit, and not specified whether it is the profit before tax or after tax. It has cast a spell of confusion among the industrial enterprises.

The IEA provides that the industrial enterprises spend the stipulated money in the CSR activities contained in annual plans and programmes for which prior Government approval is not required. However, it requires the enterprise to utilise the allocated CSR budget only in the "prescribed" sectors, which it is yet to specify in its Regulations.

The 'mandatory' CSR rule enshrined in the IEA has drawn flak for being impractical, as observers term it one hastily legislated by replicating the Indian law. In India, CSR is mandatory only in companies where either, (a) the net worth is over IRs 5 billion, (b) turnover is over IRs 10 billion, or (c) net profit is over IRs 50 million. And the applied rate for CSR spending is 2% on 3-year average profit after tax. The Indian law is to be applied to 2500-plus companies from 2015/16. Therefore, Manandhar (2017) argued that with only around 700 companies in Nepal and given the size of the Nepali economy vis-à-vis Indian economy, CSR policymakers in Nepal were surely trying to bite more than they can chew.

Likewise, another key critique lies in the legal provision of the IEA that it requires the industrial firm to develop separate CSR projects as a part of its annual plan and programme and spend the allocated CSR budget in those projects. It is likely to defeat the very spirit of CSR principles and practices; as CSR lies not only in fulfilling such philanthropic projects but more importantly in discharging the responsibilities towards the firm's employees, shareholders, customers, community, and other stakeholders.

4.2 The Central Bank Circular and Its Critique

Nepal Rastra Bank (NRB) is the Central Bank of Nepal, and its circulars are as good as the law of land in Nepal (Nepal Rastra Bank, 2006). The NRB Circular No. 11/073/74 (dated January 25, 2017) issued the directive to the banks and financial institutions (BFIs) to allocate at least one per cent (1%) of their net profit and deposit the same in a separate CSR fund from fiscal year 2016/17.

Unlike IEA, the NRB Circular has specified the sectors for utilising the allocated CSR budget. They are four areas as follows:

(a) On social projects: Direct and indirect utilisation in programmes related to education, health, disaster management, environment protection, cultural promotion, infrastructural development in remote areas, and improvement in earning capabilities of socially backward groups, financial literacy, and customer protection. Projects should be selected through a proposal with public notice by highly recognised organisations working in the related field.
(b) On direct grant expenditure: Direct expenditure towards providing grant for education and health of backward classes or expenditure in construction of infrastructures, buying of vehicles and cost of operating them, etc. for organizations working towards the same cause.
(c) For sustainable development goals: Sustainable development goals of Nepal, direct and indirect expenditure towards achievement of goals set in the 17 areas recognised by the Sustainable Development Goals, 2016–2030.
(d) For the cost borne by BFIs while setting up a Child Day Care Centre for their employees

The NRB Circular has barred the BFIs from using the CSR funds for their branding purpose, but the reference purpose. It also does not permit the BFIs to target the CSR funds only at one specific geographical area and social cause. It allows no BFI to use the fund for acquiring personal or political gains in any manner and directs the BFIs to implement internal procedures for using the CSR budget.

Box 1: Other Pieces of Legislation for Responsible Business (Fig. 1)

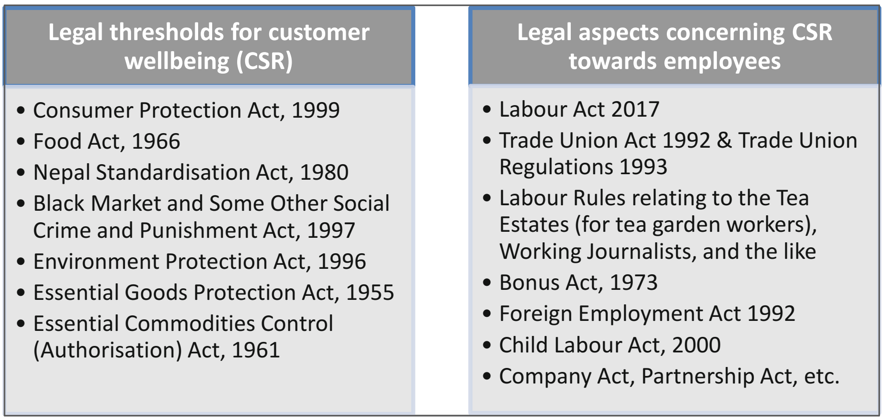

Fig. 1 Legal thresholds for CSR towards customers and employees

Although the circular has made no specific mention of penalty provisions, it is the Nepal Rastra Bank Act, 2002 that provides for both fine and imprisonment sanctions for non-compliance of any NRB circular (Nepal Rastra Bank, 2006, 2011).

Regarding the basis for determining the CSR budget, the NRB circular also has not specified whether the net profit it refers to is that before or after profit, again casting a spell of confusion.

4.3 CSR Regime Goes Astride Between Voluntary and Mandatory

Research works on CSR in recent years have focussed on the debate over making CSR voluntary or mandatory by law (Japhet, Tawiah, & Benjamin, 2015; Robin, 2008).

EC (2001) described CSR as voluntary whereby companies would integrate social and environmental concerns in their business operations and their interaction with their stakeholders. Robin (2008) also stressed the need for popularising CSR (through voluntary), not imposing it. Gyves and O'Higgins (2008) discovered that CSR initiatives, which are voluntary and strategic, as opposed to coerced and/or non-strategic, generate the most sustainable mutual benefits to the firm itself and its social beneficiaries.

Since 1999, the United Nations has urged corporations and nations to embrace the Global Compact, a voluntary international corporate citizenship network initiated to support the participation of both the private sector and other social actors to advance responsible corporate citizenship and universal social and environmental principles to meet the challenges of globalization (UN, 1999).

However, the present legal system on CSR in Nepal straddles between voluntary and compulsory regimes. While it is compulsory and mandatory for industrial enterprises (as stipulated by the IEA-2016, and subsequently IEA-2020) and banking and financial institutions, it is purportedly voluntary for the sectors not encompassed by the IEA-2020 and Nepali central bank's circular on CSR. One can, therefore, argue that firms involved in insurance business, trading and other economic sectors can still continue practising voluntary compliance.

The IEA and Nepali central bank's circular made it mandatory for industrial enterprises and banking and financial institutions, respectively, to annually spend the stipulated amount of money on CSR activities. But what constitutes CSR is nowhere defined in these legal documents, and businesspeople are eagerly waiting for the publication of the rules and regulations governing CSR implementation.

Chapagain (2010) studied financial service and manufacturing sector firms in Nepal and found that the trend on CSR thinking had moved from philanthropy to better stakeholder relations and competitive/strategic advantage of organisations and even nations.

Based on Jamali's (2008) taxonomy, Chapagain (2010) reported that CSR towards government was highest and that towards society lowest in both the mandatory and voluntary sectors. It further revealed that overall CSR performance of companies was much more correlated to the moral view on CSR than to the strategic view on CSR. In this context, the government, pressure groups and other stakeholders are also required to further encourage socially responsible corporate behaviour for creating a more equitable and just society.

5 Current Status of University Syllabi on CSR education

With these legal provisions in action, the new imperatives on CSR have increased the requirements of companies towards the education and taking business graduates with the requisite skills and competences; it has made attention to CSR essential both for the industry and business schools.

The new developments in Nepal have evoked the discourse and initiatives on including CSR modules in university syllabi in the recent years.

5.1 CSR Education Environment

Typically, a substantial amount of interface exists between the demand and supply of BE-CSR education. Generally, it is the corporate and business sector that demands the knowledge and information concerning management of business ethics and CSR and seeks the human resources well informed in this domain, while business schools are the supplier.

In some other specific cases, the corporate/business sector also becomes a supplier of business experiences and antecedents concerning the CSR and ethical business practices, as the business schools demand business-specific case studies, *inter alia*, for designing their curricula. It is important for both the business schools and corporate managers to examine the practical approaches successful companies are using to integrate CSR strategies with the long-term needs of the business and evolve their strategies as business needs change.

Because of the inextricable inter-linkages between business activities and social issues; there is an urgency of academia-business community collaborations to promote and improve awareness and performance of CSR.

Hence, the unique interface between university and corporate/industry sector should guide fresh discussions on business ethics and CSR as well as curriculum design. It has prepared the groundwork of this study to examine the status of CSR education in the syllabi of Nepali business schools. It is so, because previous studies offer extremely little insights into the CSR education in Nepali universities, although Sthapit's (2014) paper offered preliminary observations into the CSR curriculum issue; and Manandhar (2015) dealt with the emergence of ethical and CSR practices

Table 1 Exclusive modules of CSR and business ethics in university syllabi *(It lists the modules containing the CSR component of 50–100%)*

University	Programmes	Subject modules	Pedagogy	Question types	Weightage (%)
Nepal Open University	MBA 3rd sem	Business and corporate social responsibility	Lecture, case/situation analysis assignments, project works	Long-analytical, conceptual, short answer	100
	MBA 4th sem	Leadership, Corporate Governance and Corporate Sustainability	Lecture, case/situation analysis, assignments, project works	Long-analytical, conceptual, case/problem solving, short answer	50
	BBA 6th sem	Business, Society and Ethics	Lecture, case/situation analysis, assignments, project works	Long-analytical, conceptual, case/problem solving, short answer	100
Tribhuvan University	MBA-Information Technology, 2nd Sem	Business Ethics and Cyber Crime	Lecture, case, assignments, project works	Long-analytical, conceptual, short answer	50
	MBA-Global Leadership & Mgmt, 3rd Sem	Global Business Ethics	Lecture, case, assignments, project works	Long-analytical, conceptual, short answer	50
	BBA, 7th sem	Business Ethics & Corporate Social Responsibility	Lecture, case project, seminar	Case, short & brief answer	100
Pokhara University	BBA 6th Sem	Business and Society	Lecture, case studies, project works	Long and short answer questions	100
	EMBA	Managerial Ethics/Corporate Citizenship	NA	NA	50+
Kathmandu University	EMBA	Managerial Ethics and Corporate Citizenship	Lecture, case studies, project works	Long-analytical, conceptual, case, short answer	50+

Note: From Official websites of Tribhuvan University (TU, 2019), Purbanchal University (PU, 2019), Kathmandu University (KUSOM, 2019), Pokhara University (PU, 2019), Mid-western University (MWU, 2019), Far Western University (FWU (2019), AFU (2019) and Nepal Open University (NOU, 2020)

in Nepali private sector. Sthapit (2017 June, 2017 Nov) probed into the inclusion of CSR modules in part and entirety in the university syllabi in Nepal; and it also explored the academia-industry collaboration and initiatives towards the CSR awareness and education.

Therefore, the CSR issue in university syllabi is largely under-researched in Nepal, and hints at a noticeable lacuna existing in Nepali CSR literature.

5.2 CSR Syllabi by Programme, Content and Pedagogy

Universities in Nepal offer CSR modules only in the programmes of the Faculty (School) of Management (Business). This section takes stock of the CSR syllabi by their content, pedagogy and academic programme at different universities.

There are 11 universities in Nepal, namely: Tribhuvan University, Nepal Sanskrit University, Agriculture and Forestry University, Kathmandu University, Purbanchal University, Pokhara University, Lumbini Bouddha University, Mid-western University, Far-western University and Nepal Open University, and Rajarshi Janak University (UGC, 2016; UGC, 2020; Nepal University, 2019). Of them, pioneer and largest Tribhuvan University, Kathmandu University, Purbanchal University, Pokhara University, Mid-western University, and Nepal Open University have their business and management programmes.

Nepal Open University (NOU), the youngest national university of Nepal established in 2016, has more of the exclusive CSR modules in its management programmes. Its MBA and BBA programmes—Table 1 shows—have exclusive CSR courses each, while another module in MBA also contains at least 50% CSR contents.

Tribhuvan University, the largest and only central university of Nepal (TU, 2019), has offered as many CSR contents in its master's and bachelor programmes. Its BBA run at its constituent campuses and affiliated private colleges throughout the country has an exclusive module on CSR while MBA in Global Leadership and Management (MBA-GLM) and MBA in Information Technology (MBA-IT) offer the courses with at least 50% CSR contents. A large number of courses of TU and NOU also have contained CSR contents, albeit at the varied proportions that form an integral part of other related subjects in a larger number of bachelors and master's programmes of management.

Pokhara University has an exclusive module on CSR in BBA while modules with at least 50% CSR contents are there at EMBA level of Pokhara University and Kathmandu University each.

Brief CSR contents are scattered across such other courses as Strategic Management, International Business and Strategic Human Resource Management. It also applies to the course not only of TU and NOU but of Purbanchal University, Kathmandu University and Mid-western University.

Thus, in Nepal, management/business schools of other relatively much younger universities, which are believed to have less intervention of the government than Tribhuvan University, have yet to justify their existence and operation in the country by according higher priority to CSR modules and contents in their syllabi. The only exception to it is Nepal Open University (estd. 2016) that has included the largest number of CSR modules. CSR education has been incorporated only in management

Table 2 Exclusive modules of CSR and business ethics in university syllabi

Academic-corporate CSR initiatives	Methodology	Outcomes
(a) *August 22, 2014:* Seminar on 'Status of CSR Education in University Syllabi in Nepal,' organised by National Business Initiative (NBI), CSR Alliance and Prime College of Tribhuvan University, Kathmandu	Academic-corporate interaction on Discussion Paper by Arhan Sthapit: "CSR and Business Ethics in University Syllabi: *What we need to do?*"	Commitment to promote academic-corporate collaboration on CSR
(b) *16–17th December 2014:* 1st Nepal Responsible Business Summit by NBI in partnership with GIZ, Tribhuvan University, Kathmandu University, and Himalayan Climate Initiative in Kathmandu	Session discussion on five key themes and various sub-themes of CSR	Publication of 'Responsible Business in Nepal: A Guide for Executives'
(c) *January 7, 2016:* Interaction between Business Schools and Resource Persons on CSR-BE Education in Universities; organised by Prime College	Round table discussion to manage upcoming CSR-BE module in BBA (Tribhuvan University): Moderated by Dr. Narayan Manandhar	Commitment to organise a ToT for CSR BBA teachers
(d) *15–19th March 2016:* A 5-day Training of Trainers (ToT) on "Business Ethics and Social Responsibility" organised by Prime College (Tribhuvan University), NBI and Peace Nexus in Kathmandu	15 sessions: Lectures, case discussions, panel Discussions, field visits, useful material sharing: Coordinator: Dr. Narayan Manandhar	– Developed Teachers for CSR education – Teaching Materials
(e) 3–4*th August 2017:* 2nd Responsible Business Summit organised by NBI in partnership with Tribhuvan University and Kathmandu University in Kathmandu	– Multi-stakeholder discussion on four key themes, 16 sessions, 48 national and international speakers – Panel discussion comprising international experts	– A separate theme on *Academia and Regulation* – A special session on *Academia-Industry Linkages*

Note: Adapted from Sthapit (2017 Nov)

and business schools in other younger Nepalese universities, that too in perfunctory fashion.

5.3 *Academic-Industry Initiatives (AII) on CSR Education*

Universities are recognised as the genesis and hub for innovations where ingenious minds from diverse disciplines gather to share their ideas and previous literature for the innovation and modification of new technologies, process, procedures, and systems. It has been fashionable and desirable that industries are attracted by the inventions in the university. Strong inventions are underpinned by the efficient networking of triple helix of competitiveness, i.e., (*1) Innovations at universities, (2) Innovations in industry* and *(3) Innovation contributed by creative individuals* (Table 2).

Academia-industry linkage (AIL) and ensuing initiatives are expected to ensure that research and development (R&D) initiatives are oriented towards market driven-demand and encourage an enabling environment to bolster creativity and competitiveness among young minds. Hence, there is the need to review current practices and identify windows of opportunities for promoting industry-academia collaboration and disseminating practices of selected institutions.

Since business ethics and CSR are relatively much younger modules in higher education in Nepal, academic institutions and corporate firms have started forging collaboration in ameliorating the CSR syllabi. Sthapit (2017 Nov) studied the academia-industry initiatives to promote CSR education in Nepal; and found that National Business Initiatives (NBI) and Tribhuvan University (TU) affiliated colleges as being substantially active in taking the academic-industry initiatives to promote CSR education in management education programmes of universities. More specifically, the bigger initiatives were taken only after the TU had designed and implemented its full-fledged CSR module in its BBA course which was to be offered in its business schools throughout the country (Sthapit, 2017 Nov).

Meanwhile, NBI in its annual extravaganza of Responsible Business Summit (RBS) included an exclusive session on academia-industry linkage (AIL) in its second edition held in August 2017, and also had a high-level collaboration with Tribhuvan University and Kathmandu University as the academic partner of RBS (NBI, 2017b). The session was highly lauded as the stakeholders and CSR experts from Nepal and foreign countries got engaged in rigorous discourse during the session. However, NBI did not continue the collaboration as well as the AIL session in its third edition organised in September 2019 for some unexplained reasons.

5.4 Issues and Problems Facing the CSR Education in Higher Education

Based on a focus group discussion comprising university professors, curriculum developers, business school principals, and CSR teachers in Kathmandu, Sthapit (2017 Nov) deduced the following as the main issues and problems facing CSR education in Nepalese universities in the following order (based on priority and intensity of the issues and problems):

- Shortage of customised reading materials and textbooks on CSR
- Lack of faculty development
- Shortage of effective teaching pedagogy
- Shortage of academia-business community dialogue and collaboration
- Challenge to create internship opportunities for students in the CSR module

Although a Training of Trainers (TOT) for the teachers involved in teaching CSR—a relatively new module in higher education in Nepal—was organised at a TU-affiliated college in March 2016, and People's Campus—another TU-affiliated community campus—started its all-out initiative to prepare a CSR teacher manual since 2018, there is still much to be done for developing teaching faculty, reading materials, and appropriate teaching pedagogy.

6 Conclusion

The performance of Nepali business firms concerning CSR practices has so far been mixed. Findings from an analysis of the above discussions on the four critical areas of CSR in Nepal can be synthesised into the following conclusions:

6.1 On Stakeholder Awareness and Perception

In Nepal, customer awareness of CSR practices of their sellers is on gradual rise, and the buyers even make it a point to base their buying decisions on how well the firms have discharged their social responsibilities. They are most aware of Economic CSR followed by Legal, Philanthropic and Ethical CSR of the firms; and perceive the studied firms' CSR activities as positively connected with buying decisions and customer satisfaction. Likewise, firms' Economic, Legal, and Philanthropic CSR activities have significant impact on most Nepalis' purchasing decisions. On the other hand, employees are also increasingly getting aware of their employers' CSR performance, and associate it with their work attitude, job satisfaction, and organisation commitment.

6.2 On Corporate Understanding and CSR Practices

Ambiguity about the definition and domains of CSR is prevalent in the corporate sector of Nepal, let alone the managers, employees, and even public policy makers. The philanthropic domain of CSR still hugely dominates contemporary CSR practices of Nepali firms, although there are indications that it is likely to make a gradual shift towards economic, legal and ethical domains of CSR. Businesses in Nepal have largely perceived CSR as a part of social obligation and legal compliance rather than social contribution. Hence, Nepalese business' response to the two major business codes of conduct was just lukewarm; and despite the realisation of the need to promote CSR practices, a '*who will bell the cat*' syndrome is prevalent in Nepali CSR arena. Business leaders and corporate managers make big rhetoric but disastrously fail to execute what they preach about acting responsibly in business. It applies to different aspects of CSR regime ranging from the firm's responsible business practices concerning different stakeholders, to initiating CSR projects.

6.3 On CSR Syllabi and Education

Not much different is the case with decision-making officials of universities and their business schools in to promoting CSR education in business schools in Nepal. Rhetoric sounds louder than real deeds when it comes to the offering of CSR modules in universities. Among the eight universities in the country, Nepal Open University—the youngest one, and Tribhuvan University—the pioneer and central varsity, have offered full-fledged CSR modules in almost all bachelors and masters programmes of the Management stream.

Since CSR modules are relatively much newer in graduate and post graduate levels, the study findings should prove instrumental for Nepali universities to prepare the groundwork for formulating curricular plans and strategies vis-à-vis foreign business schools in the days to come. There should be closer, consolidated academia-industry linkages to ameliorate the CSR education in terms of module-contents, case studies, and internship arrangements.

6.4 On CSR Policy and Regulation

Universally popular as it may as voluntary, CSR practices have now witnessed new debates over whether to make them voluntary and mandatory. Nepal also straddles now between the voluntary and compulsory CSR regimes. With the implementation of the IEA-2020 (earlier, IEA-2016) and the NRB circular, it is mandatory for selected industrial enterprises and banking and financial institutions whereas it is purportedly voluntary for the sectors not encompassed by the aforementioned regulatory provisions. Whether the compulsory regime will continue and extend itself to new and uncharted sectors depends on the performance of this new regime vis-à-vis execution of its goals. The regulations on mandatory CSR are also not devoid of weaknesses and ambiguity, either; it needs to be mended. Policy analysis and review followed by prompt action would be highly expected if we were to promote effective CSR policy regime in Nepal.

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Part V
Global Issues and SDGs

Government Social Responsibility
Shipbreaking Industry
Sustainable Development Goals
Global Sustainability

Why Have We Forgotten 'Government Social Responsibility'? Charting the Course for Sustainability in Governance

Sam Sarpong

Abstract The chapter addresses a key gap in the contemporary agenda on 'corporate responsibility' or 'corporate social responsibility' by looking at the functional role of government in this arrangement. It provides a basis to assess this portent by bringing to the fore the crucial role that governments ought to play, signifying that this ought to be of an equal measure, if not more, in the whole responsibility arrangement. The chapter argues that in the face of mounting criticisms of corporations as to their expected commitments to societies, the emphasis seems to have been lost on governments to provide a just, eco-friendly and sustainable governance for its citizens.

Keywords Developing countries · Africa · Globalisation · CSR · Sustainability · Civil society · Government · Private sector · Poverty · State · Governance · Governmental social responsibility · Development · Surrogate government · Citizens · Welfare programmes · Responsibility · Corruption · Participation · Weak states · Economy · Social challenges · Security · Politicians · Democracy · Rule of law · Stakeholders · Community projects · Obligations · Social challenges

1 Introduction

Government agencies and regulators as well as academics and non-governmental organisations have been spearheading the fight on the 'why' and 'how' of sustainability and social responsibility of late (see Canadian CSR Strategy, 2014; DTI, 2004; Sustainable Development Briefs, 2007). The onus as usual falls on corporations as the ultimate precursors of everything 'good' and everything 'bad' to find ways of achieving this in order for society and its people to have fulfilling lives (Banfield, Haufler, & Lilly, 2003; Sarpong, 2012; Solomon, 2002). Corporations

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have been seen to be the most influential of these new undertakings in terms of bringing about the change in the lives of the present generation as well as those to come (DTI, 2004; Matten & Crane, 2005). This is in line with the fact that business concerns are deemed to have the wherewithal to undertake such ventures in view of the presumably minimal role states now play in people's lives (Banfield et al., 2003; Sarpong, 2010).

There has been a continuing debate over how the corporation should be defined, including its legal constitution, its social responsibilities, its role in environmental protection and the constituency to which it is accountable to throughout the history of corporations (Gray, Owen, & Carol, 1996; Warren, 2003). The core of this debate can be summarised as the argument about whether businesses are there solely to create financial wealth for their owners or to contribute to the well-being of a wider range of stakeholders (Sundaram & Inkpen, 2004). Whatever the situation, most business concerns today operate under accounting rules and cultural assumptions that either reward or defame them for disregarding or upholding many of the social and environmental consequences of their activities (Campbell, 2007; Suchman, 1995).

But the critical situation in which we find ourselves in has not only been brought about by only corporations but by multiple causes, which to say the least, requires not only the business community to fix, but all and sundry (Kaul, Conceição, Le Goulven, & Mendoza, 2003), including governments, which to a greater extent have more responsibilities in this sphere (Henderson, 2001). Government's role is critical hence the need to throw a searchlight on it too. After all, governments have the primary responsibility of ensuring the development of their people as well as promoting conditions that would lead to sustainable processes in the world (Lunau & Leisinger, 2008; Sustainable Development Innovation Briefs, 2007).

Arguably, business' role in society is meant to be complementary to the state (Moon, 2002). But for now, it seems, governments' lukewarm attitude to creating developmental projects especially in many developing countries, has compelled businesses to go beyond their expected roles by committing to community projects and other missions that can be ascribed to governments (Matten & Crane, 2005; Vogel, 2010). Incidentally, we seem to have lost sight of and, perhaps, left government off the hook in the whole gamut of obligations towards communities (Gond, Kang, & Moon, 2011; Heath & Norman, 2004). Indeed, as much as business wields the financial clout to turn the tide, it must not be seen as the only force expected to do so much or spear-head that drive (Jensen, 2002; Sundaram & Inkpen, 2004).

The chapter explores the key issues around these refrains. It examines the debate on the Corporate Social Responsibility (CSR) agenda and assesses the role of government in these fields. It addresses the issues by looking particularly at governments of developing countries where matters concerning CSR are paramount. It poses the following questions: why has much attention focused on business and not on equal measure with government responsibility? Why has the CSR arrangement positioned government as if it has been able to fulfil its obligations to its people? Can't governments be faulted for the plethora of issues that confront us today instead of businesses being held culpable?

The chapter, therefore, examines the government-business-civil society relationship and assesses the roles of the triad operatives. The literature review and discussions are organised on the basis of the major themes that shed light on the research questions: they include: (a) globalisation; (b) good governance and economic transformations; (c) CSR and sustainability. Whilst the paper’s focus is on developing countries, it places much emphasis on African countries because fundamentally many of them suffer from a myriad of problems emanating from poor governance. The chapter adopts indices provided by the *Index of State Weakness in the Developing World*, *2016 Ibrahim Index of African Governance*, *African Competitive Report 2017 and the 2004 and 2017 World Development Reports,* as a basis to examine governance and state responsibilities in Africa.

The chapter takes the following path. It begins by presenting an overview of globalisation, multinational companies and the concept of CSR as conventionally understood, pointing to the fact that much of the extant literature reflects on specific roles for both government and business in the CSR arrangement. It then goes on to explain the frameworks it intends to use for the study. Following from that, it proceeds to the findings and discussions section and then the conclusion.

2 Globalisation, MNCs and Corporate Social Responsibility

States have been the most important actors in the political organisation of societies but there is little denying that globalisation has neutralised their autonomy in the contemporary world order (Benton, 1999; Chang, 2004). Debates have ensued among scholars for some time now over the way in which globalisation has affected states, either by producing the obsolescence of their functions, the reconfiguration of their power, or even the continuity of their traditional sovereign status (Chang, 2004). Criticisms have, meanwhile, been levelled at the way in which strategies involving deregulation and privatisation have redefined the role of the state in many developing countries. Critics point out that it has led to the weakening of support for social and welfare programmes as well as issues concerning the environment and matters of sustainability (Campbell, 2001). As such, it has rendered states incapable of providing services for its citizenry especially in most rural parts of developing countries.

Other debates have centred on the notion that the state has been subject to concurrent processes of ‘hollowing out’ from above and below, prompting further interest among academics in the nature and form of the nation state within a new supranational–subnational nexus (Jessop, 2013). Nation-states are, thus, deemed to have subsequently become subject to universal standards to the extent that supra organisations like the European Union and international organisations like the World Bank and the International Monetary Fund (IMF), now have much influence in how states are run in many parts of the world (Porter and Sheppard 1998).

Although the state has indeed lost some control, the fact still remains that it has not withered away in the manner that some critics point out. According to Scholte

(1995), globalisation, as a key feature of late modernity, is not eliminating nations, but only complicating the construction of collective identities. It is also realistic to agree with Linda Weiss' (2005) observation that in the process of globalisation, nation states have begun to assume a more active and strategic role. They regulate the entry of multinational companies (MNCs) in many developing countries and as Jessop (2002) maintains they remain politically significant.

Presumably, whilst nation states may no longer be the main economic players, as a result of the major roles now being played by MNCs and international financial institutions, they however, remain quite important in the current climate. In this new environment, the function of the state has shifted to supporting primarily the integration of domestic economies into international productions (Zaric, Gorton, Lowe, & Quarrie, 2008). As a result of its minimal role, society now looks up to corporations for certain activities and leadership in addressing social challenges (Moon, 2002). These activities have been framed as CSR and they form part of the aspirations of firms.

3 The Concept of CSR and Sustainable Development

Primarily, CSR aims at examining the role of business in society. It is concerned with redistributing corporate resources to public causes (Steurer, 2010). It is seen as a complex and multidimensional organisational phenomenon that may be defined as the extent to which, and the way in which, an organisation is consciously responsible for its actions (and non-actions) and the impact of these on its stakeholders (Rahim, 2013). According to the WBCSD (1998), it is the continuing commitment by business to behave ethically and contribute to economic development whilst improving the quality of life of the workforce and their families as well as those of the local community and society at large. In a broader sense, CSR is about the impact of business on a society or, in other words, the role of business in the development of the society. More specifically, it is the overall contribution of business to sustainable development (Sustainable Development Innovation Briefs, 2007), which in effect also denotes a means to eradicate poverty (Sutton, 2004) and the pursuance of a participatory and multi-stakeholder approaches in dealing with development issues. Besides, it engages a number of stakeholders including - government, the private sector, civil society organisations and other development partners.

Currently, government involvement in CSR is illustrated through examples of policy instruments and programmes promoting CSR in developing countries (Sustainable Development Innovation Briefs, 2007).

4 The Role of Government in CSR

Government's role in the CSR process, oftentimes, dwells on the facilitations of CSR provisions, which involves promoting and supporting social responsibility initiatives and providing an enabling environment for private sector development (Bichta, 2003). Steurer (2010), Albareda, Lozano, Tencati, Midttun, and Perrini (2008) and Fox, Ward, and Howard (2002) have all highlighted the role of government as a major determinant in any CSR framework, since it has the moral authority to intervene to deliver a framework through which businesses can act and behave in a responsible way. It is on this basis that public-private partnerships have helped to address some chronic problems in developing countries.

Government is considered an external stakeholder that indirectly affects the CSR practices of a corporation (Sustainable Development Innovation Briefs, 2007). It plays a very important role in promoting CSR for various reasons. Governments can and do mobilise purposively and strategically corporations through CSR either for liberalising specific areas of social and political life (Shamir, 2008) or in some cases, they can enhance indirectly market and civil society pressures on corporations to behave in a socially responsible manner (McBarnet, 2007; Vogel, 2010). As drivers of CSR, governments ensure the inclusion of CSR opportunities relevant to strategic and operational management (Breitbarth, Harris, & Aitken, 2009). In line with that, governments' role in the context of CSR has been geared towards (1) ensuring a level playing field for all businesses; (2) convening and facilitating businesses and stakeholders and, (3), highlighting the business case for CSR.

5 The Role of the Private Sector in CSR

In the last few years, a range of issues, networks, campaigns and multi-stakeholder partnerships have evolved in putting pressure on businesses to develop CSR programmes. This stems from the notion that the private sector remains well placed to make a significant contribution towards improving social, economic and environmental conditions in many developing countries. As such, the private sector has gradually assumed a significant role as a means for development in many countries (Krugman, 1995; Lodge & Wilson, 2006). Businesses are now involved in providing support for under-resourced state organisations including the police, utility companies and other parastatals under the guise of corporate CSR (Sarpong, 2012, 2016). The recognition of this role is especially evident in the recent notion of business's potential to impact on development and poverty alleviation.

Corporate bodies have also been able to consolidate their positions as key components for the generation of progress and development in the absence of the state's ability to do so (Chang, 2004). This has led to a situation whereby local communities have had to look up to companies for support in view of the state's inability to provide any meaningful support for rural communities (Harrison, 2001;

Lodge & Wilson, 2006). The on-going shift in power from the public to the private sector has meant that societies at large now have high expectations from business to solve issues that were once considered solely in the domain of government. This has reinforced the concept of CSR as a relatively important phenomenon in management and governance circles in developing countries (Helg, 2007).

But many large companies have expressed concerns about the extent to which CSR issues are leading to numerous demands from the public (Bigg & Ward, 2003). These demands are often made in places where there is a failure in the state system, especially when the state is principally unable or unwilling to perform certain developmental projects (Matten & Crane, 2005). Businesses have, thus, become important political actors in the global society (Boddewyn & Lundan, 2010; Detomasi, 2007; Matten & Crane, 2005; Scherer & Palazzo, 2007).

6 The Role of Civil Society

In many instances, civil societies are deemed to be the watchdogs of society (WEF, 2013). One of the most important factors determining the legitimacy of a civil society organisation is its degree of embeddedness in society (Cangas, 2004). They give validation to the voices and identities of those who are not in a position to be heard and also expose what the public perceives as irresponsible acts on the part of the corporate bodies and even governments. In particular, the declining role of the state, the consequences of economic crisis and the neo-liberal policies engineered by international financial institutions have created the needed impetus for the smooth functioning of a vibrant civil society in many developing countries (Sarpong, 2010). Civil society campaigns are also driving the creation of certain institutional checks and balances (WEF, 2013).

Currently, there are encouraging signs of a more socially responsible private sector with some companies undertaking socially acceptable initiatives all in a bid to resolve problems within their host communities (Sarpong, 2010). This has happened, in part, because of civil society's engagement to demand for and promote good governance as well as responsible business. Civil society plays a particularly powerful role in this process as an enabler and constructive challenger, creating the political and social space for collaborations that are based on the core values of trust, service and the collective good (WEF, 2013). It also exacts fairness and accountability from both the state and the market and ensures a more inclusive social life for societies. Eminent people from business, government and international organisations have all highlighted the importance of the roles that civil society plays as part of the broader governance system (WEF, 2013). This has also created a basis for government, business and society to work together to pursue community interests.

7 Government–Business–Civil Society Nexus

The involvement of civil society, government and business institutions in the diagnosis and solution of societal problems has gained more support in the international development arena in recent times (Austin, 2000; Covey & Brown, 2001). These actors, however, have different interests and concerns, which need to be taken into account. Whilst government institutions are keen to create and maintain order and the distribution of public goods, businesses are concerned with the efficient production of goods and services with civil society institutions more concerned with preserving core community values and beliefs (Waddell & Brown, 1997). Their evolving expectations and changing roles have created new opportunities which are reshaping their role and redefining their mutual obligations (Covey & Brown, 2001).

Having ascertained the contributions of the triad operatives, the chapter now examines the part that government has to play in building a functional society. In order to do this, the chapter briefly defines what a state is and also distinguishes between a state and government in order to provide a clearer picture of what it seeks to achieve.

8 State, Government and Responsibilities

Scholars have long tried to draw a distinction between the state and government. The state is seen as a general term for the institutions, agencies and procedures related to government. It is a jurisdictional claim to territorial sovereignty that persists through time whilst the government is known to be the actual agency that acts to carry out the decrees of the state (McElroy, 1998). A government, on the other hand, is a group of persons who rule or administer (or govern) a political community or a state. Government exists when people accept (willingly or not) the authority of some persons to address matters of public concern like the administration of justice and security. Therefore, for a government to come into being, there must be a public. Whilst governments, in most cases, tend to change hands from one party to the other, the state, which often derives its legitimacy from the constitution, somewhat remains, in many cases, the same. According to Sen, Prichett, Kar, and Raihan (2017), the two main elements of state capacity are bureaucratic power (that is, the ability of the state to implement policy decisions) and infrastructural power (that is, the capacity of the state to exert full authority over national territory).

Governments traditionally exercise responsibility for providing the national institutionalframework to promote both economic progress and equitable social development. But, as alluded to earlier on, the ability of governments, especially those in developing countries, to fulfil this responsibility is increasingly being challenged by forces of globalisation that are seemingly undermining the state's authority.

9 Statehood and Governance

In the contemporary era, the significance of good governance has become very paramount as far as development discourse is concerned (Mazhar & Goraya, 2015). Governance can be defined as all processes, organisations and individuals (the latter acting in official positions and roles) that are associated with carrying out laws and other policy measures adopted by the legislature or the executive and interpreted by courts (Feris, 2010). Kaufmann, Kraay, and Zoido-Lobatón (1999) refer to governance as the traditions and institutions by which authority in a country is exercised for the common good. According to them, it includes (1) the process by which those in authority are selected, monitored and replaced, (2) the capacity of the government to effectively manage its resources and implement sound policies, and (3) the respect of citizens and the state for the institutions that govern economic and social interactions among them.

Another element of governance is that it seeks to secure a situation where governments ensure the general well-being of their people (Crane, Matten, & Moon, 2004). Good governance is, thus, seen as a pre-requisite for a peaceful society in which citizens have a right to participate in the political process (Lowndes, Pratchett, & Stoker, 2001). Sen (1990) argues that the ingredients of good governance, should, therefore, include freedom, accountability, and participation. The quality of governance is, thus, fundamental to ensuring the quality of life of citizens. It also sustains and strengthens democracies. Besides, it plays a crucial role in ensuring people-oriented development in many states (Mekolo & Resta, 2005).

10 Governance in Developing Countries

The desire for development can be best served by good governance and be manifested through the promotion of democratic principles, popular participation, human rights and the rule of law (Heath & Norman, 2004). However, some developing countries have fallen short of this. In many of these countries, governmental action has resulted in wasted resources, weak investment and growth and entrenched corruption (Hanson, 2009). There is evidence that, increasingly, governments are not doing enough in many directions (World Bank, 2017). Some of these countries do not have adequate capacity, resources or revenue raising powers to effectively address local development issues. In cases where they do, corruptible practices, in some instances, have eroded the gains that could have been made too (Rose-Ackerman, 2004). Therefore, many of these countries are unable to provide basic services such as water, roads and electricity to an appreciable level required of them.

In terms of social development, many developing countries have been let down by their governments. India's 2015 budget, for instance, showed that the Indian government was reducing its own spending on social welfare programmes (CNBC, 2015) and was perhaps hoping businesses and NGOs would fill this vacuum. The impact of this was felt by India’s estimated 300 million poor. In 2010, just a year after a decade-long bounty of windfall revenues from high oil prices, Nigeria was requesting budget support from its development partners (World Bank, 2017). As the World Bank notes, the Nigerian economy went into doldrums because the country lost billions of dollars through corruption.

Although the processes of democratisation in Latin America have initiated significant political changes, these transformations have not necessarily culminated in coherent patterns of governments conducive to broad-based economic development. Venezuela, for instance, seems to be on the verge of collapse as its government stands accused of creating unnecessary hardships for the people. In Asia, in spite of the economic growth among its giants, Singapore, South Korea and Japan, there are still enormous levels of poverty in the region. Africa, meanwhile, is still besotted with conflicts, famine and development crises.

As noted by the World Bank (2017), the common thread running through the afore-mentioned contradictions appears to be governance malfunctions. As such, there is a strong indictment on governance and its effectiveness in such regions.

11 Analytical Framework

Assessing the performance of governments remains a daunting task because of the numerous indicators and their interpretations. The challenges actually start from the very basic level regarding the choice of indicators that would be appropriate for such an exercise. There is a divergence in how government responsibility should be conceptualised, a situation that also affects our ability to be precise and effective in terms of our analysis. The difficulty of measuring state responsibility empirically, however conceptualised, brings to the fore this problem. The question that comes to mind is: what analytical framework/s could assist us in thinking through the successes and failures with regard to the responsibilities of government? There are various indices that can assist in this direction, which incidentally could also have their flaws. In spite of these difficulties, it can be possible to fall on certain indices like the following:

(a) *The 2016 Ibrahim Index of African Governance.* The index is a tool that has been created to measure and monitor governance performance in every African country. Published since 2007, the Ibrahim Index of African Governance (IIAG) was created to provide a quantifiable tool to measure and monitor governance performance in African countries, to assess their progress over time and to support the development of effective and responsive policy solutions.

    The *Index of African Governance* assesses the performance of 48 sub-Saharan African countries in five key governance areas: safety and security: rule of law; transparency and corruption; participation and human rights; sustainable economic development; and human development. Their index is based on an array of 58 indicators.

(b) *Index of State Weakness in the Developing World.* It ranks all 141 developing countries according to their relative performance in four critical spheres: *economic, political, security, and social welfare.* The Index offers a descriptive model, which provides a snapshot in time of relative state effectiveness. By carefully assessing and ranking all 141 developing countries on the basis of their relative weakness, it provides policymakers with a new tool to examine and better understand the unique dynamics and drivers of performance in each of these states and, in principle, to tailor and target their policy interventions more effectively.

(c) *The African Competitive Report* by the World Economic Forum.

(d) *The 2017 World Development Report* by the World Bank.

Using the multi-pronged approaches is important in this context in order for us to have different perspectives in analysing governance issues in Africa. Though the reports are different in their methodologies, they provide defining outcomes for our understanding of the conditions in Africa, the thematic evaluations and insights as well.

12 Putting the Issues into Perspective

In spite of the democratic tenets that many governments ascribe to, there are variations in terms of how democracy is subscribed. They range from completely liberal democratic with multiparty competition, freedom of association, and rule of law to democratic government but with authoritarian underpinnings (Howard & Roessler, 2006; Levitsky & Way, 2010). Indeed, some influential analysts have concluded that democratisation in Africa has mainly served to erect a facade of institutional respectability behind which deeply rooted patterns of neo-patrimonial governance continue to exist (Bratton & van de Walle, 1997; Chabal, 2002).

A history of armed conflicts, mismanagement, lack of rule of law and corruption has meant that despite its abundant natural resources, Africa remains underdeveloped in many respects. While the twenty-first century has witnessed sustained demand for Africa's natural resources and other raw materials., the continent continues to lack effective institutional capacity to manage these resources sustainably (Takeuchi & Aginam, 2011). This reinforces Acemoglu, Johnson, and Robinson's (2001) stance that when the risk of expropriation is high, growth rates tend to be low.

In terms of rule of law, the *IIAG* report highlights that safety and the rule of law have deteriorated in Africa over the past decade. Two-thirds of African countries, representing 67 per cent of the African population, have witnessed a deterioration in freedom of expression over the past decade, according to the report. Insecure African leaders reportedly spend inordinate amounts on the military and security forces.

Alongside that, a number of African states are now deemed as failed or weak. The *ISWDW* notion of a weak state is that such states lack the essential capacity and/or will to fulfil four sets of critical government responsibilities: fostering an environment conducive to sustainable and equitable economic growth; establishing and maintaining legitimate, transparent, and accountable political institutions; securing their populations from violent conflict and controlling their territory; and meeting the basic human needs of their population.

On this premise, I*SWDW* sees sub-Saharan Africa as the region with the world's highest concentration of weak and failed states. Somalia is deemed a failed state because it is a country devoid of an effective functional government, despite recent attempts to provide one. In the various indices, Nigeria, for instance, garners an especially low security score owing to communal violence, the instability posed by Boko Haram and natural resource conflicts which have plagued it. The Democratic Republic of Congo (DRC) is also one of the countries where security is weak and safety, a serious concern too, as people become displaced now and then with continuous fighting between government forces and militia groups.

Extreme poverty is also a predominant characteristic of these critically weak states in Africa. According to the African Economic Outlook (2017), 54% of the population in 46 African countries are still living in poverty. At the moment, about 645 million people in sub-Saharan Africa lack access to electricity, while only one-third of rural dwellers live within 2 km of an all-weather road, the report indicates. What the African Economic Outlook (2017) proposes is that, it would be essential to double efforts to empower Africans with the necessary skills to promote development from the bottom up. This, it says, should be driven by domestic innovation and investment.

Corruption or the perception of corruption ranks very high in the indices as well as many major reports considered by this chapter. African politicians are accused of siphoning state resources for their private use instead of using such monies for developmental purposes. What actually happens is that government officials hijack the machinery of the state to enrich themselves and their cronies (African Competitiveness Report, 2017). Corruption, therefore, remains a key element serving as a blot on many African countries and The African Competitiveness Report (2017) makes a marked reference to this in respect of *Doing Business in Africa*.

Notably, dysfunctional political institutions and governance bear much of the blame for Africa's disappointing economic performance, hindering the successful pursuit of any development strategy (Mkandawire & Soludo, 1999; van de Walle, 2001). Today, even after years of shirking off the remnants of apartheid, majority of South Africans are still wallowing in abject poverty with its leaders reportedly embroiled in corruptible practices. In countries like DRC, Central Africa Republic and South Sudan, failures in the promotion and maintenance of democratic principles have also led to conflicts and poor economic situations.

In 2018, around 250 million workers in Africa were found to be living in extreme or moderate poverty (Gebre, 2019). Lack of infrastructure, healthcare and education also constitute major problems. According to Olapade-Olaopa, Sewankambo, and Iputo (2017), the cost-recovery policies of Africa's health institutions pose a formidable barrier for many patients who are unable to pay the high fee. In terms of education, many children remain out of school, and most of those who attend school are not acquiring the basic skills necessary for success later in life. African citizens, meanwhile, tend to have low net satisfaction rates with their public services compared with the rest of the world (African Economic Outlook, 2017). Since these areas have not been tackled effectively, pressure has been brought to bear on the private sector to help provide such amenities.

With governments proving increasingly incapable of driving action, society often turns to corporations for leadership in addressing social challenges. Not surprisingly though, over the past years, corporate bodies, especially multinational companies, have had to engage in activities that have traditionally been regarded as actual governmental activities (Margolis & Walsh, 2003; Matten & Crane, 2005). Assistance has been offered in public health, education, with such support being extended to less-endowed public institutions like the police and other bodies of national significance. Corporate bodies have also taken up the task of addressing social ills (Margolis & Walsh, 2003; Rosen et al., 2003) and have also been deeply involved in protecting the environment (Hart, 2005; Marcus & Fremeth, 2009). Aside from all these, there has been a focus on the promotion of peace and stability in many local areas (Fort & Schipani, 2004).

13 Discussions

13.1 What then Lies Ahead for What Constitutes Government Social Responsibility?

The concept of state responsibility should emanate from the responsibility of sovereignstates to deliver a range of political goods and services to its citizens (Crane et al., 2004; Waddock, 2002). Paramount among these is that there should be security for the citizenry (Crane et al., 2004). The state should also create a safe and secure environment and be able to develop legitimate and effective institutions that can advance its cause (African Development Bank, 2007; Kates & Dasgupta, 2007). It also needs to ensure participatory processes and promote active and open participation of civil society in the formulation of the state's government and policies (Crane et al., 2004). Alongside these, citizens should be able to access affordable services like medical and health care, schools and educational instruction, whilst the provision of infrastructure should be key objective of government because citizens pay taxes in exchange for these (Heath & Norman, 2004).

Ultimately, the people of a country expect their government to lead in a way that will ultimately create the best conditions for them to live in (Crane et al., 2004). But the experiences in Africa sometimes seem otherwise. Instead of using the state's resources to champion the course of development, some African politicians have gained notoriety for siphoning them for their private use. Numerous examples abound. In 2016, for instance, Nigeria’s President Mohammadu Buhari reportedly rejected a refund of $250 million from a former Minister of Petroleum Resources, Diezani Alison-Madueke, to the Nigerian government in return for immunity from further investigation and possible prosecution. Mrs. Alison-Madueke reportedly anchored and facilitated numerous money-laundering scandals and deals that characterised the era of the previous Jonathan-era administration (Adegoke, 2017). In Ghana, President John Mahama’s administration (2012–2016) was voted out of office because of the perceived corruptible practice of party functionaries. There is also the natural proclivity of African politicians and leaders to condone bad governmental practices of their peers. Given the increasing awareness of these happenings, citizens are less likely now to trust governments (Heath & Norman, 2004) and this has found resonance in many African countries.

It is no gainsaying that governments need to bring about fair, accountable, incorruptible and responsive governance. Democratic accountability should ensure that choices about creating public value are based on broader consensus by local residents. But this is far from the case in many African countries.

13.2 Responsibility: Whose Responsibility and to Whom?

There is a presumption on the part of government that it can obtain help, especially from business, when it needs it. But the key thing is that government has a responsibility to its people and this has to be effected to an appreciable level. At the moment, that is not the case in many developing countries and particularly in Africa. Civil society and business, therefore, have an opportunity to subject government to scrutiny in order to obtain such a fulfillment. This can also be done on the same basis as businesses are subjected to. The position of government as an enabler of CSR also seems to project government as a distributor of obligations. In such a situation, government sees itself as an enforcer rather than as a major contributor to and a party to an accord with its citizens. And this perhaps gives government the misplaced thought that it can fall on corporate bodies to help when it comes to societal needs.

From the issues dealt with earlier on, one cannot be left with any doubt as to the role of government in this social responsibility arrangement. If government were to perform its role creditably, then the issue of pushing corporations to support less-endowed and malfunctioning state enterprises would either not arise or would be quite negligible in scope. That is why it is important to look at the role of government in our bid to ensure a society which is sustainable in its endeavours.

14 Conclusion

In establishing the scope of the chapter, we sought to identify the role that government plays in the development of its people. First, we looked at government's role in CSR and then turned our attention to the government's social responsibility to its citizens. We were more particular about an expansive concept of government as provider in the social setting rather than being an enabler of CSR. Although the chapter argues that the growth of the power and influence of corporations calls for them to accept commensurate responsibilities, it, however, maintains that government also has the task of shoring up performances that can help in the development of their countries rather than leaving such a role in the hands of the private sector to handle. That is the reason why we need to have more scrutiny of governmental activities in order to ensure governments live up to expectations.

The chapter finds that it would be appropriate to reappraise government's role in the whole gamut of responsibility and to highlight the significant role it ought to play and to do so quite effectively. Indeed, government must not see increased CSR initiatives as an excuse to neglect its own social and community development obligations.

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CSR in Bangladesh: The Case of the Shipbreaking Industry

Moutushi Tanha, Pavel Castka, and Mesbahuddin Chowdhury

Abstract Shipbreaking is an important industry for many developing countries such as Bangladesh, India and Pakistan. Shipbreaking is the process of dismantling an obsolete vessel's structure for scrapping or disposal. It involves a wide range of activities: from removing all the gear and equipment that are on the ships to cutting down and recycling the ship's structure. Even though the shipbreaking industry contributes significantly to local employment and supplies materials to local industries, management practices at the yards are very poor—dominated by labour intensive practices, high rates of death and injuries, and subject to violations of international guidelines that were created by the industry. The practices of the shipbreaking industry are slowly reaching the global media coverage that is appropriate for such violations. Yet the publicity related to shipbreaking is poor in comparison to other cases (such as the textile industry in Bangladesh). Despite all these negative social impacts, ship owners are largely disinterested. In this chapter, we aim to provide a conceptual analysis of CSR in Bangladesh whilst focusing on the shipbreaking industry; specifically, we use Social Life Cycle Assessment (S-LCA) methodology. The chapter scrutinizes the industry at a global level and provides more detail by focusing on the case of Bangladesh. The overall aim is to map the social impact of the industry using S-LCA in terms of working conditions, occupational health and safety standards, accidents, child labour, and treatment and compensation of workers. The study uses a qualitative approach and analyses the social impact based on secondary data, such as media coverage, NGO reports and statistics from the shipbreaking industry. In doing so, it provides a conceptual background for future field work in the industry.

Keywords Shipbreaking · Bangladesh · India · Pakistan · CSR · Management practices · Labour safety · Environment · Social impact · Violations · Media coverage · Social Life Cycle Assessment · Occupational health and safety ·

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1 Introduction

Over the last decade, the concept of corporate social responsibility (CSR) has seen rapid growth in terms of its use in practice as well as in academic research. Building on the idea of social, environmental and economic aspects of a triple bottom line (Elkington, 2004), researchers now employ several established methodologies. For instance, Life Cycle Assessment (LCA) emerged as a methodological approach to assess the environmental impact of products, individual firms and industries. LCA mainly focuses on environmental issues whilst Social Life Cycle Assessment (S-LCA) extends the environmental focus by providing a social dimension. Research on many products such as vehicles and electronic goods has been published (Keivanpour, Kadi, & Mascle, 2015), there are, however, several other areas that remain unmapped, such as the shipbreaking industry.

Shipbreaking is the process of dismantling an obsolete vessel's structure for scrapping or disposal. It involves a wide range of activities: from removing all the gear and equipment that are on the ships to cutting down and recycling the ship's structure. Large ships have traditionally been dismantled in the developed world—before the 1990s ships were broken in British yards and in some EU countries' yards. But gradually the industry has been shifted from the developed world as several rules and regulations like the BASEL Convention, International Maritime Organization (IMO) rules, EU rules or Hong Kong Convention proved to be too demanding and costly. In that time, the industry has been moved to the developing world, namely Bangladesh, India and Pakistan. Today, shipbreaking is an important industry in developing countries. However, the management practices are very poor—dominated by labour intensive practices, high rates of death and injuries, and potential violations of international guidelines that were created by the industry. The practices of the shipbreaking industry are slowly reaching the global media coverage that is appropriate for such violations. Yet the publicity related to shipbreaking is not at all comparable to other cases (such as the textile industry in Bangladesh). Despite these negative social impacts, ship owners globally (and in particular in the developed world) are largely disinterested.

In this chapter, we aim to scrutinize corporate social responsibility in the shipbreaking industry in Bangladesh. We provide a conceptual analysis that is embedded in Social Life Cycle Assessment (S-LCA) and map the social impact of the industry using S-LCA in terms of *working conditions, occupational health and* *safety standards, accidents, child labour, and treatment and compensation of workers*. The study uses a qualitative approach and analyses the social impact based on secondary data, such as media coverage, NGO reports and statistics from the shipbreaking industry.

2 Theoretical Background: Social Life Cycle Assessment (S-LCA)

According to Dreyer, Hauschild, and Schierbeck (2006), "Social LCA aims at facilitating companies to conduct business in a socially responsible manner by providing information about the potential social impacts on people caused by the activities in the life cycle of their product." LCA covers real and potential as well as positive and negative impacts (Andrews et al., 2009; Dreyer et al., 2006; Feschet et al., 2012). The scope of S-LCA covers the entire life cycle (or at least significant parts) alongside the dimensions of behaviours, socio-economic processes and capitals (Andrews et al., 2009).

Chhipi-Shrestha, Hewage, and Sadiq (2015), p. 579, clarified that "Social life cycle assessment (S-LCA) is a technique to assess the potential social impacts of a product or service caused by its life cycle" whereas Sala, Vasta, Mancini, Dewulf, and Rosenbaum (2015) justified the definition of Chhipi-Shrestha et al. (2015) by adding the factors such as: identifying the impacts on human capital, human well-being, cultural heritage and social behaviour. S-LCA is a very significant approach for different types of decision makers like business people, policy makers of a country, etc. According to Sala et al. (2015), S-LCA can be applied to explore supply chain activities at different scales ranging from micro (product) and meso (sector) to macro (country) being used by various actors holding different perspectives such as policy makers, businesses and NGOs. On the other hand, Benoît Norris et al. (2013), p. 7, defines social life cycle impact assessment (S-LCIA) thus: "Social life cycle impact assessment is the process by which inventory data is aggregated within subcategories and categories to help understand the magnitude and the significance of the data collected in the Inventory phase using accepted level of minimum performance."

Social impacts are very complex and subjective and might be perceived differently by different stakeholders. Andrews et al. (2009) state that social impacts are not only the function of political, economic, ethical, psychological, legal and cultural issues but also social impacts feed back to the production system and the society and thus change other social and environmental impacts. The stakeholder classification for S-LCA has emerged from the stakeholder theory. In this book chapter, we build on the work of Andrews et al. (2009) and employ a framework as presented in Table 1, which provides an overview of typical stakeholder categories as well as categories and sub-categories of social impacts.

Table 1 Stakeholders and social impacts

Category of stakeholders	Social impacts
Workers	Freedom of Association and collective bargaining, child labour, fair salary, hours of work, forced labour, equal opportunities discrimination, health and safety, social benefit/social security
Consumer	Health & safety, feedback mechanism, privacy, transparency, EOL responsibility
Local Community	Delocalization and migration, community engagement, cultural heritage, respect of indigenous rights, local employment, access to immaterial resources, access to material resources, safe and healthy living conditions, secure living conditions
Value Chain Actors	Fair competition, respect of intellectual property rights, supplier relationships, promoting social responsibilities
Government	Adopting regulations and laws, issuing licenses and permits, allowing or forbidding industrial activity for promoting socio-economic development
Social Activist Groups	Monitoring company actions and policies to ensure that these are compliant with legal and ethical standards for the sake of all the stakeholders
Media	Disclosing objective news for keeping all the stakeholders informed on all issues affecting them, publicizing events etc., monitoring actions of the companies
Industry Association	Providing R &D and assistance to help companies or industry in a changing business environment
Trade Union/Workers' Association	Maintaining stable working environment for all the workers working in a company and in an industry.

Note: Adapted from Andrews et al. (2009) and Lawrence and Weber (2008)

Fig. 1 A life cycle perspective of the shipping industry

3 The Shipbreaking Industry: A Life Cycle Perspective

The shipbreaking life cycle is depicted in Fig. 1. There are five important stages in the life cycle, starting with ship building and ending with ship breaking and the after-market supply chain. We discuss each stage in the next sections of the chapter.

3.1 Ship Building

In the past, most of the activities associated with ship building were performed by vertically integrated ship building companies. Nowadays, the outsourcing model dominates ship building and the ship building companies tend to concentrate on their core competencies to sustain their competitiveness (Andritsos & Prat, 2000). The ship building industry involves companies across the globe.

A good number of similarities exist between ship building and the construction and engineering industry in terms of operation to make-to-order (MTO) with fluctuating demand cycles, project-specific product demands, uncertain production conditions, and a diverse range of specialist skills (Dainty, Millett, & Briscoe, 2001). From the operational aspect, shipbuilding requires large amounts of information, people, equipment and materials to be managed (Mello & Strandhagen, 2011). Engineering of complex products like ships demands coordination of the contributions of different partners due to high interdependency between the specific tasks of the main suppliers (Gronau & Kern, 2004).

The IMO Guidelines adopted in 2003 on ship recycling recognize that it is necessary to consider the ship throughout its life cycle at the design stage. The IMO Guidelines also recognise a need to minimize the use of hazardous materials already in the design, construction and maintenance of ships, without compromising their safety and operational efficiency, and to prepare ships for recycling in such a manner as to reduce environmental and safety risks and health and welfare concerns as far as practicable.

3.2 Use of Ship

Shipping companies utilize ships for various purposes such as cargo shipping, passenger shipping or container shipping. Most ocean-going cargo ships have a life expectancy between 20 and 30 years (Hillier, 2006). In comparison, a sailboat made of plywood or fibreglass can last between 30 and 40 years, solid wooden ships can last much longer but require regular maintenance, and carefully maintained steel-hulled yachts can have a lifespan of over 50 years. As ships age, forces such as corrosion, osmosis, and rotting compromise hull strength, and a vessel becomes too dangerous to sail. At this point, it can be scuttled at sea or scrapped by shipbreakers. Commercial fishing vessels or military vessels are no exception.

3.3 Brokers

When a ship reaches its end-of-life, ship owners use brokers to sell the ships for shipbreaking. The brokers are based in Dubai, Hamburg, London (where Clarkson, the world's largest ship broker is based), and Singapore. The ships are typically registered under flags of convenience. Ship breakers pay anywhere from US$400 to US $500 or more per ton tonne for the ships (Frey, 2013). Ship breakers have a financial incentive to break ships quickly so they can recover their investments. It normally takes a workforce of 200–250 workers 3–5 months to dismantle an average-sized ship (Demaria, 2010).

3.4 Shipbreaking Operations

Generally, it takes a few weeks for the ship to reach the ship breaker; for instance, it takes 2 weeks to get the ship sailed posthaste from cash buyer's port to the demolition yards of Chittagong, Bangladesh (FIDH, 2002). The procedure is as follows: When the ship reaches the Bay of Bengal, it is anchored in international waters off Chittagong and administrative formalities start. The ship is inspected, checked and made free from gas. No ship can be accepted by a ship-breaking firm unless and until it has a gas-free certificate. Finally, the Chittagong port authority issues a permit for the ship to enter territorial waters for beaching. The ship's captain puts the ship in position off the coast and waits for the ideal time for beaching manoeuvring. Generally, vessels are beached by their own propulsion power during high tide and vessels are laid in a stable position on their flat bottom during low tide (Hossain & Islam, 2006).

To facilitate the dismantling operations of a ship, the ship must be placed in this exact position and, above all, come to ground as high as possible on the beach. According to Hossain and Islam (2006), beaching has a crucial impact on the final cost, and dismantling time can be doubled if the beaching operation is unsuccessful. After beaching, cutters and their helpers start cutting the vessel into parts. The breaking operation is undertaken on the basis of the ship's structural design. Larger parts of the ship usually get dragged on shore by using motorized pulleys. A large number of workers are engaged in this task. A group of cutters' helpers and workers start cutting the dragged parts of the ship into truckload-size parts according to the specification provided by the buyers. Boilers, motors, capstan stocking, etc., are heavy pieces of equipment recovered from old ships and generally are carried down to stack yards by crane. Unskilled workers generally carry metal plates, bars or pipes on their heads or shoulders to a designated destination and pile up all the metal in stack yards or load them directly on trucks. Supervisors generally monitor the workers. There are also some valuable components like small motors, pumps, generators, navigation equipment, life-saving equipment, furniture, electrical cables, utensils, etc., that are generally recovered and sold to the local second-hand market. Approximately 5–6 months are needed to dismantle a typical old cargo ship.

Thousands of migrant workers, who are mostly young, male and illiterate from poor rural areas of Bangladesh, are employed in the ship-breaking yards. Demaria (2010) and Puthucherril (2010) found that, workers are categorized depending on the level of their skills. For example, some use torches to cut up ships; their helpers; some carry large iron plates; laborers; contractors; supervisors; winch operators; crane drivers; fitters; carpenters; asbestos workers; and firemen. Their daily wages range between US$2 and US$7 per day depending on the job (YPSA, 2014a, 2014b).

3.5 Aftermarket Supply Chain

Gregson et al. (2012) depicted a flow diagram of the aftermarket supply chain for shipbreaking firms, which can be described as: power-related equipment, boards, furniture, process-facing ferrous scrap, nonferrous scrap, electrical cables, kitchen equipment, cutlery, lifeboats, chandlery, and marine equipment, which are a usually retrieved from the dismantled ships. Reconditioning firms, engineering firms and repair firms are the buyers of recovered power-related equipment. These firms produce engines, crankshafts, gearboxes, brakes, boilers and compressors. The major buyers are local SMEs, and some materials and products are exported. Different types of particle boards and asbestos boards are also recovered items and are mostly bought by furniture manufacturers and wholesalers, local SMEs and consumers. A large number of furniture is also sold “as is” mostly to furniture dealers and some to final consumers.

Gregson et al. (2012) also moved their flow diagram further by specifying that there are two types of markets for ferrous scrap: the *spot market* and the *tied market*. Secondary steel processors such as manual re-rolling mills (RRMs), automated RRMs and scrap metal merchants are the major customers. These firms focus primarily on production of iron rods, which are then supplied to the construction industry. Commodity markets are the main buyers from scrap metal merchants. Kitchen equipment, cutlery, lifeboats, chandlery and marine equipment are usually sold to wholesalers and retailers. At the lowest tier, the wiring and construction industry and SMEs, including the garment industry, are the buyers of electrical cables, whereas restaurants and domestic customers are the buyers of kitchen equipment and cutlery. On the other hand, the coastal shipping fleets are the major buyers of lifeboats, chandlery and marine equipment.

4 Socio-Economic Drivers in the Shipbreaking Industry

Shipbreaking activity originated as a method in the 1970s (Hess, RAND Corporation, & National Defense Research Institute, 2001). According to Buerk (2006), shipbreaking in the South Asian Least Developed Countries (LDCs) has grown due to opportunistic development and this industry has also developed due to increased requirements for shipbreakers in the developed world (Gregson, Crang, Ahamed, Akhter, & Ferdous, 2010), A significant geographical relocation happened in the shipbreaking industry in the last two decades and, at the moment, the majority of shipbreaking is performed in developing countries such as Bangladesh and India.

During the 1960s and 1970s, ships were mainly broken under mechanized and capital-intensive operations in Europe, mainly in Spain and Italy, and in the USA, and shipbreaking activities took place along piers in connection with shipbuilding activities (Vedeler, 2006). As the level of environmental regulation in industrialized countries was increasing during the 1980s, the costs of complying with the standards increased as well (Castka & Corbett, 2015). Consequently, most of the shipbreaking industry was being transferred to developing Asian countries, at first to China, Taiwan and South Korea, and later (due to rising labour costs) to Bangladesh, India and Pakistan, which became market leaders around 1988.

Vedeler (2006) mentioned that during the 1980s, beaching (initiated by an accidental beaching) gradually became the most frequently applied method. The method aligns with the infrastructural maturity of the industry: it does not require high infrastructural investment (piers, sufficient depth of the harbour, cranes, etc.). In order to take the highest advantage from the low labour costs in the developing countries, the industry, once highly capital-intensive in the high-labour-cost European countries, became a labour intensive industry.

The reason for the present geographical redistribution of demolition services is that the economics of shipbreaking are not favourable for most developed countries. Vedeler (2006) argues that high labour costs, the costs of protecting the environment and human health, and lower demand in Europe and the US than Asian developing countries for second-hand steel and other reusable items ensures that the EU and other developed regions do not play an important role in shipbreaking. Per tonne steel prices obtainable in Asia are higher than those obtainable in Europe (Stuer-Lauridsen, Husum, Jensen, Odgaard, & Winther, 2004). On the other hand, prices paid by Asian shipbreakers for redundant ships stood at US$700 per ton.

The dynamics of buyer and seller decision-making is influenced by many factors (Vedeler, 2006). A ship owner's decision to sell a vessel to the demolition market is a matter of weighing the advantages of keeping the vessel, in terms of future expected income, against the advantages of selling the vessel as scrap, at the achievable scrap price. On the other hand, a ship scrapper's decision to buy an obsolete vessel for scrap is affected by the possibilities of selling the steel and other reusable items from the vessel, in addition to the scrapper's cost structure (Stuer-Lauridsen et al., 2004). When conditions change—such as a decreased steel price or increased running costs—the breaker needs to buy the vessel at a lower price, and both revenue possibilities and running costs (like labour costs, taxes, capital costs and environmental requirements) are determined by local conditions (Stuer-Lauridsen et al., 2004). Shipbreakers in some regions are therefore able to offer a higher scrap price than breakers in other regions.

EC-DGTREN (2004) describes the dynamic nature of the shipbreaking market through a set of market drivers such as: freight rate, international regulations, steel prices and market interactions.

Freight Rate Freight is transferred to the demolition market with a small delay. High freight rates demotivate the shipbreakers and scrappers to scrap old vessels and the supply curve shifts to the upward direction and low rates increases the incentive to scrap old vessels.

International Regulations Regulations usually force ship owners to scrap their vessels earlier than they would otherwise have done, and therefore increase the supply of vessels to the demolition market. When "low cost" scrappers' capacity is filled up, demand from "high cost" scrappers, mostly from European countries, might be satisfied. Moreover, regulations concerned with health, safety and the environment may influence the demand for obsolete vessels by increasing running costs. Regulations are often implemented locally but the ship scrapping market is global. Not all the ship scrappers are affected by new regulations, but in some cases, the regulations push some unruly operators out of the market.

Steel Price A higher level of scrapping due to the higher prices of steel is another important determinant for the market price for obsolete ships. The price of steel is rising all over the world and the demand for steel and the derived demand for scrapped steel are rising in several countries, especially in India, Bangladesh, and Pakistan—the South Asian countries where most ships are currently dismantled. However, second-hand steel recovered from obsolete vessels constitutes only a marginal part of the total supply of steel in the European shipbreaking countries, and the price of steel has therefore been considered exogenous in the scrapping context of European countries, which were once the destination of EOL ships.

Market Interactions International organizations like the International Maritime Organization (IMO), International Labor Organization (ILO) or the Basel Convention or Hong Kong Convention formulate guidelines that might influence ship owners' decisions regarding where to scrap their vessels. Moreover, control regulations ensure that scrap yards that do not respect health and safety regulations are pushed out of the market.

Capacity The shipbreaking industry has not experienced any capacity constraints historically; however, this might be changing. The industry is now facing increased pressure from regulators—new regulations on health, safety and security at international and national level negatively affect the productivity of shipbreakers.

5 Analysis—Social Impacts of Shipbreaking Industry: A Case of Bangladesh

Severe violation of workers' rights is now an open secret in the shipbreaking industry of Bangladesh. Lack of compliance with the existing international and national rules and regulations, as well as unethical practices of the shipbreaking firms of Bangladesh, India, Pakistan, were exposed in the media (Hossain, Fakhruddin, Chowdhury, & Gan, 2016). For instance, labour exploitation of Bangladeshi shipbreakers has been highlighted and criticized by local and international NGOs, special interest groups and activist groups. The shipbreaking industry represents a vital source of income for Bangladesh and a livelihood for a significant portion of its population (Alam & Faruque, 2014). According to YPSA's baseline survey (2012), 50,000 people are directly employed in the shipbreaking industry in Bangladesh and another 100,000 are indirectly involved in the business (YPSA, 2014a, 2014b). Therefore, such criticism is of high importance to the country. It is evident in the revenue records of the government of Bangladesh, such as government revenue of 5.21 billion taka (NZ$87 million) in the 2013–14 fiscal year and 6.18 billion taka (NZ$103 million) in 2012–13, 5.62 billion taka (NZ$93 million) in 2011–12 and 1.41 billion taka (NZ$23.5 million) in 2010–11 (The Financial Express, 2014).

Workers are the most adversely affected stakeholder of the shipbreaking activities. The impact is noticeable on many fronts: poor working conditions, low levels of occupational health and safety standards (Castka & Corbett, 2018), use of child labour as well as insufficient compensation from the yard owners. In the following parts, we will discuss the most important issues.

5.1 Working Conditions

The shipbreaking industry is not at all a worker-friendly industry in Bangladesh. Until 2011, the government did not oversee that industry and industry-specific laws, rules and regulations were not in place until 2011. Migrant labourers dominate the industry's workforce. A significant portion of the migrant workers come from the poverty-stricken northern part of Bangladesh, where there are limited employment opportunities (YPSA, 2014a, 2014b). Others are from the local Shitakundo coastal belt areas of the Chittagong division of Bangladesh. No formal employer–employee relationship is in place; for example, workers are not usually given any appointment letter and there is no formal employment contract. Workers cannot enforce their right to permanent and secured employment, as they are unable to provide evidence of employment. The wages are dependent on several factors such as the number of hours worked, type of work, skill level of the work, etc. Workers have no entitlement to overtime, sick or annual leave.

5.2 Occupational Health and Safety Standards

The shipbreaking industry is very poor in terms of its adherence to the Occupational Health & Safety standards specified in Factory and Establishment Act, 1965 existing in Bangladesh and International Labor Organization (ILO) although it is a highly labour intensive industry. ILO declared this industry as the most dangerous industry in 2005. Shipbreaking activities are very risky and poor shipbreaking practices make it one of the most dangerous occupations in the world (Roy, 2003). There are two main groups of hazards in shipbreaking: intoxication from dangerous substances (and injuries caused by explosions of leftover gas and fumes in the tanks) and injuries due to poor practices and limited use of safety equipment (accidents such as falling from the ship—which can mean a 70 m fall—as workers are working with no safety harness, and workers being crushed by falling steel beams and plates, or suffering electric shocks).

According to YPSA (2014a, 2014b), a majority of workers do not wear protective gear and many work barefoot. The beaches are generally strewn with chemicals and toxic substances, with small pieces of pointed and sharp iron splinters causing injuries as well. The use of equipment such as cranes, lifting machinery or motorized pulleys is limited. Shipbreaking yards tend to re-use ropes and chains recovered from the broken ships without testing and examining their strength. There is no marking system for the loading capacity of the chains for cranes and other lifting machinery, and therefore their capacities are not respected. Consequently, due to very poor occupational health and safety standards, workers suffer from diseases including lung problems and skin diseases, which can cause temporary loss of working capacity. Occupational and environmental exposure to hazardous elements while breaking ships and the attendant health consequences are not fully known, but undoubtedly those who are exposed are at a high risk of death, disease, and injury because of their increased susceptibility to various site-specific cancers, skin irritation, respiratory problems such as asbestosis, and neurobehavioral problems (Frey, 2013).

In most cases, gas cutters and their helpers cut steel plates the whole day without wearing eye protection, putting their eyes at risk from the welding torches. Most of the time, they do not wear protective uniforms, gloves, boots, etc. Unskilled workers mostly carry the large pieces of iron sheets on their shoulders. Generally, carrying capacity exceeds the weights of loads specified in the Factory Acts and Factory Rules (YPSA, 2014a, 2014b). Again, skilled workers such as cutter-men meet with explosion when they start cutting work inside a ship that is not properly free from gas. According to the Bangladesh Shipbreaking & Recycling Rules, 2011 and The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009, ship should be properly gas-free for starting the cutting operation (IMO, 2009; Ministry of Industry, 2011). Adverse health effects have been reported by a number of researchers (Greenpeace, 2002; Hammer, 2005; World Bank, 2010). Reliable data on the number of accidental deaths and future deaths resulting from diseases with long latency periods such as asbestosis are not available. Estimates indicate that one in every six workers may have asbestosis, and workers are at increased risk of lung and related forms of cancer (Greenpeace International and International Federation for Human Rights, 2005). Greenpeace International and International Federation for Human Rights (2005) estimate that thousands of workers have died in the last several decades and thousands are at risk in the future. Maintaining occupational health and safety standards is not a priority for the yard owners as they experience over-supply of the workers who desperately seek jobs to support their livelihood. It is a buyer (yard owner) dominated market; workers are easily replaceable. The scenario is such that if one worker is lost, another 10 are in the queue.

5.3 Accidents

Exact statistics on accidents are not available even though various NGOs like NGO Shipbreaking Platform, Bangladesh Environmental Lawyers Association (BELA) and Young Power in Social Action (YPSA) provide reports on accidents. For instance, according to (NGO Shipbreaking Platform, 2017), two shipbreaking workers lost their lives at the Chittagong shipbreaking yards in the first 2 weeks of May 2017, and the total death toll in 2017 this year is six workers and 10 in 2018. On 6 May 2017, 26-year-old Shahinoor died at Jamuna Shipbreaking yard. He fell from a great height when he was breaking the *Hanjin Rome*. Again, NGO Shipbreaking Platform (2016) recorded that at least five more shipbreaking workers had been killed and another five severely injured in a series of fatal accidents in Bangladesh in the month of May only. Most of the reports refer to various reasons for death and/or injury such as from snapping cables, chemical spills, welding fumes, falls, falling objects, fires, and explosions (Demaria, 2010; Greenpeace, 2006; Hossain & Islam, 2006; International Federation for Human Rights, 2005; Puthucherril, 2010; Rousmaniere & Raj, 2007; World Bank, 2010). Over the years, there has been a continuing stream of reports of the deaths of workers in the yards. In some cases, sudden deaths are reported (workers burnt in explosions or crushed under falling steel plates) or workers die as a result of non-fatal initial injury or of various cancers caused by inhalation of asbestos and other toxins (Cairns, 2014).

5.4 Child Labour

In Bangladesh, most of the poor families tend to depend on their children's income along with their own income. Several reports produced by NGO groups over an extended period of time provide illustrations of the lives of the workers (Cairns, 2014). Andersen (2001) and Bailey (2000) concluded that children constitute up to 25% of the workforce, but due to the absence of official figures it is almost impossible to provide statistical evidence (Cairns, 2014). Child labour is prevalent despite the high risk associated with shipbreaking jobs. Bangladesh Shishu Adhikar Forum (2006) identified 430 risky jobs. Out of these 430 occupations, 67 are classified as very risky and 11 are classified as dangerous. Shipbreaking activities fall into both risky and dangerous categories (YPSA, 2014a, 2014b). The following story provides an illustration of a typical child story from the shipbreaking industry as presented in a child labour study by (NGO Shipbreaking Platform, 2014):

> Kader, 16 years old, is lean and small. He seems to be much younger. Up until last year, Kader went to school and managed to finish class 8. But when his father was sent to jail by a powerful shipbreaker—based on false allegations—his family faced a grim situation. Now the boy works in the shipbreaking yards himself, 12 hours a day, either from eight in the morning to eight in the evening, or the nightshift from after dusk till dawn. He and his young fellow workers are "cutter helpers": they assist the older workers who dismantle the ships with blowtorches. They carry gas cylinders and other equipment for the cutters. "I am afraid

> to be struck dead by a falling steel plate", Kader says. "Often, the other workers do not tell us before they cut a large piece and it just falls down without warning". Kader knows about the risk of fires that can burn and kill workers and about toxic gas explosions which suffocate the workers, sometimes to death. In the last few years, NGOs have recorded several fatal accidents at S. Trading shipbreaking yard, the yard where Kader works.

In shipbreaking yards, child workers generally work as assistants of gas cutters and move small iron pieces from one place to another. Sometimes they do their job from dawn to dusk, sometimes night shifts. On average, they receive wages equivalent to NZD1/day. According to YPSA's baseline survey in 2003, 10.94% of the labour force consists of children (aged up to 18 years). Most child workers come from poor families in the poverty-stricken northern region of Bangladesh (YPSA, 2014a, 2014b). On the other hand, yard owners prefer to recruit children as they are cheaper than their adult counterparts, although they are supposed to follow the United Nations Convention on the Rights of Children (UNICEF, 1990)), which was adopted by Bangladesh. Articles 14 and 15 of the constitution specify that a child has the right to social security rights and Act 34 has prohibited the coercion of children into doing hard labour. The Children's Act of 2013 banned the use of vulnerable child labour (ILO, 2013).

5.5 *Treatment and Compensation*

Due to no or inadequate medical treatment facilities, workers are not receiving proper treatment after their injuries. When a worker gets injured, some primary treatment is usually provided but no long term treatment facilities are provided for those who get long-term or permanent injuries. In terms of compensation, workers get a nominal amount. Often firms are being forced to compensate under public pressure. Sometimes they have to leave the yard without getting any compensation (NGO Shipbreaking Platform, 2016).

6 Discussion

The social impacts of the shipbreaking industry have been slowly moving into the realm of public awareness and have only just started to generate public interest. The practices are only a concern to the shipbreaking firms, the shipping industry at large, as well as a large number of stakeholders. According to Lawrence & Weber, the emergence of a new public issue often indicates that a gap exists between firms' practices and the expectations of their stakeholder base. Therefore, the practice of worker exploitation in shipbreaking, which goes against modern human welfare standards, is currently attracting serious attention from stakeholder groups locally, nationally, regionally and internationally. The pollution and dangerous working practices of the South Asian shipbreaking beaches has been exposed in many international and national media—most recently in National Geographic's issue of May 2014. Both ship owners and shipbreaking yard owners should take note that public awareness is growing, also in Bangladesh, and that it is high time that respect should be paid to environmental human rights (NGO Shipbreaking Platform, 2016).

The shipbreaking industry of Bangladesh is a typical example of this industry in the developing world: highly labour intensive instead of capital intensive, and heavily reliant on manual labour. The labour supply exceeds the demand and the shipbreaking firms are exploiting the situation by being over demanding like forcing workers to do more work with the same incentive and less compromising on labour rights, labour practices and health and safety. The social irresponsibility of shipbreaking firms is quite visible as they are using child labour, and employing workers with extensive working hours and lower than minimum wages, no right to overtime, sick or annual leave, lack of job security, and lack of union rights and access. The death toll in Bangladeshi yards which the Platform was able to document reached 22 in 2016, with another 29 workers having suffered severe injuries. Not enough has been done to prevent the dangerous working conditions, nor to prevent the employment of children. The latest records of death and injury of the last 3 years are alarming and reveal a well-known pattern. The most common serious and fatal accidents in the Bangladeshi shipbreaking yards are caused by: fires and explosions, falling from great heights, heavy parts and iron rods falling and crushing workers, toxic gases, and the rift of iron ropes used to pull heavy parts from the intertidal zone further up the beach.

Ship owners (largely from the developed world), however, continue to sell their obsolete ships to Bangladesh, despite being aware of the social impact of shipbreaking in the developing world. The practices have remained unchanged for the last decade, when developing countries entered the shipbreaking market; and all that despite a number of rules and guidelines that were introduced by international authoritative bodies.

The social impacts of the shipbreaking industry can be discussed in terms of the categories of social impacts identified by Andrews et al. (2009): human rights, working conditions, health and safety, governance and socio-economic repercussions.

Human Rights Bangladeshi shipbreaking firms are violating human rights by violating fundamental labour laws—both national and international. There has been a total disrespect of domestic and international labour rights since the early days of the shipbreaking industry. Whilst claiming to be "green" and boosting themselves with various certificates (Castka & Corbett, 2016), such as ISO 30000 for Ships and Marine Technology, the on-the ground reality is quite different and issues of pollution and poorly enforced workers' rights remain major concerns. At the time of publication, child labour still makes up a large proportion of the workers at the yards. The records of deaths and injuries are alarming.

Working Conditions As working conditions have not been worker-friendly since the industry's inception and are not yet improved, it has been a great concern for workers directly and others indirectly. Yard owners, with the aim of maximizing their profit, are using manual labour instead of mechanizing many activities, especially the risky ones.

Health and Safety As the yard owners are negligent regarding maintaining occupational health and safety standards, they are making their yards death traps where deaths and injuries are common. Negligent behaviour and poor management practices of yard owners are common unethical practices in the industry. Workers, in most cases, are not aware of the underlying hazardous issues of ship breaking activities for their health.

Governance The government of Bangladesh (GOB) is acting very slowly regarding these issues. As a Least Developed Country (LDC), GOB is struggling with many and sometimes conflicting interests of the socio-economic condition of Bangladesh. However, as the industry is considered a very important industry, GOB has already taken some initiatives and others are in the pipeline for boosting the industry, such as recognizing this industry as an industry, and enforcement of labour law, ILO and other rules and regulations. A policy of tolerance and corruption from several government bodies is a common phenomenon where non-compliance of rules and regulations is not addressed immediately or sometimes not at all. Meanwhile, the unfair practices of yard owners keep going on smoothly.

Socio-Economic Repercussions The negative repercussions of the severe violations of labour rights are obvious. The alarming increases in the numbers of deaths, injuries and diseases are indicators of poor maintenance of occupational health and safety standards, not only for the industry but also for the country. In the eyes of the world, the shipbreaking industry of Bangladesh and the country of Bangladesh itself have now been associated with labour exploitation and business practices at the cost of human lives. On one hand, the country's unemployment problem is getting solved, on the other hand, workers risk their lives by engaging in such hazardous jobs. The whole of society is paying for this; the vicious cycle has been created because poor and unskilled people cannot but engage in such risky jobs for very little income because they must choose low income employment rather than being unemployed totally. Bangladeshi shipbreaking firms are facing worldwide criticism. This industry will be vanished if the necessary actions are not taken immediately by the Government of Bangladesh and the yard owners. Already the EU countries are preparing themselves by formulating stringent rules and regulations.

7 Conclusion

Social impacts are important to understand for social sustainability. The shipbreaking industry is considered a very green industry but this green is turning black due to severe violations of labour rights. The establishment of an international framework that ensures that businesses are directly bound by international human rights law throughout their value chain is badly needed. This study has attempted to identify the social impacts of the shipbreaking industry in the context of Bangladesh, where greening tasks are going on at the cost of human life. The unacceptable abuse of workers and the risks for workers associated with shipbreaking should be prevented at any cost for the sake of social sustainability, as it is one of three pillars of being sustainable. The study will provide important insights for shipbreaking firms, the government of Bangladesh, local and international NGOs, and other stakeholders.

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EU Perspectives on Sustainable Development: Aligning the EU Budget to the UN SDGs by 2030

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Abstract More than a year after the adoption of the UN Sustainable Development Goals (UN SDGs) during the UN Summit in 2015, in which the European Union was a major driver of this process, the implementation of the UN SDGs progresses, however, rather slowly. The reflection paper on the Future of the EU Finances, issued in June 2017, does neither mention the UN SDGs in the foreword, nor insists on the necessity to implement them swiftly. More recent EU policy documents and draft papers of the so-called "EU multi-stakeholder process" voice a promising and more stringent alignment of EU policies with the SDGs. Particularly the finance sector and the EU budget could be leveraged to drive the European Union and the rest of the world towards the sustainable development path adopted in 2015. Fortunately, Mrs. Von der Leyen, new president of the Commission since December 2019, has asked each Commissioner to ensure the delivery of the UN SDGs within its policy area. It is therefore timely to reflect on how to deal with the EU budget in this context now, since the negotiations of the new EU Multiannual Financial Framework—post 2020 (MFF) are currently under negotiation. Out of the approximately EUR 1000 billion of the EU budget, we can assume that less than 40% is spent explicitly with the aim to achieve the UN SDGs. We therefore suggest a complete reorientation of the entire EU finances towards the implementation of the UN SDGs, or in other words, towards a more sustainable financial framework of the European Union in which financial support will only be granted when there is compliance with a given set of sustainability criteria, and when the activity can be connected to a given UN SDG. Some work and in-depth reflections in this sense are already being considered, both from relevant EU institutions and from other stakeholders, as will be shown below. Whereas latest news from the international finance

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sector discloses that the sustainable investment bond returns finally equal conventional ones, much more remains to be done to prompt the turnaround towards a sustainable economy. We will present recommendations on how this can be achieved. Most prominently, we advocate for an ambitious two step approach to align 70% of the EU Budget to the UN SDGs by 2025 and 100% by 2030.

Keywords Sustainable finance · EU budget · Planetary boundaries · United Nations development goals · UN SDGs · Sustainable development · European Union · EU multiannual financial framework · EU MFF post 2020 · Future of EU finances · EU common agricultural policy · CAP · European action for sustainability · European action plan on sustainable finance · The Juncker Plan · EU cohesion policy

1 The International Context

More than a year after the adoption of the UN Sustainable Development Goals (UN SDGs) during the UN Summit in 2015, in which the European Union was a major driver of this process, the implementation of the UN SDGs progresses, however, rather slowly. Scientific evidence shows that the world has trespassed four or even seven (Lade, Rockström, Steffen, & de Vries, 2019) out of nine planetary boundaries and uses already 1.75 planets earth. Not countering these developments is not only unsustainable, but endangers survival of human mankind.

The decision by 193 Heads of State and Government in favor of the United Nations Sustainable Development Goals (UN SDGs) in September 2015 was a major milestone towards worldwide sustainable development. For the first time in history, world leaders agreed on a new ethical framework for policy and economic activity. As accompanying document, "The Agenda 2030", an action plan comprising 17 goals and 169 sub-goals, provides guidance towards the agreed roadmap (United Nations, UN SDGs & Agenda 2030, 2018).

Whereas the UN published its first progress report on SDG implementation in 2016 (United Nations, UN Report on SDG Implementation, 2016), each nation state and party to the UN is supposed to present progress reports on the implementation of the UN SDGs under the Voluntary National Reporting Program. In 2016, 22 countries including Finland, France, Germany and Switzerland were amongst the first to do so (United Nations, UN Synthesis Report of voluntary reports, 2016), followed by 43 countries in 2017 (IISD, 2017). For 2018, another 48 countries announced their intended progress report. In 2016, the G20 had also issued its first Action Plan in this respect (G20, 2016). At EU level, the Council Conclusions of 20th of June 2017 invite "*the Commission to prepare the first EU report on the internal and external implementation of the 2030 Agenda by the EU at the High Level Political Forum by 2019*" (Council of the European Union, 2017). Whereas the European Commission made a first attempt for "Next steps for a sustainable European future" (European Commission, 2016a), the Council Conclusions of 20th of June 2017

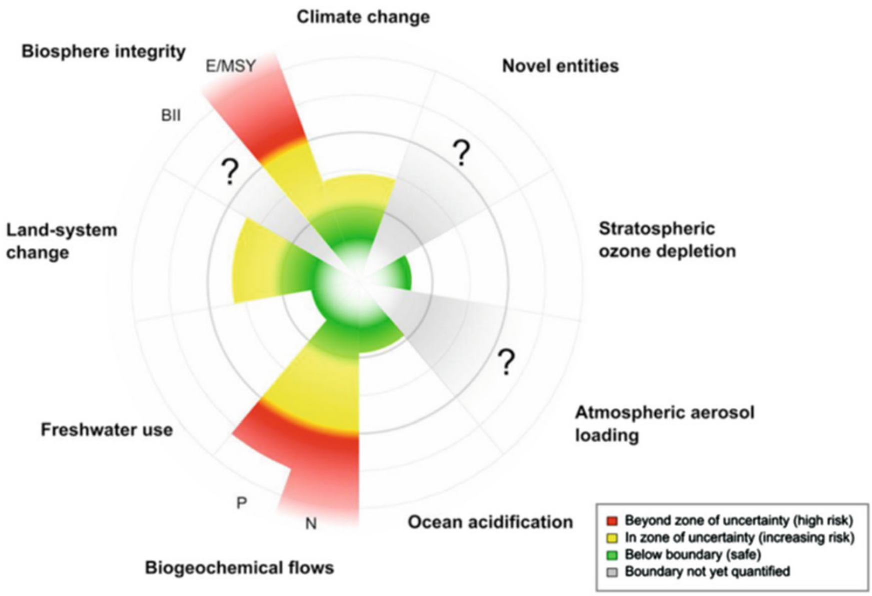

Fig. 1 Nine planetary boundaries (Stockholm Resilience Centre, 2017)

clearly request that the Commission proposes an EU SDG implementation strategy by mid-2018, which will then be discussed by Council and Parliament before finalization. However, the Commission has not delivered on this Council request so far (European Parliament, 2019).

***Recommendation 1**: The European Commission is invited to urgently draft an action plan for timely implementation of the UN SDGs by mid-2020 at the latest.*

While the UN SDGs, regarded to a certain degree as a follow-up to the so called Millennium Development Goals from the year 2000, they can also be interpreted as a timely answer to current knowledge stemming from planetary boundaries research. The latter has issued a warning that human mankind may be close to reaching a critical point of irrevocable environmental change that endangers the survival of the human species.

Experts depict nine planetary boundaries (Rockström et al., 2009; Steffen et al., 2015), among which the first four are considered to have surpassed the healthy or sustainable threshold (see Fig. 1); (1) rapid climate change, (2) biosphere integrity or irreversible biodiversity loss, (3) biochemical flows or unbalanced nitrate and phosphor cycles, (4) unsustainable land-system change, (5) as well as fresh-water use, (6) ocean acidification, (7) atmospheric aerosol loading, (8) stratospheric ozone depletion, and (9) novel entities.

Figure 2 illustrates the four control variables phosphorus, nitrogen, land use change and freshwater use which all show in some parts of the earth high risk values

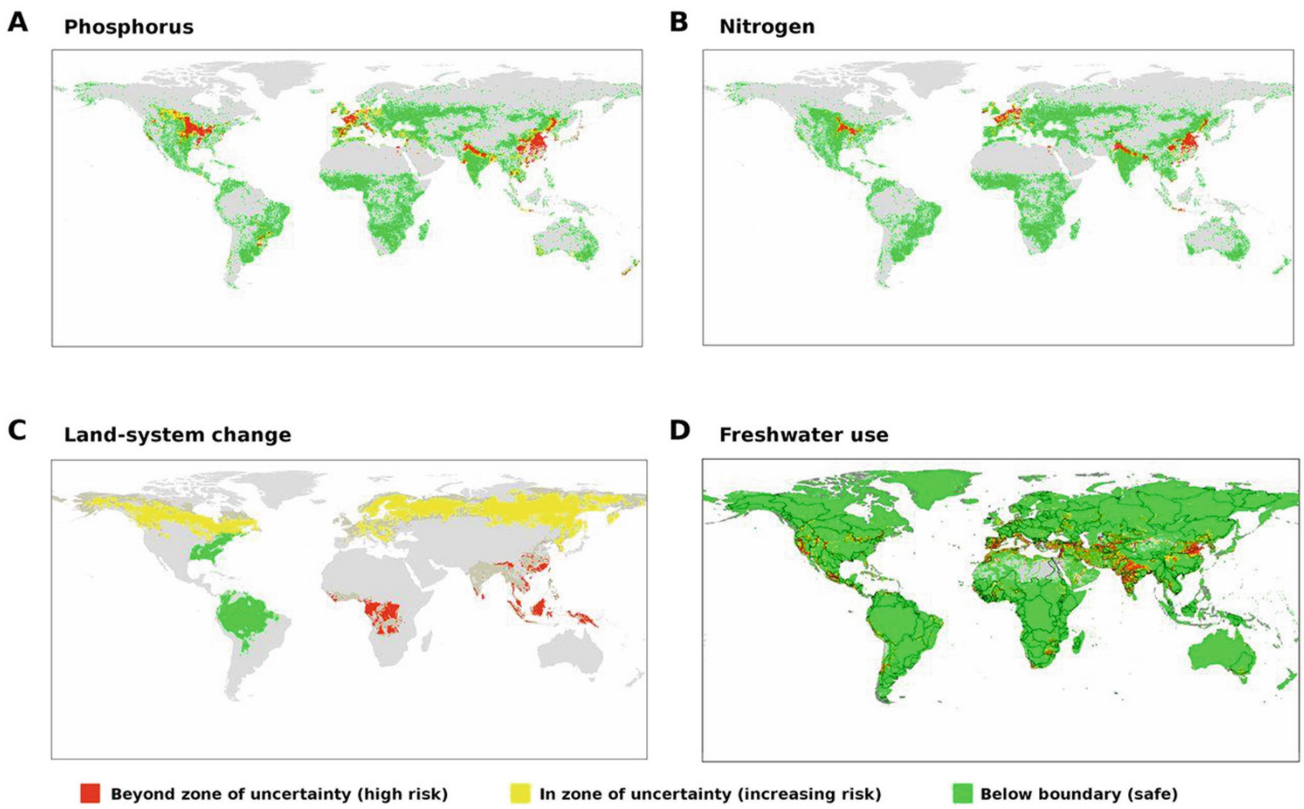

Fig. 2 Four control variables on phosphorus, nitrogen, land-system change and Freshwater use (Stockholm Resilience Centre, 2017)

Table 1 Simplified overview over crossed planetary boundaries[a]

	Planetary boundary (zone of uncertainty)	Current value
Climate change	350 ppm CO_2 (350–450 ppm)	396.5 ppm CO_2
Change in biosphere integrity	< 10 E/MSY (10–100 E/MSY)	-1000 E/MSY Extinction/mio species/year
BIT: biodiversity intactness index	BTI: 90%	84% in s. Africa only
Ocean acidification	≥80% of the pre-industrial aragonite saturation state	~84%
Biochemical flows (P and N cycles)	Global: 11 Tg P $year^{-1}$ (11–100 Tg P $year^{-1}$) R: 62 Tg N $year^{-1}$ (62–82 Tg N $year^{-1}$)	~22 Tg P $year^{-1}$ ~150 Tg N $year^{-1}$

Steffen et al. (2015)
[a]The table is a simplified summary of the author based on Steffen's research findings

beyond uncertainty levels. Table 1 reveals an even more alarming picture regarding surpassed thresholds.

Likewise, from the perspective of the world's environmental footprint (Global Footprint Network, 2018a), we have come to similar conclusions. At the beginning of the year 2018, the World as a whole was already using 1.75 planets earth (Global Footprint Network, 2019). This shows unambiguously that the world has reached and surpassed a dangerous turning point at which human survival may be put at risk, especially if there is no counteraction foreseen. Furthermore, the situation shows strong regional differences or divergences between developed and less developed nations. In fact, developed countries are using much more of the World's resources without fair compensation to the poorer countries what entails further complications and injustice such as mass migration, terrorism or even war. A nation's footprint as originally elaborated by Wackernagl and Rees defines worldwide sustainable resource use with 1.7 ha/person. This measurement depicts that Luxemburg (13.1) (Global Footprint Network, 2018b), Qatar (12.6), Australia (8.8) Canada (8.8) and the U.S.A. (8.6) rank amongst those countries with the highest footprint (about 5–8 times above median figures). European countries like Finland (6.7), Sweden (6.5), Austria (6.1), Denmark (6.1), Germany (5.5), Italy (4.5), Spain (4.0), Hungary (3.3) or Cyprus (3.3), but also China (3.6), Brazil (3.0) and Mexico (2.6) are about 2–4 times above median figures (Global Footprint Network, 2018b). Some countries show median figures, e.g. Morocco, Guatemala and, Vietnam (1.7), and only very few countries live below the 1.7 ha mark, like Niger (1.5), India (1.1), Kenya(1.0) or Pakistan (0.6). Less developed countries, however, suffer much more from severe consequences of climate change than Western countries, such as corresponding droughts and water shortages. Moreover, they often do not have the financial resources to counter these costly environmental and economic problems resulting from climate change.

Hence, all countries, but especially developed countries, are requested to reorient their policies and accordingly their financial framework in order to better respond to international challenges where evidence exists. In fact, the framework for action in this sense is given by the UN SDGs.

Recommendation 2: Budgets around the world, hence also the EU budget and those of Member States should be reoriented towards focusing on the four priority areas stemming from planetary boundaries research, including reducing climate change, reversing biodiversity loss, balancing N-P cycles to a safe level, and managing land use sustainably.

Regarding our Recommendation 2, we may note that in the current EU MFF (2014–2020) for the first time, 20% of EU expenditures have been earmarked for activities aimed at reducing climate change. Nonetheless, the three other areas mentioned in the recommendation aren't so far getting as much attention, neither in policy nor in financial terms.

Recommendation 3: Developed countries could help developing countries in investing in the priority policy areas mentioned in Recommendation 2, reserving an important part of the development cooperation budget for those areas.

Within a complex set of policy areas in which sustainable development needs to be achieved, as outlined by the Agenda 2030, we would consider agriculture and nutrition as central policy drivers, at least in respect to SDGs that have to be achieved by 2020, but not exclusively. In this context, the European Technology Platform for Organic Food and Farming also comes to the conclusion that" transforming food and farming is key to achieving Sustainable Development Goals" (TP Organics, 2017a). Conventional agriculture uses too much water, and too many pesticides which pollute the air, water and land respectively. Nutrition practices and consumption, on the other hand, can steer therefore production behavior and thus positively impact the earth as a whole.

Recommendation 4: Reorient agricultural practices both in the European Union (CAP) as well as outside the EU (through development cooperation policy) towards sustainable, non polluting agricultural practices in order to safeguard the land, the soil, the air and the water for future generations in an unpolluted and thus sustainable state. Likewise, the financial framework needs to be reoriented in this respect (MFF, CAP, etc.).

Respecting this Recommendation 4 there should also be a change in subsidies or financial stimulus policy. Non polluting products should be subsidized rather than polluting ones. Food coming from non conventional farms or organic farms should be cheaper or subsidized rather than food produced by polluting conventional farms.

Unfortunately, this is still not the case, neither in the EU, nor at a global level. Generally speaking, the subsidies and tax policies should pave the way for a transition to sustainable development. Income tax should be lowered; on the other hand, environment polluting activities should be reduced or phased out through higher taxes. Subsidies should only be available for activities contributing to the UN Sustainable Development Goals.

Recommendation 5: The tax and subsidies framework should be used more effectively towards achieving the UN SDGs.

The Agenda 2030 (United Nations, 2015) lists the 169 sub-goals to be achieved by either, 2020, 2025 or 2030. Please find below a selection of goals, which we consider as a prior-ranking in responding to the planetary boundaries challenges:

Box 1: Agenda 2030: Sub-goals to Be Achieved by 2020 (United Nations, 2015)

6.6 By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes

12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment

14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans

15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements

15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally

15.8 By 2020, introduce measures to prevent the introduction and significantly reduce the impact of invasive alien species on land and water ecosystems and control or eradicate the priority species

15.9 By 2020, integrate ecosystem and biodiversity values into national and local planning, development processes, poverty reduction strategies and accounts

Box 2: Agenda 2030: Sub-goals Being Importantly Related to Planetary Boundaries Issues (United Nations, 2015)

2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality

3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination

(continued)

Box 1 (continued)

4.7 By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development

8.9 By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products

12.3 By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses

12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

12.7 Promote public procurement practices that are sustainable, in accordance with national policies and priorities

12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature

12.b Develop and implement tools to monitor sustainable development impacts for sustainable tourism that creates jobs and promotes local culture and products

14.1 By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution

15.3 By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world

15.4 By 2030, ensure the conservation of mountain ecosystems, including their biodiversity, in order to enhance their capacity to provide benefits that are essential for sustainable development

15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species

15.8 By 2020, introduce measures to prevent the introduction and significantly reduce the impact of invasive alien species on land and water ecosystems and control or eradicate the priority species

17.14 Enhance policy coherence for sustainable development

2 The Specific European Context

The European Union was and is a frontrunner in terms of policy solutions for a more sustainable society and the European Model or the "European Dream" has certainly eclipsed the American one (Rifkin, 2004). The EU is very committed to implementing the UN SDGs and the Agenda 2030 (European Commission, 2016b). In particular, the new President of the European Commission, Mrs. Von der Leyen, has enshrined the implementation of the UN SDGs into her mission and the one of the whole college. A more comprehensive implementation strategy at EU level is still to be proposed. Recent policy aims at making the finance sector more sustainable. Likewise, the budget needs a sustainability screening too.

The process of implementation of the UN SDGs evolves over time. Whereas the first documents such as the Commission Communication from November 2011 "Next steps for a sustainable European future – European action for sustainability" primarily provide a description of how the European Union is already contributing to the SDGs, followed by some next steps to take, in the more recent discussions and documents we can observe a change of language and tone. The interim report of July 2017 of the High Level Expert Group on Sustainable Finance (HLEG) e.g. requests the Commission conducts a sustainability test on all financial legislative proposals (HL Expert Group, 2017). The Council asked for a better integration of SDGs into the MFF. It appears to us that more and more stakeholders see the enormous chance if not the obligation to radically change our financial system towards a tool to implement the SDGs.

2.1 Key Actions Taken Since 2015 with a View to Implementing Agenda 2030

2.1.1 Next Steps for a Sustainable European Future: European Action for Sustainability/Commission Communication/November 2016 (European Commission, 2016a)

This Commission Communication represents the response to the 2030 Agenda, and mainly consists of a mapping of European policies that contribute to the SDGs. In addition, the ten priorities of the Juncker-Commission are described in how they deliver on various SDGs, "*A new boost for jobs, growth and investment*" (European Commission, 2016a, p.7) is mentioned as priority 1. Priority 3 relates to "*A resilient Energy Union with a forward-looking climate change policy*" (European Commission, 2016a, p.9), and Priority 4 e.g. "*to a new and forward-looking approach to ensure sustainable finance, linked to several SDGs*" (European Commission, 2016a, p.10ff).

Furthermore, the Commission is convinced that "*sustainable development requires a holistic and cross-sector policy approach*" (European Commission, 2016a, p.14ff) and that "*ultimately sustainable development is an issue of governance*". Within a new structure, the first Vice-president gets the horizontal responsibility for sustainable development, and to ensure policy coherence will play a coordinating role in actively implementing the 2030 Agenda. Key actions and governance elements include (European Commission, 2016a, p. 18): (1) mainstreaming the SDGs into EU policies and initiatives, "*with sustainable development as an essential guiding principle for all policies*", (2) regular reporting towards SDG implementation, (3) promoting sustainable development worldwide, (4) launching of a multi-stakeholder Platform, (5) launching reflection work with a longer term vision in a post 2020 perspective.

2.1.2 A Sustainable European Future: The EU Response to the 2030 Agenda for Sustainable Development (Council Conclusions 20 June 2017) (Council of the European Union, 2017)

In this context, the Council Conclusions of June 2017 "A sustainable European future: The EU response to the 2030 Agenda for Sustainable Development" (Council of the European Union, 2017), which react to the Commission Communication "Next steps for a sustainable European Future – European action for sustainability" (European Commission, 2016a), confirm "*that the EU and its Member States are strongly committed to implementing the 2030 Agenda in a full, coherent, comprehensive, integrated and effective manner*" and underline "*that the EU and its Member States will act as frontrunners in this respect*" (European Commission, 2016a, p-6). Furthermore, the Commission is requested "*to ensure that existing and new EU policies are in line with the SDGs and their targets"* (European Commission, 2016a, p.6ff). *An implementation strategy is explicitly encouraged:*

> 19. URGES the Commission to elaborate, by mid-2018, an implementation strategy outlining timelines, objectives and concrete measures to reflect the 2030 Agenda in all relevant EU internal and external policies, taking into account the global impacts of the EU's domestic actions. This strategy should be based on a clear vision of how all relevant EU policies will contribute to the realisation of the 2030 Agenda; CALLS ON the Commission to identify existing gaps by mid-2018 in all relevant policy areas in order to assess what more needs to be done until 2030 in terms of EU policy, legislation, governance structure for horizontal coherence and means of implementation;

Most interestingly, an explicit reference is also made to the importance of the MFF with respect to SDG implementation. The Council Conclusions state:

> 29. UNDERLINES that an effective combination of the full range of resources (financial and non-financial, domestic and international, public and private) will be needed for the successful implementation of the 2030 Agenda in all relevant policy areas; CALLS ON the Commission to assess how the programmes and instruments within the next Multiannual-Financial Framework (MFF) can support the implementation of the 2030 Agenda.
>
> 37. INVITES the Commission to prepare for the first EU report on the internal and external implementation of the 2030 Agenda by the EU at the High Level Political Forum by 2019;

2.1.3 Multi-stakeholder Platform on the Implementation of the SDGs in the EU

In May 2017 the Commission established the Multi-Stakeholder Platform on the implementation of the SDGs. The Platform is comprised of members from academia, the private sector, civil society, European Economic and Social committee, Committee of the Regions; The UN, the World Bank, and the European Sustainable Development Network have observer status. In its first meeting on 10 January 2018 (Multi-Stakeholder Platform, 2018) ways to mainstream SDGs into the MFF were discussed as major agenda item (IISD, 2018).

In early March 2018 the Multi-Stakeholder Platform on the Implementation of the SDGs in the EU presented a draft of its advisory report "From commitment to action: Implementing the SDGs through the next MFF", outlining nine new instruments, which was supposed to be adopted on 14 March in the meeting of the Management Committee of the Multi-Stakeholder Platform of 14th of March 2018 (Multi-Stakeholder Platform, MC 2018).

The website of the Multi-Stakeholder Platform invites comments from all stakeholders from the European Union and abroad, underlining its very inclusive process (Multi-Stakeholder Platform, feedback, 2018).

2.2 Initiatives at the EU Level Towards a Sustainable Financial System (European Commission, 2016c)

2.2.1 High Level Group on Sustainable Finance (December 2016)

In response to the adoption of the UN SDG and the Paris Climate Agreement of 2015, the European Commission has been working since then towards an EU Strategy on Sustainable Finance (European Commission, 2016d). To this end, a High Level Expert Group on Sustainable Finance (HLEG) was established on 22. December 2016. "*The group was given the mandate to prepare a comprehensive blueprint for reforms along the entire investment chain, on which to build a sustainable finance strategy for the EU*." (HL Expert Group, 2018a)

In its most recent report from January 2018 the recommendations of the HLEG "*show a way towards a financial sector that supports a more sustainable and inclusive economic system, in line with the EU's environmental and social objectives*" (HL Expert Group, 2018a, 2018b).

In more detail, the HLEG (1) recommends establishing an EU sustainability taxonomy, starting with climate mitigation; (2) makes some cross-cutting recommendations, amongst other to institute "a 'Think Sustainability First' principle at the heart of EU policy-making; and to drive sustainable finance at the global level"; (3) gives recommendation for specific financial sectors such as lending, asset management, pension funds, investment banking or rating agencies; (4) and finally recommends also e.g. "*re-orienting agriculture to a way that is more sustainable for the economy, the environment and public health*".

As the HLEG points out, there are many social and environmental challenges to be tackled. In this context, we would like to refer to the Commission priority Nr. 1, boosting jobs. A decent job today is considered a human right. However, some 9% of the European population lacks a decent job. A Common EU Job Database could make the EU job market more transparent and in consequence more effective. While a beginning was made with EURES (2014), firms are still not obligated to feed in their vacancies. Switzerland has recently established such a system and we would strongly recommend a similar system for the whole European Union.

Recommendation 6: Within the MFF, money should be provided for a comprehensive EU Job-database to facilitate reducing the unemployment rate and hence contributing to the SDG goal 8 referring to decent work and economic growth.

2.2.2 Commission Communication on Sustainable Finance: Action Plan on Sustainable Growth (8 March 2018) (European Commission, 2018a)

> This Action Plan on sustainable finance is part of broader efforts to connect finance with the specific needs of the European and global economy for the benefit of the planet and our society. Specifically, this Action Plan aims to:
>
> 1. reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth;
> 2. manage financial risks stemming from climate change, resource depletion, environmental degradation and social issues; and
> 3. foster transparency and long-termism in financial and economic activity. (European Commission, 2018b)

Particular importance is given to the following actions (1) establishing an EU classification system for sustainable activities or an EU taxonomy, (2) creating standards and labels for green financial products, (3) fostering investment in sustainable projects, (4) incorporating sustainability when providing financial advice, (5) developing sustainability benchmarks, (6) better integrating sustainability in ratings and market research, (7) clarifying institutional investors' and asset managers' duties, (8) incorporating sustainability in prudential requirements, (9) strengthening sustainability disclosure and accounting rule-making, (10) fostering sustainable corporate governance and attenuating short-termism in capital markets.

It is explicitly mentioned that the Action Plan will be instrumental in achieving the UN SDGs and the Paris Climate Agreement. No particular reference is made to biodiversity or N and P cycles, but the "*Commission recognises that the financial sector has a key role to play in reaching these fundamental environmental and social* *goals, as large amounts of private capital need to be mobilised for such change*" (European Commission, 2018c).

2.2.3 Reflection Paper on the Future of EU Finances (28 June 2017) (European Commission, 2017a)

This Reflection Paper on the Future of EU Finances portrays, in a first step, the current MFF, provides an overview of trends and challenges, and finally illustrates options for the future of EU finances. While it is stated that the UN SDGs "*are an anchor of EU policy both internally and externally*" (European Commission, 2017b), there is no particular reference made to the fact that the EU budget should be aligned with the SDGs. In fact, the authors believe that the "*SDGs have largely been incorporated into the EU budget and spending programme*". With an in-depth analysis, which unfortunately was not possible in the framework of this publication, I would however dare to float the hypothesis that this still has to be proved. We rather estimate that the budget of the EU only contributes with a percentage of about 40% to the attainment of the SDGs. In this rough approximation we include the 20% ring fencing for climate change reduction, and about 20% for other issues. The main confusion or discrepancy we realize in that respect lies in the fact that the approach has been so far driven by money spending in the various sectors according to overall policy guidelines. The approach needed however would link spending to the attainment of explicit SDG goals within a certain time frame and regarding scientifically known or evidence-based priorities. Take the example of halting or reversing biodiversity loss for instance: First, there is no ring fencing for this policy goal, nor are there specific activities that would guarantee that goal which is of similar or even higher urgency compared to climate change. In the same vein, the imbalances of nitrate and phosphor cycles are not addressed accordingly. Europe would probably need a stringent phase out plan of main pesticides, similar to the one from the Nordic countries (Integrated Pest Management, 2012), aimed at neutralizing polluting intakes by a certain given date as e.g. 2020 (see SDG goals for 2020 above). The Farm to Fork Strategy within the European Green Deal of December 2019 at least partly addresses this issue (European Commission, 2019).

In this context, we deem the term 'sustainable agriculture' (European Commission, 2017c) slightly misleading, considering that the percentage of organic agriculture on a European average amounts to about 6% (8% in 2019), and only "*25% of the European agricultural area was under management contracts for agri-envrionmental friendly practices targeting water, soil and biodiversity*" (European Commission, 2017d). The Paper recognizes however that there is a growing call for the agricultural policy "*to focus further on the provision of public goods, such as safe and healthy food, nutrient management, response to climate change, protection of the environment and its contribution to the circular economy*" (European Commission, 2017e).

Interestingly, when talking about revenue sources, new taxation schemes could be thought of such as corporate taxation (digital tax), taxation of financial transactions or plastic products (European Commission, 2017f). This seems a particularly promising way to us. The financial transaction tax by itself would largely outweigh losses from BREXIT (projected with EUR 12 billion). Annual revenues from this source are estimated at about EUR 30–35 billion. (European Commission, 2013).

Recommendation 8: The EU should envisage establishing new revenues coming from taxation such as corporate taxes, financial transaction tax or environmental pollution taxes (plastic, pesticides, etc.).

2.2.4 Draft Report on the Next MFF: Preparing the Parliament's Position on the MFF Post-2020 (10 January 2018)

Whereas this motion for a European Parliament Resolution from the Committee on Budgets analyses in detail shortcomings from the current MFF, it also outlines priorities and challenges for the upcoming MFF regarding budget principles, duration, structure, the mid-term revision, flexibility, flexibility mechanisms in the MFF, MFF special instruments, revenue, as well as efficient and effective use of EU resources. Similarly, with respect to specific policies to be served by the EU budget, a voluminous listing of policies and issues that should be supported is provided for, but without any reference to the importance of the budget or the MFF being able to contribute to the implementation of the SDGs (European Parliament, 2018a).

2.2.5 EU Parliamentary Draft Report on Sustainable Finance (2. February 2018) (European Parliament, 2018b)

On the same theme, the European Parliament recently published a draft report outlining amongst others that the whole financial sector should be guided by values such as justice and sustainable development, in particular with respect to its central task to provide capital for the wellbeing of our society (European Parliament, 2018c). It is stated that the power of the finance sector should be used to facilitate the turnaround towards a sustainable economy in the European Union (European Parliament, 2018c). Such a sustainable finance system requires a framework of information and incentives that makes sure that capital flows into investments that are needed in our European economies and societies for a rapid and fair ecological turning point (European Parliament, 2018d).

The report of the Economic and Monetary Committee further stresses "*the potential of a faster green transition as an opportunity for orienting capital markets towards long-term, innovative and efficient investments; notes that environmental, social and governance (ESG) benefits and risks are not reflected in prices and that this provides a market advantage to unsustainable and short-termist geared finance; stresses that a political and regulatory framework to govern sustainable finance is overdue*" (European Parliament, 2018e).

2.2.6 Sustainable Finance (Council of the European Union, Presidency Issues Note, 12 February 2018) (Council of the European Union, 2018)

In this paper the presidency sets out a framework for a ministerial discussion on 22 March 2018 on the basis of the eight priority actions of the HLEG including:

- Introduce a common sustainable finance taxonomy to ensure market consistency and clarity, starting with climate change.
- Clarify investor duties to extend time horizons and bring greater focus on ESG factors.
- Upgrade Europe's disclosure rules to make climate change risks and opportunities fully transparent.
- Empower and connect Europe's citizens with sustainable finance issues.
- Develop official European sustainable finance standards, starting with one on green bonds.
- Establish a 'Sustainable Infrastructure Europe' facility to expand the size and quality of the EU pipeline of sustainable investment.
- Reform governance and leadership of companies to build sustainable finance competencies.
- Enlarge the role and capabilities of the European Supervisory Authorities (ESAs) to promote sustainable finance as part of their mandates.

3 Analysis of Certain Major EU Funding Initiatives in Respect to Fulfilling the UN SDGs

The European Union has a vast number of funding instruments that could or should aim at financing the implementation of the SDGs. In this chapter we provide a short analysis of three major funding initiatives including the Junker Plan, the Cohesion Policy and the Common Agricultural Policy. We come to the conclusion that their contribution to the achievement of the SDGs is still insufficient.

3.1 The Juncker Plan: Investment Plan for Europe

As stated above, finance and investment can play a crucial role in achieving the UN SDGs. The Investment Plan for Europe was originally planned to merely focus on growth, encourage investment in order to create jobs, boost growth and competitiveness, meet long-term economic needs and strengthen the EU's productive capacity and infrastructure. In its extended version of 14th of September 2016 (European Commission, 2016e) it is also meant to contribute to the UN SDGs in the 3 years (2015–2018). With a target of EUR 315 billion it would bring investment to half a trillion euro by 2020, at the end of the current MFF.

The External Extended Investment Plan (EIP) consists of three complementary pillars, whereas the first one specifically relates to sustainable development (European Commission, 2016e):

- Mobilizing investment with existing facilities together with the new European Fund for Sustainable Development (EFSD). The EFSD will be composed by two regional investment platforms for Africa and the Neighbourhood.

However, regarding the projects financed, it has to be noted that not all projects are or were following the "Sustainability First Principle", as proposed by the HLEG in its interim report of June 2017. Therefore we suggest:

Recommendation 9: The Juncker Plan should be revised urgently with the aim to establish the "Sustainability First Principle" **(HL Expert Group, 2018c)** ***also in this context, meaning that only projects explicitly contributing to the UN SDG will be supported by this facility.***

3.2 Cohesion Policy

The EU budget for the Cohesion Policy amounts to about one third of the total budget. Whereas certain areas which are financed in order to achieve economic, social and territorial cohesion can be considered as directly relating to sustainability such as low carbon economy, climate change and risk, or environment and resource efficiency, others are at least partly contributing to the UN SDGs such as research and innovation or employment. However, we see potential in improving the "sustainability leverage", particularly in the cohesion policy budget.

In addition, the Reflection Paper on the Future of EU Finances mentions explicitly that "*the policy has become increasingly complex to manage*" and it is "*difficult for beneficiaries to access these funds and deliver projects quickly. Therefore a much more radical approach to simplifying implementation and allowing for more agile and flexible programming is needed for the future*" (European Commission, 2017g).

Recommendation 10: The Cohesion Policy should be revised and simplified, and at the same time be made coherent with the implementation of the UN SDGs. Only projects explicitly contributing to the UN SDGs will be supported in the future.

3.3 The Common Agricultural Policy (CAP)

With more than 300,000 submissions, the public consultation on the future of the CAP "Modernising and Simplifying the Common Agricultural Policy" (European Commission, 2017h) showed a high public interest in this sector, since impacts of agricultural policy are going far beyond the agricultural community. The public consultation "*highlights the fair standard of living for farmers, the pressures on the environment and climate change (both mitigation and adaptation) as the three most pressing challenges that EU agriculture and rural areas have to face.*"

Besides that, the participants to the public consultation consider that the current CAP addresses environmental challenges to some extent only (63%).

> Water (quality and quantity), soil protection and biodiversity clearly emerge as the most relevant environmental objectives under the CAP. In parallel, the most relevant actions considered to better address climate change are the reduction of GHG emissions, carbon storage and sequestration, climate change adaptation as well as diversification of the farming systems. In this domain, farmers largely agree on the idea that the CAP would be simpler if more choice was given in terms of environmental measures.

In order to achieve the UN SDGs, urgent action needs to be taken within the agricultural and industry sectors.

It is known that around 20% of the beneficiaries receive about 80% of the payments within the CAP (European Commission, 2017i). This reveals that most of the payments are targeted to huge farms, public actors or organizations (such as the Queen of England or other royalties (Baldwin, 2005) or Agrarmarkt Austria (AMA) (CAP, 2015). The CAP thus favors large farm structures applying intensive agricultural practices instead of non-polluting ones which are mostly utilizing extensive and/or environmental-friendly agricultural practices and are relatively smaller. The main issue here is that there is an overuse of pesticides that threaten the nitrate and phosphorus cycles (see the control variables above). This is why a controlled phasing out of polluting agricultural practices is urgently required. For the time being, organic agricultural or similar practices are supported far less than conventional ones. The CAP should therefore favor farmers applying non-polluting agricultural practices. At the same time, high quality agricultural soil needs to be preserved in order to guarantee the availability of abundant high quality agricultural soil for future generations. On more general terms, "*there are growing demands to orient the CAP further towards the provision of public goods related to the protection of the environment and climate action.*"

Recommendation 11: The CAP should be urgently revised in order to accomplish in particular UN SDG 6.6. by 2020 and UN SDG 2.4. by 2030. To this end, the CAP should establish a two-step transmission action plan to phase out all toxic emissions from agriculture into the environment (pesticides, nitrates, phosphates) by 2030. Also here should the "Sustainability First Principle" be the guiding principle for the entire CAP. This entails a gradual shift from subsidizing polluting (mainly big) farms to non-polluting (mainly smaller) farms.

Recommendation 12: Similarly, we suggest to extend the EU organic farming action plan aiming at an EU average of 30% organic agriculture & agro-ecology of the total agricultural surface by 2025, of 50% by 2030, and of 70% by 2050 (TP Organics, 2017b).

Recommendation 13: At the same time, high quality agricultural soil should be preserved for high quality, non-polluting (or organic) agricultural practices

without any exception. It could be envisaged to protect those soils under the Natura 2000 scheme or create a new specific soil protection scheme.

4 The EU Multiannual Financial Framework Post-2020

The currently discussed EU Multiannual Financial Framework post-2020 offers a great opportunity to steer EU Finances towards the financing principle "Sustainability First". The reflections are meant to drive the debate into this direction and finally agree on the next EU budget 100% aligned with the UN Sustainable Development Goals.

As mentioned in the Reflection Paper on the Future of Finance (European Commission, 2017a), the MFF 2014–2020 comprises three main pillars; a) the economic, social and territorial cohesion (34%) including research, SMEs, employment, also environment and resource efficiency, e.g., b) the sustainable growth: natural resources (39%), including agriculture, fisheries, rural development and environment, and c) the areas of competitiveness for growth & jobs (13%), the Global Europe (6%), security and citizenship (2%) as well as administration (6%).

It also states that the "economic, social and environmental dimensions at the heart of the SDGs have largely been incorporated into the EU budget and spending programs" (European Commission, 2017j). However, when analyzing the issue in more detail, a lot more needs to be done in order to fully comply with the UN SDGs.

All pillars should contribute to the achievement of the UN SDG, whereas Pillar II including agriculture and fisheries appears to us of prior importance, since the sustainable use of natural and environmental resources build the basis for the survival of mankind. Food security remains a top political priority.

As money is scarce, decision-makers in the European Union need to decide which activities should have priority financing. The ongoing revision of the Multiannual Financial Framework post 2020 (MFF) is contemplated, at least partly, as an opportunity for SDG implementation, since the budget should serve policy objectives, and the European policy has been oriented to a certain extent towards sustainable development. This is reflected notably in the EU Sustainable Development Strategies, but also in many other policy and legislative documents. To an even higher degree, Commission President Von der Leyen demands a more rigorous implementation of the UN SDGs. Consequently, the MFF could be used as a driver for policy change, which is advocated for at least to a certain extent by the Multi-Stakeholder Platform as well.

Recommendation 14: The EU MFF post 2020 should clearly be designed in a way that reorients the European Union budget towards sectors and activities that contribute to the achievement of the UN Sustainable Development Goals as an overarching principle.

In this respect, the Commission Communication of 2016 already affirms that "*The new Multiannual Financial Framework beyond 2020 will also reorient the EU* *budget's contributions towards the achievement of the EU's long-term objectives"* (European Commission, 2016a).

Earmarking 20% of expenditures for activities that reduce climate change was a good first step, which is anchored in the current EU MFF. In the upcoming negotiations on the new MFF, the other pressing areas like biodiversity loss or excessive nitrate and phosphor intake need to be tackled. Our list of selected Agenda 2030 sub-goals shows that some goals even need to be achieved by 2020.

Recommendation 15: The EU MFF post 2020 needs to ensure that biodiversity loss can be halted and reduced, and that this goal is being established as a cross-sectoral main guidance for subsidies or other expenditures or activities. In addition, it is suggested to allocate 20% of EU expenditures to the goals to be realized by 2020 and reducing biodiversity loss.

Recommendation 16: Likewise, the EU MFF post 2020 should be drafted in a way that ensures the significant reduction of nitrate and phosphor emissions into the air, water, soil and land from both the industry and agricultural sectors. Additionally, we propose to assign 20% of EU expenditures towards balancing and neutralizing the nitrate and phosphorus cycles.

5 Conclusions

This brief analysis reveals how many solutions for improvement towards a more sustainable economy and society are already acknowledged by the various stakeholders including the European Institutions (Council, European Commission, European Parliament) or the HLEG on sustainable finance. At the same time, the finance sector and finance instruments have been clearly identified as important leverage tools towards the implementation of the UN Sustainable Development Goals. In this respect, the current negotiations on the new EU Multiannual Financial Framework provide a wonderful opportunity to pave the way for a sustainable European future where UN SDGs are fully implemented. As the ongoing debate is led by other topics that seem to be of higher importance to Member States and thus still do not touch upon this issue with the necessary conviction, we suggest:

Recommendation 17: We advocate for a revision of the EU MFF in a way that ensures full alignment of the EU MMF with the implementation of the UN SDGs by 2030 in a two step approach, achieving an alignment of 75% by 2025.

Annex: Recommendations of HLEG

As priority actions, the HLEG recommends: establishing an EU sustainability taxonomy, starting with climate mitigation, to define areas where investments are needed most; clarifying investor duties to extend the time horizons of investment and bring greater focus on environmental, social and governance (ESG) factors into investment decisions; upgrading disclosures to make sustainability opportunities and risks transparent; enabling retail investors to invest in sustainable finance opportunities; developing official European sustainability standards for some financial assets, starting with green bonds; establishing 'Sustainable Infrastructure Europe' to deploy development capacity in EU member states for infrastructure necessary for a more sustainable economy; and integrating sustainability firmly in the governance of financial institutions as well as in financial supervision.

The HLEG also makes some cross-cutting recommendations. It advises the EU: to confront short-termism in financial markets so as to reduce its negative impact on long-term corporate investment and development; to consider ways to empower citizens to engage with sustainable finance; to monitor investment plans and delivery through a dedicated EU observatory on sustainable finance; to improve financial market benchmark transparency and guidance; to ensure that EU accounting rules do not unduly discourage long-term investment; to establish a 'Think Sustainability First' principle at the heart of EU policy-making; and to drive sustainable finance at the global level.

The HLEG also has recommendations for specific sectors of the financial system. Their purpose is: to promote real economy and sustainability lending in the banking sector; to enable insurance companies to have a stronger role in equity, long-term and infrastructure investments; to ensure that asset managers, pension funds and investment consultants grasp the sustainability preferences of their clients; to ensure that credit rating agencies lengthen the time horizon of risk analysis and disclose how they consider ESG factors; to have listing authorities promote disclosure of ESG information; and to obtain better long-term research by investment banks.

Finally, the HLEG is aware that there are many other social and environmental challenges to tackle. The HLEG recommends: supporting the growth of social enterprises and the financing of social-related projects; revaluing natural and environmental capital in economic and financial decisions; and re-orienting agriculture to a way that is more sustainable for the economy, the environment and public health.

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The Drive Towards Global Sustainability in the Second Millennium: An Indispensable Task for the Survival of Planet *Earth*

Elizabeth Hogan and Samuel O. Idowu

Abstract The term *sustainability* in environmental context or in terms of planet *Earth* came into our serious consciousness in the late 1980s as a result of the world acclaimed Brundtland Report (1987) of the World Commission on Environment and Development. This was after Rachel Carson's book of 1962 on the excessive use of pesticides in agriculture and the Stockholm Conference on the Environment of 1972. The term and all that it's about has become indispensable in all we do when it comes to the future survival of this great planet of ours. This chapter explores *sustainability* in global terms. It explains what the term means from its many dimensions, what all global citizens—corporate and individuals need to do to ensure that both current and future generations of all inhabitants of our planet live comfortably during their respective era on earth. It also takes a look at sustainability of the oceans and their importance in the livelihood and survival of the citizens of our blue planet. The chapter also delves into the two sets of UN goals—the 8 MDGs 2015 and the 17 SDGs 2030 from their sustainability perspectives. It concludes by looking at the future of sustainable practices and actions which all citizens of planet earth must continue to take.

1 Introduction

What do we mean by the term *sustainability* is perhaps a good starting point for a chapter that purports to look at issues encompassed in global *sustainability*. We have grappled for a while with what the term means in the academic literature. There is no consensus or a universal definition of what it means but it is acknowledged that we should be sustainable in whatever we do otherwise things could be made much more

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difficult for this generation and future generations. There are a number of ways to explain or define the term, let's look at some of them.

The Dictionary.com defines sustainability as "the quality of not being harmful to the environment, depleting natural resources and thereby supporting long-term ecological balance".

Bigelow on the other hand argues that in reality, *sustainability* includes three major inter-related components otherwise known as the 3Es, which are:

- Environmental Protection
- Economic Prosperity and Continuity
- Equity or Social Well-being

Dashing back to the Brundtland's Report (1987) which was mentioned in the abstract above, provides its own definition of it; the report looks at the term sustainable development as:

*"Humanity has the ability to make development sustainable—to ensure that it meets
the needs of the present generation without compromising the ability of future generations to meet their own needs. The concept of sustainable development does imply limits—not absolute limits, but limitations imposed by the present state of technology and social organization on environmental resources and by the ability of the biosphere to absorb the effect of human activities."*

The above definition of sustainable development is often paraphrased as development which helps "***to meet the needs of the present generation, without compromising the ability of future generations to meet their own needs***". This definition suggests that there are three dimensions to *sustainability*.

Carroll (1991, 2016) in his world acclaimed Pyramid of CSR model suggests that the issues which are encompassed in CSR could be arranged in a hierarchical order of Economic, Legal, Ethical and Philanthropic Responsibilities. Idowu (2009, 2012), notes that the four issues encompassed in Carroll's (1991, 2016) could also be expressed mathematically in an equation, where all four issues will sum up to one or 100%. Elkington (1997), 10 years after the Brundtland Report (1987) coined the Triple Bottom Line (TBL) concept of what constitutes corporate social responsibility—*economic responsibility*, *ecological responsibility* and *social responsibility* see Idowu (2012). Elkington's view of CSR is often referred to as the 3Ps—*People, Profit* and *Planet*. The United Nations Sustainable Development Goals 2030 has extended the 3Ps noted in Elkington (1997) to the 5Ps—*People, Planet, Prosperity, Peace* and *Partnership*.

Sustainability has also been defined as "establishing a system wherein the biosphere and humans can coexist". Sustainability it is argued aims to maintain a balance among different aspects of society and the environment. Whichever way one looks at *sustainability* it must be remembered that it's about three perspectives of human existence *environment, economic* and *social.*

A few years ago, the second author of this chapter attended a lecture at the London School of Economics & Political Science (LSE) delivered by the famous South African Judge and Professor, Mervyn E King, the Chairman of the four King

Reports on Corporate Governance in South Africa—King I–IV. He made a number of sustainability related comments during the lecture which have remained with him up to this day and have continued to guide many of the actions he takes in a number of areas. King said:

- We now live in a world where we must do more with less
- Our old business model was based on a number of wrong and unsustainable assumptions:
  - That our natural resources are inexhaustible.
- That planet earth has an infinite capacity to absorb wastes.
- That human beings can Take-Use-Waste our nature-endowed resources.

Issues surrounding sustainable development have taught us that these assumptions are incorrect. There are no limitless resources in nature as far as planet earth is concerned. We must use many of the things nature has endowed our planet sustainably and with responsibility. We have seen the serious repercussions of the unsustainable use of plastics on both our oceans and land lives. Similarly, the adverse impacts of many of the things we have gotten accustomed to; have become glaringly visible or clear to us, at least as things stand presently. Unless we change the way we operate and use many of our nature endowed resources, things could get seriously out of order up and down this planet for everyone. Sustainability is therefore expecting every citizen of planet earth to respect the environment in the actions that take in everything they do.

2 Adverse Consequences of Unsustainable Actions

A number of social, economic and environmental challenges emanating from our past operational practices have become apparent to us. Problems such as Climate Change, Global Warming, corporate collapses and failures, unsustainable use and serious depletion in many of our natural resources and a number of other similar problems are too glaring for us all to see and to understand the serious consequences that await this generation and future generations of man if we continued to operate unsustainably.

Before the end of last century and during the earlier part of the second millennium a number of corporations failed in different parts of the world due to inappropriate corporate and weak governance systems. A number of unsuspecting stakeholders were seriously affected; see for example the Bank of Credit and Commerce International (BCCI), Barin Bank, Enron, WorldCom, Parmalat, Royal Ahold, HIH Insurance, Satyam and several others. Corporate governance issues are also at the heart of sustainable development. Organisations, regardless of whether they are profit seeking or not for profit must be directed and controlled sustainably.

There had also been a number of serious environmental accidents issues which had occurred up and down planet earth, which have raised a number of sustainability related questions. See for example, Union Carbide Bhopal Explosion 1984, Chernobly Power Station Explosion 1986, Exxon Valdez Alsaka Explosion 1989, European Bovine Spongiform Encephalopathy (BSE) Cow Disease 1989–2003, BP Gulf of Mexico Oil Spill 2010, Corona Virus 2020 and a number of other similar past environmental problems that faced our world. Many of these above noted examples impacted seriously on planet earth which they occurred.

3 Andrew S Winston Predictions on Global Sustainability by 2030

Archie B Carroll liked an article by Winston on LinkedIn. As one of followers of this great CSR scholar; the modern father of CSR—Carroll, we decided to read the article as it came to our consciousness as a possible world class article, if it were to have been of interest to Carroll. As was expected by us, the article contains a number of interesting predictions about the subject of *sustainability* for the next 10 years. Winston (2019) made nine *sustainability* predictions which would impact on our world. These are noted below:

- 8.5 billion of us will live on planet earth by 2030 with over 65 years old accounting for 1 billion of the 8.5 billion.
- 67% of us will live in cities which will add more pressure on our resources in these dwelling places.
- Our world will become more transparent and less private—our markets will be full of products will the lowest carbon footprints and fewest toxic ingredients.
- The climate will continue to change quickly and feature regular extreme weather everywhere.
- The global community will be forced to more aggressively confront resource constraints. The need to use recycled materials for products will increase.
- The transformation of our grid, roadways and buildings to zero carbon technology would have made much progress than expected.
- Everything will be on the internet and all devices will be connected.
- A number of issues will be based on Global Policy. Issues such as Climate Change, Resource Pressure, and Poverty Eradication are examples of some of that will be based on global policy.
- Probable Increase in the rise of nationalism and radicalism in governing philosophies.

What do all these mean to the global community? Or put differently, what are the implications of all these aforementioned predictions to us all? This from our perspective is perhaps something everyone interested in sustainability would be interested in knowing more about in terms of the survival of our planet. Many of these predictions are in fact positive to the planet because they highlight that a number of things would be done sustainably. For instance the use of recycled materials suggests that less virgin materials will be used in making our products, this is a sustainable act. Not only that, it also suggests that developments in modern technology would mean that we would all drastically reduce our carbon footprints; again another sustainable practice. Winston notes that we would all live longer as the population of the over 65 in 2030 would be about 12% of the world population. This will impact on our use of a number of resources we are all accustomed to. It will impact on our production and consumption patterns.

The United Nations has continued to lead the world in the drive towards sustainability and sustainable development. Between 2000 and now, the UN has been responsible for two sets of Sustainable Development Goals, namely the Millennium Development Goals (MDGs) 2015 and the Sustainable Development Goals (SDGs) 2030. Both sets of Goals were put in place to make our world more sustainable. The respective goals—8 and 17 contain a number of number of issues which require actions from governments, corporate and individual citizens of the world to take concerted actions to realise these goals. Needless to say, a number of achievements have been made and continued to be made in meeting the sustainable objectives of these goals. The period of the eight goals in the MDGs came to an end in September 2015. The SDGs 2030 still have about a decade to go, which suggests that there are still a lot to be achieved in meeting the 17 goals, but whether we successfully meet all these 17 goals, only time will tell. For those who are still unaware of what these 17 SDGs are nearly 5 years on, I set them out below.

- Goal 1—End Poverty in all its forms everywhere.
- Goal 2—End Hunger, achieve food security, and improved nutrition and promote sustainable agriculture.
- Goal 3—Ensure Healthy lives and promote wellbeing for all at all ages.
- Goal 4—Ensure Inclusive and Equitable quality education and promote lifelong learning opportunities for all.
- Goal 5—Achieve Gender equality and empower all women and girls.
- Goal 6—Ensure availability and sustainable management of water and sanitation for all.
- Goal 7—Ensure access to affordable, reliable, sustainable and modern energy for all.
- Goal 8—Promote sustained, inclusive and sustainable economic, full and productive employment and decent work for all.
- Goal 9—Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
- Goal 10—Reduce inequality within and among countries.
- Goal 11—Make cities and human settlements inclusive, safe, resilient and sustainable.
- Goal 12—Ensure sustainable Consumption and Production patterns.
- Goal 13—Take urgent action to combat climate change and its impacts.
- Goal 14—Conserve and sustainably use the oceans, seas and marine resources for sustainable development.

- Goal 15—Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
- Goal 16—Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
- Goal 17—Strengthen the means of implementation and revitalise the global partnership for sustainable development.

Looking at each of these 17 goals would suggest that they are they are capable of sustainably transforming our world and eradicating a number of unsustainable practices that still pervade our world. One would have assumed that the problems of bribery and corruption would have been highlighted in these goals, but for some reasons, the MDGs were silent about these problems. Development is made much more difficult in an environment where bribery and corruption are the order of the day. If all these goals are about sustainable development, then these two issues need to be embedded in the 2045 Goals.

4 Different Dimensions of Sustainability

When talking about sustainability, it is easy to simply assume that this is about natural resources and the ecosystems, but there is more to sustainability than this. Blowfield (2013) notes that there are three dimensions of sustainability which are those that relate to changes in demography, ecosystems and climate. These three areas affect how our world copes with how it organizes itself in terms of survival.

5 Challenges of Global Sustainability

Scholars have often argued that sustainability challenges facing our world could be categorized into three areas and understood from three perspectives Blowfield (2013). These are challenges due to:

- Demographic change
- Ecosystem change
- Climate change

More people now live on planet earth than those who lived on earth 60 or 70 years ago. Consequently, it means that we need more resources to meet the needs and requirements of the increased population. Change in the planet's demography requires sustainability related solutions. Several million people still live in abject poverty even in the second millennium, the two sets of Sustainable Development

Goals we referred to above have both prioritized the eradication of extreme poverty in our world. We are all still working towards achieving that.

Toward the conclusion of this global book, our world faced an entirely new global problem which we understand visits our world every 100 years, it was noted that something similar happened in the world in the 1920s. The *virus* health issues which have devastated lives in several countries around the global. All indications are suggesting that life will never be the same in many countries around the world when the virus pandemic is over.

Let us at this juncture turn our attention from sustainability on land to look at sustainability in our waters.

6 Sustainability in the Oceans

Over 70% of our planet is water. Our oceans give us life: air to breathe and food to eat. They also give us energy sources, including oil to power our cars and minerals that power our phones. But our unsustainable lifestyle on land takes a tremendous toll on the sea. Climate change, acidification, overfishing, and plastic pollution are poisoning and suffocating our oceans and the ecosystems within them.

While human livelihoods dependent on the ocean are more easily defined than the complex systems on land, the flip side of those circumstances are that the natural resource extraction which takes place at sea is far less easily observed, structured, and regulated. Commerce (e.g. shipping and cruise tourism) and extraction—be it oil, natural gas, minerals, or fish—are increasingly understood to be harmful to the ocean with compounded repercussions on ocean life, from increases in pollution to extraction beyond capacity of the collapse of essential fish stocks. This represents not only destruction of the marine ecosystem but endangerment of essential food source and the crippling of an economic system for fisher livelihoods and their communities.

7 Climate Change

Climate change is both cause and effect of a significant decline in ocean health, affecting sea level, global temperatures, ecosystem health on land and in the ocean, and storms, which increase flooding, drought and erosion. It is the greatest challenge to coastal populations and marine ecosystems and is already having broad and significant impact on sustainable human livelihoods, driving migration, food scarcity, overfishing and illegal fishing, downward trends in tourism and coastal economies, and human food security. The ocean has absorbed over 90% of the heat from climate change, and is the sink for roughly 30% of human-caused carbon dioxide emissions. The production of methane and ethylene from the breakdown of plastic contributes to climate change impacting ocean ecosystems in myriad ways, such as coral bleaching and the alteration of wildlife migratory routes. The potency of methane, at 20 times higher the rate of other greenhouse gases, accounts for approximately 20% of the greenhouse gas effect (Royer, Ferrón, Wilson, & Karl, 2018).

The oceans have absorbed approximately one-third of the carbon dioxide produced by human activities, about 22 million tons a day (Borunda, 2019). While this function has greatly benefitted terrestrial ecosystems by vastly slowing the trend in global warming, the cost is significant; the trend in ocean acidification is about 30 times greater than natural variation, which represents a 25% increase in acidity (Environmental Defence Fund, 2013).

Increased carbon in the ocean by default means a declining oxygen concentration. More than 90% of Earth's warming since 1950 occurred in our oceans (Dahlman and Lindsey, 2020). The absorption of anthropogenic CO_2 has acidified the surface layers of the ocean. Higher acidity damages many ocean species that use calcium carbonate to form their skeletons and shells, such as the iconic giant clams. Another of the more visible casualties of a warming ocean are coral reefs, which are particularly sensitive to increases in temperature. Mass coral bleaching results in the starvation, shrinkage and death not only of the corals, but also of the thousands of species that live on coral reefs.

Climate change does not affect all areas of the globe in equal measure. The temperatures and acidities of the polar oceans are changing at more than twice the global average. Arctic sea ice is steadily decreasing, with a March 1979 surface area of 16.5 million km^2 reduced to 15.25 million km^2 by March 2009. Summer sea ice is projected to disappear completely by 2037, which will have a devastating effect on wildlife such as penguins, polar bears, and walruses which rely on the ice shelves for resting and caring for their young. The warming of the polar oceans also has important ramifications for the stability of continental ice sheets, which are sensitive to slight increases in global temperature and have major implications for sea level rise. If both the Greenland and Western Antarctica (WAIS) ice sheets were to melt completely, the estimated result would be an additional 12 m to mean sea level (Hoegh-Guldberg et al., 2010).

Warming water due to climate change is also having a tremendous impact on migratory patterns for fish and other ocean wildlife species. In North American waters alone, an estimated 700 marine species have or will be forced to migrate up to 1000 km. In some cases, the species is directly compelled to pursue cooler temperatures, and in other cases the impacted species is chasing their food source, thus impacting an entire food chain. Furthermore, many of these species are fish and shellfish which represent economically important seafood to human food security. Forty percent of the world's population lives within 100 km of the coast, and 10% depend on fisheries for their livelihoods. Poor populations are hit the hardest, as smaller harvests mean either reduced profit, or increased prices which they cannot afford.

The fundamental threat of climate change to ocean health is further exacerbated by myriad factors, including the daily accumulation of ocean plastic, given the release of GHGs when plastic is broken down in the ocean (Shen et al., 2019).

And plastic pollution is growing exponentially: 192 coastal countries contribute between 4.8 and 12.7 million metric tons of plastic to the oceans every year, yielding an average of eight million metric tonnes entering the ocean every year (Jambeck et al., 2015). According to the 2019 Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) report released by the United Nations, this level of plastic pollution reflects a tenfold increase since 1980, and 300–400 million tons of heavy metals, solvents, toxic sludge and other wastes from industrial facilities are dumped annually into the world's waters, all directly impacting ocean capacity to function as a carbon sink. Not only does the ocean absorb the carbon that we release into the atmosphere, now it must also absorb the carbon and other chemicals that we are dumping directly into the ocean as well.

Climate change also compounds the effects of illegal and overfishing; temperate species are responding to warming oceans, pollution and fishing pressures by altering migratory patterns, impacting entire food chains and ultimately human food security. The IPBES report also notes that only 7% of the world's fish stocks are fished at sustainable levels. The impact of reduced habitat and the additional hazards posed by plastic ingestion and entanglement further endangers all forms of marine life. The impacts of ocean pollution and climate change on fish stocks bear tremendous impacts on food security, particularly for populations that live close to the sea and rely on it for their income.

8 Resource Extraction: Drilling and Mining

While the effects of climate change are causing serious harm to our oceans; and consequently our planet, so too are its cause, e.g. the extraction of fossil fuels. Advancements in technology in the past few decades have made possible the offshore and even deep sea extraction of oil and gas. The search for and extraction of these resources has caused significant damage to ocean ecosystems. Offshore exploration teams typically use air guns to send sound waves into the ocean. The sound bounces off the ocean floor and enables crews to generate maps that can identify potential underwater drilling areas. Because dolphins, whales, and other marine mammals use sound to find food, communicate and travel, these powerful sound waves can disrupt their ability to feed, mate, or migrate, and can also kill the animals.

Offshore drilling creates waste materials such as bilge water, cement, trash and chemical products, which must be deposed of safely. While many countries have strict environmental regulations for the treatment of these waste products, there is no regulation on the high seas or international enforcement to prevent less scrupulous companies from disposing of them at sea. Furthermore, all drilling carries the risk of an oil spill, and the numerous oil wells that have poured millions of barrels of oil into the sea have visibly devastating results; destroying entire ecosystems and killing millions of animals. Oil spills also expose people to unsafe seafood if the oil contaminates fish and shrimp. According to the U.S. Department of Energy, 1.3

million gallons (4.9 million litres) of petroleum are spilled into U.S. waters alone, from vessels and pipelines in a "typical" year. A major oil spill could easily double that amount. As much as 20% of the spilled oil may have ended up on top of and in the seafloor, damaging deep sea corals and other marine ecosystems.

9 Plastic Pollution

Fossil fuels and their extraction also harm the oceans in a different form—that of plastic pollution, e.g. mismanaged petroleum-based products. Similar to climate change, ocean pollution, particularly plastic debris, has a compounding negative impact on fish stocks and wildlife species. Of all marine mammals on the International Union for Conservation of Nature (IUCN) Red List of Threatened Species, 45% have been impacted just by lost or abandoned fishing gear, commonly known as "ghost gear". According to the UN Food and Agriculture Organization (FAO), an estimated 800,000 metric tonnes of fishing gear is lost each year; and the real number is likely higher. Research from The Ocean Cleanup revealed that 46% of the surface plastic in the North Pacific Gyre is comprised of ghost gear. Even though gear is often lost accidentally, it can be responsible for the killing and mutilating of millions of fish and other marine wildlife, including endangered species of whales, seals, birds and turtles. The vast majority of entanglements cause serious harm or death. Animals who become entangled by, trapped in, or who ingest marine debris often are unable to cope with the trauma, damage, pain, infection and compromised ability to feed, move, mate and carry out their normal behaviours. Once entangled in a net, an animal is unlikely to ever be freed. According to a 2012 study conducted by World Animal Protection, approximately 136,000 pinniped and cetacean species (seals, sea lions, walruses, whales, dolphins, and porpoises) are entangled in each year. In 2010, when 870 ghost nets recovered in Puget Sound, USA were studied, they contained more than 32,000 marine animals, including over 500 birds and marine mammals (Good, June, Etnier, & Broadhurst, 2010).

In addition to the threat of entanglement is the issue of ingestion. The Institute for Terrestrial and Aquatic Wildlife Research of the University of Veterinary Medicine Hannover found that whales that have ingested marine debris can experience gastric blockages, ruptures, and an inability to process food correctly, potentially leading to starvation. Necropsies on 22 sperm whales stranded on the North Sea coast found that 78% had ingested foreign items, typically plastic fishing gear, including net pieces over 13 m in length.

Due in part to the light weight of the material, ocean plastic often travels long distances from its origin and now found in the remotest waters on the planet. Even the smallest fragments of marine debris pose a threat to ocean wildlife, regardless of the size of the item. Exposure to UV light and general weathering can fragment plastic marine debris into microplastic particles. These are easily consumed by a range of organisms, polluting marine food webs. Microplastics have been found in the digestive systems of a wide range of marine animals, from zooplankton to whales (Desforges, Galbraith, & Ross, 2015). One recent study identified microplastics in 25% of marine fish sampled from markets in California, USA, and Indonesia. Oysters and mussels have been found to contain microplastics, and the European shellfish consumer is exposed to as much as 11,000 microplastic particles annually (Van Cauwenberghe & Janssen, 2014). Many plastics are toxic, containing dangerous chemical components and additives which leach into the organism upon ingestion. This poses risk not just to the sea creatures which wind up ingesting plastic, but also to those species further up the food chain which in turn consume fish that may have ingested these microplastics—including humans.

In addition to maiming and killing hundreds of thousands of marine animals, the health of entire ecosystems is also at risk from ocean plastic. Shallow coral reef habitats are at particular risk. Numerous studies confirm increasing levels of broken coral; decreased coral cover, and lower species diversity in areas where debris is proliferating. 30% of corals in the wider Caribbean Sea are at risk from human causes including ghost fishing gear. Lost fishing nets are particularly prone to getting caught on coral and smothering the reefs, destroying the ecosystem within.

10 Lost Fishing Gear

Ghost gear is also extremely damaging to the sustainability of fisheries and marine habitats, primarily by causing the loss of commercially valuable fish stock; a fish lost to ghost gear is a fish that will never be sold, eaten, or breed to perpetuate the stock. In addition to the impacts of illegal and overfishing, marine debris has significant economic impact on fisheries and fishing communities. Ghost gear catches and kills fish stocks that would otherwise form part of the catch and in some cases would be worth millions of dollars. Gear replacement and repair costs also negatively affect fisheries in a variety of ways, including loss of fishing time, the financial impact of replacing lost gear, and reduced populations of target species due to mortalities from marine debris. The loss of target seafood catch can cost a fishery millions of dollars. As the sheer volume of marine debris increases every year, so too are its effects on fish stock populations.

Although the effects on different fish species may vary according to the amount and types of ghost gear invading their habitat, the impacts include an estimated 5–30% decline in some fish stocks and damage to important marine habitats. Research by the National Oceanic and Atmospheric Administration (NOAA) found ghost gear to be directly responsible for a 5% reduction in total cod catch in the Baltic Sea, and a 20–30% reduction of Greenland halibut catch off the coast of Norway (National Oceanic and Atmospheric Administration, 2015). One study estimated that nearly 175,000 harvestable Dungeness crab are killed every year by ghost traps in Puget Sound, or about 4.5% of the annual harvest. The loss of the crabs alone is valued over $744,000. And with the decline of stocks in target fisheries, the cost to the fisher to maintain catch levels increases. In Louisiana, crab fishers lose an average 250 traps annually, costing US$4 million in profits. Furthermore, over 65% of the recovered ghost traps analyzed by citizen scientists were found to be actively ghost fishing, reducing the available stock for legitimate traps. In the Gulf of Oman, over 15,000 traps are lost every year, adding up to losses over US$2.6 million. In the Baltic Sea, a single lost gillnet has been known to destroy US$20,000 worth of seafood. And ghost gear costs the United Kingdom gillnet fishing industry an annual average of €420,000.

11 Solutions: A Work in Progress

Research by the Virginia Institute of Marine Science (VIMS) suggests that the removal of derelict crab pots in Chesapeake Bay has increased crab harvests by 23.8%, or $33.5 million over a period of 6 years (Bilkovic, Havens, & Zaveta, 2016). Removing derelict posts increased the efficiency of active pots; removing just 10% of the derelict pots from global crab fisheries could increase the annual value of the catch by $831 million, demonstrating that increased harvest and other revenue benefits of ghost gear removal programs makes them an effective and valuable solution (Scheld, Bilkovic, & Havens, 2016).

Using biodegradable materials for fishing gear is a good idea in principle, but difficult to promote in practice as the durability of plastic is what makes it so attractive to the industry. Plastic lines can better withstand bad weather and rocky surfaces than ropes and nets made of organic fibre. And replacing gear is extremely expensive, not to mention time consuming. Many technological alternatives, such as remote controlled buoys, which eliminate the dangerous vertical lines prone to entangling large whales, are still too expensive to attract widespread use.

One path for addressing the myriad impacts of ghost gear is via the United Nations Sustainable Development Goals (SDGs). The SDGs have already established global goals to improve food security, clean water, marine debris, recycling and biodiversity. UN member states can address ghost gear within the national action plans they have already committed to on these issues. A major step was taken in July 2018, when the FAO Committee on Fisheries (COFI) passed technical guidelines on marking fishing gear, which calls for all forms of gear to be identified. However, these guidelines are voluntary. Governments that are serious about addressing ocean plastic—and the harmful effects of ghost gear, in particular—can make these technical guidelines mandatory throughout their fishing sector, and take steps to require enforcement. This would not only result in loss prevention by responsible fisheries, it would also help stop illegal fishing (IUU), which accounts for intentionally discarded gear (typically abandoned at sea to avoid detection). IUU fishing costs the global economy US$20 billion annually. Marked gear would help authorities track illegal fishing activity and bring criminals to justice.

While some companies are demonstrating effort to address ocean sustainability, none are deeply invested in establishing or implementing solutions, or are compelled to prioritize sustainable methodologies due to the lack of binding international law, enforcement, or consequences. Given that the majority of commercial fishing (by volume) and maritime oil and gas extraction takes place on the high seas, there is almost no regulation to compel best practices, and no means of enforcement. But these corporations, and the governments that employ them, have a responsibility to marine wildlife, coastal communities, future generations of fishers, and the global population to ensure that they use global ocean resources sustainably.

12 Conclusion

Sustainability is a word that all inhabitants of this great planet of ours have got to fully understand and be aware of the implications of not embedding its ethos in all they do. The adverse impacts of many of the operational activities of corporate entities of past years have resulted in many of the challenges that we are currently experiencing. It appears that it might still not be too late to correct all these past mistakes. Being sustainable in all we do will certainly make a big difference.

There is a great risk that our oceans could simply stop providing for humans in the many ways we now rely on them. Protecting our oceans will simultaneously address core aspects of human wellbeing worldwide, including food and water security, clean air, and vulnerability to extreme weather. In keeping with the standards for sustainability as applied to life on land, ocean sustainability is best thought of as both a source for human economic prosperity and essential to the health of the planet as a whole.

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