CSR, Sustainability, Ethics & Governance

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Samuel O. Idowu *Editor*

Key Initiatives in Corporate Social Responsibility

Global Dimension of CSR in Corporate Entities

Springer

CSR, Sustainability, Ethics & Governance

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

Foreword

Editing is a great art. Yet, like translating and publishing, it is often overlooked. In research today, we give pride of place to authorship, rarely paying attention to those who provide the vehicle for such original intellectual display. Sam Idowu, already the editor of many seminal texts on corporate social responsibility (CSR), in this volume yet again shows the importance of the editor. In inviting and evaluating submissions to ensure a balanced and authoritative volume, in preparing and checking author's chapters and in providing introductions, summaries and scholarly context, Sam Idowu demonstrates why Springer accords him such editorial esteem.

As its title makes clear, this volume addresses corporate social responsibility from a global perspective. Rather than originating in the corporate board room in London or New York, this volume comes from other global quarters: from southern and eastern Europe, from the eastern seaboard of Asia, and some of the emerging economies of Africa. Large multinational corporations feature in its pages, but so also do small-to-medium enterprises, family firms and sole traders. Whether they have formal CSR policies, and whether or not they successfully turn CSR aspiration into achievement, all businesses must now be participants in CSR's aims. That globe is now too small, too vulnerable and too interconnected for continued exemptions to be allowed to our common responsibility.

Through their 20 chapters, this volume's authors probe the limits of what is corporate, what is social and what is responsible. In their different ways and with their different methods, they find each of these terms now insufficient. For a whole-of-society approach, such as now emerging in the European Union, is called for, in which the capitalistic business corporation is just one important player. Governments, too, need to take this ethical pledge, and not just as regulators, but as employers and as businesses themselves. And so do those who never even considered themselves to be "corporates".

In the expression of so many of the chapter authors, the core responsibility has also expanded out to something more than the social and the economic: into environmental and broader cultural dimensions. Whether with the mining industry in Australia or energy industries in Africa, the pressing needs of the environment now go beyond merely paying attention to society's needs and its environmental concerns. A younger generation, in particular, recognises a responsibility that transcends anthropocentric concerns: to pay homage to the earth itself, as a wondrous creation demanding our cross-border, intergenerational care. The uptake of renewable energy forms in recent years suggests that there is hope yet that businesses and governments can work in tandem to start the crucial reverse of humans' degradation of our planet.

The global crises of the last decade hang over most of the chapters. Despite the media's fascination with the spectacular events of major financial centres, so much of the world's recent growth, as well as social and environmental challenges, is located in countries that are the focus of this volume, such as India, Indonesia and Nigeria. The studies show that whether in "older" or "newer" economies, ultimate CSR responsibility now goes beyond any sense of policy obligation, regulatory compliance or mandatory legal responsibility, to something deeper: trust. I mean that business entities, whether massive or minute, can engender a sense of long-term trust among their stakeholders; a trust that they will be ethical stewards of society, the environment and the world. Trust in business's intent, in most popular surveys now often sitting at an all-time low, is essential if CSR is to remain a meaningful concept and a worthy guide to business practice in the future.

I congratulate Sam Idowu on bringing together this panorama of CSR initiatives from such varied corners of the globe. The resultant stock-take of progress, entrenchment, maintenance, experimentation and, sometimes, abdication is immensely valuable in understanding the diversity of responses to some of the hardest questions of our age.

London Metropolitan University
London, UK

Malcolm Gillies

Preface

Some scholars have argued that corporate social responsibility (CSR) has drawn our attention to some of the excesses which globalisation has brought unto our corporate scene in the twenty-first century. We have seen some unacceptable practices which have accompanied globalisation and consequently made the job of CSR and what it advocates much more difficult. Many things have been made a lot more challenging for everyone as a result of this. We cannot ignore the adverse impacts of these excesses. We are all too aware of some unacceptable practices in the form of injustices and human rights abuses, extreme poverty in several nations both in emerging and even some advanced nations, environmental degradation, some irresponsible and reckless practices by some corporate leaders and terrorism on a very large scale. What are corporate entities of this era doing to address these CSR-related issues in the twenty-first century? In other words what initiatives are they putting in place to ensure that CSR continues to provide solutions to many of these economic, social and environmental related challenges of our time? Are these initiatives robust enough to help each country and consequently the *global village* we now all live in to deal with these addressable problems?

This book has explored some of the key initiatives which corporate entities including government of countries are using in the name of corporate social responsibility to demonstrate their commitments to sustainability and sustainable development. Understandably, what is perceived as key initiatives in a nation we recognise will depend on several factors 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 40 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 key CSR initiatives will be different from that country's neighbouring countries' lists. Contributors to the book have made this fact clear in terms of the issues they have explored in each of the 20 chapters of the book. I have been fortunate to have received two excellent chapters each on the theme of the book from three of the contributing countries—Italy, Australia and Nigeria. Contributors from these three countries have explored dissimilar key initiatives from their countries of interest. This has demonstrated clearly one of the many charms of corporate social responsibility—which is that it is both unique and capable of being perceived from different directions, even in the same environment.

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. The will to continue to advance on some of the initiatives employed in the attempt to address many of these social, economic and environmental challenges is definitely evident as depicted by those initiatives explored in the 20 chapters of this book.

London, UK
Spring, 2015

Samuel O. Idowu

Acknowledgements

Having edited several of these books with others since 2008, it became imperative for me to do one by myself. I was reasonably certain from the start that my global connections in the field of corporate social responsibility would make this not too challenging a task for me; it turned out exactly to be that way. For this reason, I owe a load of thank you to all my global friends who have stood by me with their impressive chapters in this book—these friends are everywhere in Europe, Asia, Australia and Africa. Many of them despite their busy schedules felt obliged to help in putting together this very fine informative addition to the literature on corporate social responsibility. I will forever remain grateful to all of them. 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.

I would also like to express my thank you to a few people starting with the former Vice Chancellor and Chief Executive of London Metropolitan University, Professor Malcolm Gillies who wrote a very fine foreword to the book, and the Dean of London Guildhall Faculty of Business & Law, Professor Stephen J Perkins for his unflinching support of my publishing venture. I also wish to thank some of my friends who have continued to assist me in many of my professional and life activities Nicholas Capaldi, René Schmidpeter, John O Okpara, Richard Ennals, Stephen Vertigans, Una McMahon Beattie, Gordon J Shireff, Liangrong Zu, Ron Cambridge, Professor A J Idowu, Dr. Olatoye Ojo, David A Ogunlaja, Samuel A Ogunlaja, Joseph A Adesanya, Edward O Akintaro, Jeremiah O Akintaro, Christopher Soyinka, Dr. Timothy Ogunyale, Rev Julius Olanrewaju, Michael Soda, Samson Nejo, Samson Odugbesi and Akin Sotikare. 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 O. Idowu and my children Josiah O Oluwatobi O Idowu and Hannah Ayomide O O Idowu, to whom I have dedicated this book for their great understanding that what is important to one family member is important to all 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 Senior Editor, Christian Rauscher, Barbara Bethke and other members of the publishing team who have supported this project and all my other projects.

Finally, I apologise 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 discomfort to others is simply not the spirit of corporate social responsibility.

Contents

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Samuel O Idowu is a senior lecturer in Accounting and Corporate Social Responsibility at the Guildhall Faculty of Business and Law, London Metropolitan University, where he was course organiser for Accounting Joint degrees, Course Leader/Personal Academic Adviser (PAA) for students taking Accounting Major/Minor and Accounting Joint degrees and currently Course Leader for Accounting and Banking degree. Samuel is a Professor of CSR and Sustainability at Nanjing University of Finance & Economics, China. He is a fellow member of the Institute of Chartered Secretaries and Administrators, a fellow of the Royal Society of Arts, a Liveryman of the Worshipful Company of Chartered Secretaries & Administrators and a named freeman of the City of London. He is First Vice President of the Global Corporate Governance Institute. Samuel has published over 50 articles in both professional and academic journals and contributed chapters in several edited books and is the Editor-in-Chief of two major global reference books by Springer—the *Encyclopedia of Corporate Social Responsibility* (ECSR) and the *Dictionary of Corporate Social Responsibility* (DCSR), and he is a Series Editor for Springer's CSR, Sustainability, Ethics and Governance books. Samuel has been in academia for 28 years winning one of the Highly Commended Awards of Emerald Literati Network Awards for Excellence in 2008 and 2014. In 2010, one of his edited books was placed in 18th position out of 40 top Sustainability books by Cambridge University Programme for Sustainability Leadership. He has examined for the following professional bodies: the Chartered Institute of Bankers (CIB) and the Chartered Institute of Marketing (CIM) and has marked examination papers for the Association of Chartered Certified Accountants (ACCA). His teaching career started in November 1987 at Merton College, Morden, Surrey; he was a Lecturer/Senior Lecturer at North East Surrey College of Technology (Nescot) for 13 years where he was the Course Leader for BA (Hons) Business Studies, ACCA and CIMA courses. He has also held visiting lectureship posts at Croydon College and Kingston University. He was a senior lecturer at London Guildhall University prior to its merger with the University of North London, when London Metropolitan University was created in August 2002. He has served as an external examiner to a number of UK Universities including the University of Sunderland, the University of Ulster, Belfast and Coleraine, Northern Ireland, the University of Plymouth and Anglia Ruskin University, Chelmsford. He is currently an External Examiner at Robert Gordon University, Aberdeen, Scotland and Teesside University, Middlesbrough, UK and Sheffield Hallam University, UK. He was also the Treasurer and a Trustee of Age *Concern*, Hackney, East London from January 2008 to September 2011. He is a member of the Committee of the Corporate Governance Special Interest Group, of the British Academy of Management (BAM). Samuel is on the Editorial Advisory Boards of the International Journal of Business Administration and Amfiteatru Economic Journal. He has been researching in the field of CSR since 1983 and has attended and presented papers at several national and international conferences and workshops on CSR. Samuel has made a number of keynote speeches at international conferences and workshops and written the *foreword* to a number of leading books in the field of CSR and Sustainable Development.

Samuel O. Idowu

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She mainly teaches in the Faculty of Economics and Business at the UC, teaching subjects about stock markets, corporate finance and business valuation to undergraduates and postgraduate students.

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Some of her publications:

- Gunawan, J & Abadi, Kumala. 2015 (forthcoming). *Content Analysis Method: A Proposed Guideline for Quantitative and Qualitative Disclosures*. Book Chapter of: *Handbook of Research Methods in CSR,* Edited by David Crowther and Linne Lauesen, will be published by Edward Elgar, Spring 2015.
- Gunawan, J & Putra, Zico Dian Paja. 2014. *Demographic Factors, Corporate Social Responsibility, Employee Engagement and Corporate Reputation: A Perspective From Hotel Industries In Indonesia.* Chinese Business Review, Vol. 13, No.8.
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Neven Marinovic is executive director of Smart Kolektiv, a Belgrade based organisation specialised for the Corporate Social Responsibility, social campaigning and social entrepreneurship. He is also executive coordinator of the Responsible Business Forum Serbia, a CSR business network comprising of some of the leading companies active in Serbia. He played a key role in the establishment of the national programme "Youth business Serbia" aimed at supporting young entrepreneurs by providing them access to knowledge, mentoring and financial support. Neven held numerous trainings and presentations in country and previous to the founding of Smart Kolektiv, he has worked in advertising and as an associate of some of the leading Serbian NGOs. He gained his formal education at the Department for production and cultural management at the Faculty of Drama Arts at the University of Arts, Belgrade, Serbia, and informal education through numerous trainings and study visits that took place throughout Europe and the USA. He has finished a course for non-profit sector leadership of Harvard University (Harvard Kennedy School), USA. Neven is a member of the World Entrepreneurship forum, as well as European network of non-profit leaders—EUCLID. In addition to Smart Kolektiv, Mr. Marinovic is actively engaged in the work of other relevant organisations and serves as a board member of Heartefact and Liceulice street paper.

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Mirja Mikkilä, D.Sc. (Agr. & For.) is Associate Professor at the Department of Energy and Environmental Technology in Lappeenranta University of Technology. She is also Adjunct Professor of Forest Economics and Marketing of Forest Products at University of Helsinki. Mirja has both researched academically and worked with practical questions related to corporate responsibility, financial and environmental profitability of natural resource management and utilisation, land use valuation and development of operational management tools for bio-economy business since the early 1990s. The experiences gathered from numerous long- and short-term assignments within international forest operations on several continents are reflected in her research findings and teaching approaches. In addition to some 20 scientific publications, Mirja has published a number of conference papers, technical reports and guidelines, as well as newspaper articles in order to share the research and practical findings for a larger audience. Mirja's recent research interest has focused on resilience of eco-services, such as food, water and energy, and related globally equal sustainable development.

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He was an international visiting research scholar to North Carolina State University, Raleigh, during the 2007/2008 academic year. Currently, Seth teaches at Sam Jonah School of Business, African University College of Communications, Accra, Ghana within the human resource management academic unit. He has served as a guest lecturer at the Department of Psychology at University of Ghana and Kings Business School, Kings University College, and a senior tutor at the College of Distance Education of the University of Cape Coast. Seth has presented papers at international conferences and has a number of publications to his credit including his articles in the Journal of Social and Political Psychology, Psychological Thought, Journal of Psychology in Africa, Academicus: International Scientific Journal, Management: Journal of Contemporary Management Issues, Journal of Contemporary Research in Management and The Industrial-Organizational Psychologist (a publication of Society for Industrial and Organizational Psychology). He has also served as an occasional reviewer for International Perspectives in Psychology: Research, Practice, Consultation (a journal of Division 52 of the American Psychological Association), Psychological Thought and Journal of Social and Political Psychology. Seth has also had a number of appearances on Ghana Television to discuss topical management issues on its morning show dubbed GTV Breakfast Show. Seth is also an organisational development consultant with African Institute of Management Science and Centre for Public Sector Training and Development where he has facilitated training for participants from Ghana, Eritrea, The Gambia, Nigeria, Sierra Leone, Liberia, Tanzania, Kenya, Malawi, Uganda, Zambia, Lesotho, Rwanda, Sudan and Afghanistan, both in Accra, Ghana and Dubai, United Arab Emirates. Prior to moving to academia, Seth worked with Gamey & Gamey, BJ Global Limited, The Capital Group and Bank of Africa Ghana Limited.

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Currently, his research projects and involvements are on sustainable innovations (eco-innovations and social innovations), sustainable value creation at the Base of the Pyramid (BoP) and corporate social responsibility (CSR). He has published several papers on these issues in peer-reviewed international journals. As a lecturer, Virgilio teaches courses on Sustainability Studies, Environmental Management and Economics, Corporate Responsibility Management and Climate Finance and Carbon Market.

Rebeca García Ramos graduated in Economics and holds a Doctor of Business Administration from the University of Cantabria (UC), Spain. Since 2007, she has been a Professor of Financial Economics and Accounting at the University of Cantabria. Previously, during the period 2005–2007, she was a researcher in the field of Economics area at the Research Team for Sustainable Development of Primary Sector of the UC, where she developed and coordinated R + D reports and projects about different economic issues requested by both public and private companies.

She teaches at the Faculty of Economics and Business at the UC, teaching subjects such as Analysis of Stock Markets, Analysis and Evaluation of Investments, Financial Systems, Theory of Finance, in various degrees in Business and Economics. She also teaches in other areas of Higher Education: she is a Professor of the Official Master's Degree in Businesses Administration (MBA) and of the Official Master's Degree in Businesses and Information Technology (IT) of the UC.

She was also a visiting researcher at the *Business School* of the University of Essex (United Kingdom) and the University of Oviedo (Spain).

Her research activities focus on the field of Finance and the Business Administration, being the author of several chapters in edited books, national and international prestigious scientific journals in her field. The results of her research papers have been presented at numerous national and international conferences. She also acts as a referee to a number of scientific journals in her field and has been a member of the organising committees of many international conferences.

Many of her research papers have won "Special Prizes"; for instance in 2009, she was awarded the Spanish Association of Accounting and Business Administration (Valladolid, Spain, 2009); she was a winner of the "Quality in Research Conferences on Small and Medium-sized Enterprises Businesses and Entrepreneurship", awarded by the Chairmen of the Bureau and members of the Editorial Board of the International Journal of the Small and Medium-sized Enterprise (Madrid, Spain, 2009); research award "Jeff Rothstein Award for the Most Creative Paper", granted by the Family Firm Institute (FFI) and Hubler Family Business Consultants (Chicago, USA, 2010); "Research Award of the Section of Family Business" granted by the Scientific Association of Economics and Business Management (Granada, Spain, 2010) and was a finalist at the research award "University of Alberta Best Research Paper Award" of the International Family Enterprise Research Academy (Lancaster, United Kingdom, 2010).

Dyann Ross is a senior lecturer in social work at the University of the Sunshine Coast in Queensland, Australia. She has been a social worker for many years in the areas of community health, human service staff supervision, training and cultural change in organisations. Dyann's research interests are in the area of tertiary teaching and learning, mental health, social sustainability and corporate social responsibility.

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Rita Vile is an author and co-author of more than 20 scholarly articles, chapters of books. In 2014, she published the authored book "Higher Education and Social Responsibility: Quality Management Perspectives".

Since 2011, she has served on the editorial board of an Emerald book series "Developments in Corporate Governance and Responsibility" and has reviewed academic papers for scientific journals such as "Social Responsibility Journal", "Engineering Economics" and "Economics and Management". She participates actively in traineeships and exchange programmes (UK, Germany, Netherlands), international scientific conferences with presentations, moderate sections. She is a member of global Social Responsibility Research Network, Eurasia Business and Economics Society, European Association of Environmental and Resource Economists and Lithuanian Young Scientists Organization.

Chapter 1
Corporate Social Responsibility Initiatives From Around the World: An Introduction

Samuel O. Idowu

Abstract By and large, it is safe to assert that we have now passed the stage where modern scholars or anyone else are still 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. What I believe is now debatable is how we should all ensure that the field continues to thrive and advance in progress in every corners of the world. Advancing progress in CSR should actually be all global citizens' business and goal. Doing this should hopefully provide answers to many of our world's lingering social, economic and environmental problems, especially those problems which are still pervading the CSR's arena for example; climate change, waste management and irresponsible use of our depletable resources. We still need to demonstrate that we are serious in executing what sustainable development means to us, what it requires from us all and how the needs of future generations of all inhabitants of our planet would be sustainably met, these are what I believe are still our debatable issues.

Idowu (2015) argues that the quest for sustainable development has meant that both corporate and individual citizens of the world have a number of ethical choices to make, Idowu (2015) further notes that modern corporate entities; whether they like it or not must understand and inculcate this mindset into what they do. If these entities failed to formulate appropriate strategies that would enable all their stakeholders to conveniently make their ethical decisions, such entities face the risk of putting themselves at a competitive disadvantage in whatever sector of the economy they may operate in, that is the state of play in today's world. All modern corporate entities, regardless of whether they are profit or not profit seeking operate in an intensely competitive environment. The license to operate which all these entities require are held by their stakeholders, and these stakeholders will not hesitate to withhold or refuse

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to willingly give this license. The resultant effect of withholding the license would undoubtedly put the survival of that particular corporate entity in great difficulties.

Modern corporate entities are expected to continue to innovate in their various sectors. These entities are similarly expected to innovate not only in terms of their core business operations but also in terms of their corporate social responsibility activities using different initiatives. The main objective of this book is about exploring what these key CSR initiatives are, which corporate entities around the globe are putting in place in order to propagate and advance the field of CSR and sustainable development. Are these CSR initiatives genuine or are they simply put together for public relations purposes? What are these initiatives? What are the aims and objectives of these initiatives? Who are these initiatives aimed at? Who is responsible for these initiatives? Who pays for them? Who manages them? What are these initiatives composed of? Are they robust enough and fit for purpose? Similarly, what contributions are modern international organizations such as the United Nations (UN), the International Labour Organisation (ILO), The World Bank etc. making in terms of CSR related initiatives to take the necessary lead in this regard? What are national governments of countries around the world doing to advance the course of CSR? These are a few of the questions chapters in this book aim to provide answers to using the experiences of CSR scholars in 17 countries spread across the world.

The Eight United Nations Millennium Development Goals which were set and agreed to by 189 world leaders in September 2000 are expected to come to conclusion this very year—2015. Have we successfully met all the requirements of these important CSR related goals? Have we now for example totally eradicated extreme poverty in our world? Do we now have universal primary education in place worldwide? Have women now been empowered and equalized with their male counterparts? I believe that we need to take a serious look at how far we have gone in each of the eight goals and identify what still remains to be done, perhaps there is scope for some research activities in this area!

The Global Reporting Initiative (GRI) is now in its G4 strand—Sustainability Reporting Guidelines and the GRI is gradually being embraced globally, what a great initiative indeed! But how are corporate entities operating in our world faring in regard to genuinely practicing Sustainability before going out to reporting on their sustainability practices to their stakeholders?

The United Nations Global Compact has ten important principles which everyone would accept our world cannot function effectively without adhering to what these ten principles require of all corporate entities. The ten principles are divided into four sections which were derived from four previous UN related documents.

The four sections and ten principles are noted below:

Section 1—The Universal Declaration of Human Rights

- Principle 1—Businesses should support and respect the protection of internationally proclaimed human rights.
- Principle 2—Businesses should make sure that they are not complicit in human rights abuses.

Section 2—The International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work

- Principle 3—Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- Principles 4—Businesses should eliminate all forms of forced and compulsory labour.
- Principle 5—Businesses should have in place an effective abolition of child labour.
- Principle 6—Businesses should have in place a system which eliminates discrimination in respect of employment and occupation.

Section 3—The Rio Declaration on Environment and Development

- Principle 7—Businesses should support a discretionary approach to environmental challenges.
- Principle 8—Businesses should undertake initiatives to promote greater environmental responsibility.
- Principle 9—Businesses should encourage the development and diffusion of environmental technologies.

Section 4—The United Nations Convention Against Corruption

- Principle 10—Businesses should work ageist corruption in all its forms, including extortion and bribery.

Source: The United Nations Global Compact website

Having listed these ten principles above, the question that I believe we also need to ask ourselves is whether we have now successfully eradicated all or many of these irresponsible actions the ten principles were designed to remove from the global corporate scene. Without being rhetoric, one can answer "NO" to that question. Like many of these things, no one compels any organizations to adhere or abide by them; they are simply "suggestions" or "recommendations" of what should happen in an ideal world but nobody lives in an ideal world, that's a fact.

Human rights abuses still take place every day in many parts of the world—Amnesty International would attest to that, even in some cases by the government of these nations where citizens are abused and put in solitary confinement in prison for whatever reasons, but this is the twenty-first century when things of that nature should be nothing but history. Is CSR still lacking in this regard?

In terms of corruption and corrupt practices in public and even private sector organizations worldwide, this is an issue of global concern. We are all too aware that corruption holds back both economic and social development, in fact the website of Transparency International (TI) states that "Corruption is threatening economic growth for all" what a clear way to put it. The organization provides an annual index of perceptions of public sector corruption in countries and territories around the world. Scores range from 0 (highly corrupt) to 100 (very clean). See Table 1.1 below for the results of the Corruption Perception Index for 2012, 2013 and 2014 covering 175 countries and territories around the world and see what you

Table 1.1 Transparency international corruption league table for 2014

Rank	Country	2014 score	2013 score	2012 score
1.	Denmark	92	91	90
2.	New Zealand	91	91	90
3.	Finland	89	89	90
4.	Sweden	87	89	88
5.	Norway	86	86	85
6.	Switzerland	86	85	86
7.	Singapore	84	86	87
8.	Netherlands	83	83	84
9.	Luxemburg	82	80	80
10.	Canada	81	81	84
11.	Australia	80	81	85
12.	Germany	79	78	79
12.	Iceland	79	78	82
14.	United Kingdom	78	76	74
15.	Belgium	76	75	75
15.	Japan	76	74	74
17.	Barbados	74	75	76
17.	Hong Kong	74	75	77
17.	Ireland	74	72	69
17.	United States	74	73	73
21.	Chile	73	71	72
21.	Uruguay	73	73	72
23.	Austria	72	69	69
24.	Bahamas	71	71	71
25.	United Arab Emirates	70	69	68
26.	Estonia	69	68	64
26.	France	69	71	71
26.	Qatar	69	68	68
29.	Saint Vincent and the Grenadines	67	62	62
30.	Bhutan	65	63	63
31.	Botswana	63	64	65
31.	Cyprus	63	63	66
31.	Portugal	63	62	63
31.	Puerto Rico	63	62	63
35.	Poland	61	60	58
35.	Taiwan	61	61	61
37.	Israel	60	61	60
37.	Spain	60	59	65
39.	Dominica	58	58	58
39.	Lithuania	58	57	54
39.	Slovenia	58	57	61
42.	Cape Verde	57	58	60

(continued)

Table 1.1 (continued)

Rank	Country	2014 score	2013 score	2012 score
43.	Korea (South)	55	55	56
43.	Latvia	55	53	49
43.	Malta	55	56	57
43.	Seychelles	55	54	52
47.	Costa Rica	54	53	54
47.	Hungary	54	54	55
47.	Mauritius	54	52	57
50.	Georgia	52	49	52
50.	Malaysia	52	50	49
50.	Samoa	52	N/A	N/A
53.	Czech Republic	51	48	49
54.	Slovakia	50	47	46
55.	Bahrain	49	48	51
55.	Jordan	49	45	48
55.	Lesotho	49	49	45
55.	Namibia	49	48	48
55.	Rwanda	49	53	53
55.	Saudi Arabia	49	46	44
61.	Croatia	48	48	46
61.	Ghana	48	46	45
63.	Cuba	46	46	48
64.	Oman	45	47	47
64.	The FYR of Macedonia	45	44	43
64.	Turkey	45	50	49
67.	Kuwait	44	43	44
67.	South Africa	44	42	43
69.	Brazil	43	42	43
69.	Bulgaria	43	41	41
69.	Greece	43	40	36
69.	Italy	43	43	42
69.	Romania	43	43	44
69.	Senegal	43	41	36
69.	Swaziland	43	39	37
76.	Montenegro	42	44	41
76.	Sao Tome and Principe	42	42	42
78.	Serbia	41	42	39
79.	Tunisia	40	41	41
80.	Benin	39	36	36
80.	Bosnia and Herzegovina	39	42	42
80.	El Salvador	39	38	38
80.	Mongolia	39	38	36
80.	Morocco	39	37	37

(continued)

Table 1.1 (continued)

Rank	Country	2014 score	2013 score	2012 score
85.	Burkina Faso	38	38	38
85.	India	38	36	36
85.	Jamaica	38	38	38
85.	Peru	38	38	38
85.	Philippines	38	36	34
85.	Sri Lanka	38	37	40
85.	Thailand	38	35	37
85.	Trinidad and Tobago	38	38	39
85.	Zambia	38	38	37
94.	Armenia	37	36	34
94.	Colombia	37	36	36
94.	Egypt	37	32	32
94.	Gabon	37	34	35
94.	Liberia	37	38	41
94.	Panama	37	35	38
100.	Algeria	36	36	34
100.	China	36	40	39
100.	Suriname	36	36	37
103.	Bolivia	35	34	34
103.	Mexico	35	34	34
103.	Moldova	35	35	36
103.	Niger	35	34	33
107.	Argentina	34	34	35
107.	Djibouti	34	36	36
107.	Indonesia	34	32	32
110.	Albania	33	31	33
110.	Ecuador	33	35	32
110.	Ethiopia	33	33	33
110.	Kosovo	33	33	34
110.	Malawi	33	28	34
115.	Ivory Coast	32	27	29
115.	Dominican Republic	32	29	32
115.	Guatemala	32	29	33
115.	Mali	32	28	34
119.	Belarus	31	29	31
119.	Mozambique	31	30	31
119.	Sierra Leone	31	30	31
119.	Tanzania	31	33	35
119.	Vietnam	31	31	31
124.	Guyana	30	27	28
124.	Mauritania	30	30	31
126.	Azerbaijan	29	38	27

(continued)

Table 1.1 (continued)

Rank	Country	2014 score	2013 score	2012 score
126.	Gambia	29	28	34
126.	Honduras	29	26	28
126.	Kazakhstan	29	26	28
126.	Nepal	29	31	27
126.	Pakistan	29	28	27
126.	Togo	29	29	30
133.	Madagascar	28	28	32
133.	Nicaragua	28	28	29
133.	Timor-Leste	28	30	33
136.	Cameroon	27	25	26
136.	Iran	27	25	28
136.	Kyrgyzstan	27	24	24
136.	Lebanon	27	28	30
136.	Nigeria	27	25	27
136.	Russia	27	28	28
142.	Comoros	26	28	28
142.	Uganda	26	26	29
142.	Ukraine	26	25	26
145.	Bangladesh	25	27	26
145.	Guinea	25	24	24
145.	Kenya	25	27	27
145.	Laos	25	26	21
145.	Papua New Guinea	25	25	25
150.	Central African Republic	24	25	26
150.	Paraguay	24	24	25
152.	Congo, Republic	23	22	26
152.	Tajikistan	23	22	22
154.	Chad	22	19	19
154.	Congo, Democratic Republic of	22	22	21
156.	Cambodia	21	20	22
156.	Myanmar	21	21	15
156.	Zimbabwe	21	21	20
159.	Burundi	20	21	19
159.	Syria	20	17	26
161.	Angola	19	23	22
161.	Guinea-Bissau	19	19	25
161.	Haiti	19	19	19
161.	Venezuela	19	20	19
161.	Yemen	19	18	23
166.	Eritrea	18	20	25
166.	Libya	18	15	21
166.	Uzbekistan	18	17	17

(continued)

Table 1.1 (continued)

Rank	Country	2014 score	2013 score	2012 score
169.	Turkmenistan	17	17	17
170.	Iran	16	16	18
171.	South Sudan	15	14	N/A
172.	Afghanistan	12	8	8
173.	Sudan	11	11	13
174.	Korea (North)	8	8	8
174.	Somalia	8	8	8

Acknowledgement: Data taken from Corruption Perceptions Index 2012, 2013 and 2014
Sources: Transparency International. For more information visit www.transparency.org

think the table is telling us about our world in the twenty-first century despite the fact that CSR issues are now talked about worldwide and a number of nations are in fact legislating for mandatory CSR reporting, that to this editor is a step in the right direction. We are still to see the benefits that will come out of this action in the emerging economies—India, Indonesia and Mauritius that have taken this commendable CSR action.

The table above has demonstrated clearly that underdevelopment and corruption have some relationship. Many of the southern nations of the world have not done particularly well looking at the table. In some cases, the problem gets worse at least from the 3 years cycle depicted in the table in some countries. Do we all still need to do more work in this regard? After all, the table indicates that it's a global problem.

Moving on swiftly from that issue, Idowu and Schmidpeter (2015) argue that there is no doubt that, in totality our world is now a better place for everyone barring a few still pressing issues we all need to continue to work on. They also noted that one cannot attribute all the successes we have made and continue to make globally in all ramifications to CSR but it has played some part in improving how we run the business, use resources, treat people, handle waste and treat the environment. However, I still believe that a lot is required of us all for things to get better, as Blowfield and Murray (2011) put it "these CSR issues we continue to hammer on in academia, practice and the civil society are all addressable challenges our world faces, and they can be addressed" and would hopefully be addressed.

This book provides an insight into key corporate social responsibility initiatives used by modern corporate entities including government of nations in 17 independent states across the world. The book has been fortunate in the sense that contributors to its 20 chapters are either based or have connections with the 17 countries featured in the book. These contributors have first hand information of key CSR initiatives in these countries. They are all CSR scholars of repute and have worked in the field of CSR and its related disciplines for a number of years; I personally count myself fortunate to have attracted their interests in wanting to put their chapters together for the book. The views many of them have expressed in their chapters are the results of their research studies on CSR initiatives in the relevant countries featured in the book.

The book has been divided into three parts, each part focusing on four of the continents of the world which have been grouped into three. Part I—addresses Key

Initiatives from Europe—it encompasses nine European countries in ten chapters, Part II—Australasia—which contains four countries in five chapters and Part III—Africa—which constitutes three countries in four chapters.

In the second chapter of the book from Malta entitled '*Corporate Social Responsibility Reporting in Europe*' where Camilleri a Maltese scholar of repute explores the latest EU's strategies, guidelines and principles for CSR, Governance and Sustainability reporting. The chapter considers many EU member state governments' regulatory roles based on interdependent relationships of stakeholders. Camilleri reports in his chapter some EU nation states' CSR policies on non-financial performance of organizations for example issues that deal with Labour Standards, Human Rights, Health and Safety, Environmental Protection, Corporate Governance etc. The chapter also talks about the issue of Integrated Reporting—a growing field in corporate reporting, since King III Report of South Africa. It's a must read chapter, that's my view. Camilleri concludes this chapter by arguing that CSR which is now an integral part of corporate reporting has the capability of facilitating a more effective communication and useful dialogue between stakeholder groups, this Camilleri argues will raise awareness for public policy case and business case for CSR. In addition, Camilleri notes that implementing CSR and Sustainability initiatives will enable corporate entities to forge fruitful relationships with all their key stakeholders, this can only mean a win–win situation for everyone.

In Chap. 3 on "*Corporate Social Responsibility initiatives introduction in Central and Eastern Europe and their importance for the Equity investor*", Bistrova and Lace, two Latvian scholars discuss and analyze the implication status of the Corporate Social Responsibility (CSR) initiatives and their relevance to the stock investors in the emerging markets of Central and Eastern Europe (CEE). The chapter considers three broad aspects of CSR in relations to the stock market namely the corporate governance quality, earnings quality and ownership structure specifics. Bistrova and Lace research results suggest that all of the aforementioned CSR system components are relevant if considered in the context of the stock exchange (1) well-managed companies are able to deliver superior returns in the long term (2) poor earnings quality negatively influences market returns (3) concentrated ownership appears to be the best ownership model suitable for CEE companies to offer higher long-term shareholder value.

In the forth chapter by three scholars from Spain—Díaz; Ramos and Díez, entitled "Key *Corporate Social Responsibility Initiatives: An Empirical Evidence from Spain*", these scholars commenced their chapter with a 2011 study in Spain which found that 43 % of Spanish enterprises consider CSR to be valuable to their organizations but only 15.5 % of them systematically implement social responsibility initiatives. Their chapter, in light of this low level of implementation of CSR initiatives wanted to explore which key CSR initiatives Spanish enterprises implemented and their evolution over the last few years. They argued that previously on this issue in Spain, the literature had focused on empirical analyses of CSR initiatives in a specific group of organizations, according to their size or their profit or nonprofit motive. Therefore, the main contribution of this research by Díaz;

Ramos and Díez is to advance knowledge about the implementation of CSR initiatives in Spain. This was why they carried out an exploratory analysis and focusing on three main groups of organizations: small and medium sized enterprises (SMEs), companies listed on the Madrid Stock Exchange and those included in the IBEX35 index, and Non-Governmental Organizations (NGOs). Taking into account the differences between the three groups, this chapter explores whether Spanish organizations are dealing with the same key CSR initiatives, which of them have been the most implemented and which have been the least implemented and how CSR policies should be orientated to promote initiatives in CSR. In conclusion, results from this exploratory study show that, despite the great effort to implement CSR initiatives in Spanish companies and the increase in such initiatives, there are still some challenges facing Spanish companies. The efficiency of Corporate Governance policies and the difficulties which small enterprises face in their attempt to implement these initiatives are two of these challenges.

Mara Del Baldo an excellent Italian scholar of repute in Chap. 5 on "*Formal Co-operation for developing Sustainability and CSR among Tourism SMEs in Italy: Insights, Limits and Potentialities of the Network Contract*", focuses her chapter on the theme of businesses' networks through the network contract (Italian Law. n. 33 of 9th April 2009 and subsequent modifications). Developing several preliminary reflections that have emerged from an analysis of current literature and from empirical research on the role of the network contract (NC) in sustaining the competitiveness of small and medium-sized enterprises in the tourist sector and at the same time making the most of the territory, the chapter presents the theoretical framework which focuses on forms of inter-firm collaboration which include the network contract. It goes on to underline the results of the first exploratory investigation into network contracts drawn up in the tourist sector until 2013 with the aim of identifying, on the basis of the kind of objectives shared by companies, its potential and impact on the dissemination of the culture of sustainability and responsibility. The initial results note that today, the network contract is not yet widely used in the tourist sector, although recent signs of growth indicate a development in the future and its effectiveness for the diffusion of forms of sustainable tourism. Even if the objectives followed through this tool of inter-firm collaboration are mainly geared towards marketing strategies, integration in the tourist industry and internationalization, they contribute to promoting the territory opening up new spaces for economic, social and environmental growth.

In a second chapter from Italy, *Gulluscio, Torrecchia and De Cristofaro* dived into the issue of CSR education in the Italian Catholic and Ecclesiastic Universities. They commenced their chapter by hypothesizing that different cultural, economic, socio-political, religious and environmental contexts have an important part to play in how CSR is defined and how the field is approached. The objective of their research was to identify the features of the concept of CSR in a specific cultural context, represented by universities located in the Italian territory and managed by the Catholic institution. These universities, in fact, assume some important roles in the Italian socio-cultural context which the Vatican's presence in the Italian peninsula strongly affects. These scholars' note that the basic aim of their research project was to study the modules dealing with CSR issues studied in higher education institutions of Catholic orientation located in the Italian territory. They divided these universities into two main categories:

1. Clerical universities.
2. Catholic universities.

The first category they note includes institutions directly dependent on the "Holy See". In the second category are institutions which have been granted juridical personality in Italy. They are given the permission to operate from an ecclesiastical authority. However, they are subject to the Italian legal provision (entities with extraterritoriality). I believe their chapter should be an interesting read.

The 7th chapter by a prolific author and a scholar from Poland—Maria Aluchna entitled *"The Bermuda Triangle: The interdependence of Social, Governance and Environmental Challenges to Sustainable Development"* Aluchna commences her chapter by noting that companies operating on the stock market face many challenges which may hamper their growth and development. Aluchna argues that they need to take into account the impacts of the globalization and internationalization processes which provide many opportunities (access to labor, customers and resources) as well as threats (hyper competition, quest for innovation and lower costs). The business environment is characterized by an unprecedented scope and frequency of changes rooted in technology (ICT), the specific market structure (consolidations, severe competition), the changing sociology and demographics as well as current inefficiencies related to the financial crisis. Besides, these problems companies also need to incorporate other areas of constrains in their daily operations as well as strategic developments which result from the extensive use of natural resources, industry impact on the environment, plundering consumption, inefficient waste management and risks of energy, clean water and clean air shortage as well as devastation of fauna and flora. Recent years have brought about significant adverse impacts on the natural environment to such an extent that they have resulted in a reduction in quantity and quality of natural resources which has severe impacts on global companies' operations. Aluchna's chapter addresses a set of social, environmental and economic forces which have led to the emergence of sustainable development. The main goal of the paper she notes is to identify the specific factors out of the three factors and to track how they have influenced the understanding of today's business forcing companies to integrate social, environmental and economic requirements in their operational activities.

In Chap. 8 entitled "*The Pursuit of responsible business: Corporate Responsibility of Finnish companies in their global operations*" by Mikkilä, Panapanaan and Linnanen three reputable scholars from Finland note the increasing call on global businesses to operate in line with the internationally accepted business standards and socially responsible management practices. Since there is no over-the-boundary global legislation, the institutionalization of various CSR programs and initiatives pose challenges for many companies operating globally, they argue. This is also the case with a few Finnish companies that operate globally. Many businesses and policy researchers have been classifying the global business environment by normative means, such as the development of various corporate responsibility (CSR) management programs or initiatives. This chapter looks at some examples of the practices of Finland-based companies in six different operation areas to determine the adequacy of national and international CSR initiatives in various operational environments and to map out the institutionalization process behind the CSR initiatives. The cases were analyzed using the normative ISO 26000 CSR guidelines in terms of the Finnish context as understood by the Finnish Corporate Social Responsibility Network (FIBS). The analysis was expanded beyond the Finnish home market, as the major responsibility debate has concentrated on the international operations of large Finnish companies.

Bakić, Mijatović and Marinović, three Serbian scholars in Chap. 9 on "*Key CSR Initiatives in Serbia: A New Concept with New Challenges*" argue that corporate social responsibility (CSR) as a business concept emerged in the corporate and NGO sectors in Serbia at the commencement of the transition towards market economy in the 2000s. The concept was introduced on to the country's corporate scene by large multinational companies that started their operations in Serbia and transferred the good practice from global to local level. Soon after, the academic community started to research the topic, while NGOs initiated advocacy campaigns and started to build the cross-sectoral partnerships to promote the CSR concept. The first Serbian government official public policy document on CSR was the "National Sustainable Development Strategy" adopted by the Serbian Government in 2008, followed by "National CSR Promotion and Development Strategy 2010-2015" note Bakić, Mijatović and Marinović . The main objectives of their chapter they note are to present the initiatives used by: the government to promote CSR, such as public policies and legal framework, and NGOs, corporate entities and other institutions in Serbia. Examples of such initiatives include campaigns, CSR awards, certification and reporting. In order to answer their research questions, the authors have analyzed survey results related to the CSR practice of 17 large companies, members of the Business leaders forum in 2014, the amount and type of their community, marketplace and environment investments, as well as their priorities regarding the social issues to address and social groups to engage with. These three scholars finally went on to illustrate the expectations and perception of CSR from the perspective of the Serbian citizens, to present and discuss the results of their public opinion survey with regard to CSR in Serbia.

In the 10th chapter of the book on CSR initiatives in Lithuania, by Rita Vilkė, a Lithuanian scholar begins her chapter by noting that Corporate social responsibility (CSR) is still an evolving paradigm in many new European Union (EU) member states albeit these states' having experienced half-a-century of Soviet planned economy, different cultural and socio-economic backgrounds of new EU community members propose respective cases for discussion of newly developing businesses and CSR. The Soviet business in Lithuania had been addressed as a phenomenon, which seemed inconsistent with the political and economic system, but certainly used to be characterized by business terms from the free world, Vilkė argues. The originators of capitalism of the planned economy, based on prior Lithuanian traditions and concepts, supported by them and shaped by the environment, had brought many imperfections in the early post-Soviet economic development processes, sometimes without realizing it, shortcomings running in line with some benefits. Vilkė notes that her research aims to elucidate the issue, in specific context of Lithuania, which has historically formed particular fundamentals of the very first CSR initiatives even before the "top-bottom" pressure from the EU. On the other hand, there is a proposed discussion on the input made by international organizations, such as the EU and UNDP, which firstly occurred on the institutional agenda and afterwards was followed by a number of CSR initiatives, implemented in collaboration with the government, business and NGOs.

In Chap. 11, the final chapter of Part I entitled *"Building the Capacity for Corporate Social Responsibility through Supportive Initiatives in Estonia" by* Mari Kooskora who argues that Estonia is a country that has experienced lengthy periods of existence under many foreign powers such as Denmark, Germany, Sweden and Russia. It enjoyed briefly a period of independence in economic and social prosperity terms, before it was again occupied by the Soviet Union for 50 years. It has been relatively successful as an independent state in rebuilding a sustainable economy and developing a favourable business climate leading to rapid growth in its economy and social dimensions, Kooskora notes. Now that the initial rapid and radical changes are over, businesses have started to realise the importance of corporate social responsibility (CSR); although, corporate social responsibility and its related topics are still not being discussed at length publicly, and people may argue they do not really understand the concept at all. At the same time, it seems that much more is actually being done by companies; although, these activities are often not acknowledged as CSR per se. In most cases, CSR is freely accepted by companies, while support from the government is relatively modest. Although a National CSR Strategy for Enterprises has been created, it only performs an advisory role, and CSR initiatives have not been supported by the public authorities. Therefore, it could be argued that in many companies and especially among public officials, CSR is still perceived as corporate philanthropy, sponsorship and/or marketing activities rather than a consideration of and responsibility to stakeholders. The chapter argues that this view has recently started to change in several business organisations; moreover, a new generation of civic society is taking the lead, they are willing to enter into dialogue and contribute to a more developed and better balanced society where CSR has a central role, notes Koooskora. Although CSR has been left mainly as the initiative of companies, there are some non-profit seeking and academic institutions which have taken leading roles and are fostering CSR related initiatives in Estonia. They are increasing awareness about CSR and related issues, conducting research, providing trainings and consultations whilst supporting those organisations that want to know more and develop further in this field. Among these activities there is also a CSR Index, which helps companies to define, evaluate and monitor their economic, social and environmental impact and which highlight areas that require action and can be further developed. CSR is taking shape in Estonia, this experienced scholar contends. This should make an interesting reading.

Part II of the book considers key CSR initiatives in four countries in Australasia. It's very first chapter, the 12th chapter of the book by a famous Australian Sociology scholar *Dyann Ross* entitled *"Corporate Responsibility in Australia's Mining Industry: An Applied Stakeholder Approach"* who argues that CSR encompasses a set of strategies used by governments, public and private sector organizations to align their operational objectives with their social responsibilities. Ross notes further that the motivation behind many Australian corporate entities in wanting to develop CSR initiatives and report on them varies from one company to another. Ross further argues that the motivation is generally multi-dimensional. In the country's mining sector for example, Ross explains that CSR initiatives are generally driven by the sector's desire to improve its image about the adverse impacts of its activities on people, communities and ecosystems. The limited regulatory action on the part of the Australian government in this area despite the possibilities of the adverse effects of the sector's operational activities on life and the environment motivated Ross in wanting to explore the CSR initiatives pursued by the sector in its attempt to demonstrate responsibility to all and sundry.

The 13th chapter by Scott T Davis a famous Japanese based Professor entitled "*From Insularity to Integration: The Reformation of Socially Responsible Business in Japan"* Davis argues that CSR in Japan is currently undergoing a reconceptualization as a result of government policies and related reforms being implemented by Prime Minister Shinzo Abe's administration in order to revitalize the Japanese economy from its prolonged economic stagnation. The chapter espouses that the advent of CSR has made it glaringly clear that economic health and vitality can no longer be defined exclusively in terms of isolated corporate interests, as a result of this, Japan's conservative government is seeking to push corporations out of their commonly criticized insularity and towards a more socially informed and integrated competitive stance. The has now necessitated corporations being called upon to reformulate their CSR plans and activities by integrating social and strategic goals into long-term plans and strategies which cover the full scope of their activities both domestically and globally. The chapter argues that, by acknowledging a link between social wellbeing and long-term economic growth and competitiveness, the Abe administration's reforms constitute a watershed event in the conceptualization of the social responsibility of corporations in Japan.

In Chap. 14, by Emeritus Professor Chartterjee a world renowned scholar on Key CSR initiatives in India a chapter he titles "*Corporate Responsibility in India: From Traditional Ethos to Contemporary Traditions"* Chartterjee notes how traditional wisdom and religious ethos have worked together to embed in corporate entities; some moral duties in their quest to satisfy their profit motive in India. Chartterjee recalls the inspiration given by the great Indian philosopher—*Mahatma Ghandi* to society and business when the great man talked about the benefits derivable by society and business from the *Trusteeship concept.* Chatterjee refers to recent happenings in India especially during the 1990s economic reform which brought about a drastic shift in India's approaches to CSR. He notes the effect on volunteering in India of the 2014 legal requirement of certain Indian companies (that fall within three different types in terms of profit, net worth and annual turnover in US$) to devote 2 % of their annual profit towards CSR. The chapter explores the motivations behind this new CSR law in India.

In Chap. 15 by Gunawan a young Indonesian scholar entitled *" Corporate Social Responsibility Initiatives in a Regulated Emerging Country: An Indonesian Perspective*" who notes that CSR is now regulated in Indonesia at both national and local levels. Despite this, there is still a common misunderstanding about CSR in the country since the field is generally perceived in terms of what Archie Carroll in his 'Pyramid of CSR' describes as Philanthropic or Discretionary CSR. In an attempt to throw more light into CSR in Indonesia Gunawan explores the key CSR initiatives and CSR methods used by leading Indonesian companies. Her study of the area was a combination of desk and field research using ten leading companies in the country which participated in the country's 2014 CSR Awards event. Gunawan notes that CSR initiatives in Indonesia are driven mainly by government initiatives and regulations. The chapter argues that even though CSR is still in its infancy, the government has been encouraging companies to engage in the "moral obligation" strand of the field instead of its "regulation abiding" strand of the field.

In the final chapter of Part II by three Australian based scholars Islam, Haque and Jain in Chap. 16 titled "*A preliminary analysis of Australian Government's indigenous reform agenda 'Closing the Gap' and Corporate Responsibility*" these scholars in their chapter provide a preliminary analysis of Australian Government's reform agenda popularly known as 'Closing the Gap'. "Closing the Gap", they note sets a commitment by all Australian governments to improve the lives of Indigenous Australians, and in particular to provide a better future for indigenous Australian children. The chapter discusses how the coalition of Australian Governments prepared this agenda and how this program involves Australian corporations in the task. Islam, Haque and Jain suggest the inevitability of another reform in order to allow the government to mandate corporate involvements and contributions in the reform agenda.

The final part of the book focuses on Key CSR Initiatives in three African nations—Nigeria (the continent's largest economy and most populous state) with two chapters, and a chapter each from Ghana and Kenya.

Chapter 17 the first one in the section on *" Corporate Social Responsibility Initiatives in Nigeria"*, by Osemeke, Adegbite and Adegbite three young Nigerian scholars based in the UK argue in the chapter that Corporate Social Responsibility initiatives in Nigeria originated from the practices of Multinational companies (MNCs) operations in the extraction sectors of the Nigerian economy, especially in the oil sector. Their operations in communities resulted in a number of CSR breaches; such as oil spillages, gas flaring, militancy/community agitations and dumping of toxic waste materials in rivers. These activities destroyed the sources of income for the communities which are mainly in farming and fishing, leading to widespread poverty and agitation from the communities. Cumulatively, these raised concerns about the role of businesses in the Nigerian society. Apart from the activities of MNCs, the failure by successive Nigerian governments to fulfill their mandatory obligation of providing social amenities for communities has made

MNCs to become quasi-government with community depending and targeting MNCs to solve their economic problems. Government from all levels, have failed to offer solutions (such as building infrastructures, roads, medical facilities and schools). This is largely due to corruption, weak institutional framework, lack of transparency and accountability among public sector officials and bad governance among other issues, they argue. The chapter notes that CSR initiatives in Nigeria have not been strategic, in a way which provides a thorough engagement of businesses in society and nation building, but have been culturally oriented, reflecting the religion, ethnicity, traditions and communal lifestyle of the people which involves sharing, togetherness and consensus. This means that CSR initiatives in Nigeria have been mostly discretionary and philanthropic, characterized by donations, charities and community developments. Most corporate entities such as MNC and financial institutions are taking CSR initiatives seriously. Some have CSR departments and publish their environmental/CSR reports in addition to their annual reports. Their CSR initiatives involve mostly sponsorship in sports, beautification of roads, giving donations and project implementations. Some of these projects include the provision of borehole water, youth empowerment, schools and healthcare centers for the communities.

In Chap. 18, another chapter on CSR initiatives in Nigeria by three Welsh based scholars, two of them of Nigerian descent—Lincoln, Adedoyin and Croad entitled *"Fostering Corporate Social Responsibility among Nigerian Small and Medium Scale Enterprises"* who argue that their chapter seeks to contribute to the growing body of literature on corporate social responsibility (CSR) in African countries from a Nigerian standpoint. The chapter explores the role of Small and Medium Sized Enterprises (SMEs) in promoting CSR initiatives in Nigeria as well as their motivation and challenges. They that since very little is known about SMEs awareness of CSR practices and strategies within the Nigerian context, the chapter would add to knowledge in the area. In order to gather the required data for the study, they carried out a face-to-face questionnaire survey with 371 SME owner/managers in Lagos, Nigeria. The findings obtained from the survey conducted with these SMEs owner/managers support the view that Nigerian SMEs' adoption of CSR is closely linked to the owner/managers values, religious orientation and SMEs entrenchment in the local socio-economic environment. The study has several theoretical implications, they suggest. The study makes an empirical contribution to the meager literature in this area thus fills gaps in the literature on SME CSR practices thereby providing a theoretical perspective on which future research can be developed. The study also highlights the importance of more NGO and government support for CSR initiatives amongst SME owner/managers especially in the context of developing countries.

In the penultimate chapter of the book by two Dutch scholars one of the a prolific author/researcher on *"Sticks in a Bundle are Unbreakable: The creation of Kenyan Corporate Social Responsibility Knowledge Centre and Business Network"* Moratis and Slaa note Kenya with a growing economy and being an increasingly popular investment destination, both domestic and foreign business activity in Kenya has surged over the past years. In addition, the country has a relatively young population and many of the country's economic sectors offer business opportunities. Despite these developments, Moratis and Slaa note that the country is has faced challenges on various dimensions of social-economic development. Against this background, corporate social responsibility (CSR), defined as firms' roles and responsibilities in contributing to a more inclusive and sustainable economy, may play an important role in combating social and ecological challenges and strengthening Kenyan business at the same time. Moratis and Slaa espouse that Dutch and Kenyan governments and businesses have taken the initiative to develop a knowledge centre for sustainable and inclusive business in Kenya (KSIB-K). This initiative sprung from a Dutch trade mission to Kenya in 2013. The Dutch CSR knowledge centre, MVO Nederland, was invited to contribute in this trade mission with the objective to disseminate knowledge and expertise on CSR and participate in a multi-stakeholder dialogue on CSR in the Kenyan flower sector. After a series of the roundtables talks on CSR and sustainability in which Kenyan and Dutch organizations participated, the plan was conceived to develop KSIB-K and, as an integral part of it, build a local CSR business network. The chapter provides a good indication of government to government (G-G) actions on propagating corporate social responsibility. It indicates how many first world countries on this occasion The Netherlands are demonstrating a high level of social responsibility in an attempt to help emerging countries take the issue of CSR seriously so that corporate entities operating in these emerging countries could understand what they need to know in order to practice CSR and be socially responsible.

In the very final chapter of the book by a young and upcoming Ghanaian scholar, Seth Oppong entitled "*Corporate Social Responsibility in the Ghanaian Context*" Oppong commenced his chapter by noting the importance of CSR in brand and reputation building. Oppong argues that because of the unproven positive link between profitability and CSR, Ghanaian companies have tended to want to engage themselves in one form of CSR initiatives or another. These companies believe that helping to lift citizens out of social conditions would help their own ability to accomplish their strategic goals. Companies in the Telecommunications, Banking and Extractive—mining (oil and gas) sectors are leaders in the Ghanaian CSR initiatives school, these companies Oppong notes are usually foreign companies operating in Ghana. They focus their CSR initiatives on education, health, the environment, social entrepreneurship and sports development.

A careful read through of all the issues highlighted in this introductory chapter to each of the 20 chapters that comprise this book should hopefully reveal that CSR has come to stay in our world. Companies operating in different political settings are engaging themselves in a number of key initiatives 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 initiatives are making a big difference in many; if not all of these countries. Of course there are many other key initiatives used in other parts of the world not explored by any of these chapters, that's why CSR is argued to mean different things to different people and which is why it is perceived and practiced differently. That's one of its many charms. Idowu and Schmidpeter (2015) argue that CSR is now an important business language of our era. It must be spoken with clarity, not by words of mouth but by some visible actions which we believe would continue to transform our social, economic and environmental world for the better. Many of these initiatives 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.

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Part I
Key Initiatives from Europe

Malta
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Chapter 2
Corporate Social Responsibility Reporting in Europe

Mark Anthony Camilleri

Abstract This chapter sheds light on the European Union's (EU) latest strategies, guidelines and principles for Corporate Social Responsibility (CSR), corporate governance and sustainability reporting. It reports on several EU governments' regulatory roles as their societal governance is based on interdependent relationships with stakeholders. As a matter of fact, there are some of the EU countries who have already introduced intelligent substantive and reflexive regulations for their environmental, social and governance (ESG) reporting. Of course, there are different actors and drivers who are shaping CSR communications and policies in relational frameworks with the civil society and corporate businesses. This chapter reports on national CSR policies that are related to the disclosures of non-financial performance of organizations. It transpires that very often, governments, NGOs and corporate businesses resort to non-governmental organizations' regulatory instruments such as process and performance-oriented tools that help them to structure their ESG reports. These instruments usually focus on issues such as labour standards, human rights, health and safety, environmental protection, corporate governance and the like. Therefore, this contribution makes reference to some of the most relevant EU recommendations for the disclosure of integrated reporting. It posits that the way forward is to have more proactive EU governments that raise the profile of CSR. This chapter indicates that any compulsory reinforcement of the regulatory measures may possibly result in efficiencies and operational cost savings for businesses, in the long term. In this light, more effective communication and dialogue between stakeholder groups will help to raise awareness of the public policy case as well as the business case for CSR. Notwithstanding, it is in the businesses' self-interest to anticipate regulatory pressures for ESG initiatives. Ultimately, when businesses implement corporate sustainability and responsibility they forge fruitful relationships with key stakeholders, including the regulatory ones. In doing so, they will also address societal, environmental, governance and economic deficits.

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2.1 Introduction

Corporate Social Responsibility (CSR) has become a well-established concept "whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis" (EU, 2002). These stakeholders are shareholders, employees, governments, suppliers, customers, media, environment and the community. Initially, companies' primary focus was profit maximisation and satisfying their shareholders. This was seen as short-term in nature but currently, there is a shift of focus to all stakeholders including the employees.

Corporate social responsibility (CSR) necessitates legal compliance as well as 'customary ethics' (Carroll, 1991). In this context, it may appear that a motivation for CSR may be borne out as a necessity to offset the threat of regulation. Evidently, many companies prefer to be one step ahead of government legislation or intervention in order to anticipate social pressures. Arguably, there is always scope for business and government to become more aligned with regards to the regulatory aspect of CSR. Governments can take an active leading role in triggering CSR behaviour among its stakeholders. The businesses themselves will realise that appropriate CSR regulation can possibly bring in economic value as well (Porter & Kramer, 2011). This is also consonant with the European Union's (EU) Lisbon Strategy (2000) and the Gothenburg Sustainability Strategy (2001). According to the European Council's Lisbon Summit; "CSR can make a contribution towards achieving the strategic goal of becoming, the most competitive and dynamic knowledge-based economy (referring to the EU) in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion" (Eurofound, 2003). In 2001, the Gothenburg Sustainability Strategy became the latest strategic goal for the European Union, which supplemented the Lisbon Strategy. The environmental protection has been given its due importance and was added to the previous two pillars of economic growth and social cohesion (EU, 2014a). On that occasion there was mention of other trends; including climate change, public health, natural resources, sustainable transport, aging population and social exclusion have also been recognised and addressed. However, as it was the case for the Lisbon Strategy, there were significant implementation failures. In order to respond to these deficits, the EU Commission had proposed to reaffirm the 'new approach to policy making and policy coherence' to strengthen its ownership and to improve co-operation with public and private actors, at all levels. EU, (2011) had reiterated the importance of CSR as it put forward a new definition for this notion. The term CSR has now been described as the enterprises' responsibility for their impacts on society. The EU recommended that the norms of CSR ought to be considered as appropriate model bases for applicable legislation and for collective agreements between social partners. The Organisation for Economic Cooperation and Development (OECD) Guidelines, the United Nations Global Compact (UNGC) and the International Labour Organisation (ILO) Declaration have also received prominent recognition by the governments of the eight largest economies

(G8) countries and other states. Their instruments or initiatives are often referenced in academia, or used by business practitioners (Rasche, 2009). Therefore, this chapter sheds light on the latest government-initiated policies on CSR in a European context. It reiterates some of the EU member states' priorities for CSR, whilst making specific reference to recent publications on CSR public policies. It focuses on CSR, sustainability reporting and disclosure.

2.2 The CSR Language

Although the subject of CSR is quite contemporary, it may still be considered as an inherently complex concept by some commentators. It may appear that this dynamic and holistic notion conveys a wide variety of meanings in different contexts. CSR has evolved to meet changing demands in complex environments. Notwithstanding, this concept is context-dependent as it is often embedded in different historical and cultural traditions. This is particularly evident in Europe, where institutions had long been renowned for their "implicit CSR" much before the concept of CSR was even discussed in an explicit manner. Moreover, CSR often embraces and connects to the triple bottom line issues; the economy, society and the environment. Nowadays, CSR is actively pursued and applied by business practitioners, society and government. It transpires that European governments are increasingly using CSR as a vehicle for their public policy goals. Despite its complex nature, the Anglo nations and some other European countries were among the first in the world to adopt public policies that promoted CSR among their businesses. In 2006 and 2007 the EU Commission had taken stock of these policies and published two editions of the "Corporate Social Responsibility: National public policies in the European Union". These compendiums had provided rich information on the member states' approaches to CSR. Lately, EU policy has put forward an action agenda for the period 2011–2014 which covered the following eight areas:

- "Enhancing the visibility of CSR and disseminating good practices: this includes the creation of a European award, and the establishment of sector-based platforms for enterprises and stakeholders to make commitments and jointly monitor progress.
- Improving and tracking levels of trust in business: the Commission will launch a public debate on the role and potential of enterprises, and organise surveys on citizen trust in business.
- Improving self- and co-regulation processes: the Commission proposes to develop a short protocol to guide the development of future self- and co-regulation initiatives.
- Enhancing market reward for CSR: this means leveraging EU policies in the fields of consumption, investment and public procurement in order to promote market reward for responsible business conduct.

- Improving company disclosure of social and environmental information: the new policy confirms the Commission's intention to bring forward a new legislative proposal on this issue.
- Further integrating CSR into education, training and research: the Commission will provide further support for education and training in the field of CSR, and explore opportunities for funding more research.
- Emphasising the importance of national and sub-national CSR policies: the Commission invites EU member states to present or update their own plans for the promotion of CSR by mid-2012.
- Better aligning European and global approaches to CSR:
  - The Commission highlights the OECD Guidelines for Multinational Enterprises,
  - The 10 principles of the UN Global Compact,
  - The UN Guiding Principles on Business and Human Rights,
  - The ILO Tri-partite Declaration of Principles on Multinational Enterprises and Social Policy,
  - The ISO 26,000 Guidance Standard on Social Responsibility".

(Source: EU, 2011)

2.3 CSR Made in Europe

CSR offers a voluntary complement to traditional hard regulation by persuading private businesses to tackle both domestic and global issues. This way CSR supports public goals as it helps to close governance gaps. Notwithstanding, there are economic and financial measures which can facilitate CSR engagement by stakeholders. For instance, the use of financial incentives and market forces may include tax rebates and abatements, subsidies and awards. Informational instruments pertain to raising awareness through dissemination of knowledge during campaigns, conferences, seminars, training courses and websites. Of course, there is always scope in enhancing the existing relationships between governments and stakeholders. Businesses are urged by governments to reduce their potentially negative impact of their operations (such as environmental degradation, poor quality products, climate change, green gas emission) on society and the environment (Kotler, 2011). For this reason, there are instances where CSR practices ought to be mandated through legislative and binding regulations. Therefore, the public policy case for CSR can pay off for governments just as the business case can benefit companies. Consequently, this contribution maintains that ever more EU member states should forge relationships with stakeholders to enhance their socially-responsible and sustainable behaviours (Camilleri, 2015).

National settings define frameworks. Public and private actors are directly involved in creating policies and building stakeholder relationships for laudable behaviours. Stakeholder engagement is considered as an important element for solving difficult social and environmental problems (Camilleri, 2015). Encouraging partnerships with key stakeholders has become a central component for European public policy. As a matter of fact in the Danish context, cross-sector local partnerships incorporate the CSR concept (DCCA, 2010; Nidasio, 2004). Companies should be accountable for their social and environmental practices. They are expected to be fair and transparent in their corporate sustainability disclosures (Camilleri, 2012). Generally, the stakeholders are increasingly placing more emphasis on socially-responsible production For instance; European consumers are increasingly becoming acquainted with organic certifications and ‘Fair Trade’ initiatives that can possibly improve the identification of products with unique characteristics.

Another differential factor that has become quite noticeable in Europe is when government authorities and their public officials lead by example. CSR public policies are often viewed as part of the regular framework for social and employment practices. Therefore, a considerable commitment is made by local governments who act as drivers for stakeholder engagement. This will in turn bring social responsibility and environmental sustainability. One way to establish a CSR-supporting policy framework is to adopt relevant strategies and actions in this regard. Strategies define the governments’ generic approach to CSR, set specific objectives, priorities for actions which lead to the coordination of a set of existing and new policy instruments. When the objectives are properly implemented, they can be the first step towards CSR policy. Such frameworks may be relevant for those countries that may not have a long CSR tradition or whose institutions lack accountability and transparency credentials (Zadek, Evans, & Pruzan, 2013). Relevant CSR policies have recently been adopted across many member states as explained very well in; “The National Public Policies in the European Union” by Knopf et al. (2010).

> Belgium’s federal CSR action plan was adopted in December 2006, with its first implementation period spanning from 2007 to 2008. The CSR/Socially Responsible Investment (SRI) working group compiled a progress report on the implementation, which was published in March 2009. A stakeholder consultation was organised in November 2008 in order to discuss the current situation regarding the implementation of the measures from the CSR action plan. Eighty-eight organisations took part in the stakeholder consultation, with enterprises being very strongly represented. The aim of this consultation was to provide feedback on the interim results of the implementation and to ask stakeholders how they saw the further implementation of CSR at federal level. Based on this consultation, the CSR/SRI working group wrote a memorandum including several proposals with respect to the future implementation of the action plan.
>
> The Bulgarian strategy uses reporting to monitor progress on its three action plans. For each action plan the Ministry of Labour and Social Policy was required to draft a report on the work carried out by all stakeholders involved. The reports were first submitted to an advisory board and to the council of ministers for approval. In addition, a preliminary assessment of the strategy’s implementation must be undertaken at the end of 2010 and a final one in May 2013.
>
> In France, since 2008 a working group including all the different categories of stakeholders involved in CSR (“Comite de suivi du Grenelle de l’Environnement”) has been in charge of the follow-up of the implementation of the governmental commitments. Review measures may also be used to improve the management of international instruments.

In December 2009 the Dutch NCP of the OECD Guidelines submitted itself to a voluntary peer review by NCP colleagues from Canada, Chile, France, Japan and the UK. The review team's report was published in March 2010. To stimulate peer learning by European OECD NCPs, the results of the peer review of the Dutch NCP have been made publicly available on an English version of the website of the Dutch NCP (adapted from Knopf et al., 2010).

Recently, the Danish government had published its "Action Plan for Corporate Social Responsibility". The aim of this action plan was twofold: to promote CSR among Danish businesses, and to promote sustainable growth both domestically and internationally (Danish National Action Plan, 2014). The action plan comprised 30 initiatives in four key areas: propagating business-driven social responsibility, promoting businesses' social responsibility through government activities, the corporate sector's climate responsibility, and marketing Denmark for responsible growth. With its action plan Denmark was among the forerunners in issuing a CSR strategy (Danish National Action Plan, 2014). The central strategic document has helped to focus and re-emphasise existing instruments and to formulate clear priorities. The Danish action plan was characterised by three strengths. Firstly, it has presented a smart mix of CSR instruments, ranging from informational web tools like the CSR Compass or partnering instruments like the Council on Corporate Social Responsibility to legal instruments such as the much debated legislation on reporting (CSR Compass, 2014). Secondly, it described CSR as a means for improving competitiveness. Therefore this action plan also stressed about the business case for CSR (Camilleri, 2014). Thirdly, Denmark is a very strong supporter of international CSR initiatives, as it was particularly evident from its support to the UN Global Compact and the UN Principles for Responsible Investment (UNPRI) as laid down in its action plan. In fact, Denmark prepared its first biennial progress report in 2010. The government of Denmark reported on the businesses' compliance with its national initiatives. Van Wensen, Broer, Klein, and Knopf (2011) reported that both the Danish and Swedish governments have contributed to a stronger uptake of sustainability reporting. At the same time, many companies in these Scandinavian countries had already started reporting about their corporate social and environmental responsibility, much before they were coerced to do so.

2.4 Sustainability Reporting and Disclosures

Organisations are increasingly using a wide variety of instruments, tools and channels to communicate their environmental, social and governance (ESG) reports to stakeholders (Camilleri, 2015). There are around 2000 non-financial reports in Europe. Several organisations across different industry sectors are increasingly disclosing ESG reports as they are more accountable on their operations, as featured in Table 2.1

Table 2.1 Environmental, social and governance reporting to stakeholders

ESG reporting		
Environmental	Social	Governance
Environmental protection	Human rights; employment	Accountability
Global warming	Conditions	Transparency
Green products	Consumer rights	Risk management
Environmental accounting	Health and safety issues	Information disclosure
Waste reduction, reuse, recycle	Disaster prevention	
Energy and water conservation	Quality improvement	Legal compliance
Sustainable transportation	Fair trading	
	Stakeholder communications	

Some of the most prevalent reporting schemes were drawn from; the G3 Guidelines of the Global Reporting Initiative (GRI) and the United Nations Global Compact (UNGC). In addition, several platforms and organisations that promote corporate sustainability reporting have developed partnerships with AccountAbility, OECD, UNEP, Carbon Disclosure Project and with many governments and sector organisations (Van Wensen et al., 2011; Kolk, Levy, & Pinkse, 2008). When one explores the key topics that companies report on, it transpires that the disclosure of carbon emissions have become quite a common practice (Kolk et al., 2008) while there is an increased awareness on the subject of human rights and the conditions of employment (Lund-Thomsen & Lindgreen, 2013). Online reporting has offered an opportunity for accountability and transparency as information is easily disseminated to different stakeholders (Zadek et al., 2013). This has led to an increased stakeholder engagement, integrated reporting and enhanced external verification systems. It may appear that most stakeholders consider reporting schemes as a valuable tool that can improve the quality of their reporting, particularly when it can enable them to benchmark themselves with other companies. GRI is often regarded as ‘a good starting point’ for this purpose. Moreover, the provision of a UNGC communication on progress is a new global trend that has become quite popular among business and non-profit organisations. Some of the European organisations are gradually disclosing environmental information or certain other key performance indicators that are of a non-financial nature in their reporting (Zadek et al., 2013). The number of companies reporting relevant and material information on their ESG performance has grown significantly in recent years. For instance, the annual global reporting output in 2010 has increased from almost zero in 1992 to an expected output of 4000 on a worldwide level (Mullerat, 2013). Despite the financial crisis and the subsequent recession, the growth rate of ESG reporting had slowed only marginally during 2009 (Bansal, Jiang, & Jung, 2014; Knopf et al., 2010). Notwithstanding, these reporting companies still constitute a small share of global business and many more small and medium-sized enterprises (SMEs) (Mullerat, 2013; EU, 2012).

According to the European Modernisation Directive (2005), companies are required to analyse their non-financial key performance indicators that may be relevant for their particular business (Van Wensen et al., 2011). The European companies are expected to include information relating to their environmental performance as well as on employee matters (Mullerat, 2013). As a matter of fact, it transpires that all EU countries have already implemented these requirements. Some EU states have clearly distinguished between several subtypes of ESG reporting, such as 'Environment in general', 'Environment & Health & Safety', 'Environment & Social', 'Environment & Health & Safety & Community', 'Corporate Social Responsibility', 'Sustainability', 'Integrated', 'Social and Community', and 'Other' (Van Wensen et al., 2011). Interestingly, there were many EU countries that have developed some form of mandatory requirements for ESG disclosures (Ioannou & Serafeim, 2014). For instance, France was a pioneer in this regard when it enacted the "New Regulations" in 2001 (BSR, 2012; Whiteside, Boy, & Bourg, 2010). Similarly in Denmark, the 1100 biggest companies as well as state-owned companies, institutional investors, mutual funds and listed financial businesses are expected to provide information about their CSR policies on a "comply or explain" basis in their annual financial reports (DCCA, 2010). Likewise in Sweden, all state-owned companies have to publish their sustainability report (Ioannou & Serafeim, 2014). The management boards of stock-listed companies and the largest state-owned companies in the Netherlands are also required to report and be accountable to the supervisory board and their stakeholders on CSR issues (Ioannou & Serafeim, 2014; DCGC, 2014). Evidently, other countries have followed suit as they developed their own voluntary standards or guidelines in order to support companies or other organisations. The latter countries often provide guidance on the integration of social and environmental issues in financial reporting or support certain rankings or awards that are related to sustainability reporting. Generally, it seems that there is a trend towards more government-driven initiatives that are related to reporting. This trend has also been exposed in a recent study that was carried out by KPMG in collaboration with Global Reporting Initiative (GRI), United Nations Environment Programme and the University of Stellenbosch Business School. KPMG (2010) reported that standards, codes and guidelines as well as legislation for reporting have increased in the recent years. It has indicated how more reporting companies and organisations were following the guidance of international organisations such as the GRI. Moreover, many governments have recommended new regulations or provided guidance and incentives in order to entice organisations to disclose material information on their ESG performance.

Recently, the European Commission hosted a number of multi-stakeholder seminars and workshops that discussed about the participants' views on ESG disclosure (EU, 2014b). It also put forward reasonable proposals to enhance extant European policies that are related to non-financial reporting. Different stakeholder groups consisted of enterprises, investors, civil society, consumers and media, trade unions and public authorities. An EU Commission Expert Group suggested that their framework on integrated reporting has given a degree of flexibility to the companies to decide on the topics to report on and on the metrics they use (Camilleri, 2015). The EU's (Directorate General of the Internal Market and Services) experts came up with an innovative approach, which incentivised the companies to report their non-financial information. Of course, materiality was considered as a key concern by several audit experts. The experts stressed that improving materiality of reports is useful to address the comparability issues. They advocated that the companies' boards should have ownership on reporting in order to make it relevant and effective. Clearly, the experts did recognise that there were significant differences in national cultural contexts as well as in their respective reporting mechanisms. Some experts have indicated their concern about the consequences of adopting more detailed reporting requirements (including specific KPIs) into EU legislation. On the other hand, they did not reject the idea of proposing a list of topics which could be covered by any company when reporting its responsible practices.

Yet, despite the existence of a European Modernisation Directive (2005), the current EU framework still does not provide a specific reference framework as to the expected quality of the disclosure of the non-financial reports. Moreover, it transpires that there are significant differences in mentalities across different member states, and within particular economic sectors (EU, 2011). To date there is still no 'one-size-fits-all' with regards to ESG reporting. For the time being, the instruments for sustainable reporting are not compulsory, although quite a lot of CSR tools and standards have already been developed. Arguably, such initiatives may have directed enterprises to appropriate CSR behaviour by providing good guidance for best-practice through workshops, formal policy guidelines and media releases (EU, 2011). Nonetheless, the European perception is also drawn from a myriad of environmental management tools that measure sustainability performance.

2.4.1 The EU's Regulatory Instruments for Sustainability Reporting

The EU has recently revised a number of tools and instruments for the reporting of non-financial information. The EU Eco-Management and Audit Scheme was initially established in 1995 and was re-examined in 2009 in accordance with Regulation EC No. 1221/2009. EMAS is a reporting tool for companies and other organisations. It necessitates continuous improvements in their environment performance. One of the aims of the latest revision (which came into force in January 2010) was to strengthen the rules on reporting through core performance indicators. Hence, environmental statements needed to become more relevant and comparable, as organisations are reporting their environmental performance on the basis of generic and sector-specific performance indicators.

Furthermore, there are other EU mandatory instruments including the Modernisation Directive, the European Pollutant Release and Transfer Register (E-PRTR), the EU Emission Trading Scheme and the Integrated Pollution Prevention and Control Directive as reported in Table 2.2 The EU Accounts Modernisation Directive 2003/51 had amended the Accounting Directives. It stipulated that as from the year 2005 onwards, European companies should include both financial and, where appropriate non-financial key performance indicators that are relevant to the particular business, including relevant information relating to environmental and employee matters (Mullerat, 2013; Van Wensen et al., 2011). However, this directive also maintained that SMEs could be exempted from the non-financial reporting obligations in their annual statements (EU, 2012). Another amendment of the Accounting Directives (Directive 2006/46) had introduced an obligation for listed companies to include a corporate governance statement within their annual reports (FRC, 2012). By November 2009 all member states had "transposed" the Modernisation Directive and Directive 2006/46 within their national laws (Hąbek & Wolniak, 2013). Nevertheless, the Modernisation Directive itself did not stipulate any specific requirements in relation to the type of indicators that could be included in annual reports. However, individual EU governments have already undertaken relevant initiatives to provide companies with further guidance to comply with the statutory requirements. Moreover, the European Pollutant Release and Transfer Register (E-PRTR) Regulation 166/2006/EC came into force in February 2006 (EU, 2014c). The E-PRTR Regulation requires operators of facilities to report on emissions and specific substances. The E-PRTR is serving as a Europe-wide register of industrial and non-industrial emissions into air, water, and

Table 2.2 EU's regulatory instruments for sustainability reporting

Established year	EU tools	Reporting
1995 and re-examined in 2009	The EU eco-management and audit scheme (EMAS)	Environmental performance (generic)
2005	Emissions trading scheme (EU ETS)	Environmental performance regarding greenhouse gas emissions
2006	EU accounts modernisation directive (accounting directives)	Financial and non-financial performance indicators (generic)
2006	European pollutant release and transfer register (E-PRTR)	Reporting on emissions and specific polluting substances
2012	The EU's energy efficient directive (EED)	Energy efficiency obligations schemes or other targeted policy measures to drive energy efficiency improvements in households, industries and transport sectors
2014	The EU's directive on disclosure of non-financial information	Environmental, human rights, anti-corruption and bribery matters as expressed in the UN Guiding Principles on Business and Human Rights (the "Ruggie Principles") and OECD's Guidelines for Multinational Enterprises

land, and off-site transfers of waste water and waste. It also includes pertinent information from specific and diffused sources.

The EU member states responded differently to the European policies and directives. For instance, in the UK the driving forces behind corporate reporting practices were triggered by the financial communities, business players and NGOs (DECC, 2014; Van Wensen et al., 2011). Moreover, the Accounting Standards Board (ASB) had published a reporting statement which also offered best-practice guidance on preparing an Operating and Financial Review. ASB's (2006) statement has provided voluntary guidance that has supported companies to comply with the statutory Business Review requirements. Subsequently, Italy had published a Directors' report on financial statements in 2009 (KPMG, 2010). This report was issued by the Italian Accounting Association. This publication can be considered as good guidance for the implementation of the Modernisation Directive (KPMG, 2010). The document set out in detail what must be included in the annual report to comply with the legislative decree that transposed the Modernisation Directive into Italian law. Additionally, the Public Function Department of the Prime Minister's Office in Italy had published a set of principles for social reporting by the public administration in 2006. While the Italian national agency for the non-profit sector issued some guidelines for the reporting by not-for-profit organisations in 2009. These guidelines had mirrored the GRI's sustainable reporting guidelines (KPMG, 2010). The Dutch Accounting Standards Board has also published guidelines for the integration of social and environmental activities in financial reporting. Existing guidelines on annual reporting had been reviewed, and guidance on separate social reporting had also been issued (Van Wensen et al., 2011). These guidelines (that were updated at the end of 2009) covered different specific topics such as reporting on responsible supply-chain practices or assurance. Similarly, the French Observatory for CSR had developed a web-based platform for CSR reporting on behalf of the government. This platform was based on the reflections of a multi-stakeholder committee within the Grenelle environmental framework (Knopf et al., 2010). It covered the most important reporting initiatives and has served as a framework for CSR. The content of this website is constantly checked and updated by an expert committee consisting of different stakeholders who are interested in CSR reporting, in the French context (Whiteside et al., 2010).

Another frequently used approach that raises awareness of CSR reporting is the organisation of events, including conferences and seminars. These fruitful events often provide capacity building opportunities as well as useful information to companies. For instance, the Polish Ministry of Economy and CSR info frequently organise conferences that are related to CSR (Knopf et al., 2010). Some of recent conferences on CSR reporting have mainly addressed medium-sized and large companies. During these for a different group of stakeholders discuss trends as well as practical aspects of reporting, verification systems and communication of CSR among other issues. Seventeen countries have exercised the option of exempting small entities from having to disclose material information on their non-financial performance (Van Wensen et al., 2011). The UK Companies Act 2006 is an example of the successful implementation of the Modernisation

Directive (Clark & Knight, 2008). All UK companies other than small ones have been mandated to provide information in their annual reports on their strategies, performance and risks (the so-called Business Review). Moreover, quoted companies (as defined in section 385 of the UK Companies Act) ought to disclose information on; environmental, workplace, social and community matters in their annual reviews. They are also expected to report relevant information about their companies' policies in relation to these matters and about their effectiveness. Recently, there were developments in specific thematic areas that were taking place in the UK context. The Climate Change Act was enacted in the UK in 2008 (CCA, 2008). Government legislation on corporate reporting had mandated companies to measure and report their emissions. The British government has also reviewed how the reporting on greenhouse gas emissions was successful in addressing the previously set climate change objectives. The UK government had committed itself to carbon reduction as it introduced certain regulations that required disclosures by companies (Kolk et al., 2008). Moreover, an Energy Efficiency Scheme (CRC) required some companies to measure all their emissions which were related to energy use (DECC, 2014). These businesses were required to report their emissions to the Environment Agency. Therefore, British organisations were obliged to comply with the CRC and had to submit a Footprint Report of their total energy and emissions together with their annual reports.

In addition to the Modernisation Directive, a number of European countries have adopted certain laws and regulations that went beyond their requirements (refer to Fig. 2.1). Most of the EU member states have used a "comply or explain" approach rather than giving the option of not reporting.

In the Netherlands, CSR reporting had become mandatory in 2008 (Ioannou & Serafeim, 2014). The Dutch stock-listed companies were expected to report their non-financial performance on the basis of "comply or explain" (Knopf et al., 2010). All stock-exchange-listed companies registered in the Netherlands and with a balance sheet of more than €500 million were mandated to do so. These provisions were integrated into the Dutch code for corporate governance, which has been legally anchored in the Dutch Civil Code (DCGC, 2014). These obligations required companies to explain how they were implementing international best practice for their management and supervisory boards. An independent Monitoring

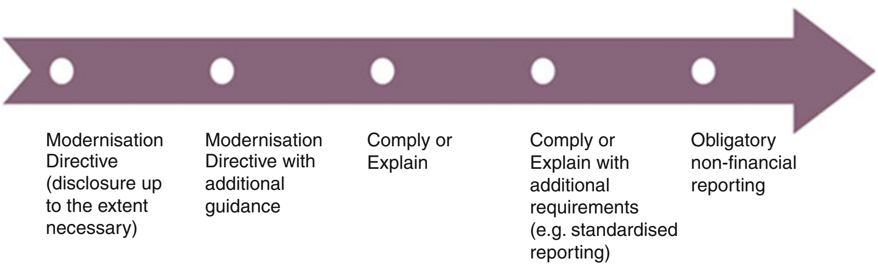

Fig. 2.1 Overview of public policy reporting frameworks (Adapted from Knopf et al., 2010)

Committee for Corporate Governance was also set up to ensure that the businesses complied with the specific provisions of this code (DCGC, 2014). The Monitoring Committee also published regular reports on compliance in English.

In a similar vein, Denmark has also mandated its 1100 biggest companies as well as its state-owned companies from 2009 onwards to report on their non-financial performance. Companies were required to provide information on their policies for CSR or sustainable and responsible investment (DCCA, 2010). Their comprehensive reports were also expected to elaborate how CSR policies were implemented. Organisations should also have explained their results, and clarified on the management expectations for the future. Denmark did not develop its own standard as it encouraged the use of international reporting frameworks (such as the UN Global Compact and the related Communication on Progress or GRI and the Guidelines for Multinational Enterprises of the Organisation for Economic Co-operation and Development). Although CSR and SRI initiatives are still voluntary in nature; the businesses without relevant policies on responsible behaviours are obliged to justify themselves in this respect. No specific format has been prescribed for providing this additional information in the companies' annual statements or on the corporate websites. However, the annual financial reports should clarify where the non-financial information is readily available for stakeholders. In Denmark the legislation on corporate reporting has been an important trigger for active engagement (Danish National Action Plan, 2014).

In France, Article 53 of the first Grenelle law of 3 August 2009 had set the target of extending the New Economic Regulation (NER) Act to large, listed enterprises (Whiteside et al., 2010). The regulation had extended the reporting obligation to majority-owned public companies. Some of the government's parastatal organisations had harmonised the sectoral indicators at the community level. Generally, they agreed with the principle of the recognition of the responsibility of parent companies over their subsidiary companies—in the event of serious environmental damage. Interestingly, France had also proposed a working framework (at the EU level) for the establishment of social and environmental standards that allowed companies to benchmark their non-financial performance with other organisations (Whiteside et al., 2010).

The Swedish state-owned companies were required to publish their sustainability report since January 2008. The sustainability reports that complied with the GRI guidelines had to be quality-assured by independent checks. It transpired that 55 state-owned companies had published their sustainability reports based on the "comply or explain" principle (Van Wensen et al., 2011). The state owned companies' financial reports had to explain how the GRI guidelines were being applied as they were also expected to justify themselves on any significant deviations. ESG reporting of state-owned companies has increased dramatically. As a matter of fact, more than 94% of these companies had issued their GRI reports. Sweden is now the second country in Europe with the highest number of GRI reports. A recent study by Uppsala University (commissioned by the Swedish Ministry of Enterprise) that has investigated the actual effects of the government's reporting requirements on the state-owned companies' sustainability performance revealed that the introduction of the new guidelines have affected the companies to varying degrees (Knopf et al., 2010). It transpired that the companies that lacked previous experience in sustainability reporting have gone through a more extensive process of change than those that were already submitting sustainability reports. The study has indicated that the reporting requirements have led to increased commitment and awareness, more structured work and more structured processes. Moreover, it was more evident that the sustainability issues have moved up the agenda of organisations as they were given higher priority by managements and boards.

Spain and Portugal opted for additional legislation that was primarily directed at state-owned companies. Reporting by state-owned companies was mandated in Spain's Sustainable Economy Law, which was approved by the cabinet in March 2010 (Kessler & Cuerpo, 2011). This law also included various other disclosure requirements such as the remuneration of company directors. It is now compulsory for the Spanish state-owned companies to publish sustainability reports in accordance with commonly accepted standards. In Portugal the Ministers' Council had adopted a resolution on the principles of good corporate governance of state companies. The Minister of Finance has been entrusted with its annual assessment and its implementation (Kessler & Cuerpo, 2011).

Other related examples of legal initiatives also included mandatory reporting in specific areas of sustainability performance. For instance, Ireland's Credit Institutions Act (2008) stipulated that financial services companies have to issue a CSR report of their activities through the Irish Banking Federation. Similarly, in 2006 the Portuguese Department of Transportation and Communications had mandated the companies that are under its guardianship to publish a sustainability report (KPMG, 2010). Moreover, the Cypriot Corporate Governance Code (2002) specified that listed companies were required to report on their corporate governance issues. In addition, as from 2007 the companies that were listed in the Alternative Market were instructed to report their non-financial performance on a "comply or explain" basis (Knopf et al., 2010).

Few countries are using financial or economic instruments to foster CSR reporting. Spain had created incentives for companies to include or develop CSR policies, including reporting. Article 37 of the Sustainable Economy Law stipulates that; "the government shall provide companies, especially SMEs, with guidance and indicators that provide support for self-assessment in relation to their social responsibility, as well as reporting models or references that are in line with international reporting frameworks" (Knopf et al., 2010). The definitions of CSR indicators as well as their reporting mechanisms were developed in cooperation with the State Council (Kessler & Cuerpo, 2011). Moreover, the Spanish Law suggests that the companies that achieve the defined minimum threshold can qualify as socially responsible companies, if they decide to request recognition. Moreover, the official Spanish Credit Institute has partnered with a Caja Navarra (a regional savings bank) to promote reporting among SMEs. Caja Navarra has even offered its clients simple electronic tools that helped them to produce a standardised CSR report. Curiously, since there was this initiative more than

1100 SMEs have prepared their first CSR report following the launch of this campaign in 2009 (Knopf et al., 2010).

The Czech Republic has implemented an award for CSR and quality management. To qualify for the National Prize of Quality, participants may publish a CSR report, and submit it to government (Knopf et al., 2010). This CSR report had to be developed according to a specific framework, which is readily available (and free) for download. All the reports are assessed by independent evaluators, who will adjudicate the best report and have it published. In Finland the Ministry of Employment and the Economy, the Ministry of the Environment and different businesses organise annual competitions on ESG reporting (KPMG, 2010). Since 2008, these competitions have been broadened in scope. Now, they also include the term CSR in addition to environmental reporting. The German Ministry of Labour and Social Affairs in collaboration with the German Council for Sustainable Development, has also participated in a project that ranked the sustainability reports of industrial and service companies in Germany (Transparency International, 2012). Since 2009, there has also been a classification of the best sustainability reports that were prepared by SMEs (Knopf et al., 2010). Some of the underlying objectives of such competitions are: to benchmark best practices in sustainability reporting; to improve constructive competition between companies and to foster dialogue between different stakeholder groups. The ranking of the best sustainability reports is carried out by independent research organisations.

Other existing instruments include sustainable public procurement policies, whereby the governments as buyers can create a positive climate for sustainability reporting. For instance, a case in point is the Dutch government that had mandated the disclosure of ESG as a requirement for its suppliers in 2010 (Ioannou & Serafeim, 2014). Another example of a Dutch instrument that combined aspects of both economic and informational instruments is the recently updated Transparency Benchmark. Since 2004 it has been continuously developed and updated by the Ministry of Economic Affairs in the Netherlands. There was continuous dialogue with stakeholders that have translated to lower information costs for both companies and readers of CSR reports. To achieve this outcome, the Ministry had incurred the initial development costs of the transparency benchmarks and limited the participation to less than 100 companies (Knopf et al., 2010). In 2010 this instrument was extended to a total of 500 companies. These included a number of state-owned companies, at the request of the Ministry of Finance. In a similar vein, the Danish Commerce and Company Agency had also supported a set of tools that may improve CSR reporting (DCGC, 2014). The different instruments included the CSR Compass that has provided insightful guidance on CSR in the supply chain (CSR Compass, 2014). Interestingly, SMEs were also supported on how to implement the 10 Global Compact Principles. Most of these tools were employed in close partnership with other actors, in many different contexts (as illustrated in Table 2.3). It transpires that these instruments have provided companies with relevant information on different CSR-related topics and they have given practical support for corporate reporting.

Table 2.3 Showing European countries involved in ESG reporting

Tools	Countries	ESG reporting/strategies
Pollutant Release and Transfer Register (PRTR) of 1996 and the UK Companies Act 2006	United Kingdom	Companies have to report periodically on toxic release and this information was made available to public. Also companies are mandated to provide information on environmental, workplace, social and community matters in their annual reports
Article 53 of the first Grenelle law of 3 August 2009	France	Working group to monitor and review the governmental commitments and measures used to improve the management of international instruments. Parent company to accept responsibility over their subsidiary companies—in the event of serious environmental damage
Federal CSR action plan was adopted	Belgium	The CSR/Socially Responsible Investment (SRI) stakeholder consultation was organised and Memorandum was drafted including several proposals with respect to the future implementation of the action plan
Awards award for CSR and quality management	Czech Republic	To qualify for the National Prize of Quality, participants may publish a CSR report, and submit it to government
UN Global Compact; GRI and the Guidelines for Multinational Enterprises of the Organisation for Economic Co-operation and Development and the UN Principles for Responsible Investment (UNPRI)	Denmark	CSR reporting. Denmark prepared its first biennial progress report in 2010
Ministry of Employment and Social Affairs and the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety	Germany	The German CSR strategy (2008) maintained that the reports should be based on GRI and the EMAS declaration. These CSR reports were published in the first reporting year by the ministries
Ministry of Labour and Social Policy	Bulgarian	3-action plans Submit 1st reports to an advisory board and to the council of ministers for approval Assessment of implementation must be undertaken at the end of 2010 and a final one in May 2013
Ministry of Economic Affairs	Netherlands	Mandatory CSR reporting since 2008. Instrument that combined aspects of both economic and informational instruments Transparency Benchmark

(continued)

Table 2.3 (continued)

Tools	Countries	ESG reporting/strategies
Ministry of Employment and the Environment	Finland	Different businesses organise annual competitions on ESG reporting since 2004
GRI guidelines	Sweden	Comply or explain principle: State-owned companies were required to publish their sustainability report since January 2008. comply or explain basis
Spain's Sustainable Economy Law (2010)	Spain	Publish sustainability reports
Ministers' Council and Finance	Portugal	Good corporate governance of state companies

2.5 Discussion and Conclusions

Generally, public policies are often viewed as part of the regular framework for social and employment practices. Therefore, a considerable commitment is made by local governments who act as drivers for stakeholder engagement. This will in turn bring social responsibility and environmental sustainability. One way to establish a CSR-supporting policy framework is to adopt relevant strategies and actions in this regard. Strategies define the governments' generic approach to CSR, set specific objectives, priorities for actions which lead to the coordination of a set of existing and new policy instruments. When the objectives are properly implemented, they can be the first step towards CSR policy. Such frameworks may be relevant for those countries that may not have a long CSR tradition or whose institutions lack accountability and transparency credentials (Zadek et al., 2013).

It may appear that EU countries are opting for a mix of voluntary and mandatory measures to improve their ESG disclosure. While all member states have implemented the EU Modernisation Directive, they have done so in different ways. While the Modernisation Directive ensures a minimum level of disclosure, it is in many cases accompanied by intelligent substantive legislation. National governments ought to give guidance or other instruments that support improvements in sustainability reporting. Lately, there is a trend towards the development of regulations that integrate existing international reporting frameworks such as the GRI or the UN Global Compact Communication on Progress. These frameworks require the engagement of relevant stakeholders in order to foster a constructive environment that brings continuous improvements in ESG disclosures. Regular stakeholder engagement as well as strategic communications can bring more responsible organisational behaviours (Camilleri, 2015). Many corporate businesses use non-governmental organizations' regulatory tools, processes and performance-oriented standards with a focus on issues such as labour standards, human rights, environmental protection, corporate governance and the like. Nowadays, stakeholders, particularly customers expect greater disclosures, accountability and transparency in corporate reports. This paper maintained that the way forward is to have more proactive European governments which address societal, environmental, governance and economic deficits. It reported how governments' regulatory roles with stakeholders are intrinsically based on relational frameworks with civil society and commercial entities. Governments have a vital role to play in improving on the environmental and social practices of business and industries operating from their country (Camilleri, 2015). This paper has reported how regulatory changes in certain EU countries involve the efficient and timely reporting of non-financial performance of corporate business. It indicated that ESG reporting is primarily aimed at the larger businesses rather than SMEs. Undoubtedly, the EU is acting as a driver of CSR policy. To a certain extent, it is providing structured compliance procedures. On the other hand, national regulatory authorities are expected to explain their strategic objectives to business stakeholders and NGOs. The CSR practices and their measurement, their reporting and audit should be as clear and understandable as possible for businesses. This paper revealed that the European governments' reporting standards and guidelines are drawn from the international reporting instruments (e.g. GRI, Compact, ISO, SA and AA). Nevertheless, it must be recognised that there are different businesses out there which consist of various ownership structures, sizes and clienteles. In addition, there are many stakeholder influences which may possibly affect the firms' level of social and environmental engagement.

Although regulation is desired to limit the pursuit of exploitative, unfair, or deceptive practices, this contribution has shown that in some cases regulation (and legislation) is taking the form of "comply or explain" mandates. This paper posited that it is in the businesses' self-interest to anticipate such regulatory intervention. It may be argued that any compulsory reinforcement of the regulatory measures may possibly yield operational efficiencies and cost savings for businesses, in the long term. In this light, more communication and dialogue between stakeholder groups, including business shareholders will help to raise awareness of the public policy and business cases of CSR. Many EU governments are realising that there is potential for laudable social and environmental behaviours that can utlimately bring economic growth, social cohesion and sustainable environmental practices.

2.6 Implications

At the moment, we are witnessing regulatory pressures for mandatory changes in CSR reporting (EU, 2014b). Recently, the EU made relevant amendments to Accounting Directive (2013/34/EU) for non-financial disclosures that have mandated corporate business to disclose their non-financial performance. This paper indicates that there is a need for additional empirical evidence which analyse how the European disclosure regulations may positively or adversely affect the corporations' shareholders. Perhaps, firms may respond differently to reporting regulations as there are diverse contexts and realities in Europe. Of course, the EU regulatory pressures are responding to energy crises, human rights matters and addressing contentious issues such as resource deficiencies including water shortages. Notwithstanding, firms are also tackling social and economic issues (e.g. anti-corruption and bribery) as they are implementing certain environmental initiatives (e.g. waste reduction, alternative energy generation, energy and water conservation, environmental protection, sustainable transport et cetera). Perhaps, there is a possibility for governments to offer fiscal incentives and enforce regulation in certain areas where further compliance is needed (Camilleri, 2015).

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Chapter 3
CSR Initiatives Introduction Status in Central and Eastern Europe and Their Importance for the Equity Investor

Jūlija Bistrova and Natalja Lace

Abstract The chapter discusses and analyzes the implication status of the Corporate Social Responsibility (CSR) initiatives and their relevance to the stock investors in the emerging markets of Central and Eastern Europe (CEE). Three broad aspects are considered in the chapter: the corporate governance quality, earnings quality and ownership structure specifics. The research results suggest that all of the aforementioned CSR system components are relevant if considered in the context of the stock exchange: (1) well-managed companies are able to deliver superior returns in the long term; (2) poor earnings quality negatively influences market returns; (3) concentrated ownership appears to be the best ownership model suitable for CEE companies to offer higher long-term shareholder value.

3.1 Introduction

Out of the world's largest 100 economic entities 44 are corporations and 56 are states. The proportion becomes more prominent considering 150 largest entities, where the share of corporations increases to 59 %, according to Keys and Malnight (2010). The company is like a state with its own regulations, its supervisory and executive bodies, which obviously need to run the company according to certain rules and procedures that ensure value-based management (Brigham & Erhard, 2004). Establishment of the quality corporate governance ensures significant limitation of the agency problem and is intended to maximize shareholders' as well as other interested parties' wealth. High quality of corporate governance (CG) is a guarantee of the long-term trust between the shareholders and the management of the company. Corporate governance and ethical behavior problem has escalated after the corporate scandals of *Enron, Parmalat, Worldcom* and was vastly discussed again during the global liquidity crunch with regards to financial entities.

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The discussion on the corporate governance covers mainly the trade-off between the benefits provided by the best corporate governance practices and the tangible and intangible costs for disclosure of information and establishment of the corporate governance system. As various empirical and theoretical researches suggest, in the long term the companies definitely benefit when establishing good corporate governance practices. The tangible positive results of good governance are evident in the booming economy and markets, but they appear to be clearer during the economic downturn. Having a well-established corporate governance system, the company is able to soften the sharp decline of the share price as it was seen during the last global financial crisis. The evidence of the positive influence of corporate governance on the company's value and the stock returns was proved by various researchers (Gompers, Ishii, & Metrick, 2003; Drobetz, Shillhofer, & Zimmermann, 2003; Aman & Nguyen, 2007).

A very important aspect of the firms' performance is its sustainability, which often is determined by the corporate financial results. A single year of high profitability can be followed by the drastic write-downs leading to the huge losses in the next year. Unexpected negative earnings can be a result of the poor earnings plausibility and the artificially high net income reported in the preceding years to reach market expectations, analyst's targets, and to raise equity prices. Not only creative accounting practices and frauds deteriorate the plausibility of the financial results, as it was described by Howard Schilit (2002), but it was also proved by the US scientists (Dechow & Dichev, 2001; Mahedy, 2005; Sloan, 1996) that the accruals as a measure of earnings plausibility negatively affect equity performance.

The importance of earning quality and corporate governance to the stock investing appears to be obvious within the Western markets, which are considered to have stronger form of market efficiency than the developing markets. Therefore, the results of the research provided in this chapter enrich the financial literature by discussing the relevance of the Corporate Social Responsibility initiatives to the Central and Eastern European (CEE) investors. The current situation regarding the corporate governance, earnings quality and ownership structure specifics in CEE is analyzed in detailed, while these factors are also tested on their relevance to the stock market investors.

Analyzed sample consists of 116 listed CEE companies, which comprise the main equity lists of the stock exchanges in 10 CEE countries: Czech Republic, Croatia, Hungary, Poland, Romania, Slovakia, Slovenia, Estonia, Latvia, and Lithuania. These are the largest companies traded in the CEE countries with relatively good liquidity and above average market capitalization compared to other companies traded on the CEE stock markets. Analyzed period covers 8 years (2005–2012) and includes the analysis of three phases of the equity market development: pre-crisis, crisis, post-crisis.

3.2 Corporate Governance: Basis for Enterprise Performance

A number of studies conducted on the developed markets state that the corporate governance has strong influence on the stock market returns. Gompers et al. (2003) constructed "Governance Index", which covered the assessment of shareholders' rights at 1500 companies in 1990s. Based on the index, they have modeled the portfolio strategy that would consider 'long' companies with strongest rights (lowest decile) and 'short' companies with weakest rights (highest decile). As a result, the investor could earn 8.5 % outperformance. Similar study was done by Drobetz et al. (2003) in Germany showing the monthly difference in performance of well and poorly governed firms of 1.73 %. The significant correlation of such factors as CG index, CEO-Chairman separation and independence of board members with stock performance was found by Bhagat and Bolton (2008). But they did not find any evidence to prove the assumption that the quality of CG is a proxy for future stock performance. The findings of their study also show that given the low quality of corporate governance of a certain entity and given its poor performance, there is a high probability of management turnover. Positive correlation between the firm value and the quality of corporate governance in case of 300 largest European companies (FTSE Eurotop 300) has been indicated by Dutch scientists Bauer, Gunster, and Otten (2004). But when adjusting for country difference, the relationship is weakening. The contrary situation was discovered in Japan by Aman and Nguyen (2007), who discovered that poorly governed firms outperform well-governed firms. The results were statistically insignificant, but the study clearly showed that significantly higher risk is attributed to the poorly governed firms. Some research was conducted considering separate factors, which determine the quality of corporate governance. Strong relationship was identified between equity performance and board independence (Hermalin & Weisbach, 1998, 2003; Bhagat & Black, 2002), stock ownership of board members (Bhagat, Carey, & Elson, 1999), separation of the CEO and Chairman positions (Brickley, Coles, & Jarrell, 1997).

The available related literature provides the evidence of outperformance of the well-governed companies also in the emerging markets. Roy Kouwenberg (2006) states that the corporate governance matters with regard to Thai public companies: stock return of the best 20 % companies according to the CG score in the period 2003–2005 was by 19 % p.a. better than the stock return of the weakest 20 % companies. The Indian market represented as NIFTY 50 was studied by Samontaray (2010), who found significant relationship between the share price and such independent variable as EPS, sales, net fixed assets as well as corporate governance factors.

Knowing that the results obtained in the majority of the studies on corporate governance indicate positive relation to the equity performance, one could hypothesize that the well-managed companies can also demonstrate above average financial performance. The study on the US companies provides evidence for the presence of certain relationship between corporate governance and the company's operating performance as measured by the return on assets (ROA): better governance measured by the GIM and BCF indices, stock ownership of board members, and CEO-Chair separation are significantly positively correlated with better contemporaneous and subsequent operating performance. It is interesting to note that board independence is negatively correlated with contemporaneous and subsequent operating performance (Bhagat & Bolton, 2008), which is however true for the pre-2002 period, while the opposite is true after the Sarbanes-Oxley was passed in 2002. Similar study was also done on 300 European companies comprising FTSE Eurotop, where the author examined the relationship between corporate governance and firm performance, as approximated by net profit margin and return on equity. Surprisingly, and contrary to Gompers et al. (2003), a negative relationship was found between the governance standards and the earnings-based performance ratios (Bauer et al., 2004). Allan Chang Aik Leng (2004) performed an analysis on the corporate governance structure of Malaysian companies and its influence on the return on equity (ROE). Three variables which were found to be significant in influencing the rate of return on equity were: the degree of ownership of shares in a company by institutional investors, the gearing ratio or the level of debts, and the size of the company. The study *Corporate Governance and Wealth Creation* (Moxey, 2004) disclosed the results of the questionnaire on the influence of the corporate governance system on operating performance (ROE). The response was clearly skewed towards the view that corporate governance has little influence on profitability: 12 % of respondents were of the opinion that the corporate governance has no influence at all on profitability and only 2 % viewed the effect as very influential.

3.3 Corporate Governance Assessment Model and Research Methodology

Corporate governance evaluation is often done on the developed markets, where several private institutions (e.g. *Standard and Poor's*, *Institutional Shareholder Services* etc.) provide their scores of the public company governance. In the emerging markets and specifically in the CEE countries the term 'corporate governance' has appeared relatively recently, so no centralized CG assessment for the CEE companies was available at the time the study was conducted.

Therefore, in order to evaluate the quality of corporate governance of the CEE companies, corporate governance assessment model was created (Table 3.1). The framework for the model was developed according to the CG recommendations developed for the listed companies provided by the local stock exchanges such as Nasdaq OMX Riga (2010) as well as the OECD (2004) principles. Besides, the list was expanded by adding the most important factors defining CG quality, which are widely recognized and adopted on the mature financial markets. The model consists

Table 3.1 Corporate governance quality assessment model

Category	Scenario analysis					
	Worst		Neutral		Best	
Supervisory board/BoD						
Independence of directors	0–50 %	0	50–75 %	0.5	75–100 %	1
Board size	<4 and >10 members	0	4–5, 9–10 members	0.5	6–8 members	1
Diversified skills of directors	Concentrated	0	Average	0.5	Diversified	1
Frequency of meetings	<4 and >10 meetings	0	4–5, 9–10 meetings	0.5	6–8 meetings	1
Performance-based compensation	Not disclosed	0	Not for all members	0.5	For all members	1
Frequency of elections	Once in >3 years	0	Once in 3 years	0.5	Once in 1 year	1
Stability of BoD	>30 % change	0	10–30 % change	0.5	0–10 % change	1
Audit committee independence	50 % members independent	0	75 % members independent	0.5	100 % members independent	1
CEO and Chairman positions are separated	No	0			Yes	1
Management team						
Logical and clear organization	No	0	Not very plausible	0.5	Yes	1
Organization supports reporting structure	No	0	Partly supports	0.5	Yes	1
Performance-based compensation	Not disclosed	0	Not for all members	0.5	For all members	1
Stability of management team	>30 % change	0	10–30 % change	0.5	0–10 % change	1
CEO background	Irrelevant	0	Not too relevant	0.5	Relevant	1
Investor relations/AGM						
Conference calls,						
Webcasts, presentations	No	0	Low quality	0.5	High quality	1
Dividend policy	No	0	Not explicit	0.5	Yes	1
Information on AGM	No	0	Not explicit	0.5	Yes	1
Disclosure of information						
Annual reports	No	0	Limited for past years	0.5	Yes	1
Quarterly reports	No	0	Half-year reporting	0.5	Yes	1
Information on management team	No	0	Not explicit	0.5	Yes	1
Information on BoD	No	0	not explicit	0.5	Yes	1
CSR	No	0	not explicit	0.5	Yes	1
Ownership structure	No	0		0.5	Yes	1
Total		0		10.5		23

Table 3.2 Corporate governance assessment model framework

<table>
<tr><th>Criterion ID</th><th>Criterion description</th><th>Scenario evaluation</th><th>Criterion ID</th><th>Criterion description</th><th>Scenario evaluation</th></tr>
<tr><td colspan="3">Supervisory Board (BoD)</td><td>MT_{CG4}</td><td>Turnover of management team</td><td rowspan="2">Worst (0), Neutral (0.5), Best (1)</td></tr>
<tr><td>SB_{CG1}</td><td>Independence of directors</td><td rowspan="8">Worst (0), Neutral (0.5), Best (1)</td><td>MT_{CG5}</td><td>CEO background</td></tr>
<tr><td>SB_{CG2}</td><td>Board size</td><td colspan="3">Investor Relations Quality</td></tr>
<tr><td>SB_{CG3}</td><td>Diversified skills of directors</td><td>IR_{CG1}</td><td>Conference calls, web-casts, presentations</td><td rowspan="3">Worst (0), Neutral (0.5), Best (1)</td></tr>
<tr><td>SB_{CG4}</td><td>Frequency of meetings</td><td>IR_{CG2}</td><td>Dividend policy</td></tr>
<tr><td>SB_{CG5}</td><td>Performance-based compensation</td><td>IR_{CG3}</td><td>Information on AGM</td></tr>
<tr><td>SB_{CG6}</td><td>Frequency of elections</td><td colspan="3">Disclosure of Information</td></tr>
<tr><td>SB_{CG7}</td><td>Turnover of board</td><td>DI_{CG1}</td><td>Availability of annual reports</td><td rowspan="5">Worst (0), Neutral (0.5), Best (1)</td></tr>
<tr><td>SB_{CG8}</td><td>Audit committee independence</td><td>DI_{CG2}</td><td>Availability of quarterly reports</td></tr>
<tr><td>SB_{CG9}</td><td>CEO-Chairman positions separation</td><td>Worst (0), Best (1)</td><td>DI_{CG3}</td><td>Information on management team</td></tr>
<tr><td colspan="3">Management team</td><td>DI_{CG4}</td><td>Information on Board of Directors</td></tr>
<tr><td>MT_{CG1}</td><td>Logics and clarity of organization</td><td rowspan="3">Worst (0), Neutral (0.5), Best (1)</td><td>DI_{CG5}</td><td>Social respon-sibility report</td></tr>
<tr><td>MT_{CG2}</td><td>Organization corre-sponds with the reporting structure</td><td>DI_{CG6}</td><td>Information on ownership structure</td><td>Worst (0), Best (1)</td></tr>
<tr><td>MT_{CG3}</td><td>Performance-based compensation</td><td colspan="3"></td></tr>
</table>

of four pillars, where each is dedicated to a certain set of factors (supervisory board, management team, investor relations, information disclosure) defining the quality of corporate governance. The maximum score a company can get is 23, which is obtained by summing up all points in each segment. If the information regarding the management team or the board of directors was not available, then the neutral rating of 0.5 was put. The model describes three possible scenarios: best, neutral and worst. Every possible situation in each category is described in Table 3.1, while the CG model framework is disclosed in Table 3.2.

The calculation, which is based on the assessment obtained in accordance to the CG evaluation model, is done according to Formula 2.1, which assumes summing up all points of every pillar of the corporate governance assessment methodology.

$$TR_{CG} = SB_{CG} + MT_{CG} + IR_{CG} + DI_{CG}$$
$$\begin{cases} SB_{CG} = \sum_{i=1}^{9} SB_{CG} = SB_{CG1} + SB_{CG2} + SB_{CG3} + SB_{CG4} + SB_{CG5} + SB_{CG6} \\ \quad + SB_{CG7} + SB_{CG8} + SB_{CG9} \\ MT_{CG} = \sum_{i=1}^{5} MT_{CG} = MT_{CG1} + MT_{CG2} + MT_{CG3} + MT_{CG4} + MT_{CG5} \\ IR_{CG} = \sum_{i=1}^{3} IR_{CG} = IR_{CG1} + IR_{CG2} + IR_{CG3} \\ DI_{CG} = \sum_{i=1}^{6} DI = DI_{CG1} + DI_{CG2} + DI_{CG3} + DI_{CG4} + DI_{CG5} + DI_{CG6} \end{cases} \tag{3.1}$$

Where TR—total corporate governance rating, SB—Supervisory Board, MT—management team, IR—investor relations quality, DI—disclosure of information.

Relevance of the relationship between the share price and the quality of corporate governance was tested by using the CG assessment model discussed above. The higher the rating the better is the governance of the company, which was put in relation to share price with the help quartile analysis.

To describe entity's financial position, the authors selected 5 financial ratios (Table 3.3), which are commonly used to assess firm's profitability, operating efficiency and financial stability.

As X variables the authors took the following CG indicators, which were based on the CG assessment model:

TR—Total CG rating
SB—Supervisory Board
MT—Management Team
IR—Investor Relations
DI—Disclosure of Information

As a result, the regression testing of all five financial indicators looked as follows:

$$\mathrm{Y}_t = \propto + \beta_1 \mathrm{TR}_t + \beta_2 \mathrm{SB}_t + \beta_3 \mathrm{MT}_t + \beta_4 \mathrm{IR}_t + \beta_5 \mathrm{DI}_t, \tag{3.2}$$

The regression was tested according to Eq. 3.2, the above mentioned financial ratios taken as Y. The author tested two types of the regression: (1) average CG ratings and financial ratios for the period of 9 years (2004–2012); and (2) CG ratings and financial ratios by years for the period 2004–2012.

Table 3.3 Y variables used in the regression equation

Y	Ratio name	Measurement
ROE	Return on equity (net income/average shareholders' equity)	Profitability
OpCF/equity	Operating cash flow return on equity (Cash flow from operations/average shareholders' equity)	Profitability
PM	Profit margin (net income/sales)	Profitability
EQ	Equity ratio (shareholders' equity/assets)	Financial stability
AT	Asset turnover (sales/assets)	Efficiency

3.3.1 Overview of Corporate Governance Quality in CEE

The financial markets in CEE are in the development phase yet and so is the attitude towards the corporate governance and the best practice implementation. The level of corporate governance is very different from country to country (Fig. 3.1). Highest overall score was received by the Czech, Estonian, Latvian and Slovenian companies, which have very good information disclosure and excellent investor relations. The lowest scores were obtained by the Romanian companies, which are very weak in providing the information, thus making it almost impossible to consider the company as an investment target for a foreign investor.

It is interesting that in the majority of cases the Board of Directors (BoD) scores were the lowest compared to other categories. Partial explanation of this is found in the frequency of elections, where almost all companies were penalized due to not having annual elections (as considered in the best practice standards). BoD is elected once in 3–4–5 years, which makes the assessment of each BoD member's activity and contribution inefficient.

Highest scores in the executive team evaluation were obtained by the companies, quoted in the largest and the most liquid CEE markets—the Czech, Hungarian and Polish markets, mainly thanks to the high stability of the management team and to its logical organization structure. Surprisingly, Estonian and Latvian companies, though having high overall scores, have rather weak ratings of the executive teams. The reason for that is unclear executive structure, which often does not correspond with the reporting structure (e.g. regional management organization, while reporting is made by divisions). Moreover, CEO education and experience often is not relevant to the business essence of the company.

Besides, the quality of the corporate governance to a great extent depends on the shareholding structure. If the company has strategic shareholding of Western European origin (e.g. 60 % of Komercni Banka held by French Societe Generale, 88 % of TEO LT held by Swedish Teliasonera), then the company is significantly influenced by its shareholders and is forced to implement also the Western European CG standards. The companies, which have local individuals as controlling shareholders, usually do not bother significantly about complying with recommendations of the local stock exchanges.

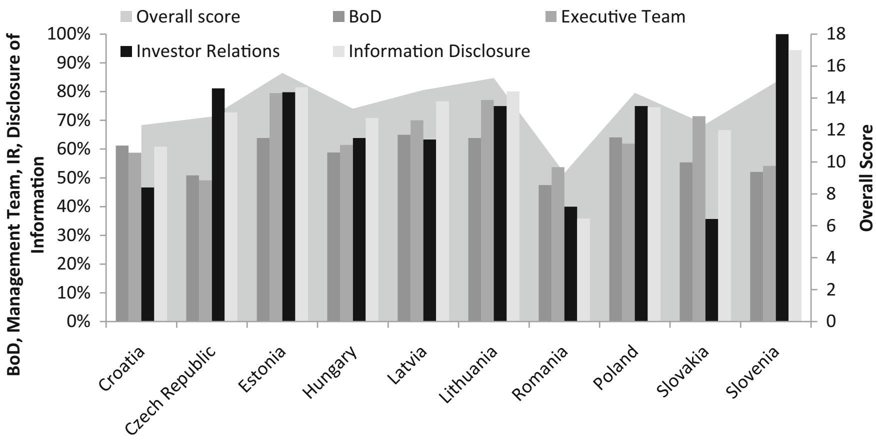

Fig. 3.1 Average CG assessment of the CEE companies by countries (2004–2012)

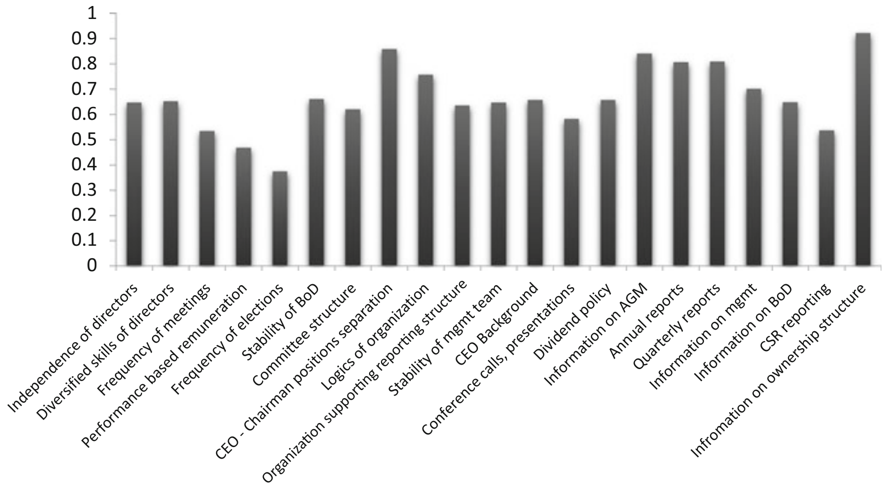

Fig. 3.2 Average CG assessment of the CEE companies by CG criteria (2004–2012)

Figure 3.2 chart shows the assigned ratings across the categories. Almost 90 % of the companies disclose shareholder's structure and have separated roles of the CEO and Chairman.

The companies are very active in publishing the minimum set of documents (annual and quarterly reports) required by investors, but are not very willing to make additional reporting: presentations, webcasts, and CSR reports. The encouraging trait of the CEE companies is BoD independence, its stability and directors skill diversification. Regarding BoD independence, it needs to be mentioned that this factor greatly depends on the shareholding structure: in case of controlling and significant influence of one shareholder, the BoD in most cases represents the interests of this shareholder.

Supervisory board meeting frequency was assessed setting as a best case scenario best practice meeting frequency of 6–8 times a year: not to be deeply involved in the business and still manage to understand the company's development and consult the executive team. CEE companies tend to have BoD meetings more often, the number usually exceeds 10 times a year with only some rare instances of 3–4 meetings a year. Perhaps, for a dynamic and often uncertain environment, which is overwhelmingly felt in the CEE countries, meetings often become a necessity to be able to timely make decisions.

Management scores for the CEE companies are above average in all four out of five categories, having weak rating on the type of management team organization. Compensation of the members of the Board of Directors and the management with stocks or stock options has not reached the maximum yet, but posts strong increase throughout the period, as this type of compensation gains popularity with the aim to minimize the agency costs.

Thorough analysis on the information disclosure (Fig. 3.3) demonstrates the progress with the information disclosure provided by the Central and Eastern European listed companies throughout the period of 9 years (2004–2012). Massive increase in the quality of the disclosed information was seen in 2006–2008, when the stock exchanges were reinforcing the reporting rules for the companies. In 2012 reporting of the financial figures as well as the shareholder structure disclosure was basically perfect for all analyzed markets, while the reports on the corporate social responsibility (CSR) are not yet the common phenomena for the CEE companies. Obvious improvement in providing information on the governing bodies needs to be mentioned as well: in 2004 just a third of the sample spoke about the

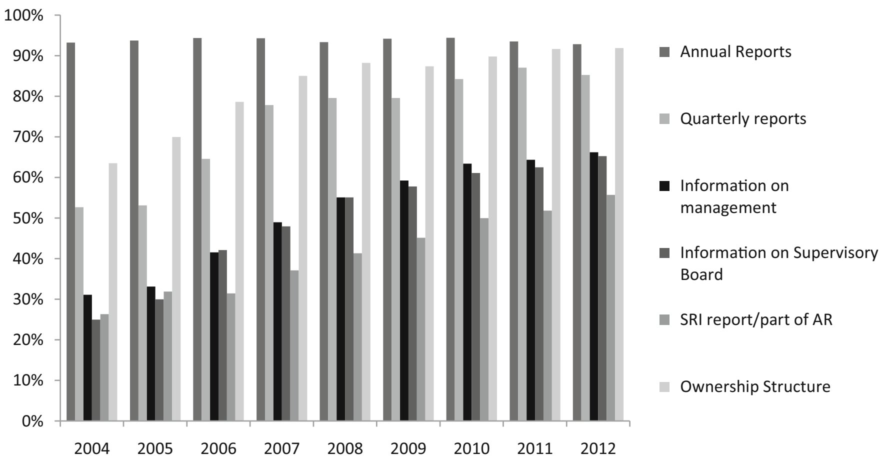

Fig. 3.3 Information quality of the CEE companies (% of complete disclosure)

management teams and the boards, while in 2012 more than 60 % of the companies made an effort of providing extensive sections of the reports on the corporate governance.

3.3.2 CG Influence on Stock Performance

The companies analyzed were divided into the quartiles according to the Corporate Governance rating. The TSR index on a monthly basis was calculated for each quartile as seen on the chart (Fig. 3.4). The results show that the CEE companies with the above average quality of the corporate governance outperform their peers with weaker CG ratings. As it is seen on the chart, the outperformance starts to be obvious in the recovery phase after the global liquidity crunch. So, most probably during the steep decline on the stock markets and high degree of uncertainty the CEE region investors recognized the value added of the better governed companies and the risk associated with poor information disclosure.

The analysis results demonstrate that top 25 % of companies according to the corporate governance quality managed to outperform the worst 25 % of companies by 7.2 % on the annualized basis, the majority of outperformance is attributed to the financial crisis and the recovery period.

Risk figures of the portfolios comprising the top companies having the best corporate governance (Quartile 3 and 4) prove the conservativeness of the equity portfolios: monthly volatility (as measured by the standard deviation) is lower than for Quartile 1 and 2 as well as lower than the market volatility (Table 3.4).

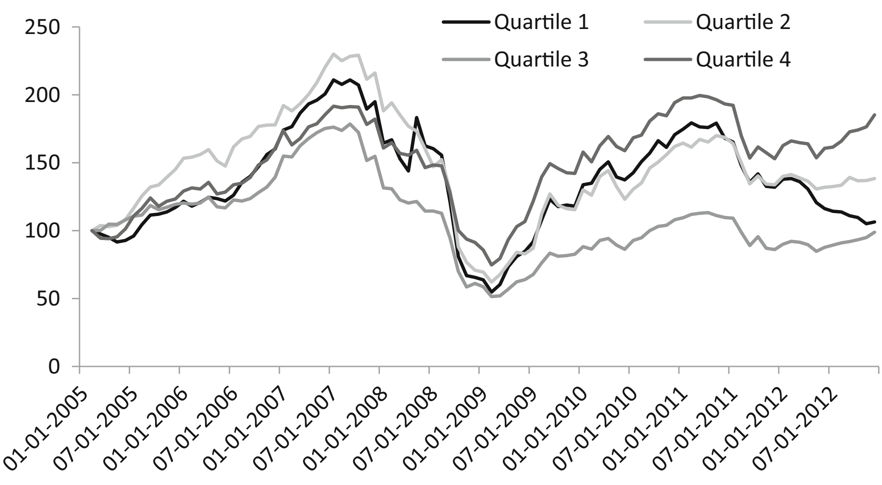

Fig. 3.4 TSR index based on CG quartiles (1 quartile—companies with worst CG rating, 4 quartile—companies with best CG rating)

Table 3.4 Risk metrics of CG quartiles

Risk metrics	Quartile 1	Quartile 2	Quartile 3	Quartile 4	CEE market
Volatility (%)	8.1	7.3	6.1	6.1	6.6
Beta	1.14	1.03	0.87	0.88	1.00

It is possible to achieve the decreased risk profile by selecting well-managed companies, it has also been proved by the beta being lower than 1 and obviously lower than betas of the portfolios comprising the companies with poor information disclosure and weak governance system as evaluated according to the corporate governance assessment model.

3.3.3 CG Relation to the Financial Performance

The authors selected the best 25 % and the worst 25 % of the companies according to the CG quartiles. The average rating (2004–2012) of the poorly managed companies did not exceed 12.4 CG rating, while the rating of the companies with the excellent CG system was not lower than 16.2. At the same time, the market median was 14.5, indicating that the difference between the best and the worst is not overly significant.

The results show (Fig. 3.5) that the companies, which were classified as the leaders according to the CG rating showed above average profitability ratios, which is seen in all cases of the profitability measures. In contrast, poorly managed companies exhibit significantly lower equity capital profitability and profit margin compared to the well-managed companies as well as to the market average. Interestingly, the companies with weak governance are able to provide above market average operating cash flow to equity ratio.

So, although excellent corporate governance requires additional costs for establishment, maintenance and control, as well as intangible costs, according to Fig. 3.5 results, investments in good corporate governance pay off in the end with higher than average profitability. And further, the companies with higher profitability can set aside funds to further improve corporate governance system. Checking the business efficiency of the CEE companies as measured by the asset turnover ratio provides evidence that the enterprises with the best CG ratings lose to the whole market as well to the companies with weak CG standards (Fig. 3.6).

Analyzing the preference of the well and poorly managed companies for the balance sheet financing, it cannot be said that there is any substantial difference of the equity share financing between the worst and the best companies according to the CG quality. The research results demonstrate that the companies having the weakest CG ratings obviously pursue a bit more conservative financing policy (equity ratio—49 %) compared to the market (48 %) as well as to the companies showing the best CG ratings (45 %).

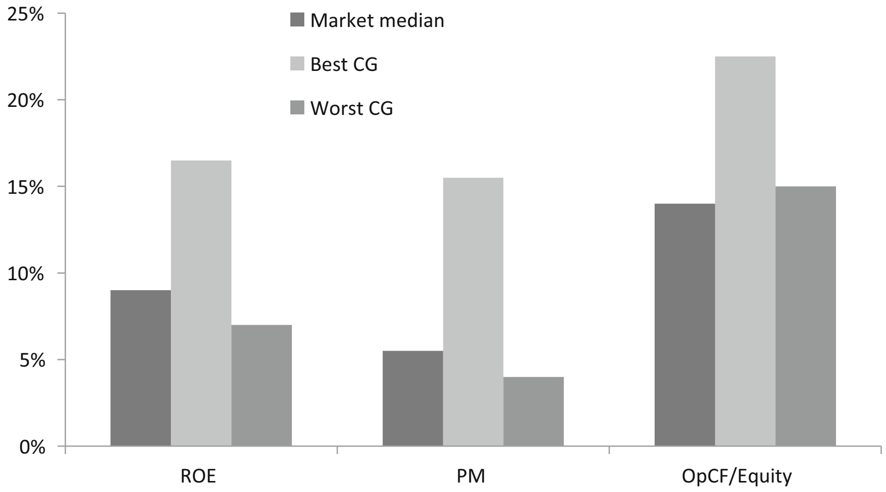

Fig. 3.5 Profitability ratios according to the CG rating (average 2004–2012)

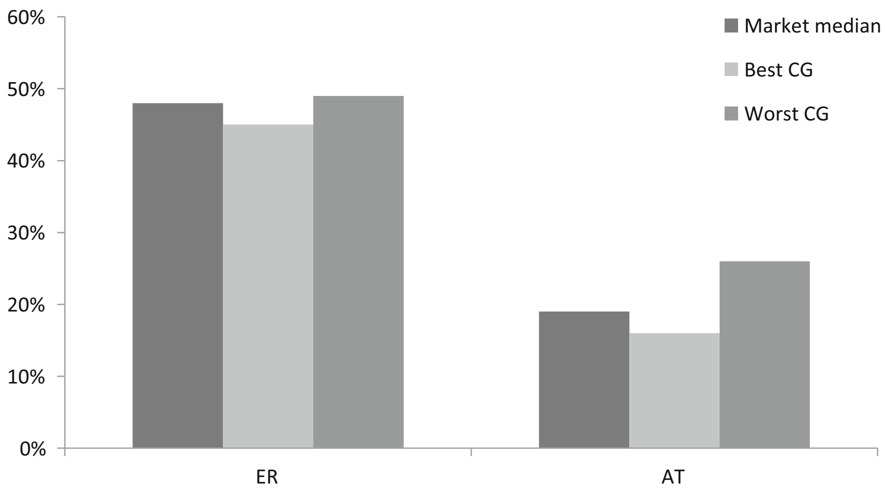

Fig. 3.6 Equity ratio and asset turnover according to the CG rating (average 2004–2012)

Further analysis of the relations between corporate governance and the firm's financial performance is conducted with the help of the multiple regressions. The data provided in Table 3.5 demonstrate than only two regressions explaining the return on equity and profit margins with the corporate governance quality turned out to be significant. *T*-test statistics shows that there is a negative relationship between the quality of the supervisory board organization and the profitability of the company, which goes in contrast with the hypothesis stated. However, profit margin regression shows that the overall corporate governance rating significantly

Table 3.5 Multiple regressions statistics

Y	Multiple R (%)	R square (%)	F-test	Significance F	Significant independent variables (T-tests)
ROE	33.3	11.1	2.452*	0.039	SB (−1.75)
OpCF/Equity	27.9	7.8	1.654	0.153	None
PM	35.8	12.8	2.785*	0.022	CG (2.56), SB (−2.38)
ER	17.5	3.0	0.635	0.673	None
AT	21.3	4.5	0.927	0.467	None

Y variables—financial ratios; average CG ratings and financial ratios for 2004–2012
*Significant at $\alpha = 5$ %; **significant at $\alpha = 10$ %

Table 3.6 Multiple regressions statistics

Y	Multiple R (%)	R square (%)	F-test	Significance F	Significant independent variables (T-tests)
ROE	14.6	2.1	3.466*	0.004	CG (1.91**), DI (−2.95*)
OpCF/Equity	11.2	1.2	1.881	0.095	DI (1.86**)
PM	11.7	1.4	2.186**	0.054	SB (−1.82**), IR (−2.0*)
ER	13.8	1.9	3.092*	0.009	CG (−1.96**), DI (1.73**)
AT	14.7	2.2	3.492*	0.004	CG (−1.91**), MT (2.58*)

Y variables—financial ratios; annual CG ratings and financial ratios for 2004–2012
*Significant at $\alpha = 5$ %; **Significant at $\alpha = 10$ %

positively affects the firm's ability to generate higher margin. Here, the question might arise about the exogenous and endogenous input variables as the good corporate governance may be a result of high margins allowing the firm to invest in the corporate governance system (Table 3.6).

Having a larger number of the observations due to taking the annual values instead of the average values for the whole period provides more statistically significant regressions. Overall, corporate governance rating positively influences equity capital profitability, while has a negative relationship with the equity ratio and with the asset turnover (as it was also evident earlier in the graphical analysis).

An analysis on the relation of the parts of corporate governance to the corporate economic performance does not provide a consistent view: disclosure of information quality positively influences equity ratio and operating cash flow to equity, while negatively—ROE. Excellent management team organization supports efficiency of the company.

3.4 Earnings Plausibility

For many equity investors the profit of the company is the main indicator when making an investment decision as lots of the market participants consider ROE, ROA, EPS, profit growth, etc. Firm's profit and its growth usually play a role of a guideline concerning the current success of the company's operations and its future development for a large number of the shareholders. Indeed, net income is in the centre of attention within the financial market as the sharp stock price declines are very common phenomena in case the reported profit does not match the expectations of the analysts and financial market players.

However, the profit concept cannot be considered in isolation. The quality or the plausibility of the reported earnings is essential to proof check as to match the expectations the management of the company might go into the earnings management.

Net result of the company can be affected by many other factors not connected with the core operations. It also depends on the subjective opinion and determination to show higher profit of the entity managers, who are tempted by more lucrative bonuses and higher share prices. Empirical findings of Degeorge, Patel, and Zeckhauser (1999) and Teoh, Welch, and Wong (1998) demonstrate that the company's management tends to manipulate financial results.

In the financial literature several definitions of the earnings quality, which is synonymic to the plausibility of financial results, can be found. The US scientists (Teets, 2002; Pratt, 2003) say that the earnings quality is the ability of the company's net income to reflect the real situation. Patricia Dechow and Schrand (2004) argue that plausible financial result reflect company's current operations, indicate future earnings of the company and demonstrate the real value of the company and its ability to generate profit.

3.4.1 Research Methodology

Earnings quality of the CEE companies was assessed based on the widely-accepted measures to detect creative accounting practices—the level of accruals.

The following formula was used to determine the balance sheet based level of accruals for year t (Richardson & Tuna, 2012):

$$\text{Balance sheet based accruals}_t = (\text{NOA}_t - \text{NOA}_{t-1})/[(\text{NOA}_t + \text{NOA}_{t-1})/2] \tag{3.3}$$

where NOA is net operating assets, which are calculated in the following way:

$$\mathrm{NOA_t} = (\text{Total assets}_t - \text{Cash}_t) - (\text{Total liabilities}_t - \text{Total debt}_t) \tag{3.4}$$

Another metrics of the accrual level, cash flow statement based accruals, was used to compare the level of accruals for year t, calculated according to the balance sheet method (Richardson & Tuna, 2012):

$$\text{Cash flow statement based accruals}_t = (\text{Net Income}_t - \text{Cash From Operations}_t - \text{Cash From Investments}_t)/((\mathrm{NOA}_t + \mathrm{NOA}_{t-1})/2) \tag{3.5}$$

The analysis based on the accruals metrics was primarily conducted with the help of the quartile analysis. The influence of the accruals levels on the share price was analyzed taking 1 year (accruals in 2004 compared to equity performance in 2005 with 2 months delay), 2 years (accruals in 2004 compared to equity performance in 2006 with 2 months delay) and 3 years (accruals in 2004 compared to equity performance in 2007 with 2 months delay) lags. The incentive for doing so was the usual observation that when the accruals do not have a negative influence immediately, but after a certain point of the time, earnings tend to reverse.

3.4.2 *Earnings Quality of the CEE Companies*

The quality of earnings management allows evaluating financial result plausibility and earnings level sustainability, which gain importance in such dynamic environment as Central and Eastern Europe. Figure 3.7 provides a hint on the possible earnings manipulation within the analyzed sample of the CEE companies. The chart

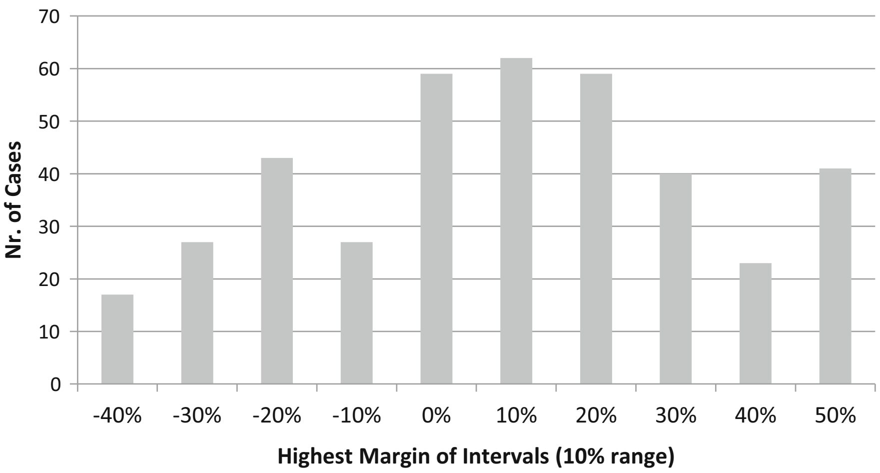

Fig. 3.7 Number of cases of annual net income growth (CEE companies, 2005–2012)

shows the number of cases when the companies came out with the reported earnings dynamics.

One would expect to see the normal distribution curve, however, the interval between "−10 %" and "0 %" net income growth interrupts the expected scene due to the significantly lower number of cases compared to the preceding and the following intervals. It can be hypothesized that if the net income growth is expected to be slightly in the negative zone, the company management uses "creative accounting" practices to boost net income growth to report a single-digit growth.

To discover the evidence of the earnings manipulation, the accruals level test was applied—the higher the accruals relative to the net operating assets, the more probable are the financial shenanigans used by the companies.

Overall the situation with the earnings plausibility within the CEE stock universe is relatively good as the accruals for the market are on the low level and there is an improvement trend seen. For example, sample median balance sheet based accruals declined from 10 % in 2004 to 3 % in 2012 and cash flow statement based accruals declined from 7 % in 2004 to 1 % in 2012.

3.4.3 Earnings Quality Influence on the TSR

The calculations and, thus, the conclusions are done based using the quartile analysis method. Figure 3.8 demonstrates the margins of each accrual quartile, proving again that the difference between the B/S and C/F based accruals is very low. The companies having extremely high or extremely low accrual level were classified in the fourth and first quartile accordingly. Thus, putting the accrual level in the context of the TSR performance, one would expect to see high return of the

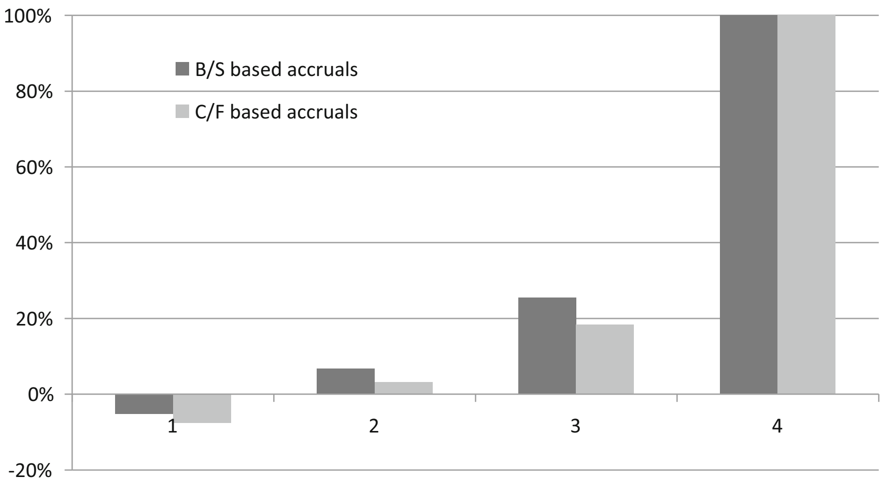

Fig. 3.8 Level of the highest margin of accruals quartiles (2004–2012)

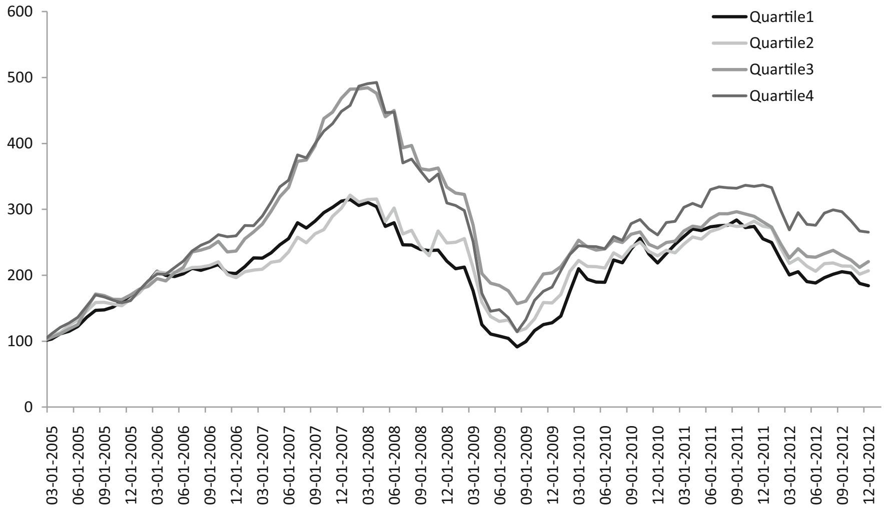

Fig. 3.9 TSR index based on C/F accrual quartiles (lag—1 year)

first quartile (the lowest accruals) and low return of the fourth quartile (the highest accruals).

First, the quartile analysis was conducted in order to build four equity portfolios based on the accruals level and compare their TSR end values. The US scientists Sloan (1996) and Houge and Loughran (2000) empirically proved that the companies having high accruals perform worse than the companies that do not have any accruals. The analysts of an asset management company Bernstein (Mahedy, 2005) proved that accruals are a powerful tool, which can be used for predicting future earnings and share performance of the company. The explanation of these findings is that the accrual accounting involves subjective judgment of the management team and, thus, leaves space for earnings manipulation. Therefore, accruals growth can indicate that there are some problems with operating business pending. However, systematically excluding the companies with high accruals, investors can punish fast-growing companies that usually have high level of accruals.

The results provided in the chart (Fig. 3.9) show the index value pattern, which is basically the opposite of the hypothesized situation—the higher the accruals, the lower the performance.

Indeed, to achieve higher stock prices the companies attempt to window-dress their earnings, thus lifting their accruals level. However, later the earnings revert resulting in lower net income followed by the declines in the company value.

The above-mentioned statement is proved by the charts in Figs. 3.10 and 3.11, which are built taking into account 2 and 3 years lags. Yet the situation changed completely—the companies, which posted high level of accruals 2 or 3 years ago, experienced weaker TSR performance compared to their peers with lower historical accruals. The quartile performance provided in Fig. 3.9 is based on accrual level calculated according to the C/F based accruals.

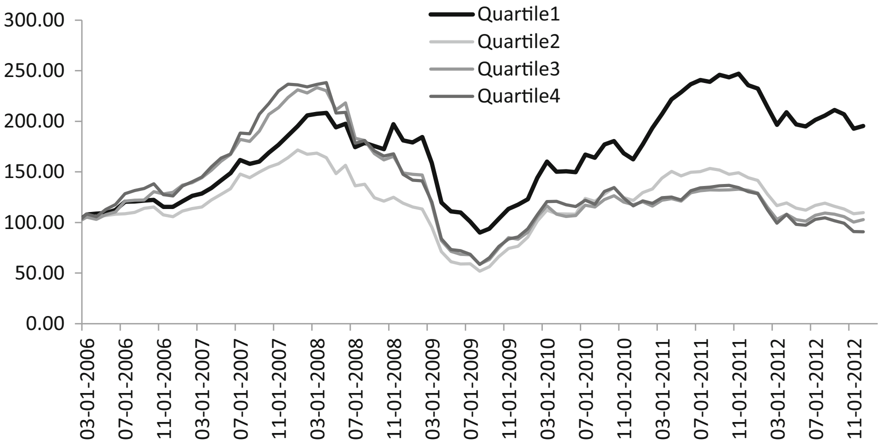

Fig. 3.10 TSR index based on C/F accrual quartiles (lag—2 years)

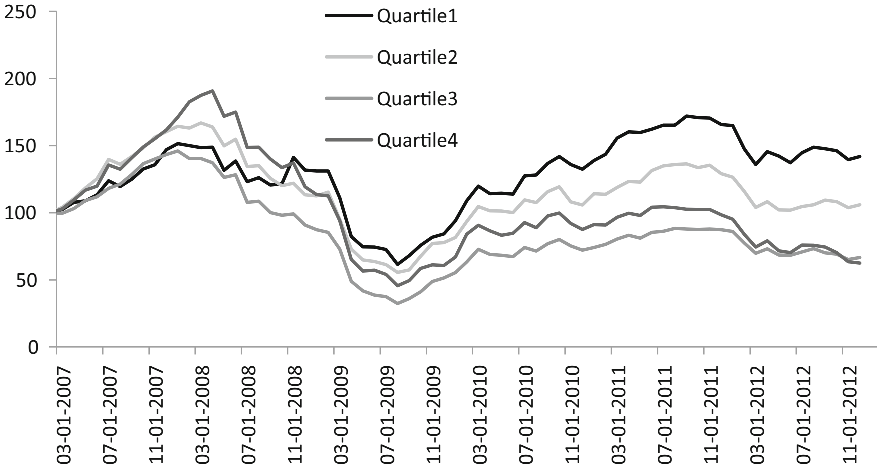

Fig. 3.11 TSR index based on C/F accrual quartiles (lag—3 years)

Table 3.7 Volatility (standard deviation) of stock portfolios based on accruals quartiles

	1 year lag (%)	2 years lag (%)	3 years lag (%)
Quartile1	7.6	6.5	7.2
Quartile2	7.2	7.3	7.1
Quartile3	6.6	7.4	8.0
Quartile4	7.7	7.7	8.5

Volatility figures calculated for each quartile show that the lowest risk is associated with the first quartile in case of 2 and 3 years lag, when the companies posting low accruals enjoy higher stock returns (Table 3.7), while the 3rd and 4th quartiles (2 and 3 years lag) are the riskiest ones posting unsustainable performance character having shown higher historical accruals.

3.5 Ownership Structure Factor

A number of Western European investors feel uncomfortable when making the decision on investing in the emerging Eastern European equity markets, which in most cases is explained by the uncertain political situation and, what is more important, non-transparent corporate governance and implausible corporate management strategies, which are imposed in most cases by the majority owners. One of the key questions prior to investing definitely is the ownership structure of the corporation, which is particularly crucial in the rapidly changing political, social and economic environment—typical situation for the enterprises located in Central and Eastern Europe.

Family businesses are more profitable and create more jobs than non-family firms—it is the conclusion made by Jim Lee, an economics professor at Texas A&M-Corpus Christi, who authored the study on S&P 500 and Fortune 500 companies. The comparison was based on the net profit margin, employment, revenue, and gross income growth between 1992 and 2002. The researcher found out that the average profit margin for family firms was 10 %, two points higher than for non-family firms (Lee, 2006). A German researcher Christian Andres analyzed 275 public German companies and concluded in his study that the companies with significant family ownership are more profitable and outperform their peers with other type of shareholders. However, this is true under condition that the family members are actively represented in the corporate management or supervisory board (Andres, 2008).

Research done on 151 CEE companies by Mueller and Peev (2006) indicates that the firms, which are controlled mainly by foreign shareholders, are overdoing their counterparts with mainly locals represented in the ownership structure. Pajuste (2002) also studied the ownership and the shareholders rights in the CEE stock markets for the period of 1994–2001. Her findings provide the evidence of the significant influence of the controlling shareholder on the performance of the company and that the minority shareholders rights are often abused, making the market absolutely inefficient, concluding that the risks are not justified by the returns, which are lower than average.

Research on the ownership structure of the emerging companies and its value added is increasing. For instance, Daqing Qi, Woody Wu and Hua Zhang from the Chinese University of Hong Kong conducted research on the Chinese companies and found out that the most beneficial for the corporate performance is legal-person ownership (institutional holding), while the state ownership on the other hand dilutes the performance of the listed companies. It was stated in the study that the companies with legal ownership tend to be also more profitable based on ROE figures (Qi, Wu, & Zhang, 2000).

3.5.1 Research Methodology

All researched companies were divided into the five groups according to their ownership structure pattern. In order to be classified as a certain group, the company should have an investor, which holds not less than 10 % of the total share capital, and it should be the major holding. The groups were the following:

- Financial: the major investor holds the company primarily for the financial interest, which is share price appreciation and dividend payments. Usually these are banks, trust accounts, insurance companies, pension funds or investment holdings.
- Strategic: the major stake in the company's capital is held by the company, which operates in the same industry, usually headquartered in Western Europe or the US. This is a very common situation in telecommunications, pharmaceuticals, and financial industry groups.
- Government: the state owns a significant part of the company. In this case the shares as a rule have not changed the hands and the state has kept its controlling stake (common in the industries of strategic importance).
- Family/management: a large stake of the company belongs to the private person, which usually takes active part in the company management, being a member of the board or the management team. Sometimes large stakes belong to several members of the family, who exert significant influence on the corporate management.
- Free float: companies with the dispersed ownership. The stake of the largest shareholder does not exceed 10 %.

Besides, the companies were classified according to the origin of the major owners into two groups: local and foreign investors. Another classification with regard to the ownership concentration level divided the companies into the following groups: concentrated (in case shareholder owns 25 % of the total capital) and dispersed ownership.

The authors attempt to find the relationship between the shareholder value and the ownership structure patterns mentioned above by using mainly indexation, based on the average monthly TSR and comparison of the risk profiles of each index. Besides, the authors checked the performance of the companies classified according to the ownership type in various phases of the stock market.

3.5.2 Ownership Type and Shareholder Value

In Central and Eastern Europe strategic ownership is the most important as it is represented by a third of the studied companies. This is a common situation in the financial and energy industries. Other types of ownership structure are less represented on the CEE market: 22 %—financial investors, 18 %—government, 22 %—family/management/CEO. Besides, the ownership structures of 75 % CEE companies are concentrated, when one shareholder owns more than 25 % of the company, which differs from the US share market, where the vast majority of the companies have dispersed ownership.

Local ownership dominates the market—67 % vs. 33 % of the companies, where the major owner is of the foreign origin. Foreign investors are particularly active in the limited growth potential sectors such as banking and telecommunications as well as strategic oil & gas sector. Domestic investors are likely to have an overwhelming presence in the pharmaceutical, retail, food production, and engineering firms.

To be able to determine the most beneficial type of ownership structure for achieving long-term TSR, the authors created an index for each group of the companies based on the ownership structure.

The chart (Fig. 3.12) clearly shows that in the long-term shareholders, who invested in the companies with financial investor having the major stake obviously benefited a lot with the major growth seen after the financial crisis. Leading performance of the companies with the dominating financial investors is seen in the price return case as well. This is definitely contrasting with the generally accepted dogma in the Western equity markets that the companies with the major holder being a family beat the market in the long term. This phenomenon can be explained by the main target of the financial investors—dividends and capital appreciation. The authors hypothesize that in the emerging markets comparing to the Western Economies families still do not have substantial experience to manage the companies well, while the financial investors, which often are of the foreign origin usually have the experience and the strategic view to capture future growth opportunities and to invest in the company with the plausible growth potential. Besides, the financial investors might influence the management to increase the payout ratios.

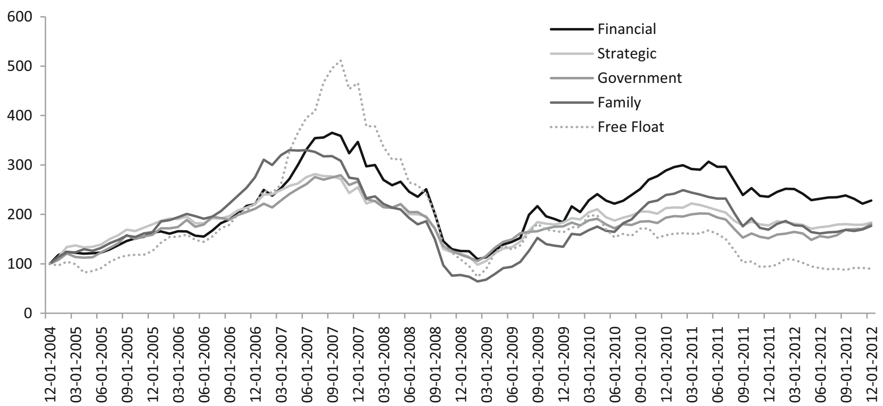

Fig. 3.12 TSR index of CEE companies according to their shareholding structure type

Table 3.8 Risk characteristics and performance of the CEE companies according to their shareholder type (2005–2012)

Type of ownership	Volatility (%)	Beta	TSR (%)	Price return (%)
Financial	7.8	1.1	128.0	113
Strategic	6.1	0.9	78.4	49
Government	5.9	0.8	80.4	40
Family	8.6	1.2	77.0	54
Free Float	10.4	1.3	−9.9	−27

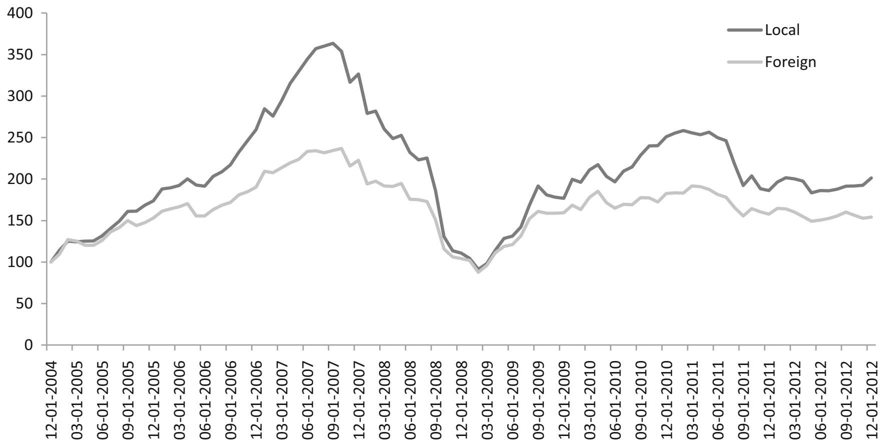

Fig. 3.13 TSR performance of the CEE companies according to their major shareholder domicile

Obviously the family-owned companies cherish lower payout ratios as their price return exceeds the return of the companies owned by strategic investors and the government, while the performance lags behind in the case of the TSR. Evidently, family-owned enterprises prefer to reinvest their profits to achieve higher profit in the longer term. The companies without any major shareholding (free float) do not provide a representative result as the index on average is comprised of only 6 companies (Table 3.8).

Neither family-owned nor financial investor owned companies can provide lowest risk having beta exceeding 1.0. The companies having government or strategic investors in the capital structure can boast with the lowest risk profile according to the volatility and beta.

Comparing the returns of the portfolios built based on the origin of the investor (Fig. 3.13), one clearly sees higher volatility of the portfolio composed of the companies, which have a local major investor: significant outperformance in the up-market phase, while significant underperformance during the stock market decline.

The companies with the local ownership majority basically lost all the advantages gained before during the crisis period of 2007–2009. Therefore, there is a

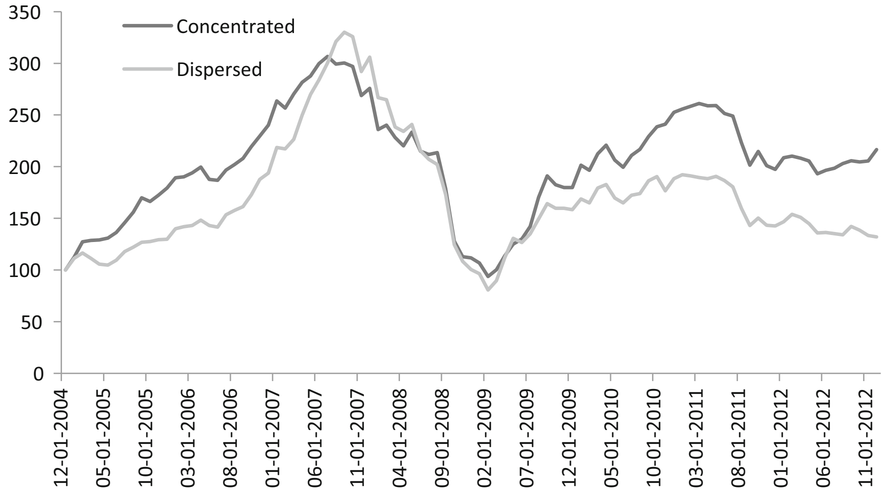

Fig. 3.14 TSR performance of CEE companies according to their ownership concentration degree

clear distinction in the performance character based on the location of the investor depending on the phase of the stock market development.

The distinct performance character of the companies having dispersed ownership as opposed to the companies with the concentrated ownership is seen in Fig. 3.13.

Concentrated ownership is obviously more beneficial for the CEE investors (Fig. 3.14), it creates the condition of the efficient and prompt decision-making process—in the longer term the investments in the companies with the large majority holder pay off faster than the investments in the companies with no control concentration.

3.6 Concluding Remarks

The term ‘corporate governance’ is relatively new for the companies operating in Central and Eastern Europe but in a quite short time period lots of companies were able to offer investors explicit information on their governance system. In many cases the process of establishing CG system was strongly influenced by the controlling shareholder either positively or negatively. Highest CG ratings have been obtained by Baltic, Czech, as well as Slovenian companies, while Romanian companies are distinguished by very weak corporate governance systems and information disclosure. The majority of companies analyzed provide extensive disclosure; however, it seems that the institute of BoD is not well understood yet: staggered board elections, high degree of BoD involvement in routine business management, compensation is not linked to performance. Although the culture of equity investing is still in its development phase in the Central and Eastern European countries, the value of good corporate governance is recognized by the investors. As proved in the research, the corporate governance factor is crucial for the risk management of the portfolio, as the companies having top corporate governance scores decrease the volatility and the beta of the stock portfolio. The research results on the corporate governance and firms' financial performance do not allow to make robust conclusions: overall corporate governance rating positively influences return on equity and the profit margin, while it has a negative influence on the financial stability and the efficiency of the company. However, endogeneity problem (Brown, Beekes, & Verhoeven, 2011) should be considered in this case.

Evaluation results of the financial result plausibility influence on the stock performance disclosed that the effect of poor earnings quality on the TSR performance is positive within 1 year, however, considering longer period (2 and 3 years lags), the pattern is obvious—the higher is the accruals level, the weaker is the performance. Therefore, CEE equity investor aiming to achieving high and sustainable return would definitely consider earnings quality to exclude the companies with questionable financial results plausibility.

When analyzing the performance of the companies with different shareholding structure types, it was discovered that the companies with domination of the financial investors outperform all other groups, while family ownership adds substantially to the total shareholder value with the strong trend seen after the crisis, however, in the down-phase the family-managed companies were not a good investment option being among the major losers. Difference in the investment approach, when considering the origin of the investor as the input factor should be taken into account in various market phases: local ownership contributes the most during the growing equity market and the majority foreign ownership makes the company more resistant during the down-market. It also advisable to invest in the companies when a particular investor has a controlling stake, i.e. more than 25 % of the share capital, which streamlines the decision-making process and the management of the company, obviously required in the dynamic environment of the CEE countries.

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Chapter 4
Key Corporate Social Responsibility Initiatives: An Empirical Evidence from Spain

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Abstract Although 43 % of Spanish enterprises consider CSR to be valuable to their organizations, only 15.5 % systematically implement Social Responsibility initiatives (Forética (2011). *The evolution of social responsibility among Spanish business*.).

In light of this low level of implementation, the aim of this paper is to explore key CSR initiatives implemented by Spanish enterprises and their evolution over the last years. Previous literature has focused on the empirical analyses about CSR initiatives in a specific group of organizations, according to their size or their profit or nonprofit purpose. Therefore, the main contribution of this research is to advance in knowledge about the implementation of CSR initiatives in Spain conducting an exploratory analysis and focusing on three main groups of organizations: small and medium sized enterprises (SMEs), companies listed on the Madrid Stock Exchange and included on the IBEX35 index, and Non-Governmental Organizations (NGOs). Taking into account the differences between the three groups, this paper seeks to show whether these organizations are dealing with the same CSR initiatives, which of them are the most and which are the least implemented and how CSR policies should be orientated to promote CSR initiatives.

Our results show that most initiatives are focused on working conditions or environmental protection. Employees' health and safety programs, plans for environmental protection and for energy efficiency, and gender equality and work-life balance, constitute the most common practices among Spanish companies (generally implemented by 60 % of companies). However, there are also initiatives undertaken less frequently (less than 15 % of companies), such as monitoring CSR in the supply chain, elaborating codes of conduct, and drafting CSR reports.

Focusing on Spanish enterprises listed on the IBEX35, we were able to discover how Spanish companies have enjoyed the greatest increases in environmental performance, social performance and corporate governance performance scores since 2002, as compared with the major other economies in Europe (such as the UK, France and Germany) using the *Datastream* database.

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As far as NGOs are concerned, although most of them comply with most of the principles of the *Lealtad Foundation Guide*, a significant number of NGOs does not fully comply with the principles regarding the governance of the organization, plurality in financing and monitoring the use of funds.

In conclusion, results from this exploratory study show that, despite the great effort to implement CSR initiatives in Spanish companies and the increase in such initiatives, there are still some challenges to face, such as the efficiency of Corporate Governance policies and the difficulties small enterprises face when implementing these initiatives.

4.1 Introduction

The implementation of Corporate Social Responsibility (CSR) initiatives has long-term benefits for companies and societies, such as increased trust and competitiveness, economic earnings derived from better management and workforce loyalty and productivity, qualified employment generation, brand value and reputation, the creation of new market opportunities, access to markets and financing, cost savings, and sustainability and social cohesion, among others.

Conscious of the advantages of CSR, the Spanish Government passed the *Spanish Corporate Social Responsibility Strategy 2014–2020* in July 2014 (Spain, 2014), in accordance with the recommendations of the *Renewed EU Strategy 2011–14 for CSR*. The Spanish CSR Strategy 2014–2020 complements other previous regulations[1] by extending CSR not only to listed companies but also to the rest of companies (including SMEs) and Public Administrations. It is based on ten lines of action such as the promotion of CSR as a driver for more sustainable organizations, the integration of CSR into education, training and research, good governance and transparency, responsible human resources management and employment promotion, socially responsible investment and R&D&I, development of socially responsible relationship systems with each of the components of the supply chain, responsible consumption, respect for the environment, cooperation for development and coordination and participation among central, regional and local authorities (Reverte, 2014).

Although CSR has traditionally been seen as a topic for large companies (McWilliam & Siegel, 2001), we must highlight the importance of SMEs in the economic development. More than 99 % of businesses in Europe are SMEs and nine out of 10 SMEs are micro-enterprises (with less than 10 employees). Moreover, SMEs provide two out of three private sector jobs and contribute to more than half of the total value added created by businesses in the EU (Reverte, 2014).

[1] See Díaz and García (2015) for a review of political initiatives to promote CSR in Spain.

Therefore, the impact that a shift to more sustainable and socially responsible SME business practices could have on Europe's society is potentially quite remarkable.

However, there are currently various barriers preventing SMEs from engaging with CSR such as the lack of understanding of CSR, the perception of costs of implementing CSR and the lack of training or resources to implement CSR (Reverte, 2014). These barriers along with the lack of formal communication tools in SMEs, the closeness to their stakeholders (Herrera, Larrán, & Martínez, 2012) and the less formalized hierarchical structures in SMEs (Hammann, Habisch, & Pechlaner, 2009), explain the different degree of development of CSR in companies with different size or different profit/non-profit purpose. Also, Godos-Díez and Fernández-Gago (2011) analyzing a sample of 324 Spanish top managers showed how the size and age of the company affect the importance managers give to CSR and therefore the implementation of CSR initiatives.

However, although 43 % of Spanish enterprises consider CSR to be valuable to their organizations, only 15.5 % systematically implement Social Responsibility initiatives (Forética, 2011).

In this context, the aim of this paper is to explore key CSR initiatives implemented by Spanish enterprises and their evolution over the last years. Previous literature has focused the empirical analyses about CSR initiatives in a specific group of organization, according to their size or their profit or nonprofit purpose, as we will show in each of the following sections. Therefore, the main contribution of this research is to advance in the knowledge about the implementation of CSR initiatives in Spain conducting an exploratory analysis and focusing in three main groups of organizations: small and medium sized enterprises (SMEs), companies listed on the Madrid Stock Exchange and included in the IBEX35 index, and Non-Governmental Organizations (NGOs). Taking into account the differences among the three groups, this paper will show whether organizations are dealing with the same CSR initiatives, which of them has been the most and the least implemented and how policies should be orientated to promote CSR initiatives.

Section 4.2 will present evidence regarding the implementation of CSR strategies in SMEs. The difficulties of small firms in implementing these strategies and communicating them have compelled the *Spanish CSR Strategy* to include some specific actions directed at these firms.

In Sect. 4.3, CSR initiatives implemented by companies listed on the Madrid Stock Exchange and included in the IBEX35 index will be analyzed. The initiatives will be divided into three groups (environment, social issues -including workforce, society, and customers- and corporate governance) according to the information in the *Datastream* database provided by Thomson Reuters.

Section 4.4 will explore the implementation of key initiatives in NGOs, considering a sample of 202 organizations that have provided information to the *Lealtad Foundation*.

Finally, we state the main conclusions of the research.

4.2 Key Initiatives Used in the Name of CSR and Sustainable Development in Spanish SMEs

Previous literature that has focus on CSR measures implemented by SMEs has distinguished three main categories (Vives, 2006; Russo & Tencati, 2009): (1) Internal social measures such as the development of talent, the implementation of health and social security measures and the improvement of working conditions; (2) External social measures such as the development of network links with the local economy, professional development and social integration; and (3) environmental measures such as the reduction of energy consumption, reduction of waste and waste recycling.

Examples about CSR practices in previous research are multiple. Kechiche and Sopartnot (2012) show in their literature review how French and German SMEs focus their CSR practices on employees (talent development, improvements in working conditions or diversity in the workplace in terms of age and gender), on having good links with the community (through deals, charitable events and back-to-work/employability schemes), and on environment savings measures. Similar results are shown by Marín and Rubio (2008) for a sample of 531 Spanish SMEs from the region of Murcia. These firms have implemented CSR practices mainly in human resources, in their relationship with the community problems and environment. Focusing on human resource management (HRM) practices, Celma, García, and Coenders (2014), using a sample of employees in Catalonia (Spain) in 2007, observed that two thirds of employees were benefiting from socially responsible practices in HRM and found no differences between large and small companies (except in the promotion of employee involvement carried out by large companies).

The development of CSR practices in Spanish SMEs has been high since Moneva and Hernández (2009) analyzed 18 SMEs that presented their GRI report in 2005–2006 and concluded about the low level of information about economic and social aspects and the main orientation of information towards environmental practices.

But, what factors contribute to the higher implementation of CSR initiatives? Previous research shows that the manager, with his values and ethical beliefs, plays a main role in their firm strategic and sustainable choices and how the adequate management of the relations with stakeholders positively affects firm performance (Herrera et al., 2012, Murillo & Lozano, 2006). Perrini, Russo, and Tencati (2007) identify the industry the SME belongs to as one of the factors that influence the adoption and integration of CSR practices in SMEs. They found that companies in the Information and Communication Technologies sector were more willing to monitor and report their CSR behaviors while manufacturing companies were more interested in motivating their employees through voluntary activities in the community.

However, what are nowadays the CSR initiatives implemented by Spanish SMEs?

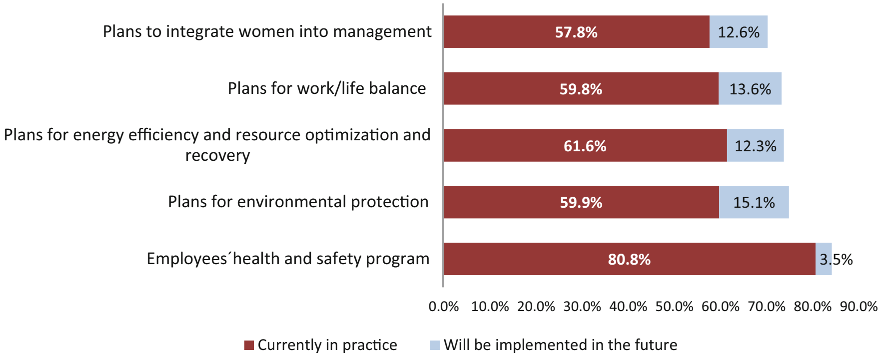

Fig. 4.1 Implementation of CSR programs in Spanish firms (*Source*: Authors from information provided by the Forética report (2011))

SMEs are gradually implementing CSR initiatives and, as has been empirically found, they implement more CSR practices than the ones they are aware of and thus than the ones they communicate[2] (Jamili, Zanhour, & Keshishian, 2009).

The Forética Report is a biennial report that has been published since 2000 and provides an accurate view of the current state of CSR development in today's Spanish private sector. The latest report, written in 2011, interviews 1,031 Spanish companies.[3] According to the report, 5 % of Spanish firms have a formalized CSR policy, while 11 % are in a formalizing process, and 23.6 % have a defined CSR policy, but one that is not formalized yet.

Health and safety, environmental protection, resource optimization, gender equality, and work-life balance constitute the most common practices among Spanish companies. These lines of work have one aspect in common: they concern highly regulated areas (Fig. 4.1).

Aspects linked to human resources and corporate philanthropy are on a second level of integration, notably, initiatives such as a safe working environment (53.1 % of firms currently have them in place), the integration of the disabled into staff (43.2 % of firms), and CSR training (21.4 % of firms), on the one hand, and the support of the socially excluded (48.4 % of firms), collaboration with NGOs, and other educational and cultural projects, on the other (38 % of firms).

Crosscutting, horizontal processes, such as the formulation of codes of conduct, the deployment of indicators of a company's balanced scorecard, the CSR report, and the monitoring of CSR in the supply chain feature the lowest levels of implementation (lower than 15 % of firms).

Despite the barriers to CSR implementation in small companies (Díaz & García, 2015), their attempts at promoting CSR initiatives in Spain have been highlighted,

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[2] This is known as "Silent Social Responsibility".

[3] This sample is representative of Spanish businesses located across the geographical area of the study, distributed proportionately according to sectors of activity and company size (number of employees).

with an increase in SMEs certified by an ethical management standard, those that have presented a sustainability report, and those that have signed the Global Compact Principles. In 2013, 103 Spanish companies (59 % were SMEs) were certified by SGE 21 (Ethical and CSR Management System created by Forética in 2008), 160 Spanish companies presented the GRI Report (49 % were SMEs), and 317 presented the Global Compact Communication on Progress (56 % were SMEs). Although SMEs represent 99 % of Spanish enterprises, they still represent a lower percentage in the implementation of CSR initiatives in comparison to large companies.

However, according to the Eurobarometer (2013), 79 % of respondents felt that SMEs are striving for responsible behavior. SMEs' commitment to some of the main social problems in Spain has resulted in the development of CSR initiatives.

In Spain the rate of youth unemployment is double the average in the EU-27. To remedy this situation the Spanish Government developed the *Strategy for Entrepreneurship and Youth Employment 2013–2016*, which supports the Government's objective of promoting measures to reduce unemployment among young people, either through opportunities in the job market or through self-employment and entrepreneurship. By October 2014, 600 enterprises had joined this Strategy and obtained a seal certifying their commitment to youth employment. Almost half of them were SMEs.

Some EU Member States have begun to incentive CSR among SMEs by setting the framework for SME self-assessment alongside international standards. For instance, the Italian government has introduced simplified ISO 26000 Guidelines for SMEs, while in Finland, a CSR self-assessment tool is being introduced. Other governments have set up a reporting framework for SMEs by carrying out a Responsible Business Assessment (Latvia) or a survey of SMEs CSR performance using the 'CSR thermometer' (Netherlands).

In this context, one of the goals of the *Spanish CSR Strategy* (2014) is to promote the integration of CSR practices among small and medium-sized firms (SMEs) and entities pertaining to the Social Economy (e.g., co-ops, foundations, mutual societies) (Reverte, 2014).

To promote the implementation of CSR initiatives by SMEs, the *Spanish CSR Strategy* included some specific actions directed at these firms, whose effectiveness will need to be analyzed in the future:

(a) Promote the integration of CSR practices in SMEs and social economic entities.

    The Ministry of Employment and Social Security will start orientation programs promoting CSR as a tool to improve the external perception of the firm and its capacity for internationalization, specifically directed at SMEs.

(b) Encourage the incorporation of social, environmental and human rights, and ethical criteria for public procurement.

(c) Promote the provision of counseling and guidance to SMEs, social economic entities, entrepreneurs, and freelancers interested in operating in partner countries with Spanish Cooperation.

However, since only three actions among the 60 included in the *Spanish CSR Strategy* mention SMEs, it still seems insufficient to truly promote CSR initiatives among SMEs. Furthermore, according to Reverte (2014), the dispositions set out in the *Spanish CSR Strategy* need in most cases a further regulatory development. However, they lay the foundations for the consolidation of a real sustainability culture in Spain.

4.3 CSR Initiatives Implemented by Spanish Enterprises Listed on the IBEX35

According to Jenkins (2004) SMEs have incorporated CSR practices in their management differently than large companies, mainly due to the differences in ownership structure, strategic direction, characteristics of the manager/owner and their local level. Therefore, in this section, CSR initiatives of large listed companies will be analysed.

Previous research about CSR initiatives in large Spanish companies has focused on a specific year (Gallego-Alvarez, 2008; OCSR, 2012) and therefore, analysis about the evolution of the implementation of CSR initiatives could not be performed. The analysis in this section will advance in previous knowledge by showing the evolution of CSR initiatives in listed firms and comparing these initiatives in different regions of Europe.

What are the CSR initiatives implemented by Spanish enterprises listed on the IBEX35 and how they have evolved?

Knowledge of the implementation of initiatives related to the environment, social issues, and corporate governance is as important as the evolution of such initiatives in the companies included on the Ibex35 index. This section intends to provide an overview of those policies, focusing on how companies have evolved, with what strategies, and which of them demonstrated major effectiveness. In 2005 only 25 companies disclosed information—available in the *Datastream* database—regarding the implementation of environmental, social, and governance policies, with 32 disclosing companies in 2012.

When implementing environmental issues related to emissions reduction, resource reduction and product innovation (see Table 4.1), it is important to note the evolution of management commitment and effectiveness from 2005 to 2012, especially with regards to product innovation, increasing nearly 30 %. Policies to reduce emissions and to improve energy efficiency, as well as the use of environmental criteria in the supplier and sourcing partner selection process, were implemented by more than 90 % of companies in 2012. The main weakness regarding environmental issues was related to the initiative to reduce the energy footprint of companies' products, with only a quarter of the companies reporting such a policy within their environmental strategy.

Table 4.1 Overview of policies related to environmental performance in Ibex 35 companies

Category	Description	2005 (25)	2012 (32)
Emissions reduction	It measures a company's management commitment and effectiveness towards reducing environmental emissions in production and operational processes (0 to 100)	71.01	80.71
	Does the company have a policy to reduce emissions? (Yes/No)	52.00 %	93.75 %
	Does the company show an initiative to reduce, reuse, recycle, substitute, phase out or compensate CO2 equivalents in the production process? (Yes/No)	32.00 %	37.50 %
	Does the company report on initiatives to reduce the environmental impact of transporting its products or its staff? (Yes/No)	8.00 %	87.50 %
Resource reduction	It measures a company's management commitment and effectiveness towards achieving the efficient use of natural resources in the production process (0 to 100)	79.20	83.86
	Does the company have a policy to improve its energy efficiency? (Yes/No)	56.00 %	96.88 %
	Does the company make use of renewable energy? (Yes/No)	44.00 %	84.38 %
	Does the company report environmentally friendly or green sites or offices? (Yes/No)	4.00 %	46.88 %
	Does the company have a policy to improve its water efficiency? (Yes/No)	24.00 %	78.13 %
	Does the company use environmental criteria (ISO 14000, energy consumption, etc.) in the selection process of its suppliers or sourcing partners? (Yes/No)	48.00 %	93.75 %
Product innovation	It measures a company's management and effectiveness with regard to supporting the research and development of eco-efficient products or services (0 to 100)	56.37	72.94
	Does the company have initiatives in place to reduce the energy footprint of its products during their use? (Yes/No)	4.00 %	25.00 %

Source: Authors from information found in the Datastream database

However, the former action, together with the activities related to reporting environmental issues (initiatives to reduce the environmental impact of transportation and the use of green sites) saw a major increase from 2005: 1 or 2 out of 25 in 2005 up to 25 or 28 out of 32 companies in 2012.

Social policies can be divided into several categories, such as employment quality, health and safety, training and development, diversity, human rights, community and product responsibility (see Table 4.2). Management commitment and effectiveness regarding these issues in analyzed companies have increased in the last few years, especially in terms of actions related to the company's reputation in the general community (local, national and global), going from 59.02 in 2005 to 77.05 in 2012. However, companies' management commitment and effectiveness towards both maintaining corporate reputation within the general community, and

Table 4.2 Overview of policies related to social performance in Ibex 35 companies

Category	Description	2005 (25)	2012 (32)
Employment quality	It measures a company's management commitment to and effectiveness in providing high-quality employment benefits and job conditions (0 to 100)	65.78	84.68
	Does the company have a competitive employee benefits policy or ensure good employee relations within its supply chain? (Yes/No)	68.00 %	90.63 %
	Does the company have a policy for maintaining long-term employment growth and stability? (Yes/No)	72.00 %	75.00 %
Health and safety	It measures a company's management commitment to and effectiveness in providing a healthy and safe workplace (0 to 100)	59.67	70.53
	Does the company have a policy to improve employee health and safety within the company and its supply chain? (Yes/No)	96.00 %	96.88 %
Training and development	It measures a company's management to and effectiveness in providing training and development (education) for its workforce (0 to 100)	79.30	83.73
	Does the company have a policy to support the skills training or career development of its employees? (Yes/No)	88.00 %	100.00 %
Diversity	It measures a company's management commitment to and effectiveness in maintaining diversity and equal opportunities in its workforce (0 to 100)	67.50	82.90
	Does the company have a work-life balance policy? (Yes/No)	64.00 %	87.50 %
	Does the company have a diversity and equal opportunity policy? (Yes/No)	84.00 %	96.88 %
Human rights	It measures a company's management commitment to and effectiveness in respecting the fundamental human rights conventions (0 to 100)	77.61	82.73
	Does the company have a universally applied policy to guarantee the freedom of association, independent of local laws? (Yes/No)	84.00 %	96.88 %
	Does the company have a policy for the prevention of child labor? (Yes/No)	92.00 %	96.88 %
Community	It measures a company's management commitment to and effectiveness in maintaining the company's reputation within the general community (local, national and global) (0 to 100)	59.02	77.05
	Does the company have a policy to strive to be a good corporate citizen or endorse the Global Sullivan Principles? (Yes/No)	64.00 %	96.88 %
	Does the company have a policy to respect business ethics, or has the company signed the UN Global Compact or follow the OECD guidelines? (Yes/No)	80.00 %	96.88 %

(continued)

Table 4.2 (continued)

Category	Description	2005 (25)	2012 (32)
Product responsibility	It measures a company's management commitment to and effectiveness in creating value-added products and services upholding the customer's safety (0 to 100)	65.84	82.09
	Does the company have a policy to protect customers' health and safety? (Yes/No)	84.00 %	96.88 %
	Does the company have a products and services quality policy? (Yes/No)	52.00 %	93.75 %

Source: Authors from information found in the Datastream database

providing for a healthy and safe workplace, featured lower values as compared to the other categories (less than 80).

The implementation of social actions was quite widespread amongst Spanish companies. In 2012 all the companies in the Ibex35 had a policy to support the training skills and career development of their employees, representing one of the highest management commitment and effectiveness values. Additionally, all companies in the Ibex35 (excluding the company *Distribuidora International de Alimentación)* had a policy to improve employee health and safety within the company and its supply chain, and a diversity and equal opportunity policy in 2012; a policy to guarantee the freedom of association, and a policy to prevent child labor (except the company *Grifols*); a policy to strive to be a good corporate citizen (except the company *Viscofan*); a policy to respect business ethics (except *Distribuidora Internacional de Alimentación*) and a policy to protect customer health & safety (except the company *Amadeus*).

The most significant change in the last few years has been the development of a products and services quality policy, implemented by half of the companies in 2005 and by 93.75 % of companies in 2012. Efforts to be a good corporate citizen also rose from 64.00 % of companies with a policy in 2005 to 96.88 % of companies in 2012. Employment-related policies, such as a competitive employee benefits policy and a work-life balance policy, were extensively implemented in the period analyzed, increasing from 68.00 % of companies to 90.63 % of companies in the first case, and from 64.00 % of companies to 87.50 % of companies in the second case.

Considering the high level of social policy implementation, something that catches our attention is the fact that only three out of every four companies have a policy for maintaining long-term employment growth and stability, especially when the commitment and effectiveness towards providing high-quality employment is so high.

Policies related to corporate governance include the areas of board structure, board function, compensation policy, shareholder rights, and vision and strategy (see Table 4.3). The implementation of strategies and their development did not demonstrate managerial commitment and the effectiveness of those practices in the sample analyzed, which was lower than expected in large listed companies.

Table 4.3 Overview of policies related to corporate governance performance in Ibex 35 companies

Category	Description	2005 (25)	2012 (32)
Board structure	It measures a company's management commitment to and effectiveness in following best practice corporate governance principles related to a well-balanced membership of the board (0 to 100)	39.87	41.75
	Does the company have a policy for maintaining a well-balanced membership of the board? (Yes/No)	100.00 %	100.00 %
Board function	It measures a company's management commitment to and effectiveness in following best practice corporate governance principles related to board activities and functions (0 to 100)	47.70	62.18
	Does the company have an audit committee with at least three members and at least one "financial expert" based on the Sarbanes-Oxley definition? (Yes/No)	12.50 %[a]	70.97 %[b]
Compensation policy	It measures a company's management commitment to and effectiveness in following best practice corporate governance principles related to competitive and proportionate management compensation (0 to 100)	34.24	61.51
	Does the company have a policy for performance-oriented compensation that attracts and retains senior executives and board members? (Yes/No)	52.00 %	96.88 %
Shareholder rights	It measures a company's management commitment and effectiveness in following best practice corporate governance principles related to a shareholder policy and equal treatment of shareholders (0 to 100)	48.21	66.74
	Does the company have a policy for ensuring equal treatment of minority shareholders, facilitating shareholder engagement, and limiting the use of anti-takeover measures?? (Yes/No)	81.82 %	100.00 %
Vision and strategy	It measures a company's management commitment and effectiveness in the creation of an overarching vision and strategy integrating financial and extra-financial aspects (0 to 100)	81.20	85.29
	Is the company openly reporting the challenges or opportunities of integrating financial and extra-financial issues, and the dilemmas and trade-offs it faces? (Yes/No)	8.00 %	59.38 %
	Does the company have a CSR committee or team? (Yes/No)	4.00 %	93.75 %

(continued)

Table 4.3 (continued)

Category	Description	2005 (25)	2012 (32)
	Is the company's CSR report published in accordance with GRI guidelines? (Yes/No)	100.00 %[c]	100.00 %[d]
	Does the company's extra-financial report take into account its global activities? (Yes/No)	32.00 %	100.00 %
	Does the company have an external auditor of its CSR/H&S/Sustainability report? (Yes/No)	28.00 %	96.55 %[e]

Source: Authors from information found in the Datastream database
[a]24 disclosing companies
[b]31 disclosing companies
[c]6 disclosing companies
[d]30 disclosing companies
[e]29 disclosing companies

Nevertheless, as we will see later, Spanish companies were, in this respect, in line with or even superior to other European companies from the UK, France and Germany.

All companies have a stable policy for maintaining well-balanced board membership; however, the effectiveness of this policy is very limited, having increased from 39.87 in 2005 to 41.75 in 2012. Policies related to the composition of the audit committee has improved over the last few years—in 2005, only 3 out of 24 companies implemented this policy; in 2012, 22 of 31 did, although its effectiveness was quite limited too. The same is true of policies related to compensation for senior executives and board members, and those related to ensuring shareholders' rights; although more companies have progressively implemented these kinds of actions (the number of companies increased by 86.30 % in the first case and 13.64 % in the second case), the efficiency value stands around 65.

In contrast, the integration of financial and extra-financial aspects has proved to be important and efficient in Spanish companies, with management commitment and effectiveness towards those visions and strategies reaching high values in 2005, and being maintained in 2012. This commitment is shown in the trend in reporting challenges and opportunities with regards to this integration: only 2 out of 25 companies implemented this policy in 2005, while nearly 60 % of them did so in 2012.

Excluding the issuance of a CSR report according to GRI guidelines, which remains stable, with all available companies implementing it (6 companies in 2005 and 29 companies in 2012), the trends in terms of the other actions were surprising. Along this line, in 2012 all companies took the global activities of the company into account in an extra-financial report—only 32 % of companies did so in 2005—and almost every company had an external auditor for the CSR report (only 28 % externally audited the report in 2005). However, the real commitment and interest that Spanish companies have in CSR topics is evidenced by the increasing number of companies that have incorporated a CSR committee or team into their structure: whereas in 2005 only the company *Gamesa Corporación Tecnológica* claimed to

Table 4.4 Evolution of average scores (Environmental performance score, social performance score, and corporate governance performance score) in Ibex35 companies classified by sector

Sector (number of companies)	Environmental performance score[a]					Social Performance score[b]					Corporate governance performance score[c]				
	2002	2008	2013	% 2002–2013	% 2012–2013	2002	2008	2013	% 2002–2013	% 2012–2013	2002	2008	2013	% 2002–2013	% 2012–2013
Energy (2)	78.19	92.48	93.45	19.52	1.63	20.25	92.17	94.59	367.11	15.04	6.99	74.30	**89.82**	1184.9	26.13
Materials (2)		**93.01**	91.84	4.77[d]	0.52		73.67	79.98	−0.01[d]	0.00		**86.33**	87.99	24.07[d]	2.43
Industrials (8)	73.98	85.48	91.96	24.31	2.00	68.76	93.63	**97.21**	41.37	3.20	22.37	50.69	34.21	52.96	3.94
Consumer discretionary (3)	83.49	80.84	85.65	2.59	0.23	91.28	90.75	92.29	1.11	0.10	45.38	63.65	72.86	60.56	4.40
Consumer Staples (1)			61.14[e]	−9.38[f]	−9.38			38.03[e]	−9.90[f]	−9.90			66.63[e]	27.84[f]	27.84
Health Care (1)		67.23	93.20[e]	26.65[g]	4.02		62.21	56.51[e]	−1.24[g]	−0.21		21.62	51.81[e]	1000.0[g]	49.13
Financials (8)	51.52	71.12	88.75	72.24	5.07	49.57	91.79	92.80	87.22	5.87	32.98	69.53	84.64	156.61	8.94
Information technology (2)	21.59	90.94	**93.84**	334.65	14.29	67.50	**97.25**	96.54	43.02	3.31	32.03	76.95	88.49	176.27	9.68
Communications (1)	85.04	90.04	92,03[e]	8.22[h]	0.79	90.93	96.95	93.50[e]	2.83[h]	0.28	**70.27**	65.68	72.43[e]	3.07[h]	0.30
Utilities (4)	**94.82**	83.97	84.90	−10.47	−1.00	**97.73**	93.75	94.39	−3.42	−0.32	24.81	51.46	82.62	233.01	11.56

(continued)

Table 4.4 (continued)

Sector (number of companies)	Environmental performance score[a]					Social Performance score[b]					Corporate governance performance score[c]				
	2002	2008	2013	% 2002–2013	% 2012–2013	2002	2008	2013	% 2002–2013	% 2012–2013	2002	2008	2013	% 2002–2013	% 2012–2013

Source: Authors from information found in the Datastream database

[a]The environmental pillar measures a company's impact on living and non-living natural systems, including the air, land, and water, as well as complete ecosystems. It reflects how well a company uses best management practices to avoid environmental risks and capitalize on environmental opportunities in order to generate long-term shareholder value. (Source: Datastream)

[b]The social pillar measures a company's capacity to generate trust and loyalty within its workforce, customers and society, through its use of best management practices. It is a reflection of the company's reputation and the health of its license to operate, which are key factors in determining its ability to generate long-term shareholder value. (Source: Datastream)

[c]The corporate governance pillar measures a company's systems and processes, which ensure that its board members and executives act in the best interests of its long-term shareholders. It reflects a company's capacity, through its use of best management practices, to direct and control its rights and responsibilities through the creation of incentives, as well as checks and balances in order to generate long-term shareholder value. (Source: Datastream)

[d]% 2004/2013

[e]Year 2012

[f]% 2011/2012

[g]% 2006/2012

[h]% 2002/2012

have it; in 2012 only the companies *Distribuidora Internacional de Alimentación* and *Técnicas Reunidas* lacked the abovementioned committee.

Once the content and evolution of CSR initiatives performed in Ibex35 companies had been analyzed, it was important to know whether these actions improved environmental, social, and corporate governance performance. Table 4.4 shows the progression of those average scores in Ibex35 companies by sector, classified by the Global Industry Classification Standard. About half of the Ibex35 companies belong to the financial and industrial sectors, each one with eight companies, followed by utilities (four companies), consumer discretionary (three companies), energy (two companies), materials (two companies), information technology (two companies) and consumer staples (one company), health care (one company) and communications (one company).

Regarding environmental performance scores, the most significant change came in the information technology sector, where the increase from 2012 to 2013 was 334.65 % and the year-on-year average from 2002 was 14.29 %. It was in this sector where the highest average value of the indicator in 2012 could be found, followed by the energy sector, health care, industry, materials, financial, utilities and consumer discretion. The lowest average value came in the consumer staples sector, although the fact that some sectors are composed of only one company forces us to interpret the values with caution.

Regarding the social performance score, the leap on social issues made in the energy sector in the last 10 years was notable, with an increase of 367.11 %. This change was also significant in the financial sector (eight companies), which reflects a general interest in these topics, with an increase of 87.22 %. An increase in the information technology and industrial sectors led them to have the highest social performance scores in the last year. Minor increases were observed in the consumer discretionary, communications, and utility sectors, but this was due to the fact that in those sectors high social performance was observed in 2002, and has remained almost constant for the last 10 years.

The corporate governance score is where the worst performances were observed. In 2002 only the communications sector—composed of the company *Telefónica*—stood out, with a performance of 70.27, which has remained stable throughout the years. Efforts regarding the development of corporate governance policies over the last few years have led to an increase in corporate governance performance, which is now higher in the following sectors: energy, information technology, materials, financials, and utilities. Industrial companies should emphasize corporate governance policies, as their corporate governance performance fails.

The differences found in CSR policies in different countries in Europe (Steurer, Martinuzzi, & Margula, 2012) could justify differences in CSR initiatives.

Therefore, an analysis of the biggest and most important Spanish companies would not be complete without comparing them to equivalent companies in major European economies: the UK (FTSE 100 Index), France (CAC40) and Germany (DAX30) (see Table 4.5).

First of all, it is worthwhile to examine the sectorial composition in each country. Whereas in Spain companies are concentrated in the industrial (eight

Table 4.5 Comparison of average scores (Environmental performance score, social performance score, and corporate governance performance score) in companies listed on the Ibex35 (Madrid Stock Exchange), CAC40 (France), DAX30 (Frankfurt Stock Index) and FTSE 100 Index (London Stock Exchange)

		Environmental performance score					Social performance score					Corporate governance performance score				
Sector		2002	2008	2013	% 2002–2013	% 2012–2013	2002	2008	2013	% 2002–2013	% 2012–2013	2002	2008	2013	% 2002–2013	% 2012–2013
Total	Spain (32)	69.80	83.90	90.05	29.01	2.34	69.43	88.02	92.54	33.29	2.65	33.55	62.24	77.23	130.22	7.88
	France (40)	75.64	88.83	91.54	21.02	1.75	74.72	89.89	90.20	20.72	1.73	38.62	65.38	74.88	93.87	6.20
	UK (100)	75.21	76.34	82.67	9.92	0.86	77.36	80.96	84.74	9.54	0.83	72.34	77.77	84.21	16.40	1.39
	Germany (30)	80.25	89.01	89.25	11.22	0.97	71.03	87.00	90.14	26.90	2.19	21.89	42.17	51.60	135.69	8.11

Source: Authors from information found in the Datastream database companies) and financial (eight companies) sectors; in France they are concentrated in the industrial (eight companies), consumer discretionary (seven companies), and financial (five companies) sectors; in Germany, although the composition is more homogeneous, the predominant sectors are materials (six companies) and consumer discretionary (six sectors). Finally, the most represented sectors in the UK are the financial (25 companies) and consumer discretionary (24 companies) sectors.

The highest value for the environmental performance score in 2013 is observed among French companies, although the best advance came among Spanish companies, with a year-on-year average variation of 2.34 %. The score for German companies was highest in 2002, which increased 11.22 % until 2013. Companies in the UK had the lowest environmental performance score in 2013, burdened by the information technology sector (69.26). However, this sector saw major environmental progress in the four countries, followed by the financial sector.

In Spain the sectors with the most progress were the information technology (334.65 % up to a score of 93.84) and financial sectors (72.24 % up to a score of 88.75), whereas the utilities sector featured a downturn (−10.47 % to a score of 84.90). Differences in progress in the other countries are noteworthy in the case of the financial sector (72.24 % as opposed to 22.95 % in France, 20.10 % in the UK and 48.91 % in Germany), health care (26.65 % as opposed to 9.23 % in France, 2.85 % in the UK and −2.94 % in Germany) and energy (19.52 % as opposed to 0.31 % in France and −10.24 % in the UK).

The negative trends observed in United Kingdom companies were remarkable in many of its sectors: industrial (−17.44 % to a score of 72.43); energy (−10.34 % to a score of 81.49); consumer staples (−7.41 % to a score of 87.67) and communications (−1.35 to a score of 92.93). Although high initial scores did not suffer very much, this development is a clear warning for companies' environmental policies.

The highest value for the social performance score in 2013 was observed among Spanish companies, which also displayed the most progress, with a year-on-year average variation of 2.65 %. Again, companies in the UK presented a lower social performance score (84.74) and a lower increase (9.54 %), whereas French and German companies surpassed the value of 90, with an increase of over 20 % in the last 10 years.

In Spain, sectors that saw superior development were the energy (367.1 % up to a score of 94.59) and financial sectors (87.22 % up to a score of 92.80) whereas the materials, consumer staples, and health care sectors featured a slightly negative trend.

Differences in progress in the other countries were noteworthy in the case of the energy (367.1 %, as opposed to negative evolution in France and the UK), financial (87.22 % as opposed to 11.10 % in France, −4.37 % in the UK and 25.75 % in Germany) and industrial sectors (41.37 % as opposed to 20.67 % in France, −12.29 % in the UK and −10.71 % in Germany).

Spanish companies, meanwhile, in the materials, consumer discretionary, consumer staples, and utilities sectors registered limited or even negative trends, whereas France, the UK and Germany considerably improved their scores.

Ratifying the belief that corporate governance in the UK is the most highly developed, and that to which any country should aspire (it was, after all, after the Cadbury Report, which was released in 1992, when most of countries began to develop corporate governance codes) it is not surprising that the highest corporate governance performance score was found in the abovementioned country, followed by Spain, France and Germany. Germany, in spite of the highest increase from 2002, had the lowest score in 2013, and presented deficiencies in practically all sectors.

This is clearly the unresolved issue among the European countries. In spite of the efforts and progress from 2002, it has not been enough. It is necessary to emphasize the progress of the energy sector in Spain (1,184.9 % up to a score of 89.92), superior to France and the UK, utilities (233.01 % up to a score of 82.62), and the information technology sectors (176 % up to a score of 88.49).

4.4 CSR Initiatives in Non-profit Organizations

The interest in CSR goes beyond the business world. Its conceptual content includes elements of interest and reflection that can be useful for non-profit organizations as well as relevant social actors. Non-Governmental Organizations (NGOs) are one of the groups that arouse the greatest public interest, due to the social and economic impact of their actions on the environment. Among the information required by stakeholders there is a growing interest in information on Social Responsibility (SR) in this sector (Rodríguez, Pérez, & Godoy, 2012). As Ebrahim (2005) points out, transparency in SR within the NGO sector helps to mitigate fraud scandals and meet the information needs of different stakeholders, such that the disclosure of SR is a response to the demands of the main funders of the NGO. The disclosure of responsible management promotes access to external financing, which is vital for the survival of NGOs (De Castro, 2005); it strengthens NGOs' legitimacy (Crespy & Miller, 2011); and creates coherence between the values of the organization and the activities that it performs (Vidal, Torres, Guix, & Rodríguez, 2005).

The Spanish non-profit sector is similar to those of Germany and France in size, and shares a number of common features with those countries, as well as with Austria (García-Mainar & Marcuello, 2007; Salamon, Anheier, Toepler, Sokolowski, & Associates, 1999). Non-profits have become increasingly interested in the Spanish economy over the past few decades. In particular, interest has focused on NGOs because they are the nonprofits that marshal the most resources and receive the greatest pressure in Spain (Andrés, Cruz, & Romero-Merino, 2004). However, in Spain, as in most countries, there is no transparency law for non-profits. The legal prohibition on the distribution of profits that characterizes these entities was traditionally understood as a guarantee of good behavior by their managers. Consequently, they did not seem to necessitate additional internal governance mechanisms that would protect donors. However, financial scandals involving NGOs have demonstrated the failure of this legal restriction to ensure responsible conduct on the part of their employees (Ben-Ner & Gui, 2003; Jensen, 1994). Donors' confidence in NGOs calls for the establishment of control mechanisms to ensure the efficient use of resources and, to this end, the adaptation of internal governance mechanisms for non-profits is presented as necessary (Romero-Merino, Azofra-Palenzuela, & Andrés-Alonso, 2008).

Internationally, the Global Reporting Initiative (GRI) published the final version of the NGO sector supplement in May 2010. This supplement was developed based on the G3 Guidelines (2006) and updated in May 2013 following the launch of the G4 Guidelines. The supplement for the NGO sector deems it necessary to present information evidencing the usefulness of their activities and their coordination with the organization's mission. Moreover, in the economic dimension, it highlights the importance of demonstrating the independence of the NGO, and socially responsible investment and good practices in the management of available resources, by incorporating two economic indicators: the appropriate allocation of resources and ethical fundraising.

Along with the efforts and progress of the GRI, there are other proposals for NGOs' sustainability reports. As Rodríguez et al. (2012) summarize, these initiatives were only recently created and address information on each of the three aspects of the *triple bottom line* (social, economic and environmental information). However, there is no homogeneous behavior in the volume of information provided for each of these axes. These reports also include information on the management of the organization, mainly regarding aspects related to its mission, values, government and financial information.

4.4.1 What Are the CSR Initiatives Implemented by Spanish NGOs?

In Spain, the *Guide of Transparency and Good Practices for NGOs*, proposed by the *Lealtad Foundation*, is the most relevant voluntary mechanism for NGOs' social accountability, and has served as a reference for potential donors and non-profits since its birth in 2001. The foundation assesses NGOs' compliance with nine principles with regards to transparency, good governance and good management practices (see Annex 4.1 for a description of the nine principles). Among other information, the Foundation examines the origin of the NGO, its governance, its activities, how it is financed, its volunteer promotion, the transparency of its information, and its compliance with legal obligations. This information allows the donor to better understand the work and the reality of NGOs, and to have objective criteria when deciding which organization to collaborate with.

The efforts made by the Foundation have enjoyed remarkable acceptance among NGOs, as evidenced by the increasing numbers of them involved. In this regard the number of NGOs included in the Guide rose 405 % from 2002–2014 (see Table 4.6).

Table 4.6 Number of NGOs that adhere to the Lealtad foundation's guide of transparency and good practices

Year	NGOs
2002	40
2003	68
2005	100
2006	115
2007	117
2008	122
2009	131
2014	202

Source: Authors from information provided by the Lealtad Foundation

At present,[4] 202 NGOs have participated in the Guide of Transparency and Good Practices, with an operating expenses budget of 1,128,201,136 euros. These organizations boast 1,387,351 members, 24,921 employees and 64,101 volunteers. Their activities and programs reach 85,722,751 people, both in Spain and in developing countries.

According to the Report from the *Lealtad* Foundation (Fundación Lealtad, 2010), the average level of compliance with the Principles of Transparency and Good Practices has improved, with significant progress in the area of Good Governance.

In total, the average level of compliance with the Principles of the Guide of Transparency and Good Practices is around 90 % (Fundación Lealtad, 2013). These results have been possible thanks to both the significant efforts by NGOs to implement good practices, and the support given by the Foundation through briefings, the development of specific documentation, exchanging good practice cases, individualized meetings to clear up questions, etc.

In a more detailed analysis, despite most principles from the Lealtad Foundation Guide being observed by most NGOs (see Fig. 4.2), 24.5 % do not fully comply with principle one, regarding the governance of the NGO, 25.6 % do not fully comply with principle six, regarding plurality in financing, and 17.1 % do not fully comply with principle seven, regarding the oversight of fund usage.

However, compliance with the principles can depend on the activity upon which the NGO focuses. NGOs have been classified according to four types of activity: environment (2 % of the sample), development cooperation (27 %), humanitarian aid (9 %) and social action (62 %).

Figure 4.3 shows the degree of compliance with the principles of the Guide based on the NGO's type of activity. Most of them meet the principles of transparency and good practices proposed by the Foundation. In particular, 80 % of environmental NGOs, 44.93 % of NGOs dedicated to development cooperation, 54.55 % of NGOs active in humanitarian aid, and 32.30 % of NGOs for social action, comply with all the principles.

[4] Information available on the *Lealtad* Foundation's website, September 2014.

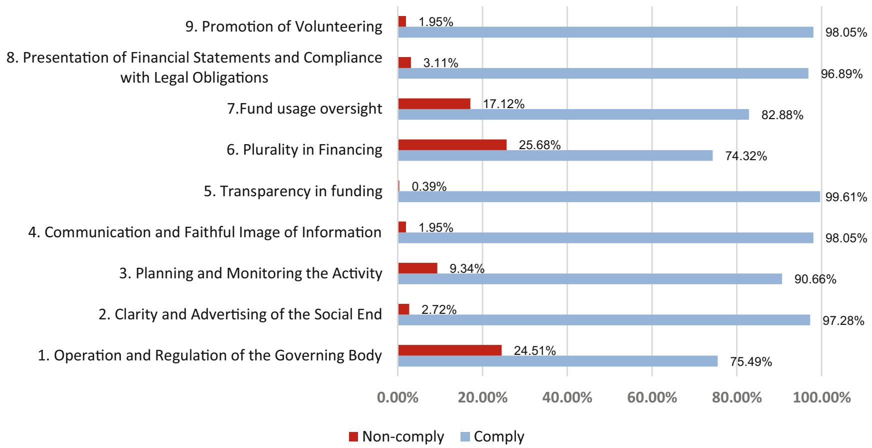

Fig. 4.2 Percentage of Spanish NGOs that complies/does not comply with the principles of the Lealtad Foundation's Guide (*Source*: Authors from information provided by the Lealtad Foundation)

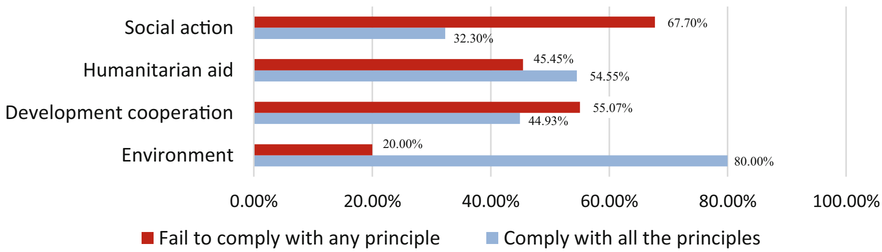

Fig. 4.3 Percentage of Spanish NGOs, by type of activity, that comply/do not comply with the principles of the Lealtad Foundation's guide (*Source*: Authors from information provided by the Lealtad Foundation)

4.4.2 What Principles Do NGOs Most Often Fail to Comply with?

(a) Principle Six, concerning plurality in funding.

The existence of a major donor in any nonprofit organization has been widely criticized because it is understood as undermining the entity's independence.

As shown in Table 4.7, 21.74 % of NGOs for development cooperation, 13.64 % of NGOs from the humanitarian aid sector, and 21.12 % from the social action sector fail to comply with item 6B, which states that "the organization will have a variety of external financiers favouring the continuity of their business, and that none of them shall provide more than 50 % of total

Table 4.7 Percentage of Spanish NGOs, by sector of activity, that fail to comply with the principles of the Lealtad foundation's guide of transparency and good practices

Principle		Item	Environment	Development cooperation	Humanitarian aid	Social action
1	Operation and regulation of the governing body	A	0.00 %	1.45 %	0.00 %	1.86 %
		B	0.00 %	5.80 %	4.55 %	6.21 %
		C	0.00 %	14.49 %	9.09 %	8.07 %
		D	0.00 %	0.00 %	0.00 %	0.00 %
		E	20.00 %	2.90 %	4.55 %	6.21 %
		F	20.00 %	1.45 %	0.00 %	1.24 %
		G	0.00 %	1.45 %	0.00 %	2.48 %
2	Clarity and advertising of the social end	A	0.00 %	1.45 %	0.00 %	0.00 %
		B	0.00 %	2.90 %	4.55 %	1.86 %
		C	0.00 %	0.00 %	0.00 %	0.00 %
3	Planning and monitoring the activity	A	0.00 %	2.90 %	0.00 %	5.59 %
		B	0.00 %	4.35 %	0.00 %	5.59 %
		C	0.00 %	0.00 %	0.00 %	0.00 %
		D	0.00 %	0.00 %	0.00 %	0.00 %
		E	0.00 %	0.00 %	0.00 %	0.00 %
		F	0.00 %	0.00 %	0.00 %	0.62 %
4	Communication and faithful image of information	A	0.00 %	4.35 %	0.00 %	0.62 %
		B	0.00 %	0.00 %	0.00 %	0.00 %
		C	0.00 %	1.45 %	0.00 %	0.00 %
		D	0.00 %	0.00 %	0.00 %	0.62 %
5	Transparency in funding	A	0.00 %	1.45 %	0.00 %	0.00 %
		B	0.00 %	2.90 %	4.55 %	1.86 %
		C	0.00 %	0.00 %	0.00 %	0.00 %
		D	0.00 %	0.00 %	0.00 %	0.00 %
		E	0.00 %	0.00 %	0.00 %	0.00 %
		F	0.00 %	0.00 %	0.00 %	0.00 %
6	Plurality in financing	A	0.00 %	7.25 %	18.18 %	3.11 %
		B	0.00 %	21.74 %	13.64 %	21.12 %
7	Fund usage oversight	A	0.00 %	0.00 %	0.00 %	0.00 %
		B	0.00 %	0.00 %	0.00 %	0.00 %
		C	0.00 %	5.80 %	0.00 %	12.42 %
		D	0.00 %	2.90 %	0.00 %	0.00 %
		E	0.00 %	4.35 %	0.00 %	1.86 %
		F	0.00 %	2.90 %	4.55 %	2.48 %
		G	0.00 %	0.00 %	0.00 %	0.00 %
		H	0.00 %	0.00 %	0.00 %	0.00 %
		I	0.00 %	4.35 %	0.00 %	1.24 %
8	Presentation of financial statements and compliance with legal obligations	A	0.00 %	1.45 %	0.00 %	0.62 %
		B	0.00 %	4.35 %	4.55 %	1.24 %

(continued)

Table 4.7 (continued)

Principle		Item	Environment	Development cooperation	Humanitarian aid	Social action
9	Promotion of volunteering	A	0.00 %	1.45 %	0.00 %	1.24 %
		B	0.00 %	0.00 %	0.00 %	0.00 %
		C	0.00 %	0.00 %	0.00 %	0.62 %
		D	20.00 %	0.00 %	0.00 %	0.00 %

Source: Authors from information provided by the Lealtad Foundation

revenues of the organization continuously for the past two years." Moreover, 7.25 % of NGOs for development cooperation, 18.18 % of NGOs for humanitarian aid and 3.11 % of NGOs for social action fail to comply with item 6A, which states that "the organization should diversify their funding from public and private funds, and that, in any case, private income will be less than 10 % of total revenues." From 2005 to 2009, Spanish NGOs were able to reduce their great dependence on their major funders. However, in recent years, a public funding increase in absolute terms has led NGOs to increase their overreliance on single donors (Fundación Lealtad, 2013).

However, previous empirical evidence in Spain has shown that financial dependence on a donor is not, in fact, a problem when it comes to the efficient allocation of resources. Romero-Merino et al. (2008) found that, in a sample of 124 Spanish foundations, if the company remains faithful to their original goals, a higher proportion of revenues from the contribution of a single donor, especially if it is of an institutional nature, has a positive effect on the organization's efficiency. Also, Andrés, Cruz, and Romero-Merino (2006) found that greater public contributions to NGOs resulted in better performance, as a result of the public's effective monitoring procedures.

(b) Principle One, which refers to operation and regulation of the governing body.

In particular, in 14.49 % of NGOs for development cooperation, 9.09 % of NGOs for humanitarian aid, and 8.07 % of NGOs for social action, the members of the governing body do not attend, in person or by videoconference, at least one meeting per year (item 1C). Moreover, the governing body of 5.80 % of NGOs for development cooperation, 4.55 % of NGOs for humanitarian aid, and 6.21 % of NGOs for social action, do not convene at least two times a year, physically or by videoconference, more than 50 % of the members of the governing body (item 1B). Additionally, in 20 % of environmental NGOs, 2.90 % of NGOs for development cooperation, 4.55 % of NGOs for humanitarian aid and 6.21 % of NGOs for social action, more than 40 % of members receive compensation of some kind, coming from both the specific organization and other related entities (item 1E). The level of non-compliance with other recommendations, such as having more than five members on the governing body, renewal on a regular basis of the governing body's members, and the existence of mechanisms to prevent conflicts of interest within the governing body, is very low.

Recent academic work on non-profit governance, stresses that there are no effective oversight mechanisms (Fisman & Hubbard, 2003; Glaeser, 2003; O'Regan & Oster, 2005), such that these organizations require internal governance mechanisms for their supervision (Andrés et al., 2006). Agency theory and contractual literature assert that there are features of the board (such as its size, composition, internal structure, and founders' commitment) that help to guarantee the efficiency of the nonprofit organizations (Callen, Klein, & Tinkelman, 2003; Herman & Renz, 2004). However, Andrés et al. (2006) found, for a sample of NGOs during the 1995–2001 period, that the presence of an active institutional donor provides an oversight mechanism for these NGOs, thus favoring the efficient allocation of resources, whereas the structure of the board of trustees is irrelevant in this respect. This result suggests that, although the boards are the legal representative of the activity carried out by these organizations, some employers or members of the board lack the knowledge considered relevant to the performance of their role in the NGO, and, in practice, their roles are reduced to the approval of the annual accounts and budgets (Andrés et al., 2004). The result may also indicate that although some directors are professionals well trained to support the organization in achieving its mission, in practice their role is often constrained by the limited availability of time, since most directors work full time in the lucrative private sector (Cavanna & Martínez, 2003).

(c) Principle Seven, which refers to oversight of fund usage.

In particular, 5.80 % of NGOs for development cooperation and 12.42 % of NGOs for social action did not meet the requirements related to the elaboration, content, approval and publicity of the budget (item 7C). Andrés et al. (2006) point out that regulators cannot put their trust in the boards of NGOs as controllers of funds, and that public donors will be pressured to monitor their resources on their own. However, it must be noted that deterioration in the financial condition of the entities due to the economic crisis has been observed, affecting compliance with Principle 7 (Fundación Lealtad, 2013).

Table 4.7 summarizes the information outlined above and shows high compliance with the other items.

4.5 Conclusions

Conscious of companies and societies' long-term benefits derived from the implementation of CSR initiatives, not only governments, but also private and public companies, have been working on promoting such initiatives.

However, the different CSR initiatives' focuses on each kind of organization can vary according to their size or priorities. Thus, three types of organizations have been analyzed in this paper: small enterprises, listed companies, and NGOs.

Almost 40 % of Spanish companies (according to a sample of 1,031 companies, including SMEs, interviewed by Forética) have a formalized CSR policy or at least a defined CSR policy (although not formalized).

Most initiatives are focused on working conditions or environmental protection. Employees' health and safety programs, plans for environmental protection and for energy efficiency, gender equality and work-life balance constitute the most common practices among Spanish companies (generally practiced by 60 % of companies). However, there are initiatives implemented with less frequency (less than 15 % of companies), such as the monitoring of CSR in the supply chain, the formulation of codes of conduct, and the elaboration of CSR reports.

The *Spanish CSR Strategy* still has a great deal of work to do to deal with regards to promoting CSR, responsible consumption, and relationships with suppliers, among other CSR initiatives.

Therefore, additional resources should be allocated to promote the integration of CSR practices among SMEs. These companies are still reluctant to report this type of information due to the lack of understanding in many cases of CSR, the perception of costs of implementing CSR and the lack of training or resources to implement CSR (Reverte, 2014).

Focusing on Spanish enterprises listed on the IBEX35, three groups of initiatives have been analyzed: environmental policies, social policies and corporate governance policies. Although there can be differences across the sectors, Spanish companies have seen the greatest increase in environmental performance, social performance and corporate governance performance scores since 2002, as compared with the major European economies (the UK, France and Germany) using the *Datastream* database. In 2013, their environmental performance score (90.05) came in only behind France, their social performance score was the highest (92.54), and their corporate governance score (77.23) was only behind the UK. The low level of this latter score shows the need of the *Spanish CSR Strategy* to continue working on the corporate governance pillar to ensure that board members and executives act in the best interest of their long-term shareholders.

Corporate governance is also an issue that needs to be improved in NGOs. Despite most principles of the *Lealtad Foundation Guide* being respected by most Spanish NGOs, 24.5 % do not fully comply with principle one, regarding the governance of the NGO, 25.6 % do not fully comply with principle six, regarding plurality in financing, and 17.1 % do not fully comply with principle seven, regarding overseeing the use of funds.

In conclusion, Spanish companies have made a great effort to implement CSR initiatives, as shown by the evolution of Spanish companies present in the CSR reports, ranking seventh in the world (KPMG, 2011). Also, CSR initiatives implemented by firms to deal with social, economic and environmental challenges in the World and in Spain have significantly increased since 2002. However, Spain still faces two main problems with regard to the implementation of CSR initiatives: the difficulties small enterprises encounter enacting them, and the efficiency of Corporate Governance initiatives. The efficiency of the *Spanish CSR Strategy* in dealing with these topics will need to be evaluated in the future.

Given the exploratory nature of this study, additional research would be necessary to continue expanding our knowledge about CSR practices in Spanish organizations. Future studies could deepen this analysis and research, on the one hand, about the challenges and barriers faced by SMEs, listed companies and NGOs in practicing CSR, and on the other hand, about the consequences of implementing specific CSR initiatives in firm performance and risk.

Annex 4.1. *Principles of the* Lealtad *Foundation's Guide of Transparency and Good Practices*

Principle		Subprinciple	
1	Operation and regulation of the governing body	A	The governing body shall consist of a minimum of 5 members
		B	The governing body shall meet at least 2 times a year, with more than 50 % of the members of the governing body attending physically or by videoconference
		C	All members of the governing body attend, in person or by videoconference, at least one meeting a year
		D	Regarding members of the governing body, their names, professions, public office and kinship, and affinity with other members of the governing body and the management team of the organization shall be made public. The curriculum vitae of the members of the management team shall be made public. The organization will publish the relationships that exist between members of the governing body and the suppliers and co-organizers of the activity
		E	Only a limited number of members of the governing body may receive income of any kind, coming from both the specific organization and other related entities. This percentage will be less than 40 % of the members
		F	The membership of the governing body shall be renewed on a regular basis
		G	There will be mechanisms approved by the governing body to prevent conflicts of interest within the governing body mechanisms. These mechanisms will be made public

(continued)

Principle		Subprinciple	
2	Clarity and advertising of the social end	A	The social order is well defined. It must identify its field of activity and the public to which it is addressed
		B	All activities undertaken by the organization will aim at achieving the social order, so that the organization does not carry out activities that are not explicitly covered in the Statutes
		C	The social order will be known by all members of the organization, including volunteers, and will be easily accessible to the public
3	Planning and monitoring the activity	A	There will be a strategic plan or an annual plan that encompasses the entire organization with quantifiable objectives, schedules, and responsibilities. Objectives related to the project area shall be made public
		B	Planning will need to be approved by the governing body
		C	Over the past 3 years programs have followed a specific line of work
		D	They will have formally defined systems for the control and internal monitoring of activities and beneficiaries. These will be approved by the governing body
		E	The organization shall prepare monitoring and final reports in support of projects, which will be available to funders
		F	The organization will have criteria and a project selection processes and counterparties approved by the governing body
4	Communication and faithful image of information	A	Advertising campaigns, fundraising and public information, will faithfully reflect the objectives and the reality of the organization. Furthermore, they will not mislead
		B	At least once a year donors and partners will be informed about the organization's activities
		C	To communicate effectively, an e-mail address and a working website is required, with information on all activities of the organization and it must be updated at least once a year
		D	The organization will make available, upon request, the annual report of activities and the annual financial report. The annual activity report and financial statements with the corresponding audit report will be accessible through the website

(continued)

Principle		Subprinciple	
5	Transparency in funding	A	The tasks of capturing private and public funds, costs and annual revenue (donations, partners, and other contributions), will be made public
		B	Details on the funds of the major funders, both public and private, shall be made public, and the amounts contributed by them
		C	The allocation of proceeds to the activity each year, properly documented, will be known
		D	If personal data are requested, the organization shall include the relevant information for the current legislation on personal data through its data collection means. The organization has registered its files of partners and individual donors in the Data Protection Agency
		E	There will be selection criteria for companies and collaborators approved by the governing body
		F	The agreements for the transfer of the company logo to companies and institutions must be formalized in writing. The clauses of logo transfer will not be confidential
6	Plurality in financing	A	The organization should diversify its funding from public and private funds. In any case, private income will be less than 10 % of total revenues
		B	The organization will have a variety of external financiers favouring the continuity of the business. None of them shall provide more than 50 % of total revenues of the organization continuously for the past 2 years

(continued)

Principle		Subprinciple	
7	Fund usage oversight	A	The distribution of operating costs grouped in the categories of Fundraising, Activity-Programs and Administration-Management, will be known. The use of funds, broken down by each project and activity line of the organization, will also be known
		B	There will be a breakdown of the main suppliers and co-organizers of the activity. The organization will have a policy for the approval of costs, and a supplier selection criteria approved by the governing body
		C	The organization shall prepare an annual budget for the following year, with corresponding explanatory report, and shall present the income and expenditure budgets of the previous year. The budget and the settlement will be approved by the governing body and shall be made public
		D	The organization will not have excessive resources in the past 2 years
		E	The organization will not submit an unbalanced financial structure over the last 3 years
		F	Investments must meet certain requirements of reasonable care
		G	In the event of having financial investments, the organization will have investment rules approved by the governing body
		H	Investments in unlisted companies are related, and will directly assist the attainment of social order
		I	The organization will respect the will of donors, and monitoring systems for targeted funds will be established. Funds from sponsorship will be considered as targeted funds
8	Presentation of financial statements and compliance with legal obligations	A	The organization certifies the fulfillment of legal obligations towards the Tax Administration, Social Security and Protectorate, or corresponding register
		B	The organization shall prepare annual accounts in accordance with the General Accounting Plan for Non-Profit Entities, which will be subject to an external audit and approved by the General Assembly or the Board

(continued)

Principle		Subprinciple	
9	Promotion of volunteering	A	The organization will promote the participation of volunteers in their activities
		B	Those activities that are open to be engaged in by volunteers will be defined. The document in which such activities are designated will be public
		C	There will be a training plan consistent with designated activities available to volunteers
		D	Volunteers shall be insured in accordance with the risk posed by the activity performed

Source: Own elaboration from information provided by the Lealtad Foundation

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Chapter 5
Formal Cooperation for Developing Sustainability and Corporate Social Responsibility Among Tourism SMEs in Italy: Insights, Limits and Potentialities of the Network Contract

Mara Del Baldo

Abstract This work deals with the theme of businesses' networks through the network contract (Italian Law. n. 33 of 9th April 2009 and subsequent modifications). Furthermore it develops several preliminary reflections that have emerged from an analysis of current literature and from empirical research on the role of the network contract (NC) in sustaining the competitiveness of small and medium-sized enterprises in the tourist sector and at the same time making the most of the territory.

The paper is made up of two main parts. The first presents the theoretical framework focused on forms of inter-firm collaboration which include the network contract. The second part underlines the results of a first exploratory investigation into network contracts drawn up in the tourist sector until 2013 with the aim of identifying, on the basis of the kinds of objectives shared by companies, its potential and impact on the dissemination of the culture of sustainability and responsibility.

The initial results highlight that today the network contract is not yet widely used in the tourist sector, although recent signs of growth indicate a development in the future and its effectiveness for the diffusion of forms of sustainable tourism. Even if the objectives followed through this tool of inter-firm collaboration are mainly geared toward marketing strategies, integration in the tourist industry and internationalization, they contribute to promoting the territory opening up new spaces for economic, social and environmental growth.

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5.1 Introduction

Globalization, increasing competition, and the recent financial crisis have severely distressed small and medium-size European enterprises (SMEs) which need to rethink their strategies and organizational structures in order to be competitive and survive in the long term. In this context and especially in Italy (Rapporto Unicredit, 2011), networking—the establishment of a set of two or more connected business relationships among firms that are conceptualized as collective actor—still appears to be the most viable way to fill SMEs' shortage of capabilities and financial resources, to expand their product offer and market, and to face real challenges (Birley, 1985; Håkansson & Snehota, 1989, 1995; Håkansson et al., 2009), foster growth and confront actual challenges.

The European Union is actively devoted to promoting new forms of collaboration among companies located in different regions or countries (see Small Business Act, 2008, 2011—UE, 2008), since it believes that clusters and other business networks enable SMEs to join forces and collectively face global markets. The Italian government has gone even further by introducing a new legislative instrument called the "network contract" (Italian Law. n. 33 of 9th April 2009 and subsequent modifications) whose aim is to stimulate firms to take a coordinated approach to achieve a common objective (e.g. to innovate, internationalize and strengthen their competitiveness) without losing their independence. This instrument is directed to facilitate firms' dialogue across regions (Cafaggi, 2009, 2011), thus overcoming the logic of industrial districts.

In the tourism sector the difficult national and international scenario has stimulated a profound reflection on the strategies and business activities traditionally carried out by calling companies to formulate innovative responses. Especially for SMEs, which constitute the primary component of the socio-economic fabric in Italy, and which are widespread in the tourism sector, the survival and strengthening of competitiveness are increasingly linked to collaboration. The networking strategies are used to overcoming, at least in part, the limits of fragmentation and lack of resource endowment, to support innovative projects that bring to the fore the managerial qualification (organizational structure, development of innovative activities), without losing the classic attributes of autonomy and flexibility (Ritter, 1999; Aureli & Del Baldo, 2012a, 2012b).

The results of the first national studies indicate that this form of aggregation is in constant and significant growth. An upgrade of January 1st, 2014 detects 1253 network contracts, which are spread all over the Italian provinces and regions and which involve (Infocamere, 2013, 2014) more than 6000 entities, of primarily small-size as well as micro enterprises. Italian SMEs use this instrument to achieve different strategies of growth (i.e. qualitative growth) and long-term objectives, thanks to the flexibility of this form of aggregation. Specifically, a positive trend is registered among some sectors (agriculture, tourism and building sector) in which the network contract allows SMEs to develop and share innovative projects that are the basis of corporate social responsibility (CSR) and sustainability-oriented strategies. For example, it allows SMEs to implement a new offer based on services and products of sustainable tourism (eco-friendly tourism, rural-tourism, disability-oriented tourism and oeno-gastronomic tourism, i.e. "local food and wine" tourism). In addition to these there are brand destination projects that focus on integration with SMEs belonging to other sectors (agriculture, agro-tourism, educational farms) or models of public and private building construction that make extensive use of renewable energy sources in addition to recyclable and natural raw materials (eco-building systems for forms of "sustainable living") (Tinsley & Lynch, 2001; Brent Ritchie & Crouch, 2003).

Departing from this premise, the aim of this work is to verify whether and how this new type of formal cooperation represents a relevant and effective driver of change in touristic SMEs' strategic orientation with regards to CSR and sustainability. Consequently, in the following the paper develops several preliminary reflections that have emerged from an analysis of current literature and from an empirical research on the role of the network contract in sustaining the competitiveness of SMEs in the tourist sector and at the same time making the most of the territory. The basic research question that guides the study is thus summed up in these words: "What is the current state of the diffusion of the network contract in the tourist sector?" And again: Does this form of aggregation facilitate the achievement of sustainable tourism, and contribute to the change of the tourist? Does it improve the development of innovative solutions that orient toward a sustainable tourist offer and contribute to the development of the territory? What are the objectives of the sustainable-oriented tourism included in the networks contracts? The work aims to reply to these questions both from the theoretical and empirical point of view through an explorative study focused on the first Italian tourist networks.

The paper is made up of two main parts. The first briefly presents the theoretical framework focused on forms of inter-firm collaboration (networking strategies) which include the network contract and its practical diffusion. The second part presents the results of a preliminary exploratory investigation into Italian network contracts drawn up (with a specific focus on the tourist sectors) until the end of 2013. The aim of the investigation is to identify, on the basis of the kinds of objectives shared by companies, its potential and its impact on the dissemination of the culture of sustainability and responsibility in the local and national social and economic fabric, thus opening up new spaces for economic, social and environmental growth.

5.2 Theorethical Framework

5.2.1 Networks, Networking Strategies and SMEs

"Network" is a broad concept that can describe many types of interconnected relationships occurring among firms, economic entities and/or individual subjects. Networks may be interpersonal or organisational; they may be limited to bilateral (or dyadic) relations, or they might assume the form of a combination of multiple sub-systems of links. They range from informal relationships to formal agreements, strategic alliances, constellations, consortia, industrial districts and groups (Lorenzoni, 1992; Fletcher, 1994). Among the numerous criteria used to classify the networks proposed in the literature, the most recurrent are based on the following parameters:

- The horizontal or vertical direction of the links (horizontal or vertical networks).
- The presence, or lack thereof, of central actors (a-centric networks, centric networks, managed networks).
- The accord's level of formality (formal and informal networks).
- The presence, or lack thereof, of proprietary links (equity or non-equity).
- The strategic nature of the agreement (strategic or tactical alliances).
- Businesses' desire to aggregate (voluntary or coerced aggregations).
- The functional areas involved (marketing, research and development, production, finance, procurement).

In general, networks assist entrepreneurs in accessing the resources needed for business formation (Aldrich, Rosen, & Woodward, 1987; Johanisson, 2000), to obtain tangible and intangible resources (such as information, finance and labour) and to enhance the entrepreneur's opportunity recognition capabilities (Hills, Lumpkin, & Singh, 1997).

Such inter-organisational relationships seem to be more important for SMEs than for their larger counterparts (Golden & Dollinger, 1993): by collaborating, small firms can share and reduce costs; obtain complementary resources, knowledge and capital; improve learning; start or increase international expansion and, consequently, enhance their competitiveness and profitability (BarNir & Smith, 2002; Coviello, 2006; Wright, Westhead, & Ucbasaran, 2007). Networking strategies represent a valuable approach for SMEs to fill their shortage of capabilities and financial resources and foster innovation and growth (Håkansson et al., 2009). In light of the relevance of the network in SMEs' pathways of survival and development, in the last decade different conceptual models have been developed to analyze a business' propensity to networking, a concept noted in the literature as "networkability" (Österle et al., 2001; O'Donnell, 2004; Uus, 2006).

The main theories that have interpreted businesses collaboration can be synthesized into two approaches: the cost argument (that suggests that networks help individual firms overcome their financial and personnel constraints, which hinder internationalisation, while also providing the best alternative to both transaction costs and coordination costs) (Williamson, 1975) and the resource-based explanation (Grant, 1991). However, most recent studies refer to the network theory perspective (Johanson & Mattsson, 1988) affirming that a firm's strategy is influenced by a variety of network relationships (with customers, suppliers, distributors, regulatory and public agencies as well as other market actors).

Drawing from the afore mentioned theoretical lenses (transaction cost theory, resource-based view and strategy management approach), literature has mainly focused on enterprise motives for collaboration (Glaister & Buckley, 1996), types of relationships, coordination and governance problems and possible effect of inter-firm network structure to performance outcomes such as growth (Powell, Koput, & Smith-Doerr, 1996). Other scholars emphasise the importance of the entrepreneur's relationships (Singh, 2000; Crick & Spence, 2005), suggesting that opportunity recognition is positively related to an entrepreneur's social network.

Inter-firm relationships are perceived by small businesses as instruments that can help implement qualitative pathways to development without necessarily expanding, and helping to obtain the advantages of vertical and horizontal integration and that of diversification (Anderson, Håkansson, & Johanson, 1994; Österle et al., 2001). In other words, they support both defensive, proactive, and consolidational objectives of growth (Nohria & Eccles, 1992; Österle et al., 2001; O'Donnell, 2004).

A systematic reading that is useful for interpreting the aggregative behaviors of SMEs was done by Street and Cameron (2007), who proposed a model that puts causal factors at the base of (antecedent) collaborative relationships into relation with development and planning of strategies, the governance of relations, and outcomes.

The NC, as specified in the following section, felt into the complex and well-articulated context of Italian legislation associated with inter-organizational networks, which ranges from corporate networks on the one hand to contractual networks on the other (Cafaggi, 2009).

5.2.2 The Network Contract: Legislative Profile, Contents and Functions

In Italy, in addition to traditional forms of formalized inter-firm collaboration (i.e. consortia, temporary associations among enterprises, joint ventures, franchising contracts), a new juridical instrument, named "network contract" (hereafter NC), has been introduced (law no. 33 on 9 April 2009 and subsequently modified on 23 July 2009 with law no. 99). Designed by the Italian Government to favor networks among SMEs and increase their level of innovation and competitiveness, this contract has also attracted different types of organisations and additional goals have been attributed to it in practice (Aureli, Ciambotti, & Del Baldo, 2011; Rapporto Unicredit, 2011; Cafaggi, Iamiceli, & Mosco, 2012a, 2012b). For example, it may involve no-profit organisations, universities and other types of institutional entities such as charitable bank foundations, cooperatives, consortia and business associations representing specific categories of enterprises, in addition to traditional for profit enterprises. Moreover, in some cases NCs have been assigned to pursue environmental protection, improve the work culture of a territory, create new job opportunities, besides promoting network members' development and profitability.

It records a steady increase in usage among enterprises (Iamiceli, 2009; Cafaggi, 2011; Unioncamere, 2013). With respect to typical contractual networks, which are formed through interconnected bilateral or plurilateral contracts (a network of connected contracts), and differing from traditional forms of collaboration undertaken through consortiums, ATIs (temporary business associations), joint ventures, franchising contracts and EEIG (European Economic Interest Grouping), this new juridical instrument is characterized by three points:

(a) It is a contract with obligatory outcomes, in virtue of the fact that the parties must agree on a common scope (that is, they must work together on one or more activities).
(b) It is plurilateral (in which two or more parties must be a business by nature).
(c) It has predetermined contents whose aim is to build the parties' innovative capacities and to improve their competitiveness.

Concerning this last characteristic, the following elements must be present in the contract: the strategic objectives that the parties intend to follow, the type of activities that will be carried out collectively, the common entity that is entrusted with the execution of the contract, and the foundation of a mutual fund (or special purpose entities) for the realization of the network's projects. It also spells out the duration of the contract, the rights and the obligations of the parties, and the right to withdraw from the contract.

The NC is defined as "trans-typical", and is applicable to diverse objectives, including: carrying out one or more phases of the production chain, developing activities of research and development in co-operation, organizing a purchasing group or sales group, adopting common production procedures, developing a network brand or common packaging, etc. Therefore, it can be utilized to coordinate activities developed independently of each firm, to manage one or more phases or projects, as well as to develop economic activities together that are either instrumental or collateral depending on the core processes of each participating firm (Cafaggi, 2008). In addition, the law also admits its use for participating in public competitions and for fundraising purposes.

The NC helps businesses that may come from different sectors and geographic areas undertake shared activities; it therefore diverges from the classical logic of industrial districts which are delimited by a specific geographical and productive area (Becattini, 1990). Rather, it creates a temporary link between firms that can be strong or weak depending on the parties' willingness. It also guarantees the independence of the each individual firm, which can autonomously regulate its reciprocal relationships and, differing from other aggregative forms, can respond to obligations with third parties on a limited basis through a mutual fund. Consequently two elements can be critical: the network's governance and the provision of a mutual fund.

Regarding the first point, it is important to emphasize that the execution of the NC is usually made by a common entity (usually a collegial structure), whose composition and decision-making power are established contractually.

Particularly critical is the institution of a mutual fund or of special purpose entities earmarked for carrying out the network's program whose adequacy shows how serious the network's intentions are regarding their parties with whom they enter into relationships.

5.2.3 Sustainable and Responsible Tourism

Before presenting the results of the empirical investigation this section briefly outlines the theoretical and normative framework on sustainable tourism that has developed since the early Seventies in parallel with the raise of awareness of tourism as a critical resource for the economics of regions and countries and a potential drivers of economic and social development (Erlet Cater, 1993; Mowforth & Munt, 1998; Coccoccis & Nijkamp, 1999; Brent Ritchie & Crouch, 2003; Saarinen; 2006; Kasim, 2006).

Specifically, the starting point was represented by the World Conference held in Manila (1980) and by the Brundtland Report (UNWCED, 1987) which contributed to apply the concept of sustainability to tourism introduced by UN-World Tourism Organization (UN-WTO, 1993).[1]

Sustainable tourism can be defined as the tourism that meets the need of the present tourists and host regions while protecting and enhancing the opportunity for the future (Responsible Travel Handbook, 2006). It emphasizes the need to preserve the local community, in terms of traditions and socio-cultural identity, to protect the environment, to generate revenue and labor for the host destination and to involve the local community in decision-making processes (Medina, 2005) giving rise to forms of shared territorial governance (Del Baldo, 2014).

Sustainable tourism is a complex and evolving concept. Therefore, sustainability is also extended to the maintenance or recovery of solidarity between different generations of the host communities, because the tourism culture does not break up the local values, truncating the transition with the cultural heritage generations (Baldarelli, 2009) to be enriched with new variations and innovative forms of accessible tourism (Greco, 2001).

Numerous "labels" are associated with alternative ways of tourism and sustainable tourism: acceptable, appropriate, consistent, conscious soft, durable, eco-friendly, green, ethical, equitable, integrated, light, soft, non-random not

[1] Italy adhered to UNWTO-United Nations World Tourism Organization in 1978.

harmful responsible, socially leg, solidarity, humanitarian—tourism . These also include accessible tourism, which addresses specific categories of people and, among these, the elderly, the disabled, people who suffer from food allergies or intolerances. Individuals, companies and institutions involved in tourism management consider accessibility as a driver to effectively meet the real needs of the community (i.e., social inclusion) by putting people with disabilities in the condition to personally participate in the process of cultural production (i.e. making them available beaches, mountains, museums, archaeological sites, equipping the facilities for their hospitality and their family members), with positive economic, social and image returns.

Compared to the international context in Italy the debate on sustainable tourism began in 1990 with the proposal of the Italian Touring Club to create the International Ethics Committee of Tourism and Environment (TCI, 2005). In 1993 the WWF diffuses the "Guidelines to Ecotourism addressed to tour operators. In subsequent years a number of initiatives have been promoted by international (the "Calvià Chart", 1997; the European Charter for Sustainable Tourism in protected areas (199[2]); the Berlin Declaration (1997)[3] "Sustainable tourism and sustainable development") and national associations. Among these, the Italian Association for Responsible Tourism (AITR) is committed to spreading a new way of doing tourism through information and awareness of the various tourism stakeholders and signed the "Responsible Tourism: Identity Card for Sustainable Travel" (1997), a set of guidelines for three players: tour operators, host communities and tourists interested in responsible tourism.

"At the same time of the promotion of sustainable tourism development, the concept of responsible tourism started to emerge" (Manente, Minghetti, & Mingotto, 2014, p. 4) in addition to a dynamic construct which includes many correlated concepts (Clifton & Benson, 2006). The Responsible Travel Handbook states that: "responsible tourism goes beyond fancy packaging and eco-certification, or simplistic internal hotel policies of washing sheets and towels, or accommodations located in natural jungle. Rather it has to do with an everyday lifestyle that promotes cultural and biological diversity, environmental and natural resources conservation, at home and while travelling (Responsible Travel Handbook, 2006, p. 13). Responsible tourism take a variety of form but it always identifies travels that: minimize negative environmental, social and cultural impacts; generate greater economic benefits for local people and enhance the well being of host communities; involve local people in decisions; make positive contribution to the conservation and valorising of natural and cultural heritage; provide access for physically challenged people; provide more enjoyable experiences for tourists through more meaningful connections with local people, and a greater understanding of local cultural and environmental issues, and are culturally sensitive and engender respect between tourists and hosts" (Cape Town Declaration

[2] See: www.life.sustainable-turism.org.

[3] International Conference of Environment Ministers on Biodiversity and Tourism.

on Responsible Tourism in Destination, 2002). This definition has been further developed (Second International Conference on Responsible Tourism Destinations, Kerala, 2008) through guidelines and recommendations for actions in different fields (education, training, campaigning and awareness raising, media, governance, partnerships, markets) in order to promote it.

The International Coalition for Responsible Tourism associates responsible tourism with the concept of sustainability, qualifying responsible tourism as an application of sustainable development within the tourism sector (See: Manente et al., 2014, p. 6)

Different organisations and subjects have proposed their own definition of responsible tourism. Among these, the above-mentioned Italian Association for Responsible Tourism (AITR)[4] identifies responsible tourism as tourism developed according to the principles of economic and social justice and respecting the environment and local culture, thus supporting the positive interaction between the tourism industry, the local community and travellers.

Numerous are the forms of tourism related to responsible tourism. Firstly, it includes the ecotourism which[5] may find interesting spaces in the many Italian tourist areas, rich in historical and anthropological components (Erlet Cater, 1993). A further form is represented by the so called fair-trade tourism (or *tourism equitable*[6]). Other widespread concepts are: solidarity tourism (which include alternative to mass tourism forms, putting at the core of travel the meeting with local communities and aiming at developing the local territory) and community-based tourism. Finally, many other tourism practices share some of the principle of responsible tourism: rural tourism, agro-tourism, heritage tourism, reality tourism, pro-poor tourism, conscientious tourism.

Therefore, responsible tourism can be considered a sort of umbrella term, which includes all type of tourism afore mentioned. Accordingly, differences between responsible and sustainable tourism could be pointed out considering that "responsible tourism is a broad concept that includes different conscious and respectful ways of travelling, which bring people to take responsibility for their actions while sustainable tourism represents the natural reply that tourist operators give in order to fulfil the needs and wishes of responsible tourists" (Manente et al., 2014, p. 12). This implies that tourist companies should adopt a long term vision, implement a triple bottom line and a multi-stakeholder approach, preserve sustainable resource. It also means that they should be environmentally responsible, equitable, provide employment for the host population, have economic benefit, obtain optimum guest satisfaction and educate tourist about environmental and social concerns (Dodds & Joppe, 2005; Dodds & Kuehnel, 2010; Baldarelli, 2009).

The UN states that CSR is no longer a luxury for the travel and tourism sector but a need in the global marketplace. It is even more important, being tourism a people-

[4] http://www.aitr.org.

[5] Ecotourism identifies responsible travels to natural areas that conserve the environment and improve the well-being of local people (Responsible Travel Handbook, 2006).

[6] http://tourismesolidaire.org

centred industry, based on interaction with human resources and with the host community in the destination (Kalish, 2002) and being the environment and the cultural heritage critical for the tourism product (Brent Ritchie & Crouch, 2003).

Integrating environmental, eco-energy and water efficiency, eco-friendliness of the materials and the quality of the environment, noise control, the quality of human resources and the process of delivery of tourism services, the focus of relations, consistency of corporate values and open communication—are all elements that contribute to the quality of tourism product and to customer satisfaction and loyalty (Martìnez & Rodrìguez del Bosque, 2013).

Nevertheless, despite the fact that in 2011[7] tourism has contributed worldwide to 6 % of GDP, generating new employment to the extent of 4.4 % of the total, sustainable tourism is still unexplored in comparison with other industries (Coles, Fenclova, & Dinan, 2013; Tamajòn & Font Aulet, 2013). To date, knowledge of sustainable tourism is even less common in Italy. Consequently, it is important to understand if the NC can support the spread of sustainability in tourism by offering new spaces to operators authentically oriented, rather than making possible opportunistic and green-washing initiatives.

5.3 Spreading the Network Contract Among SMEs

Network contracts are rapidly spreading among SMEs in all sectors and throughout all legal forms, involving also consortiums, cooperatives, trade associations, foundations, and other public entities (Aureli et al., 2011, 2013; Rapporto Unicredit, 2011; Cafaggi, 2011).[8]

What began with 25 contracts in 2010 has now surpassed 647 at the end of 2012, for a total of 3360 entities (of which 3350 are businesses, 6 are foundations and 4 are associations). There have even been instances in which businesses have utilized more than one NC. NCs are more common in the Northwest and Northeast of Italy (37 and 38 % of the cases, respectively), and in Central Italy (29 %), while they are less diffuse in the South and on the islands (21 %). This growth trend has continued in 2013 (Infocamere, 2013). The current update from January 1, 2014 has registered 1253 NCs across all of the provinces and regions in Italy (Infocamere, 2014) and involves 6001 firms (over 4000 are corporations, around 1400 are partnerships and individual firms, 420 are cooperatives, and the rest are consortiums).

The geographic distribution of these firms, indicate that NCs involve primarily businesses within the same region (512 contracts out of 647). This indicates a marked local dynamic. On the one hand, this underscores the importance of physical, cultural and relational proximity of the businesses. Knowledge of, and

[7] See: www.world-tourism.org.

[8] See: www.unioncamere.it.

trust among, economic operators coming from the same area are already linked to formal and informal relationships, and to sharing in a common socio-cultural substrate facilitate the creation of networks in general (Granovetter, 1973). On the other hand, the NC seems to maintain the logic of districts and is not yet diffuse among firms that come from different geographic areas (MISE, 2012).

The typological distribution of firms reveals a diffusion of NCs among SMEs (47.7 % of businesses that utilize the NC are small in size), and also indicate the size of the NC: in 14 % of the cases the contract includes only 2 businesses, 27 % involve 3 firms, and 48 % involve between 4–9 firms; less numerous are contracts among more than 10 businesses (Unioncamere, 2013b).

Finally, an analysis of the distribution of NCs by sector (Table 5.1) indicates that their primary activities are industrial (40.7 %) and business services (21.4 %). Following these are the construction sector (10.4 %), commercial sector (7.6 %), agricultural sector (5.5 %) and public utilities—gas, water, and environmental services—(0.9 %), and extractive activities (0.1 %).

5.3.1 Network Contracts in the Tourism Sector

As the table above indicates, the diffusion of NCs in the tourism sector (hotel, restaurants and tourist services) is still, for the most part, limited. However, it seems this sector is experiencing a positive growth trend (Unioncamere, 2013b; Cafaggi et al., 2012a, 2012b) and it is possible to hypothesize that its diffusion will increase in the future for two reasons.

First, one must recall the Italian tourism sector consists predominantly of SMEs. Partnerships, therefore, can reinforce their competitive capacities for remaining viable against the large multinational firms and overcome the current economic crisis. The culture of innovation in the tourism sector is not very developed because of a lack of funds earmarked for R&D. The limited size [of the businesses] lowers the possibility of investment even though SMEs are very flexible and adaptable to change. In this context, NCs represent an important driver that can facilitate processes of aggregation, through which they can utilize new investments directed toward growing and reinforcing their services. For example, they can facilitate the creation of web platforms in which integrated touristic offerings are presented (i.e. community touristic destination). These platforms can promote events and initiatives to publicize and valorize services and products within the network in the greater tourism market; they can also promote a common brand, or reinforce a brand image to add value to their territorial identity (Pedrana & Bizzarri, 2012). In particular, through a NC, innovation affects not simply an individual structure of tourist services, but the entire touristic system within a destination, because it simultaneously promotes diverse interest groups. In this way, innovation becomes an element of competitiveness for the firm and for the territory itself. In the tourism sector and for SMEs, the link with their place of origin and the innovation of tourism destinations can be diffuse thanks to a horizontal network (among multiple

Table 5.1 Sectorial distribution of subjects utilizing network contracts

Sector	Number of subjects as of Nov 3, 2012	Number of subjects as of Dec 29, 2012	% as of Nov 3, 2012	% as of Dec 29 2012
Agriculture and forestry	153	166	5.5	5
Other mining activities	4	5	0.14	0.15
Food industry	130	143	4.6	4.3
Fashion	139	160	5	4.7
Home goods and free time	165	226	5.9	6.7
Other manufacturing sectors	68	93	2.4	2.8
Chemicals, rubber, plastic	85	101	3	3
Metalwork	250	297	9	9
Electronics	113	139	4	4.1
Mechanics and automotive	188	224	6.7	6.7
Public utilities (energy, gas, water, environment)	24	29	0.8	0.86
Construction and bioconstruction	290	337	10.3	10.02
Wholesale commerce	156	200	5.6	6
Retail commerce	57	62	2	1.8
Transportation, logistics, and warehousing	53	65	1.9	1.9
Hospitality and tourism services (*hotels and restaurants included*)	*39*	*47*	*1.4*	*1.4*
Media and communication	24	30	0.9	0.89
Telecommunication and informatics	151	188	5.3	5.6
Financial and insurance services	27	31	1	0.92
Basic business and HR services	113	130	4	3.8
Advanced business services	306	384	11	11.4
Education and private instruction	39	46	1.4	1.37
Health and private sanitation services	76	82	2.7	2.4
Cultural, sport and other services	131	146	4.7	4.3
Non-classified	17	19	0.6	0.6
Associations	3	4	0.1	0.11
Foundations	6	6	0.2	0.18
Total	2807	3360	100 %	100 %

Source: Unioncamere (2013a, 2013b)

businesses in the tourism sector) and also vertical (among businesses and the local communities).

Second, a recent legislative measure “Concession of contributions for networks within the tourism sector” (decree: d.m. 92/2013, *Presidenza del Consiglio dei Ministri*, *Dipartimento per gli affari regionali*, *il turismo e lo sport*, 8 January 2013, G.U. n. 92 del 19 April 2014) has created incentives for tourism-related business networks (financial contributions up to 8 million euro to finance a maximum of 40 projects, each one at a minimum value of 400,000 EUR). Networks must consist of at least 10 SMEs and 80 % must be directly related to the tourism sector. For a country such as Italy, which possesses well-recognized cultural heritage and where tourism represents a vast resource that is still not fully utilized, this measure is particularly important both to combat the current economic crisis as well as for the sector to recuperate. This measure, in fact, can stimulate the birth of tourist districts since utilizing subsidies is indispensable; indeed, a strategic plan that calls for the integration of businesses within a network lies at the core of the concept of a “tourism hub.”

Processes of horizontal and vertical reorganization in the tourism field are stimulated through collaboration on shared programming, such as the specialization and qualification of businesses through investments earmarked for innovation and internationalization.

The common program of the network must be compatible with regional tourism policies and consist of projects that take part in three principle sectors: (1) the adoption of instruments that reduce recurrent costs (administration, reservations, purchases, etc.) relative in particular to the informational and web platform needs for collective purchases; (2) activities aimed at improving awareness of the territory for tourism purposes (for example, through electronic commerce), to stimulate internationalization through participation in trade fairs, and to make a common image or brand more visible; (3) creative development of innovative tourism packages (for example, inter-city domestic tourism, bicycle tourism, walk-scaping, wine tourism) and the adoption of shared promotional and commercial initiatives based on new technologies (for example, social marketing).

Among the selection criteria for these projects, the following variables are considered: the number of network notes (that is, how many network participants), the inter-regionality of the project, the use of innovative technologies for promotion and commercialization (that are compatible with the web portal Italia.it and the various initiatives of ENIT, the national tourism agency) and the de-seasonality of the tourism offering (INDIS-Unioncamere, 2013).

Recently, chambers of commerce, provinces, regions, banks and trade associations have intensified their initiatives for spreading the NC in the tourism sector,[9] highlighting its benefits. Other than gaining better access to credit, innovations and opportunities for internationalization, these include: more efficiency tied to the

[9] See: Bollonzello, Chamber of Commerce of Udine, http://www.ilquotidianofvg.it/contratti-di-impresa-anche-per-il-turismo-convegno-giovedi-a-udine/

specialization of diverse businesses, the reduction of transactional costs, and the benefits tied to economies of scale, the diffusion of competitive competence, the growth of providers' networks between tourism businesses and those of other sectors, the creation of new tourist products and of accessible and sustainable tourism services. One representative example is the project, "Growing and competing with a network contract: network incubators and the Temporary Network Manager," promoted by Unioncamere in Emilia-Romagna and the regional chambers of commerce. This follows the Accord between the Ministry for Economic Development and the national association of Unioncamere, with the scientific support of the Universitas Mercatorum.

The results of initial research at the national level (INDIS-Unioncamere) on NCs created by firms in the commercial, tourism, and service sectors reveal the following: first and foremost, an organizational model that involve similar activities (hotels, beach resorts, etc.). The networks aimed above all to reinforce the presence of tour operators within the territory and to improve the territory's image and attractiveness. To achieve this, they engaged in common activities of promotion, distribution, and sharing of strategic and operational know-how. Tourist activities here are linked to those that produce and add value to local and cultural products, and focus on the common interest to promote the economy of a specific local and/or regional territory. Both businesses of modest dimensions (such as family-run agrotourisms), as well as medium-to-large firms, are involved in these NCs—the majority coming from the same province or region. National and international promotion is a standard objective in tourism networks, while innovation is weak, except for those relative to the creation of web platforms for the management of reservations and network services.

Network contracts are conceived as a driver of destination management development projects (UN-WTO-ETC 2009), of projects creating cultural districts and, more generally, of adding value to a territory (Franch, 2002, 2010). This instrument compels the tourism sector to "connect itself" with firms from other sectors (cultural, transportation, industry and artesian, building and construction) that are united by the same territory and by shared values from their local context (Smith & Eadington, 1992; Ruisi, 2011). In particular, the NC plays an important role in the development of the territory and of sustainable tourism (Pigram, 1990; Nelson, Butler, & Wall, 1993; Font, Tapper, Schwartz, & Kornilaki, 2008; Della Corte & Ruisi, 2012) since it consists of implementing strategies of territorial and relational marketing, and also by a common set of images of the territory, its social and environmental contexts, its products and local services (Blank, 1989; Brohman, 1996).

The literature emphasizes the link between territorial marketing, sustainable development, and entrepreneurialism, such as the strong bonds that exist between territorial and relational marketing (Aijo, 1996; Grönroos, 1994).

Core tourism offerings (accommodation, food, and lodging) are increasingly being integrated (Chathoth & Olsen, 2003; Kandampully, 2006; Alonso, 2010).

Working in a systematic perspective is indispensable for cultivating touristic attractiveness (Tinsley & Lynch, 2001); the network fosters interactions between various actors and elevates the capacity for different subjects in the territory to collaborate and develop relational capital. This is a common phenomenon within touristic NCs, which almost always involve nodes that come from the same area. The NC helps add value to the so-called "non-intentional resources"—that is, resources generated unintentionally to implement a network's programs, which were already present in the territory before the creation of the network, helping them be more functional toward the sustainable development of the same area (Macbeth, Carson, & Northcote, 2004; Samaganova & Samson, 2007). Territorial marketing projects are developed by leveraging a relational-networking approach that involves diverse public and private subjects, and integrates diverse components in the territory (nature, culture, productive system, and tourism), conceptualized in a systematic way.

The NC is, in fact, a transversal network with respect to the various dimensions of the territory; it is composed of small firms that come from diverse sectors (tourism, hospitality, culture, nature, agro-alimentary production, construction, etc.) and aims to offer the visitor a high-quality and welcoming environment, and a positive vacation experience, communicating the shared values of the area. Especially in Italy, which boasts a critical mass of cultural heritage that is unique in the world, the networks that incorporate culture and tourism maximize synergies and generate new opportunities (see the recent decree "Cultural Values" No. 91/2013 within the European Cultural Program 2014–2020).

On the one hand, relationships among businesses from the same local area build trust and facilitate the realization of innovative projects, of de-seasonalization of tourism offerings, and of the valorization of the territory. The adhesion to a NC therefore helps tourism firms to adopt a proactive approach to the market and to add value and care for its territory, which is seen as a shared heritage of resources and interpersonal relationships.

On the other hand, the network helps small tourism businesses to differentiate themselves through offering new services aimed at a specific target clientele (i.e., those with different abilities, the elderly, children, etc.) and to develop destination management projects (Wang, 2008; Franch, 2010) that are predicated on collaboration between diverse actors. A tourism destination is defined as the totality of basic elements that attract the tourist: attractions (natural, cultural, recreational), amenities and accessibilities (material and immaterial infrastructures), image (the render the destination attractive), price (the renders it convenient), and human resources (operators and residents that, with their professionalism make a trip enjoyable). The concept of a touristic destination thus reconnects the local system of tourism offerings into a system of actors present in the territory whose objectives are to organize and manage, together and in an integrated way, touristic activities.

Diverse studies have analyzed the objective factors (services, attractions, products, etc.) and subjective factors (types of operators that offer these services) (Laws, 1997) of a destination. In particular, they emphasize how collaboration, which also involves the segment of clientele who are the target of the offering, is favored by sharing common values and the realization of sustainable tourism development.

The collaboration that is activated through a NC is conducive to an integrated model of tourism destination management (Ejarque, 2003) in which relationships are cultivated between local actors who participate in the management of the touristic destination, and in which branding strategies are central (Ruisi, 2011; Anholt, 2011). The brand helps to raise the value of the land and represents one of the principle relational and fiduciary resources of a touristic destination (Hankinson, 2004) and is being increasingly utilized in destination branding through the web and across the territory (Istat-Banca d'Italia-Ciset-ONT, 2012).

Regarding tourism consortiums (which are common among SMEs) that aim to lower the costs of services provided by tourism businesses (consultancy, education, promotion, centralized management of reservations and sales), the NC helps guide destination management organization, reducing conflict between firms and the difficulties that stem from the heterogeneity of the network's participants, so that they can share strategies for long-term sustainable development. This stems from the fact that the NC can develop capital possessed by the tourist destination (resource endowments) and has the capacity to utilize it (resource deployment). That is, it can transform it into an offering of tourist goods and services (Brent Ritchie & Crouch, 2003). Finally, a touristic NC favors the accessibility and usability of collective local goods (Pedrana & Bizzarri, 2012).

5.4 First Findings from an Explorative Study

5.4.1 Methodology

This empirical study is based on a mixed quantitative and qualitative analysis (Yin, 2003; Eisenhardt & Graebner, 2007; Wolfram Cox & Hassard, 2005). The study was undertaken between May and December 2013. The NCs analyzed quantitatively were obtained through the informatics system (TELEMACO) from the database of the System of the Chambers of Commerce (Infocamere network contract, 2 February 2013). Searching the names and subjects of NCs using the terms "tourism, hotel, touristic," keeping in mind the codes for economic activities in the tourism sector (Ateco codes), 27 NCs were selected from this database that have at least one business from the tourism sector. The field was then analyzed through descriptive statistical instruments, considering the base demographic variables (number of nodes of the NC, legal form of the businesses, their location, year they were founded) and the categories of objectives present in the NC program. The objectives were verified through content analysis of the contracts and consultation of websites (such as ReIndustria, Infocamere/Chambers of Commerce, and sites for specific NCs).

5.4.2 Data Analysis/Results

First, of the 253 "nodes" that make up the 27 NCs, the majority fall within the category of 4–9 firms (which is larger than the national average) and in the medium-high category (between 10 and 50 notes). This finding underscores the importance of aggregating a high number of businesses in the tourism sector, which is necessary for overcoming the excessive fragmentation of offerings and for integrating a production chain that consists of businesses from complementary sectors (agriculture, culture, transport), which together help enrich service components and favor the innovation of new tourist products (Fig. 5.1). The average number of subjects per contract is 9.3; the network with the most nodes is the "The Seaside Network of Viareggio" ("Rete Balneare di Viareggio" or R.I.V.A.), which is composed of 47 beach resorts. In particular, 13 contracts have between 4 and 0 nodes; 7 networks have been 10 and 50, 6 contracts are formed by 3 notes and only 1 by 2 nodes.

Second, most NCs consist of businesses from the same region (85 % of the cases). The data is higher than the national average (relative to NCs coming from all sectors). This reveals, on the one hand, the importance of the territory and rootedness of the firms, which facilitate integration into the supply chain and support destination management projects that valorize specific local areas. On the other hand, it also signals that NCs are efficient instruments for developing tourism districts. The region in which the most NCs are located in Sardinia (26 %), followed by Tuscany (18 %) and Veneto (11 %).

Third, while corporations make up most of the NCs at the national level, touristic NCs are formed predominantly by partnerships (34 %) and by individual businesses (30 %). This is typical of the tourism sector, which is composed of many micro-firms. Moreover, the presence of cooperatives (29 %), consortiums and associations is also relevant; it emphasizes the tradition of association that is diffuse in the tourism sector (Fig. 5.2).

Finally, the temporal dimension reveals an increase in NCs in the 3 years between 2011 and 2013 (in which growth passed from 37 % in 2011 to 59 % in 2012). This growth was sustained by the ratification of a law that supported the formation of aggregations (Fig. 5.3).

5.4.3 The Spread of Sustainable Tourism Through Network Contracts

In the development of the second phase of analysis, relative to the diffusion of sustainability through NCs, an examination of the objects of the 27 NCs has revealed three groups of contracts, based on the presence or absence of a sustainable tourism dimension and of the possibility of associating with formalized objectives regarding sustainability that are identified by the tourism norms and recommendations presented in the preceding section. Specifically, the typologies and objectives

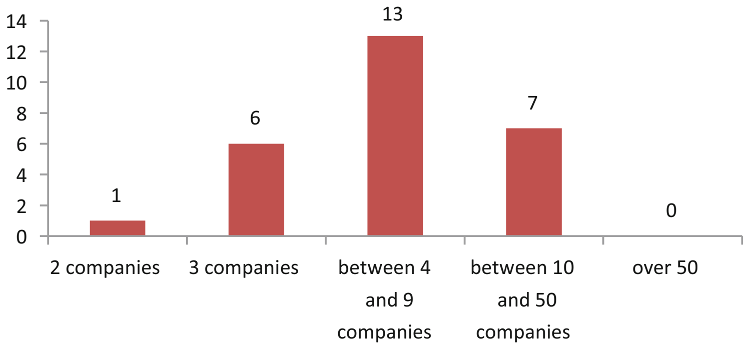

Fig. 5.1 Number of subjects per network contract

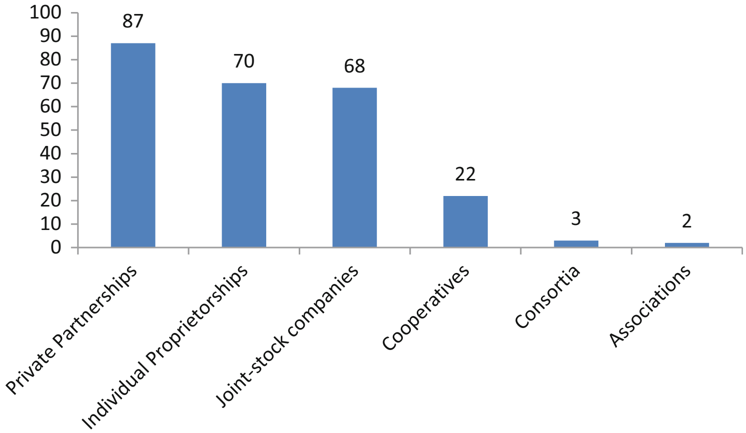

Fig. 5.2 Legal forms of the nodes in touristic network contracts

include: (1) objectives concerning sustainability that are declared—that is, explicitly formulated—in a NC; (2) diverse objectives of sustainable tourism; (3) sustainability objectives that are "submerged" or otherwise able to be deduced by lines of action contained in the program of the network, even if they were not explicitly stated.

From an initial reading of the data, the field is formed by a minority (30 %) of NCs in which sustainability is declared or expressed. This contrasts with a majority of networks (70 % in 19 contracts), in which sustainability does not appear explicitly among the objectives. However, if one examines the objectives indicated in the contract, it is possible to identify "potentials" for sustainability that are present in individual elements in a network's program, which can be reduced to aspects that incorporate one or more dimensions of sustainable development even if they are not clearly articulated. In these cases (8 contracts, relative to 40 %) one can talk of "tacit sustainability". Among the examples are networks that include

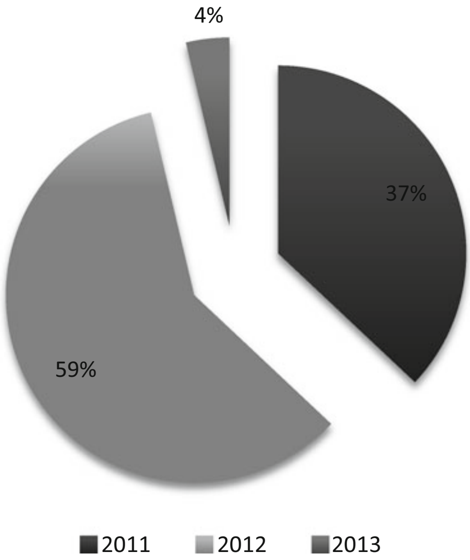

Fig. 5.3 Growth of network contracts in the tourism sector

businesses which conduct agricultural activities, animal breeding, operate agro-tourisms, didactic farms, or rural tourism—in which the impact of these activities on the environment is sensible, or where the physical or cultural contexts of its components (flora, fauna, landscape, but also uses, traditions, and vocations from the territory) are integral for operating tourist services. The same is true for those networks that aim to undertake projects of integration into the production chain that include various aspects of knowledge and excellence of a given territory, as well as for the networks that aim to raise the qualitative level of the products and services through certifications.

Below, each group defined this way is synthesized into a typology of network objectives.

In the first group (30 % of the total), which includes NCs with formalized objectives dealing with sustainability, sustainability touches on one or more of the following aspects:

1. Incentivizing a territory's economic, cultural, and social development across the production chain; adding value to the territory and the promotion of sustainable eco-tourism (for example, incentivizing tourism and open-air activities that are eco-compatible, respectful of the geographic and cultural environment); and conservation and valorization of cultural and gastronomic traditions of the area.
2. Planning and undertaking innovative services through collaboration with businesses from complementary sectors (culture, agriculture, fishing, oeno-gastronomic, etc.), for the purpose of adding value to their respective best practices; development of touristic-environmental services of quality, also obtained through reinforcing the quality of human resources (education) and exchanging information or lending goods (of industrial, commercial, technical

or technological nature) between participating entrepreneurs; and improved communication of the aforementioned qualities.
3. Developing service offerings that are also international in nature by participating in trade fairs and events characterized by an eco-sustainable approach.
4. Planning innovative services aimed at specific categories of tourists, as well as making services more accessible.
5. Implementing certified environmental management systems.
6. Undertaking relational and territorial marketing projects.

Together these objectives incorporate social and environmental, as well as economic, dimensions into tourist services.

The second group of NCs (40 %) is characterized by diverse objectives concerning sustainability that are predominantly oriented toward development in areas such as marketing and internationalization, and regard the following aspects:

1. Safeguarding and promoting the uniqueness of the tourism sector and of the specific territory from which the businesses come, through new modes of cooperation and coordination in the development of strategies and marketing activities; plans for collective publicity campaigns and collective marketing for the participants.
2. Reinforcing the capacity to attract and participate in tourist flows on the regional, international, and national markets of trade fairs and events, so as to gain new market opportunities through the construction of a tactical vision for competitive repositioning in the tourist chain.
3. Updating and developing multidisciplinary competencies through projects of formation (even high education) realized in a holistic way.
4. Reinforcing competitiveness through technological innovation, research and development, and of technological transfer among the participating firms, which favor the concentration of resources on the communal technological chain.
5. Improving communication and visibility through the design of a common brand, and the creation of a single web platform (a dynamic tourism platform) for high quality services that are directly or indirectly connected with tourism activities, including transportation, cultural and other activities, through which its products and services are presented and commercialized on the market; integration of diverse actors (hotel, airlines, transport, events, services) for the modular management of its contents, and its multichannel distribution.

Finally, in the third group of NCs (30 %), the “submerged” sustainability objectives can be identified as belonging in one of three categories: relationship with the territory, of which they wish to valorize its diverse components in an integrated fashion; the orientation toward the quality of the processes of distribution of tourist services (for example through environmental certifications); the incorporation of sustainability in marketing activities (for example, the de-seasonalization of their offerings); the attention to relationships among the diverse interlocutors internal and external to the network. The following activities are the most common:

1. Integrating distribution services and the products offered by diverse activities in the same sector (agricultural sector: animal breeding, forestry, farming and complementary and subsidiary activities) or from diverse sectors (agro-tourisms, didactic farms, rural tourism).
2. Adding value, through collaboration, to the touristic agro-food chain and to the historical-cultural context of the local rural life; developing marketing strategies aimed at promoting the territory; and valorizing local identity as a primary factor for competitiveness on the national and international markets.
3. Ensuring the quality of the products and services through transparent communication and coherent marketing projects, as well as the certification of these same characteristics.
4. Developing interrelationships between businesses operating in various sectors (agriculture, fishing, hospitality, commerce, environmental, social activities).

In the analysis of the first group of NCs—those who explicitly incorporate sustainability in their objectives—one more elaboration needs to be made. Taking into account the three dimensions of the analysis (the year the NC was formed, the location of the firms, and the type of business sector(s), one sees, first and foremost, that we are dealing with contracts that have all been negotiated in 2011 and 2012, before the legal norms aimed at favoring aggregation in the tourism sector entered into effect. Thus, their reasons for aggregating into NCs did not stem from the opportunity of winning concessions that the law now provides; rather, it is logical to maintain that these contracts were formed authentically and organically to offer sustainable touristic services.

A second aspect here regards the fact that all 8 contracts involve businesses that come from different sectors, while the other groups involve more mono-sectorial networks (among nodes that take on similar activities). This is a sign of a higher relationality and of a more marked orientation toward integration within the tourism sector.

Finally, contrasting with the networks coming from the other two groups, in the majority of the contracts, at least one node was a cooperative, social business, or an association—organizations characterized by missions that incorporate, at their base, the dimensions of sustainability.

5.5 Conclusions

The rapid diffusion of the NC is, by now, a noticeable reality in the Italian system. Albeit less evident, this trend toward growth is present even in the tourism sector, which treats aggregation as an "ideal" instrument to qualify the industry and sustain its competitiveness. The re-launch of tourism, in fact, is based on the creation of an integrated and sustainable tourism chain. This perspective is observed in the motivations that compel tourism firms to negotiate NCs: the promotion of initiatives aimed at valorizing their products and services on the national and international markets, the registration of a common brand that raises awareness of the tourism chain, the valorization of the touristic destination, the offer of integrated products that include high-quality services and sustainable tourism services.

First, the common elements of successful NCs are linked, in particular, to the creation of a touristic platform through which tourism offerings can be integrated and promoted. These are, therefore, marketing endeavors (and in certain cases they also include sustainability). The web platform becomes a primary instrument for promoting a network and a territory, for carrying out plans of communication aimed at target clientele such as the responsible tourist or groups of tourists with special access needs), and for facilitating the booking of multiple services (hotel, transportation, spas, excursions, museum visits, etc.). At the same time, it helps the operator better understand the behaviors of tourists, through the creation of databases that propose integrated and innovative touristic products.

Second, the involvements of institutions (Chambers of Commerce, local organizations, etc.) and of operators (network managers) who are able to help virtuous aggregations among firms of various types are at the base of the network contract's effectiveness.

Third, the NC helps to aggregate businesses who come from different sectors (tourism, agriculture, transport, culture, and information-communication-technology) and who espouse different missions (cooperatives, consortiums, foundations, associations, etc.). Therefore, NCs represent an effective tool for developing a new and communal business culture in the tourism sector through the sharing of know-how, education, and recourse to qualified managerial competence.

Fourth, the reasons that make it an instrument for spreading sustainable tourism are identified in the relationships with the territory, in the integration of services among multiple operators, in the positions of systems of local tourism services, in social and environmental quality standards, which looks for a greater tourism flux with respect to people, landscape and vocations of place (Donolo 2003). The quality of services and of the structures, de-seasonality, clients' security, and attention to the environment and to clients with different abilities, are all aspects that seem to find greater visibility in the design of an area brand and in the politics that, through the network, guarantee a common level of sustainable tourism services.

Finally—even though sustainable and/or accessible tourism networks are still a minority and there runs the risk that sustainability is used simply as "green washing" or is only a marketing ploy by duplicitous tour operators—sustainable tourism networks, formed predominantly among SMEs that are deeply rooted in their territory and linked by interpersonal relationships as well as by proximity, and cemented by trust, constitute valuable best practices (Del Baldo, 2014) that contribute to diffuse into the tourism sector a new business culture.

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Chapter 6
CSR Modules in Catholic and Ecclesiastical Universities in the Italian Territory

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Abstract There is not a single and universally accepted approach to social responsibility. The starting hypothesis of this study considers that the different cultural, economic, socio-political, religious and environmental contexts have an important role in defining the type of approach taken towards CSR.

The research project aims to identify the features of the concept of CSR in a specific cultural context, represented by universities located in the Italian territory and managed by Catholic institutions. These universities, in fact, assume some importance in the Italian social and cultural context, strongly affected by Vatican's presence on the Italian peninsula.

The basic aim of this research project is to study the modules dealing with CSR issues in higher education institutions of Catholic orientation located in the Italian territory. The latter can be divided into two main categories:

1. Clerical universities
2. Catholic universities

The first category includes institutions directly dependent on the Holy See. In the second category there are facilities which have been granted juridical personality in Italy. They receive a permission to operate from an ecclesiastical authority. However, they undergo to the Italian legal provision (entities with extraterritoriality).

Our detailed research questions seek to:

(a) determine whether there are modules dealing with CSR issues in these universities

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(b) analyze the nature of these modules, checking whether they belong to Italian accounting and business administration disciplines or to other scientific areas
(c) examine the educational contents of these modules and compare them in Clerical and Catholic universities

The analysis will be realized through the websites of these universities and interviews with professors in charge of the identified courses.

In this way it will be possible to make a survey of the modules related to CSR issues, analyzing not only their quantitative diffusion, but also their contents from a qualitative point of view. Moreover, we will compare what we find with previous results on the current state of education in the field of CSR in all Italian universities, in order to identify the distinctive features of these modules in the Italian Catholic context.

6.1 Introduction

There is no a single and universally accepted definition of *social responsibility*; but there are various interpretations of it, and we can identify two main approaches (ICSR, 2009):

– The North American approach, that focuses its attention on the concept of *Corporate Ethics*, in which the concept of Corporate Social Responsibility (CSR) is placed
– The European approach, that considers Corporate Social Responsibility as the key concept, within which it is possible to find Corporate Ethics

The starting hypothesis of this study considers that the different cultural, economic, socio-political, religious and environmental contexts have an important role in defining the type of approach to social responsibility.

The present research project aims to identify the characteristic features of the concept of social responsibility in a specific cultural context, represented by Italian universities managed by Catholic institutions, 'Catholic higher education institutions' (CHEIs) from now on.

Firstly, from our point of view it is interesting to underline the link between religion and the themes of corporate social responsibility and ethics. In this sense, focusing on university courses, our study tries to point out other aspects of this link which are still unknown.

Secondly, another important aspect is the fact that in the Italian peninsula there is the Vatican. This is a feature of great importance to our local context. In fact, not surprisingly, we are one of the countries where actually there are Catholic universities not only of Italian law, but also of pontifical law. Our special territorial characteristics justify as well our interest in the university modules of CSR and ethics. In fact there is no another country in which the relationship between religion (at least Catholic) and university education are so closely linked. For these reasons this study could be seen as a particular international comparison and in our opinion it is interesting to understand whether CSR modules (of 'aziendale' area, as described in the Sect. 6.4) are influenced by catholic ideas or not.

It is important to describe the context in which the research is set. As mentioned, this study analyzes CSR modules at university institutions in Catholic education areas. These institutions can be divided into two main categories[1]:

1. Ecclesiastical universities and faculties (here 'pontifical')
2. Catholic universities (here 'non-pontifical')

The first category includes institutions that are directly dependent on the Holy See. Therefore, both the education system and qualifications are governed by Vatican's rules. Although their qualifications have been recognized by the Italian government, there is no an automatic equivalence with their qualifications awarded by Italian universities. For this reason, in many cases, this type of institutions is attended by clerics students, who can spend directly in the Vatican their degree. Their training programs are devoted to sacred subjects and similar disciplines (Gargaro & Tanner, 2011).

The second category includes universities to which a legal status was given by the legal systems of the places in which they are situated. In other words we are talking about entities that have a relationship with the Vatican as they get permission to operate from an ecclesiastical authority. However, they are subjected to the legal norms of the country in which they are located (so they are entities with extraterritoriality). In these places secular subjects are taught, but in a Catholic perspective (Gargaro & Tanner, 2011).

Our analysis benefits of the websites of these universities and interviews with professors in charge of the identified courses. In this we made a survey of all the modules related to all the above issues, analyzing not only their quantitative diffusion, but also their contents from a qualitative point of view.

Then the paper is organized in four main parts:

(a) The first part can be considered as an overall introduction to our research. An explanation of the context and a literature review are presented.
(b) The second part shows the research design and the method we adopted for conducting our research. Here we clarify our three research questions (RQs).
(c) The third part is about the empirical results on the contents of the selected modules. Here we present the survey in all its parts and clarify the underlying logic in relation to our RQs.
(d) Finally in the fourth part we discuss the above mentioned results and make some conclusions.

[1] For a detailed explanation of the differences between these types of institutions see the website of the Agency for the promotion of quality assurance in ecclesiastical studies (AVEPRO) http://www.avepro.va/

6.2 Context of Reference

As above mentioned, there are two main categories of CHEIs. Looking deeply at them, the first category (*pontifical*) includes various types of institutions: universities, educational institutes, faculties, academies and centres.

The second category (*non-pontifical*) includes, by way of example, the Catholic University of the Sacred Heart and LUMSA.

The pathways and the contents offered to students by the two types of institutions are different. Pontifical universities and faculties organise their programmes on the basis of three cycles:

- First-cycle programmes (Bachelor's degree)
- Second-cycle programmes (diploma). These degrees allow the degree holder to teach in non-university institutions (e.g. seminars). They are approximately equivalent to the Master's degree identified by the Bologna process
- Third-cycle programmes (doctorate). These degrees allow the degree holder to teach in pontifical faculties

The duration of these three cycles can vary from one institution to the other.

The faculties that are normally present in this type of institutions are: Theology, Canon Law, Civil Law, Philosophy, Classic Literature, Missiology, Pedagogical Sciences, Social Communication Sciences, Biblical Sciences and Archaeology.

The non-pontifical universities located in Italy, on the other hand, are regulated by the Italian law and they offer various study pathways. Currently, according to the Ministerial Decree (DM) No. 270 of 22 October 2004, Italian universities teach:

- First-cycle 3-year degrees (called, according to the Bologna Declaration, bachelor-level degrees)
- Second-cycle 2-year degrees (called, according to the Bologna Declaration, master-level degrees)

Moreover, Italian universities offer Specialisation degrees, Ph.D. degrees, so-called 1st and 2nd level 'university masters', and other minor courses.

For the purpose of this analysis CSR modules offered in Italy are considered independently of whether they are offered by pontifical universities and faculties or by Catholic universities and faculties regulated by the Italian law. Consequently, the modules analysed are very diverse, both in terms of the cycle and the pathway (faculty or department) they belong to.

6.3 Literature Review

It appears reasonable to assume that a certain individual's inclination to adopt socially responsible behaviours is influenced by a variety of factors, including their cultural background and personal beliefs. Within the latter, many scholars (e.g. Saroglou, Delpierre, & Dernelle, 2004; Schwartz & Huismans, 1995) claim that religious beliefs and the individual's relation with said beliefs occupy a prominent position.

In this chapter we try to identify the features of the concept of CSR in a specific cultural context, i.e. the universities located in the Italian territory and managed by Catholic institutions (CHEIs). Hence the focus of our contribution is twofold: religious and educational. More specifically, we concentrate on the conception of CSR emerging in the Italian context in relation to the following aspects: (a) Catholic religion; (b) university.

To this end, we searched first of all for publications of Italian scholars dealing with CSR/ethics, university teaching and religion. Unfortunately, none of the contributions analysed deals at the same time with the three above-mentioned aspects of our interest. Therefore we concentrated on publications about CSR/ethics connected to both religion and university, firstly at the national and secondly at the international level.

In Italy academic studies of economic and social nature are often published as books (by individual authors or as edited collections). Therefore we mostly concentrated on this type of contributions. Some studies on the relationship between CSR/ethics and religion are particularly noteworthy: Alford, Rusconi, & Monti, 2010; Ambrosio et al., 1989; Manzone, 2002. Note that some of these authors teach in CHEIs. Therefore, their contributions are very significant for our analysis. Moreover, most of their publications frequently quote papal encyclicals to explain the relationship between CSR and Catholic ethics.

The title of the collection edited by Alford et al. (2010) can be translated into English as "CSR and the social doctrine of the Catholic Church". The book begins with two prefaces: one from the point of view of CSR and one from the point of view of the social doctrine promoted by the Catholic Church. The book deals with several issues, among which the need for firms to mediate between individual and common good; the relationship between human rights and CSR; the concept of 'common good' in firm organisation theory; the environmental responsibility of firms; the preparation of the social balance in relation with the social doctrine promoted by the Catholic Church, along with the related need of making reference to the principles of 'common good' and 'solidarity' in the preparation of such documents; the relationship between work and the social pastoral role of the Church.

The collection edited by Ambrosio et al. (1989) includes the contributions presented at a conference on the topic of the 'social doctrine of the Church'. The contributions published in this volume analyse the social doctrine promoted by the Church under various perspectives: in relation with moral theology, political theology, ethics, non-theological theories of justice in society and public opinion.

The title of Manzone's work (2002) can be translated into English as "Responsibility of the firm: A dialogue between Business Ethics and the social doctrine of the Church". In this book, the firm is introduced in light of the social doctrine promoted by the Catholic Church, dealing with the topic of the relationship between the above-mentioned doctrine and business ethics. The book also touches on the concept of pluridimensional responsibility of the firm, and discusses managerial leadership and the role played by the individual in the organisation of the firm.

Although it is difficult to find publications dealing simultaneously with CSR/ethics, university teaching and religion, at the international level we found some interesting contributions related to some of the aspects under discussion. Therefore, we broadened our bibliographic research searching for contributions dealing with the following aspects connected to the relationship between CSR/ethics and religion:

- The link between religiosity and individuals' behaviour—In some cases, these studies show a positive relation between religiosity and individuals' ethical attitudes (e.g. in Clark & Dawson, 1996; Giorgi & Marsh, 1990; Kennedy & Lawton, 1998; Magill, 1992). In other cases, this positive relation does not show quite as clearly (e.g. in Angelidis & Ibrahim, 2004; Kennedy & Lawton, 1998).
- The link between religion and business ethics—This is a research area that has seen a surge in scientific interest. A few contributions are indicative of this phenomenon (Agle & Van Buren, 1999; Calkins, 2000; Conroy & Emerson, 2004; De George, 1986; Fort, 1996; Herman & Schaefer, 1997; Longenecker, McKinney, & Moore, 2004; Rossouw, 1994; Van Buren & Agle, 1998; Epstein, 1997; Weaver & Agle, 2002).
- The relation between religiosity and CSR—Among the articles published on international journals, the following appear to deserve particular attention in relation with this study (Angelidis & Ibrahim, 2004; Brammer, Williams, & Zinkin, 2007; Graafland, Kaptein, & Mazereeuw, 2007; Ibrahim, Howard, & Angelidis, 2008; Ramasamy, Yeung, & Au, 2010). We will briefly describe these publications, since they clarify some relevant aspects linking CSR and religious beliefs.

Angelidis and Ibrahim (2004) tried to determine whether there is a relationship between an individual's degree of religiosity and her/his corporate social responsibility orientation. To this aim, they conducted a survey on Christian university business students in the United States by means of a questionnaire, trying to measure their CSR orientation upon their scores on each of Carroll's (1979) components of CSR (economic, legal, ethical, and discretionary). Respondents identified themselves as belonging to six different Christian denominations: Baptist, Catholic, Eastern Orthodox, Episcopalian, Methodist, and Presbyterian. The findings show a significant negative relationship between the legal dimension and both the ethical and discretionary CSR orientation components. On the contrary, they show a significant positive relationship between the legal and the ethical CSR orientation components.

Brammer et al. (2007) analysed the relationship between religious denomination and individual attitudes to CSR. They tried to answer two main research questions: (a) Do members of religious denominations have different attitudes to CSR than people of no denomination? (b) Do members of different religions have different attitudes to CSR that comply with general priors about the teachings of different religions? The authors analysed a more diverse range of religions than previous studies (i.e. Buddhist, Hindu, Jewish, Muslim, Roman Catholic, Russian Orthodox, other Christian, agnostic, non-religious people and the residual category 'other'). The results suggest that, usually, religious individuals seem to distinguish between personal and corporate responsibility. Moreover, the results show a noteworthy difference in the variety of issues that they hold companies responsible for. The different individual perceptions of CSR seem to be significantly influenced by religion. The results also suggest that there is a notable difference in attitudes to certain aspects of CSR across the analysed religions.

Graafland et al. (2007) analysed the relationship between the religious belief of corporate decision makers and socially responsible business conduct. The main research question the authors tried to answer was: «Does the belief in a supreme power diminish or support socially responsible business conduct?». Their research aimed to finding evidence of a relationship among the executives' conception of God, their norms and values and their socially responsible business conduct (SRBC). The different executives' conceptions of God were divided into three main categories: (a) atheism; (b) monotheism; (c) pantheism. The research findings show that executives with a monotheistic conception of God exhibit a greater attitude toward socially responsible business conduct than pantheistic executives.

Ibrahim et al. (2008) aimed to understand whether there is a relationship between a person's degree of religiosity and corporate social responsibility orientation. Their work focused on the analysis of both business managers and students. The research results show that religiosity influences students' orientation toward the economic, ethical and philanthropic responsibilities of business, while the impact on managers' attitudes is not particularly significant.

Ramasamy et al. (2010) wanted to analyse the influence of religiosity and personal values on consumers' support to CSR in Hong Kong and Singapore. They wanted to establish whether the degree of religiosity is positively linked to consumers' support for socially responsible companies. Moreover, they wanted to determine if this support has an intrinsic or extrinsic nature. For both cities, the results showed a positive correlation between religiosity and CSR support. Therefore, the authors concluded that religiosity is a significant determinant of CSR support for typical consumers in Hong Kong and Singapore. In other words, self-proclaimed religious consumers are more supportive of CSR activities carried out by firms. This relationship, however, does not appear to work in the other direction: indeed, the results do not provide strong support to affirm that a great inclination toward CSR is due to the consumer's degree of religiosity.

As can be seen from this brief literature review, the Journal of Business Ethics dedicates great attention to the relationship between CSR and religion, as most of the analysed contributions have been published in this journal.

There are also some contributions dealing with the relationship between CSR/ethics and university teaching. In most cases, such contributions deal with management education (and less frequently with accounting education). Among them we remember the following: Cowton and Cummins (2003), Cummins (1999), Egri and Rogers (2003), Gregg and Stoner (2008), Macfarlane and Ottewill (2004), Mahoney (1990), Matten and Moon (2004), McKenna (1995), Setó-Pamies, Domingo-Vernis, and Rabassa-Figueras (2011), Stubbs and Cocklin (2008).

Even if not directly linked to the relationship among CSR/ethics, university teaching and religion, there are some contributions about values which are worthwhile to remember. In fact, some scholars (e.g. Naughton & Cornwall, 2010) emphasize the importance of culture (and especially of religious culture) as a moral and spiritual support for the development of the predominant virtues which make a good businessperson. Within this stream of the literature we remember the following contributions: Argandoña (2003), Argandoña (2011), Capaldi (2013), Gowri (2007), Malloch (2009), Melé (2009), Zamagni (1995).

As stated above, it is difficult to find contributions dealing at the same time with CSR/ethics, university teaching and religion. The scarce interest of scholars toward these topics leads us to wish that, in the next future, the mutual relationship among these aspects will increasingly be investigated. In fact, in our opinion university teaching is a basic instrument for promoting a growing awareness of the importance of ethical and socially responsible behavior in businesses, both under a religious and a laical point of view.

6.4 Research Design and Methods

6.4.1 Research Design

The research aims to identify the characteristic features of the concept of social responsibility in a specific cultural context, represented by CHEIs located in the Italian territory.

A technical research aim was initially set in order to achieve the above-mentioned more general research aim: this technical aim was to analyse the identified features of the modules dealing with CSR issues in the CHEIs located in Italy from an Italian *economico-aziendale* perspective. Such a research perspective is the one adopted by all the disciplines related to the Italian discipline named *Economia Aziendale*; this is a subject which does not find a perfect equivalence outside of the Italian context, as it is an umbrella subject encompassing various disciplines (e.g. Accounting, Business Administration, Management, Marketing and Organisation).

Subsequently, the basic technical aim was split into more detailed technical research questions (RQs):

RQ1—Existence and Salience: do modules dealing with CSR issues from an Italian *economico-aziendale* perspective in Italian CHEIs exist and, if so, what is their salience?

RQ2—Nature: what is the nature of these modules, i.e. are they listed in the Italian scientific disciplinary sector SECS-P/07[2]?

RQ3—Features: what are the main educational contents and relevant features of these modules?

It is important to note that RQ1 is a complex question that focuses on preliminary aspects of this research, namely finding and listing modules dealing with CSR. RQ2, instead, focuses on the nature of such modules to verify whether they belong to one of the two main disciplines that the Italian university system gathers under the scientific disciplinary sector (SDS) labelled 'SECS-P/07 *Economia Aziendale*': these two disciplines are *Economia Aziendale* (akin to Business Administration) and *Ragioneria* (akin to Accounting). RQ3, finally, aims to detail the main features of the modules dealing with CSR (for example: origin, obligatoriness, course content, etc.).

While for RQ1 and RQ2 a prevalently quantitative approach to inquiry was selected (data collection method: search for web data), for RQ3 a qualitative method was chosen (data collection method: interview). The whole research strategy (methodology) applied to this study can thus be considered as mixed because it is based on two different and sequential research approaches.

6.4.2 Methods

This section presents the main research steps and the related criteria used.

To select the statistical subpopulation involved in the research, i.e. the group of universities whose data was going to be analysed, an online search was performed as a first step. This was meant first to identify the statistical population composed of all the CHEIs established in the Italian territory. In particular, as for non-pontifical CHEIs, the database of the Ministry of Education, University and Research published on the website '*cercauniversita.cineca.it*' was used. Three non-public Catholic universities were identified in the non-public group both on the basis of their statutes and available information. On the contrary, for pontifical CHEIs there is no available official database. Such universities were thus identified through various search engines and consultation of their websites. As a result, a selection of 29 pontifical CHEIs was made. Hence, the overall interim population was composed of 32 CHEIs (3 found through the database and 29 found through search engines). Five universities from this group were excluded because of the absence of

[2] In fact, in the Italian university system modules are grouped in scientific disciplinary sectors (SDSs) according to the main disciplinary field they belong to. In particular, among the *economico-aziendale* sectors (labelled P/07, P/08, P/09, P/10, P/11 and P/13), the 'SECS-P/07 *Economia Aziendale*' sector is the one that includes two strictly related fields of research: *Economia Aziendale* (the Italian basic discipline akin to Management and Business Administration) and *Ragioneria* (the Italian discipline akin to Accounting).

online information useful for the following stage of the research about modules dealing with CSR topics. Therefore, the overall final statistical subpopulation is composed of 27 CHEIs. Among these, 20 universities were organised in faculties for the a.y. 2013/2014 (19 pontifical CHEIs and 1 non-pontifical). This depends on two factors: firstly, starting from the early 2000s, non-pontifical CHEIs have been involved in a reformation process that is leading to the progressive closure of existing faculties and to the simultaneous transfer of their functions to departments and (new) schools; on the other hand, pontifical CHEIs are not always organised in faculties. It is noteworthy that, among the 20 Faculties found, only 2 are Faculties of Economics, both found in the same non-pontifical university, as only non-pontifical CHEIs are traditionally organised in faculties that can be assimilated to Italian faculties where *economico-aziendale* disciplines are widely taught (under the labels P/07, P/08, P/09, P/10, P/11 and P/13).

At this point a search for modules of degree programmes established by the universities was performed. In particular, for what concerns non-pontifical CHEIs, the Ministry of Education official website '*offf.miur.it*' was used, performing a search with the following instructions: Faculties of Economics, *economico-aziendale* sectors (P/07, P/08, P/09, P/10 and P/11) and academic year 2013/14. Because the database was last updated in 2011, in order to search for modules for the academic year selected, a bridging was carried out using the universities' online data as in April 2014. On the contrary, for pontifical CHEIs their websites were consulted directly given the unavailability of a database.

Subsequently, we started answering RQs. As for RQ1, a search using CSR keywords was performed on the list of modules of each degree programme found. Such keywords are the following: 'respons' (used to find expressions referred to social responsibility) and 'etic/ethic/etik' (used to find expression referred to ethics). Modules of interest were extracted using a criterion based on an analysis of module titles and their syllabi. As for the analysis of RQ2's results, because only non-pontifical CHEIs use Italian university scientific and disciplinary sectors, the search for modules related to the SECS-P/07 sector was performed using directly the module titles found in such non-pontifical universities. On the contrary, the nature of the modules belonging to pontifical CHEIs was investigated using a criterion based on the interpretation and analysis of their syllabi. Finally, for RQ3, a questionnaire was administered to the tutors of the CSR modules identified. Among potential questionnaire recipients, one tutor did not acknowledge receipt of any preliminary communication, and hence was not contacted regarding the questionnaire.

Summarizing:

(a) as for data sources, two types of data were used (web-sourced data and interviews). In particular, for RQ1 and RQ2 purposes, data about the academic year 2013/2014 published on the websites of the universities selected were used, while in order to answer RQ3 interview data related to a questionnaire were used

(b) the final number of the CHEIs analysed is 5 (of which 3 are pontifical CHEIs and 2 are non-pontifical). This number is derived both from the findings about the CSR modules extracted (that are offered by 5 CHEIs) and from unanswered questionnaires (which did not change the number of the statistical subpopulation, because the unanswered questionnaire refers to a CHEI already present in the subpopulation thanks to another questionnaire)

(c) the criteria used for data collection and analysis were different according to the related RQs. In particular, for what concerns RQ1 and RQ2 original data (about universities, faculties, modules and tutors, excluding both I and II level Masters) were collected in spreadsheets focusing on their numerical aspect. All results were analysed and interpreted with basic measures (absolute numbers and percentages). On the contrary, for RQ3, an open answer questionnaire was prepared (see Appendix 6.1). The 14 questions were organised in two first-level classes, respectively focused on the module investigated (the class entitled 'the module') and on CSR issues (the class entitled 'CSR'). More second-level subclasses were identified according to their common sub-foci. Thereafter, respondents' data were collected in Word and PDF format. Their analysis was carried out comparing the answers to each question, highlighting the main prevalent aspects in all the CHEIs and the common aspects internal to the two CHEIs categories

6.5 Results About Italian *Economico-Aziendale* Modules Dealing with CSR in Pontifical and Non-pontifical Universities

6.5.1 Results: Existence and Salience of the Modules Dealing with CSR

This section aims to answer RQ1. When the search for CSR topics in modules taught at the CHEIs selected was performed, we initially found 8 courses (Existence) dealing with CSR contents from an *economico-aziendale* perspective (in -non-pontifical CHEIs) or with a perspective deemed close to it (in pontifical CHEIs). However, as anticipated above, the modules analysed became 7 because one tutor did not answer the questionnaire. Hence, ultimately 3 modules of interest were found in pontifical CHEIs and 4 modules in non-pontifical CHEIs. Such modules are reported in Appendix 6.2.

Such absolute figures suggest a very low presence of CSR topics dealt with from an Italian *economico-aziendale* perspective in Italian CHEIs. Low presence is confirmed and further highlighted by relative figures. In fact, the ratios related to the number of credits (ECTS and CFU) of each module dealing with CSR issues (ranging from 2 to 8) out of the number of credits of the degree programme to which the module belongs (ranging from 120 to 180) confirm a low diffusion of modules devoted to social responsibility or ethics (Salience). Specifically, such ratios range between 1.11 and 5 %.

6.5.2 Results: Nature of the Modules Dealing with CSR

This section aims to answer RQ2. The 7 CSR modules belonging (or deemed to be akin) to the Italian *economico-aziendale* scientific field were also analysed for what concerns their nature.

Among modules offered by non-pontifical CHEIs, 1 belongs to the SECS-P/10 sector, 2 belong to the SECS-P/07 sector (that includes Italian Accounting and Business Administration disciplines) and another is a mixed SECS-P/07 and SECS-P/09 module. On the contrary, among modules offered by pontifical CHEIs, no modules akin to the SECS-P/07 disciplinary field were found. Hence, if for the purposes of this research the above-mentioned 3 modules that fully or partly belong to SECS-P/07 are considered as falling within the SECS-P/07 category, such modules represent 42.86 % of the 7 CSR modules analysed. Moreover, their 15 credits represent 41.67 % of the 36 total credits of the 7 modules analysed. Such credits range between circa 2 and 5 % when their absolute values are compared against the total credits of each degree to which they belong. These are moderate percentages that suggest the prevalence of other *economico-aziendale* perspectives used for CSR themes in the CHEIs under scrutiny.

Finally, it must be noted that the contents found within the SECS-P/07 syllabi do not always have an accounting nature, namely they do not always deal with topics such as social accounting, social balance, etc. In particular, two modules out of three deal with social balance and other accountability tools. Hence they can be deemed akin both to the *Economia Aziendale* discipline and to the *Ragioneria* discipline.

6.5.3 Results: Features of the Modules Dealing with CSR

6.5.3.1 Results on the Courses

This section aims to answers RQ3. As mentioned, we used an open answer questionnaire which was organised in different parts as following. In particular here we focus on courses results.

Origins: It was asked if the module dealing with CSR/corporate ethics was initially introduced by him/her or from some other before. From the analysis of the questionnaires, 50 % of the modules was introduced by the interviewee and the other 50 % from others before.

Nature: This concerns to the courses obligatoriness. In fact it was asked whether the module was optional or compulsory. From the analysis of the questionnaires, the oldest date is 1995 for 1/6 of the teachings, 1998 for 1/6 of the teachings, 2009/2010 for 1/6 of the teachings, 2013/2014 for 1/3 of the teachings and for another teaching an interviewee didn't know it.

Syllabus: It was asked to provide a brief description of the module, specifying the pedagogical approach (including any expert guest speakers), the contents, the aim(s). Concerning the approach, all the interviewees used classroom lectures and case studies while only one of them used expert guest speaker. The modules offered by pontifical universities often focus on the Social Doctrine promoted by the Catholic Church (SDCC) and on ethical aspects of human behaviour in the corporate decision process. More specifically, these modules focus on the following topics: the firm as a 'society of people' having the mission to evangelize the Christian community, the capitalist firm and its evolution in the modern historical and cultural context, the theories about the firm under an economic and religious point of view, theoretical and practical reflections on the firm under anthropological and ethical points of view, the multidimensional responsibility of the firm, the ethical concept of 'shared value' of the business, firms' ethics, history of firms' ethics, political economics and the righteous economic system, philosophical and empirical definition of the firm, ethical principles for financial activities (interest and exploitation), ethical imperatives for contemporary firms (transparency, social responsibility, sustainability, corporative governance, battle against corruption).

The modules offered by non-pontifical universities focus on various topics, including accounting and accountability issues. Among them there are: stakeholder theory, stakeholder management, integration of CSR into corporate strategy, social and environmental issues related to primary and support activities of the value chain in companies operating in different industries, problems related to controversial business, internal and external dimensions of CSR, human resources management, health and occupational safety, management of the effects of firms activity on the environment and on natural resources, relationships with local communities, suppliers, customers, end users etc., new models of social entrepreneurship, business ethics, history of CSR in the firms' governance, doctrine's evolution on CSR topics, hints on commercial law applied to corporate governance, control systems and firms' compliance, relationships between CSR and ethics, codes of ethics, social balances, sustainability reports, key performance indicators (KPI), assurance and control of sustainability reports, guidelines for social and sustainability reports.

For more detail about the contents and aims, see Sect. 6.

Level: It was asked whether the teachings were offered as part of: (a) Bachelor's degree; (b) Master's degree; (c) both Bachelor's and Master's degree; (d) other (e.g. university master, Ph.D., specialisation degree). From the analysis of the questionnaires, 1/3 of the teachings can be placed as (a); 1/6 of the teachings can be placed as (b); 1/6 of the teachings can be placed as (c); and 1/3 of the teachings can be placed as (d), specifically one as university master and another as specialisation degree.

In non-pontifical universities, these teachings are taught in several courses (Bachelor's degree: *Scienze dell'economia e della gestione aziendale*; Master's degree: *Scienze dell'economia* and *Scienze economico-aziendali*). In the pontifical universities, these teachings are taught in various courses of study, including a postgraduate course in the Social Doctrine of the Church, a master's degree (i.e. Master of Science) in religion and society, as well as courses in philosophy and theology.

Teacher: It was asked whether the interviewee has ever taught CSR/corporate ethics in other universities and if so, which kind (religious universities or not). In the majority of cases, tutors from pontifical universities have experience of teaching modules on ethics and social responsibility. Their teaching experience derives prevalently from foreign religious institutions; on the contrary, in the majority of cases, tutors from non-pontifical universities have no previous experience of teaching these subjects. Moreover, tutors from pontifical universities have studied Social Ethics, Moral Theology, Theology and Philosophy, while tutors from not-pontifical universities have studied Economics and *Economia Aziendale*.

Students: It was asked how many students, approximately, have attended the module in the current academic year and if the interviewee has noticed any changes in the student attendance (number) and in their interest in the topic. From the analysis of the questionnaires, the average of students for a course is approximately 32 with no significant changes in their numbers (except a little change for one teaching in the change from optional to compulsory).

6.5.3.2 Results on CSR

This section aims to answer RQ3 looking at different aspects as following. In particular here we focus on results on CSR.

Institution: This part was divided in two subparts. The *integration* and the *diffusion* that looked respectively at the course integration level with the rest of the didactic content and at the reasons preventing a greater diffusion of the modules on CSR/corporate responsibility in interviewees' universities.

- *Integration*: The results here are divided between the pontifical universities professors' opinion and non-pontifical professors' one. In fact the firsts were quite satisfied of their modules integration, while the same cannot be said of the second ones. It is explained in the *Discussion* section that this supposed integration is actually linked to 'not *aziendali*' themes.
- *Diffusion*: Non-pontifical professors have emphasized the fact that, unfortunately, the idea that CSR is not only a social issue is not well understood and accepted. The pontifical docents, however, believe that these issues are well integrated for a long time in their courses of study. Then this integration concerns issues not strictly linked to business themes, is a matter addressed in the discussion.

Degree: It was asked whether the topic of CSR/corporate ethics was well integrated in interviewees' educational programme. Here 50 % of interviewees answered that their topics were not well integrated with all other courses contents while the other 50 % of interviewees thought the opposite.

Other degrees: As the topic of CRS appears to be well integrated in the educational pathways of the most highly accredited international MBAs, it was asked why, in interviewees' opinion, in Italy is not like this. Different answers have been reported:

1. Resistance to issues perceived as religious
2. No awareness of the economic nature of CSR
3. Non-existence of a specific and recognized research stream
4. A different cultural setting from the Anglo-Saxon one
5. The lack of funds

An interesting feature of the answers is that both the pontifical and not-pontifical professors converge on a common response: unfortunately the idea that CSR is only a social issues is still too rooted. On the opposite it is still not clear that CSR is also an economic and business issue. This could be the reason why, then, these issues are spread more easily in religious curricula, ethical, etc. rather than economic.

6.6 Discussion

6.6.1 Aspects that Are Prevalent or Common in Both Categories (Pontifical and Non-pontifical)

The analysis of the questionnaire responses and of the programmes of the modules has brought to the surface some aspects that are common to all (or nearly all) the modules analysed, both in pontifical and non-pontifical universities. These are:

– *Pedagogical approach*: as discussed in Sect. 6.5.3, the modules are delivered with a mixed approach, including among others activities such as lecturing, case-studies, talks from guest speakers (experts and managers), projection of videos
– *Number of students*: the size of groups is on average around 30 students. In general there are no significant differences in the number of students attending the various modules analysed, which show similar data for optional as well as compulsory modules
– *Language of delivery*: all modules are taught in Italian, other than in one case (a module offered by a non-pontifical university), in which English is the language chosen

6.6.2 Aspects Common to a Specific Module Category (Pontifical or Non-pontifical)

The analysis evidenced some aspects common to pontifical universities and others common to non-pontifical ones. These are discussed below.

Module Content (Description) This research focuses on modules from the *economico-aziendale* area. On the basis of the Italian description for the *economico-aziendale* SDSs, modules from this area deal with the following aspects: business administration and accountancy topics (SECS-P/07); governance and management of manufacturing firms (SECS-P/08); corporate finance, financial analysis of corporate cash flow, corporate funding, extraordinary finance, management of corporate financial risk, allocation of financial resources for the creation of value (SECS-P/09); corporate organisational behaviour (SECS-P/10); study of the financial system (namely the organised whole made of brokers, financial tools and financial markets) (SECS-P/11). This research evidenced that:

- The modules offered by pontifical universities often focus on the Social Doctrine promoted by the Catholic Church (SDCC) and on ethical aspects of human behaviour in the corporate decision process. These modules cannot be considered fully as belonging to the *economico-aziendale* area. Rather, they show features in common with the theological and philosophical areas. Only in some cases do these modules also examine in some detail topics dealt with in the *economico-aziendale* area, other than aspects related to political economy and economic politics. It is important to note that pontifical universities do not adopt the SDSs used in Italy. Furthermore, as these universities do not have faculties of Economics, the absence of modules fully coinciding with those in the Italian SECS-P/07 to SECS-P/11 SDSs can be easily understood. Thus, the identification of modules in pontifical universities required a different procedure: (a) first a title-based selection of the modules was performed; (b) subsequently, a further selection based on their programme took place
- For the modules offered by non-pontifical universities it was possible to focus on the analysis of those belonging to the SDS *economico-aziendale*. By these means two modules belonging to SECS-P/07 were identified, along with a module belonging to SECS-P/10 and one divided into two units (one belonging to SECS-P/07 and one to SECS-P/09). The two modules fully belonging to SECS-P/07 deal with accounting and accountability issues (among which social and sustainable balance, social accounting standards, Key Performance Indicators, revision and control of sustainability reports). The module whose first unit belongs to SECS-P/07, on the other hand, did not deal with accounting and accountability issues

CSR Experience
It is interesting to note that tutors with previous teaching experience related to these subjects are in general the most senior (at least in academic terms). Vice versa, young researchers and academics have no previous experience in this sense, probably because their brief academic activity has taken place prevalently in the universities they currently work in.

CSR Background

– All tutors from pontifical universities attended modules on ethics and CSR
– None of the tutors from non-pontifical universities attended this type of module

This is probably due to the fact that these themes have been included for several years in the academic pathways of pontifical universities. Vice versa, in non-pontifical universities interest on these topics has been sparked more recently, at least for what concerns *economico-aziendale* courses.

Activism in CSR While in neither pontifical or non-pontifical universities there is real student activism for what concerns ethics and CSR, tutors from pontifical universities interviewed in the course of this study believe that, on completion of their studies, seminarians will be actually involved in activities dealing with these topics during their apostolic work. This prospect does not arise for laic students.

Opinions About Diffusion In pontifical universities, the tutors interviewed believe that there is a variety of causes preventing a greater diffusion of modules on CSR and ethics in the various academic pathways (this point is discussed in Sect. 6.5.3). On the contrary, in non-pontifical universities the tutors interviewed agree that the main reason preventing a greater diffusion of these modules is a poor level of awareness that these topics do not only have a philosophical and theological nature, but also an economic aspect.

The different interpretation provided by the two groups of tutors is justified by the different topics of the respective modules: while tutors of theology and philosophy think of ethics and CSR as topics offering a natural connection to real corporate life, this awareness is meeting difficulties achieving the same status in *economico-aziendale* contexts. Tutors from the latter context need first of all to discuss with the management in charge of their degrees the opportunity of introducing this type of module in the relevant academic pathways. Once these modules are offered, students will have to be made aware of the importance of these topics for their studies and their prospective professional life.

Opinions About Integration with Other Modules Within the Same University

– In pontifical universities, the tutors interviewed believe that modules on ethics and CSR are widely spread in the relevant academic pathways and well integrated with each other
– In non-pontifical universities, on the other hand, not all interviewees believe that these modules are widely spread or well integrated with each other. In some

cases, however, they do believe that the presence and importance of these modules is progressively increasing, especially in the last few years

It appears important to evidence that the opinions expressed by the interviewees do not seem to be fully supported by data emerging from this research. In the case of pontifical universities, the low number of modules identified could be justified by the fact that only modules whose title explicitly recalled *economico-aziendale* aspects were selected, neglecting, for example, modules concerning ethics but with no corporate or business application. Contrarily, in non-pontifical universities the identification of a low number of modules dealing with such issues could lead to an assumption that these topics may be dealt with within specific units of more 'traditional' modules (for example modules on business administration or corporate governance). In this case, basing the research on keywords connected to module titles may have led to an underestimation of the modules to be analysed.

Presence and Integration of CSR Topics in Other Italian Academic Institutions (Both Pontifical and Non-pontifical):

- Tutors from pontifical universities believe that the low number of modules dealing with issues of ethics and CSR in Italian academic pathways may be ascribed to cultural motivations (this aspect is dealt with in Sect. 6.5.3)
- Tutors from non-pontifical universities on the other hand believe that the low diffusion of these modules is to be ascribed to two main causes: (a) poor awareness that these topics are not only of theological and philosophical, but also of *economico-aziendale* significance; (b) the presence of small units dedicated to these topics within other, more 'traditional' modules (e.g. units on ethics and CSR within modules on *Economia Aziendale*, Corporate Management and others)

In fact, it is reasonable to think that in non-pontifical universities many modules on ethics and CSR can be found, although it is likely that these are more widely spread in academic pathways different from those on Economics (e.g. degrees in sociology or philosophy). This would indicate a poor awareness of the importance of ethics and CSR in a business context, confirming what was asserted by non-pontifical tutors interviewed.

6.6.3 Non-shared Aspects Between the Modules Analysed

Obligatoriness and degree programme: neither in pontifical universities or non-pontifical ones is it possible to identify a prevalence of optional or compulsory modules. Modules are equally distributed among academic pathways for first and second-cycle degree programmes.

6.6.4 Comparison Between Empirical Evidence and Relevant Literature

A very low salience of CSR themes was found in modules offered in Italian CHEIs. Previous research suggests that also in Italian state universities (different from CHEIs) CSR issues are under-represented: Gulluscio and Torrecchia (2013) show a low salience of *economico-aziendale* modules related to ethics and CSR in Italian faculties of Economics. In the majority of cases these are modules belonging to SECS-P/07 and SECS-P/08, prevalently taught as part of second-cycle degrees and prevalently optional. Similarly, De Cristofaro (2011, p. 50) found that, among the SECS-P/07 modules of the degree programmes L18 and L33 of the Italian Faculties of Economics, only few modules are exclusively devoted to CSR and ethics-related contents, as their titles reveal.

ICSR (2009) evidenced that the offer of many *economico-aziendale* modules on topics of ethics and CSR is strongly linked to the initiative of individual tutors interested in the subject. These modules were designed because of the individual tutor's interest and stopped being offered once that tutor had left the university. This study, on the other hand, underlines how nearly half of the modules analysed is held by a tutor different from the one who promoted them in the first place. This suggests that awareness concerning the importance of modules dealing with ethics and CSR is progressively increasing, as said modules continue to exist even after the tutor who promoted them has stopped being in charge of them. Furthermore, in some cases, these modules were promoted by a faculty committee (or by a programme committee) and only subsequently assigned to a tutor. This indicates that their inclusion in academic pathways is progressively less linked to personal initiative and it also depends on committee decisions aiming to update the contents of the academic portfolio based on the actual needs of the surrounding context.

This study evidenced that pontifical universities pioneered the offer of academic modules on the topic of ethics and CSR, introducing them starting from the mid-1990s. Such modules were introduced in the non-pontifical institutions analysed starting from the year 2000.

As shown by other research (ICSR, 2009), Italian universities have approached the teaching of CSR with some delay not only with respect to the United States, but also to other European countries. Only in recent years has the Italian university teaching been showing a growing interest in these topics.

6.7 Limitations

This study presents some limitations related to both the general methodological approach and the operative criteria chosen. The following rundown highlights the main limitations ordering them according to the research step from which they arise.

(I) Limitations related to the selection of the CHEIs to be analysed.

1. The statistical population subject of this study includes two types of institutions and, therefore, different academic pathways (pontifical universities do not have faculties of Economics) and different SDSs. For this reason, the two realities are difficult to compare.
2. While non-pontifical universities are listed in a specific ministerial database from which information concerning non-state institution as of a certain period can be extracted, a similar database is not available for pontifical educational institutions. In this latter case it was therefore necessary to look up institutions for analysis through free internet searches. As a consequence, it is possible that the statistical subpopulation (namely the full number of pontifical universities) may have been underestimated.

(II) Limitations related to the search for the modules belonging to the degree programmes offered by the selected CHEIs.

3. The search included all faculties of Economics in non-pontifical CHEIs and all faculties in pontifical ones. This means that other kinds of faculties among the non-pontifical CHEIs were excluded from the search results.
4. For what concerns non-pontifical CHEIs, the search is affected by the lack of recent updates to the official website '*offf.miur.it*' (last updated in 2011). In particular, the 'bridging' between the information found through the official website and that published on the websites of the non-pontifical universities analysed lowered the reliability of the research, as this had to make use of non-ministerial data which were not always verifiable. For what concerns pontifical CHEIs, the research is clearly affected both by the use of CHEIs' websites and by their low level of detail. Probably, better quality of the online information would improve the significance of the research because it would increase the number of modules analysed.

(III) Limitations related to answering the RQs.

5. In order to identify CSR-related modules (RQ1), a search was performed with keywords in the list of *economico-aziendale* modules selected during the previous step. However, this search only returned all modules whose titles contain the selected keywords and did not identify all modules actually dealing with CSR and ethics. Therefore, there could be other modules dealing with CSR and ethics not identified in the following cases: (a) when such topics are proposed in the syllabus, but are not in the title; (b) when they are introduced during the course of the classes, although they are not listed in the syllabus.

   Moreover, the keywords chosen were just some among the possible ones. This means that the modules identified are likely not to represent the sum of the modules dealing with CSR and ethics.
6. The criteria used for the identification of the modules of interest for this study (RQ1), furthermore, are different for the two types of CHEIs. Indeed,

while for non-pontifical universities *economico-aziendale* modules (SDSs from SECS-P/07 to SECS-P/11) were targeted from the start, focusing the search for CSR-related labels on this type of modules, a search using the same type of SDSs could not be performed for pontifical universities. Thus, in order to extract the CSR modules to be analysed for pontifical CHEIs, a subjective criterion was applied for the selection of modules that dealt with CSR issues from an *economico-aziendale* perspective. This approach may have undersized or oversized both the number of CSR modules and the final statistical subpopulation.

7. When salience was analysed (RQ1), only one measure was proposed for it (based on the relative number of credits related to each degree involved). However, a variety of other measures could have been used, e.g. based on the number of the courses.
8. When the nature of the modules was analysed (RQ2), a subjective criterion was used for pontifical CHEIs to search for contents which can be deemed akin to the ones of the SECS-P/07 sector. This could have undersized or oversized the final subpopulation.
9. When the features of the CSR *economico-aziendale* modules were analysed (RQ3), the questionnaire submitted only dealt with some of the possible aspects of those modules that could be subject to analysis.

Finally, for what concerns the representativeness of the analysis, another limitation can be highlighted. Indeed, one of the tutors of the 8 CSR modules selected (from a pontifical university) did not answer the questionnaire, and for this reason 12.5 % of the modules subject of this study could not be analysed.

6.8 Conclusions

There are not many empirical studies on the teaching of issues connected to ethics and CSR in Italy (Gulluscio & Torrecchia, 2013). Nevertheless, it is reasonable to think that the individual inclination to adopt socially responsible behaviours is influenced by various elements, including cultural background and personal beliefs.

In the section dedicated to the literature review several contributions on the topic of the link between religious beliefs and the effects of these beliefs on everyday behaviour were dealt with. Particular mention was made for a few studies on the relationship between religion, business ethics and CSR.

This research tried to analyse the link between religion and university-level teaching of issues connected with ethics and CSR, making an attempt to fill, at least partly, the research gap identified in the literature. In our opinion, this study could be classified as a contribution on 'Business Economics and Accounting Education' applied to CHEIs.

In Italy the strong geographical and cultural link with the Vatican influences academic teaching. The presence of a great number of pontifical institutions, located in Italian land with the status of extraterritorial entities, bears witness to this phenomenon. The presence of some universities regulated by Italian law but acknowledged by the Catholic Church (as explicitly stated in their statutes) is additional evidence of this reality. In our opinion this set of circumstances deserves to be investigated not only as a peculiarity of the Italian system, but also because it is important to understand whether the teaching of CSR and ethics from a Catholic perspective presents features linked to the religious viewpoint.

The emerging data evidence a widespread awareness of the importance of these modules from the viewpoint of tutors. The tutors themselves readily admit that the interest shown by their respective universities towards these issues is reinforced by their religious status.

The main differences between the analysed universities can be summarised as follows:

- At pontifical universities modules on CSR and ethics reached earlier and wider diffusion with respect to non-pontifical universities
- The educational contents are different (pontifical universities are mostly focused on SDCC, while non-pontifical universities are mostly concerned with strictly *economico-aziendale* issues)
- While tutors of philosophy and theology (interviewed in pontifical universities) take for granted the idea of CSR and ethics as issues that do not only have philosophical and ethical implications, but also *economico-aziendale* implications, tutors of *economico-aziendale* subjects (interviewed at non-pontifical universities) claim that this awareness has not yet been achieved in their scientific community

This study represents an early attempt to identify and compare modules concerning issues of business ethics and CSR in the Italian CHEIs. After this first survey, further in-depth research will be required in order to acquire further information on the link between religiosity and the teaching of CSR and ethics. These further studies may concern:

- The expansion of the analysis to modules not entirely dedicated to business ethics and CSR dealing with specific aspects of these topics. This expansion may be achieved through a further keyword-based search in the syllabi of the modules or through questionnaires addressed to the relevant tutors
- Modules identified through this procedure may be divided by area (e.g. *Economia Aziendale*, Economics, Theology, Philosophy) and may require separate analyses
- A comparison could be drawn between modules taught by Catholic and laic universities. In this manner it would be possible to try and understand whether different universities offer diverging interpretations and teach CSR and ethics differently
- Similar comparisons could be drawn between religious universities connected with different denominations

The analysis offered by this study does not aim to provide conclusive evidence, but it represents a stepping stone for future research on a topic that is likely to gain importance in the coming years.

Appendix 6.1: The Questionnaire Submitted

Question				Answer
Class	Subclass	No.	Text	
(A) Course	1. Origin	1	*Genesis*—Was the module dealing with CSR/ corporate ethics you hold initially introduced by you or does the existence of the module pre-date your role as a module tutor?	
		2	*Duration*—In what year was the module first offered by your university?	
		3	*Reasons*—What are the reasons that led your university to offer this module?	
	2. Nature	4	*Obligatoriness*—Is the module optional or compulsory?	
	3. Syllabus	5	*Description*—Please provide a brief description of the module, specifying: pedagogical approach (including any expert guest speakers), contents, aim(s) of the module. Would you be able to send us a detailed description of the module?	
	4. Level	6	*Degree programme*—Is the module offered as part of: (a) Bachelor's degree; (b) Master's degree; (c) both Bachelor's and Master's degree; (d) other (e.g. university master, Ph. D., specialisation degree) (please specify)	
	5. Tutor	7	*CSR experience*—Have you ever taught CSR/corporate ethics in other universities? If so, which ones? Were these religious universities?	
		8	*CSR Background*—Have you ever attended (as a student) modules on CSR/business ethics? Where? Who was the module convenor?	
	6. Students	9	*Module Attendance*—How many students, approximately, have attended your module in the current academic year?	
		10	*Module Interest*—Over the years, have you noticed any changes in the student attendance (number) and in their interest in the topic? How do these changes relate to the module status as compulsory/optional?	
		11	*Activism in CSR*—Have you noticed student activism concerning CSR/corporate ethics in your university?	

(continued)

Question				Answer
Class	Subclass	No.	Text	
(B) CSR	1. Institution	12	*Integration*—During one of our previous studies on modules on CSR/ethics in Italian universities included in the MIUR database we found that these show little integration with the rest of the didactic content and that they are often dependant on the initiative of the module convenor. In your experience, is this scenario verified in the university you work for? In your opinion, what are the strengths and weaknesses of the academic pathway established by your university in relation with CSR/corporate responsibility modules?	
		13	*Diffusion*—In your experience, what are the reasons preventing a greater diffusion of the modules on CSR/corporate responsibility in your university?	
	2. Degree	14	*Integration*—Is the topic of CSR/corporate ethics well integrated in your educational programme, or does it only appear in the module you teach?	
	3. Other degrees	15	*Integration*—The topic of CRS appears to be well integrated in the educational pathways of the most highly accredited international MBAs. In your opinion, why is this less often the case in Italy?	

Appendix 6.2: The CSR Modules Analysed

N.	CHEI	Label	Italian credits (cfu/ects) and SDSs*
1	Libera Università Maria SS. Assunta (LUMSA)	Sostenibilità e responsabilità sociale di impresa (Sustainability and corporate social responsibility)	6 (SECS-P/07)
2	Pontificia Università della Santa Croce	Responsabilità Sociale d'impresa (Corporate social responsibility)	4
3	Pontificia Università Lateranense	Responsabilità dell'impresa (Corporate responsibility)	3
4	Pontificio Ateneo Regina Apostolorum	Etica economica e di impresa (Economic and corporate ethics)	2 (3 ects)
5	Università cattolica del Sacro Cuore	Etica degli Affari (Business ethics)	8 (SECS-P/10)
6	Università cattolica del Sacro Cuore	Corporate governance and social responsibility	8 (4 SECS-P/09 + 4 SECS-P/07)
7	Università cattolica del Sacro Cuore	Corporate social responsibility	5 (SECS-P/07)

(*) Note that SDSs aren't used in pontifical CHEIs

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Chapter 7
The Bermuda Triangle: The Interdependence of Social, Governance and Environmental Challenges to Sustainable Development

Maria Aluchna

Abstract Companies operating on the stock market face many challenges which may hamper their growth and development. They need to take into account the impact of the globalization and internationalization processes which provide as many opportunities (access to labor, customers and resources) as well as threats (hyper competition, quest for innovation and lower costs). The business environment is characterized by the unprecedented scope and frequency of changes rooted in technology (ICT), the specific market structure (consolidations, severe competition), the changing sociology and demographics as well as current inefficiencies related to the financial crisis. Besides, these problems companies also need to incorporate other areas of constrains for their daily operations as well as strategic development which result from the extensive use of natural resources, industry impact on the environment, plundering consumption, inefficient waste management and risks of energy, clean water and clean air shortage as well as devastation of fauna and flora. Recent years have brought about significant adverse impacts on the natural environment to such an extent that they have resulted in a reduction in quantity and quality of natural resources which has severe impacts in the companies' operations.

This chapter addresses the set of social, environmental and economic forces which have led to the emergence of sustainable development. The main goal of the paper is to identify the specific factors of the three natures and to track how they have influenced the understanding of today's business forcing companies to integrate social, environmental and economic requirements for their performance.

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7.1 Introduction

Sustainable development is a concept which aims to provide balanced strategies for economic and social growth assuring for the global and inter generational equilibrium and fairness with respect to the use of natural resources and income distribution. According to the definition by World Commission of Environment Development sustainable development is understood as the development towards meeting the needs of the present generation without comprising the needs of the future generations (UN, 1987). It is a process in which development can be sustained for generations and affords to the future generations the same or more capacity to prosper as the present generation has (Ratnesh, 2006). The concept of sustainable development was elaborated in 1970s and 1980s of the twentieth century as the reaction to extensive industrial and agricultural use of natural resources (Mebratu, 1998; Pesqueux, 2009). Sustainable development places the aspects of social and environmental performance in the center of the discussion (Malone, Bradbury, & Dooley, 2009) and addresses the issue of company's responsibilities (Carrol, 1979). The social performance is understood as "the organization's capacity to meet demand and expectations of constituencies beyond those linked directly to its products and markets" (Marcus, 1996). The economic development observed in Western Europe, North America and Japan was initially believed to be driven by human intelligence, innovation and implementation of efficient production systems and techniques. In the second half of twentieth century it became however obvious that the intensive improvement of living standards in developed countries is linked to the excessive demand for natural resources and taking advantage of weak political, economic and weak bargaining position of developing regions. Hence, the prosperity of the developed countries was realized at the cost of poor societies (Dowbor, 2011) and at the cost of the environment (Singer, 2002). Moreover, it became clearly visible that the increasing power of large global corporations led to their significant impact upon the global society and economy (Kasum, 2014). The negative influence of business operation and of the process of globalization proved to be highly problematic for the less developed economies which suffer from the corporations' reallocations and volatility of the global financial system. The natural environment, fauna and flora became the silent victim as no organizations or political leaders represented their interests and needs.

This paper discusses the interdependence of social, governance and environmental challenges that companies face while operating on the global market. It analyzes the reasons behind sustainable business describing the above mentioned limitations for business operation relating to the natural environment (carbon dioxide and other GHGs emission, declining resources, air pollution, water scarcity, land degradation, deforestation, waste management) and society (poverty, malnutrition, poor living standards). The paper also attempts to answer the question whether it is possible to balance the social, governance and environmental challenges emphasizing that in light of the negative impact of companies and industries on the quality of water and air, damages done to fauna and flora and in the consequence to the quality of human life, the sustainable development is viewed as the only workable solutions. The article is organized as follows. The environmental, social and economic challenges as drivers for the emergence of sustainable business concept are discussed the first three sections. The concept of sustainability is outlined in the fourth section. Final remarks are presented in conclusion.

7.2 Environmental Aspects

The negative industry impact upon the environment assures to be the most problematic aspect calling for significant change in regulation at the international level, lifestyle patterns and business strategies. The important factors that are responsible for environmental degradation include (Mohan Das Gandhi, Selladurai, & Santhi, 2006) industrialization, the increase in per capita income and subsequent changes in consumption pattern, the population growth and the continuous depletion of non-renewable resources. The Millennium Ecosystem Assessment Report (2010) revealed the scope and size of human impact upon the environment indicating that over the past 50 years, humans have changed ecosystems more rapidly and extensively than in any comparable period of time in human history, mostly to meet demands for food, fresh water, timber, fiber, and fuel. This led to a substantial and irreversible loss in the diversity of life on Earth. The changes in ecosystems contributing substantial gains in living standards and economic development have been achieved at the natural environment costs and the exacerbation of poverty for some groups of people. The degradation of ecosystem services could continue significantly worse during the first half of this century and is a barrier to achieving the Millennium Development Goals. The 2012 United Nations Environment Programme (UNEP) (2012) points out that:

- The condition of coral reefs has declined by 38 % since 1980
- The last two decades have seen unprecedented deterioration in fish stocks through overfishing,
- Groundwater supplies have deteriorated since 2000, while global water withdrawals have tripled over the last 50 years
- More than 90 % of water and fish samples from aquatic environments are contaminated by pesticides
- Around 20 % of vertebrate animals are threatened with extinction

The excessive consumption of natural resources and the negative impact on the enviroment is usually calculated on the basis of the ecological footprint. The footprint for selected companies and the ecological deficit with respect to owned land is presented in Table 7.1.

The indicator above 1.8 ha per capita translates for very high living standards and excessive consumption. As shown in Table 7.1 the current consumption in majority of developed countries surpasses the Earth's regenerating capabilities. The high levels of ecological footprint noted in many countries is closely correlated

Table 7.1 Ecological footprint in selected countries with respect to owned land

Country	Ecological footprint (ha per capita)	Available ecological land (ha per capita)	Ecological deficit (ha per capita)
World	2.3	1.8	–0.5
Island	9.9	2.5	–7.4
New Zealand	9.8	14.3	4.5
USA	8.4	6.2	–2.1
Australia	8.1	9.7	1.6
Canada	7.0	8.5	1.5
Ireland	6.6	8.3	1.7
Japan	6.3	1.7	–4.6
Russia	6.0	3.9	–2.0
Denmark	5.8	2.1	–3.7
Sweden	5.8	7.8	2.0
France	5.7	3.8	–1.9
Holland	4.7	2.8	–1.9
Argentina	4.6	3.8	–0.8
Germany	4.6	2.1	–2.5
UK	4.6	1.8	–2.8
Italy	4.5	1.4	–3.1
Malaysia	2.7	1.7	–1.0
Brazil	2.6	2.4	–0.1
Mexico	2.3	1.4	–0.9
Phillippinnes	2.2	0.7	–1.5
Indonesia	1.6	0.9	–0.7
China	1.2	1.3	0.1
Egypt	1.2	0.6	–0.5
Ethiopia	1.0	0.9	–0.1
India	0,.8	0.8	0.0
Pakistan	0.8	0.9	0.1
Bangladesh	0.7	0.6	–0.1

Source: Robbins (2005). Globalne problemy a kultura kapitalizmu, Wydawnictwo Pro publico, Warszawa, p. 498

with the wealth of their citizens, excessive consumption, high living standards and the lifestyle patterns (Singer, 2002). The damage to environment and use of natural resources appears to be the key driver for the sustainable development with respect to:

- CO_2 and other greenhouse gases emission
- Water consumption
- Natural resources depletion which refers to the problems of:
  - Air pollution
  - Land degradation
  - Mineral resources

  - Deforestation
  - Biodiversity under threat
  - "The ethics of what we eat"

- Damage to fauna and flora
- Waste generation and management

7.2.1 GHG Emission

The increased greenhouses gases emission exert the significant impact of the geophysical climate and biogeochemical structure leading to the clime change which in consequence results it increased water vapour, decreased reflectiveness of the Earth's surface, increase in clouds (Kirkby, O'Keefe, & Timberlake, 1995). Out of the greenhouse gases CO_2 draws the most of researchers attention as its emission increases dramatically and has very negative impact on the geochemical process leading to climate change. The increase of CO_2 emission is associated with the growing demand for energy. Prior the industrial revolution most of the atmospheric CO_2 was derived from natural sources. During daylight plants absorb CO_2 from the atmosphere and through the process of photosynthesis store it as food or use it for growth. Burning trees or plant material releases this stored CO_2 into atmosphere what explains why locally grown biofuels can—in specific circumstance—be regarded as carbon neutral. Fossil fuels such as coal, oil and gas are the end product of the natural CO_2 storage process which started millions years ago and as they became the source of energy, they have been released into atmosphere. The massive increase in the burning of fossil fuels came with the industrial revolution whereas the population increase led to increase in energy consumption. There other greenhouses gases of negative impact on the atmosphere and the natural environment include:

- Methane—which depletes atmospheric chemicals which help to break down other gases
- Nitrous oxide (NO_2)—which is a potent greenhouse gas, about 30 times as powerful as $CO_{2,}$ responsible for nearly 4 % of global warming
- Chlorofluorocarbons (CFCs) which are highly potent man-made chemicals used in aerosol spray cans and industrial and domestic refrigeration equipment. These chemicals were accumulating in the upper atmosphere creating the ozone hole over the Antarctic and were banned by the Montreal Protocol 1989

7.2.2 Water Consumption

The second most problematic global enviromental issue refers to the excessive consumption of water manifested in the regular activities (shower, washing closthes/dishes, food processing), in agriculture (70 %) and in the industrial production (20 %). The demand for water supply refers mostly to the easily accessible surface freshwater which constitutes only 1 % of the world's water. The environmentalist experts elaborated the measurement of water requirement, consumption and degree of its scarcity. One of one the most important approach is offered by Gleick (1993) who developed a water scarcity index as a measurement of the ability to meet all water requirements for basic human needs: drinking water for survival, water for human hygiene, water for sanitation services, and modest household needs for preparing food.

The proposed water requirements for meeting basic human needs makes for a total demand of 50 l per person per day (Gleick, 1993) what represents as the "benchmark indicator" of 1000 m^3 per capita per year accepted by the World Bank. Studies on water demand and supply indicate the water crisis caused by the increase of the world's population. As the world's population tripled in the twentieth century, the use of renewable water resources has grown sixfold (WWC). It is expected that within the next 50 years, the world population will increase by another 40 to 50 % what coupled with industrialization and urbanization will contribute to constantly growing demand for water. Moreover, demand for clean water is growing—the water compution has trippled within the last 1950s and continues to increase by 64bn m^3 (1 $m^3 = 1.000$ L) per year. The world population experiences growth of 80 million per year what means additionally increasing the demand for water by about 64 billion cubic meters. The two fastest-growing areas are Africa (with the rate of 2.6 % people a year) and the Middle East (with the rate of 2.2 % people a year). The requirements for meeting basic human needs facing environmental constrains known as the water stress or water scarcity are expressed in different indicators amongst which the Falkenmark Indicator, the most widely used measure. water conditions in an area can be categorized as: no stress, stress, scarcity, and absolute scarcity. Africa is already one of the driest continents in the world, and with this constant change are facing water stress and water scarcity.

7.2.3 Air Pollution

Air pollution results in smog hanging over cities and refers to the presence of hazardous substance human activity introduced into the atmosphere. The main pollutants include carbon dioxide, methane, sulfur dioxide and chlorofluorocarbons. Air pollution has damaging effects on living species and the environment. Despite improvements in some cities, many others suffer from increase of emission and greater air pollution. Indoor air pollution caused by the improper burning of solid biomass fuels imposes an enormous health burden. Moreover, the "hole" in the stratospheric ozone layer over the Antarctic—the layer that protects people from harmful ultraviolet radiation—is now the largest ever and is viewed as the main driving force causing skin cancer. Due to decreased emissions of ozone depleting substances and assuming full Montreal Protocol compliance, the ozone layer is expected to recover, but not until between 2060 and 2075. As noted by WHO (2011)):

- Air pollution is a major environmental risk to health, leading to disease from respiratory infections, heart disease and lung cancer as well as cardiovascular problems
- Indoor air pollution is estimated to cause approximately 2 million premature deaths per year mostly in developing countries (half of these deaths due to pneumonia in children under 5 years of age)
- Urban outdoor air pollution is estimated to cause 1.3 million deaths worldwide per year, mostly affecting people living in middle-income countries

7.2.4 Land Degradation

The land depreciation refers to decreasing of land productivity and fertility due to extensive agricultural and industrial use. The land use with the adoption of the new technologies (chemicals, fertilizers, irrigation) leads to the land erosion, desertification and degradation. In the global basis, the soil degradation is caused primarily by overgrazing (35 %), agricultural activities (28 %), deforestation (30 %), overexplotation of land to produce fuelwood (7 %), and industrialization (4 %). The patterns of soil degradation are different in the various regions. In North America, agriculture has been responsible for 66 % of the soil loss, while in Africa overgrazing is responsible for about half of the soil degradation. The soil degradation encompasses the following processes (Univ. of Michigan):

- Erosion—This stands for soil loss due to the mobilization of topsoil by the forces of water and wind. Soil erosion is a natural process that removes soil from the land. The rate of the process is highly dependent on human actions such as farming, logging, building, overgrazing, off-road vehicles, fires and today is faster than it can be replaced over 1/3 of the world's croplands; the lost topsoil is essentially irreplaceable is
- Desertification is a terms of non-desert area shifting into desert and is mostly caused by mismanagement of land, including overgrazing and felling of trees and brushwood for fuel. The process term was coined threatens more than one-third of the African continent
- Salinization stands for the concentration of salts in the surface or near surface of soils. Human induced salinization is a major problem in drylands usually associated with the irrigation process
- Nutrient loss refers to the loss of the quality of soils

7.2.5 Deforestation

Deforestation represents the causes of exploitation of forest resource and the excessive demand for land in agriculture, industrial and residential use. Deforestation which affects the biological equilibrium and destroys habitats for many species of animals and plants as well as contributes to the increase of CO_2 emission, deserting of land and changes in the winds stream and air circulation. The most problematic aspect of deforestation refers to the loss of rainforest which are viewed as the greatest treasures which play an important role in the Earth's biological equilibrium (Seitz, 2002). The rainforests are threatened s Its importance is sustained as follows (Rainforests facts):

- Rainforests used to cover 14 % of the Earth's land surface now dropping to 6 %. According to estimates the last remaining rainforests could be consumed in less than 40 years. Out of 10 million Indians living in the Amazonian Rainforest five centuries ago, less than 200,000 are living there today
- 1.5 acres of rainforest are lost every second with consequences for both developing and industrial countries
- Rainforest deforestation leads to extinction or threat of extinction to nearly half of the world's species of plants, animals and microorganisms over the next 25 years. Experts estimate that 137 plant, animal and insect species are lost every single day due to rainforest deforestation. That equates to 50,000 species a year
- Rainforests are being destroyed for timber resources, for extraction of petroleum and mineral resources, for cash-crop plantations, and subsistence farming (beef exported to North America) destroyed the natural habitats of native animals.

7.2.6 Biodiversity Under Threat

Deforestation and encroachment of lands, the degradation of forests, wetlands and drylands as well as the reduction in freshwater and marine biodiversity have currently been observed to be at the most rapid pace in human history This has led to the loss of habitat which has affected the health of the ecosystems and put many animals and plants species to extinction or to the threat of extinction. As noted in the UN Global Environmental Outlook 4 (2007) "biodiversity decline and loss of ecosystem services continue to be a major global threat to future development".[1] According to estimates the elimination of 90 % habitats would lead to the reduction in the number of species by 50 % as they are not able to adapt to the new

[1] UN Global Environmental Outlook 4 (2007). http://www.unep.org/geo/GEO4/media/GEO4%20SDM_launch.pdf

Table 7.2 Globally threatened vertebrate species by region

Region	Mammals	Birds	Reptiles	Amphibians	Fishes	Total
Africa	294	217	47	17	148	723
Asia and Pacific	526	523	106	67	247	1469
Europe	82	54	31	10	83	260
Latin America and Caribbean	275	361	77	28	132	873
North America	51	50	27	24	117	269
West Asia	0	24	30	8	9	71
Polar	0	6	7	0	1	14

Source: UN Global Environmental Outlook 3, http://www.unep.org/geo/geo3.asp, p. 4

environment. Table 7.2 provides the list of globally threatened vertebrate species by region.

Globally the decline in the area of temperate forest has been reversed, with an annual increase of 30,000 km^2 between 1990 and 2005. However, the process of decline in tropical forests continues at an annual rate of 130,000 km^2. In result, more than 16,000 species are threatened with extinction UN, 2007).

7.2.7 "The Ethics of What We Eat"

Additional theme discussed in the literature of sustainable development refers to the patterns of food consumption, the methods of animals use in food industry and the industry impact contributing to the environmental devastation. The food choices and the awareness of the conditions in farms and slaughterhouses are known as "the ethics of what we eat" (Singer & Mason, 2006). This approach draws the attention to the conditions in which food is produced, processed and transported, the conditions for growing animals and plants and the environmental impact from the perspective of agriculture methods (e.g. use of pesticides), land degradation (e.g. cutting down the rainforest for producing beef) and CO_2 emission when food is transported for long distances.

7.3 Social Aspects

7.3.1 Swelling Pollution

The second set of challenges is comprised social problems referring to the living conditions of humans worldwide. The most important issues refer to the population growth and its consequences for societies in poor countries as well as the unequal distribution of wealth leading to poverty, malnutrition and hunger, poor shelters, inadequate education and medical care (Del Baldo, 2014).

Table 7.3 World population by regions (thousands, %)

Year/region	1950	1975	2000	2025	2050
World	2,519,495 (100 %)	4,065,508 (100 %)	6,056,714 (100 %)	7,936,740 (100 %)	9,322,251 (100 %)
Well developed countries	813,573 (32.29 %)	1,048,264 (25.78 %)	1,191,428 (19.67 %)	1,218,834 (15.36 %)	1,181,108 (12.67 %)
Less developed countries	1,705,921 (67.71 %)	3,017,243 (74.22 %)	4,865,268 (80.33 %)	6,717,906 (84.64 %)	8,141,143 (87.33 %)
Poor countries	197,450 (7.84 %)	347,742 (8.55 %)	658,192 (10.87 %)	1,186,273 (14.95 %)	1,829,541 (19.63 %)

Source: UN (2011). Word population aging, 1950–2025, New York

Table 7.4 10 mostly populated countries (1950–2050)

Position/year	1950	2002	2050
1	China	China	India
2	India	India	China
3	USA	USA	USA
4	Russia	Indonesia	Indonesia
5	Japan	Brazil	Nigeria
6	Indonesia	Pakistan	Bangladesh
7	Germany	Russia	Pakistan
8	Brazil	Bangladesh	Brazil
9	United Kingdom	Nigeria	Congo
10	Italy	Japan	Mexico

Source: Global Population Profile (2002), Cenzus Bureau, Washington, 2004

The key phenomenon for social aspects refers to the dynamic surge of world population. The population is growing in Asia, Latin America and in Africa, whereas Europe suffers from negative fertility rate. The world population is now estimated at 7 billion people and is excpeted to rise by 2.5 billion people within the next 40 years. The path of the populaton growth means that its size increases by 80 million people per year. Every day "220.000 new place must be added on the table". Thus the proportion of people living in well and poor developed economies shows dynamic changes as pictured in Table 7.3 presenting the patterns until 2050.

Table 7.3 reveals the increasing proportion of the world population living in the less developed and poor countries as opposed to the drop of percentage of world population living in well developed economies. Thus over the next 40 years the ranking of the mostly populated countries in the world will note significant change. Table 7.4 below presents this change indicating the rise of Asian and African countries.

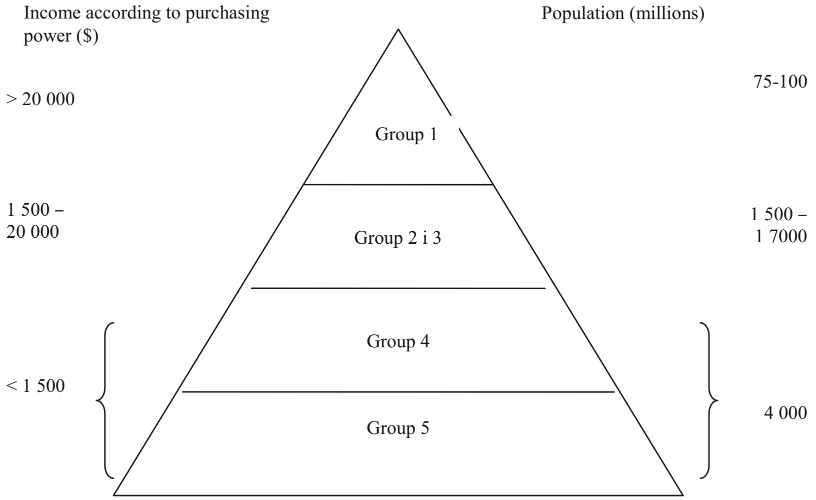
The next demographic process essential for the understanding the global changes and business challenges refers to ageing population noted in developed economies mostly in Europe, Japan, USA, Australia and some countries in Asia (Seitz, 2002). The ageing population translates into the increase of the average age of an individual from 28 years (in 2007) to 34 years (in 2030) whereas the age of the average individual in developed economies rises by 5.5 years from 44.1 in 2030 and by 7.5 years to reach 46.9 in 2030. The statistics show the increase by 6.7 years to reach 32.2 in developing economies. The aging process leads to the decrease of population in EU and to the rise of the part of population age over 65. It is estimated that the population of 65+ will comprise 30 % of population in Europe. Such change result in significant changes for corporate strategies which should incorporate ageing population and focus on the older customer needs (Angwin, Cummings, & Smith, 2007).

7.3.2 *Income Inequality, Poverty and Poor Living Conditions*

The problem of the unequal distribution of wealth has been widely recognized and analyzed (Landes, 2002), however, the growing gap in terms of living standards between well developed and poorly developed economies requires a closer look. The unequal distribution of wealth would not be such an important issue for global community, international organizations and corporation, should the income level and living standards in poorly developed countries be such dramatic (Thirlwall, 2003). As the international organizations and aid initiatives prove to be inefficient the business and companies' operation are perceived as a promising potential opportunity for improvement of economic situation of poorly developed regions. The low labor costs and attractive investment opportunities attract global corporations which may include poorer regions in their supply chains.

Currently, 80 % of economic activity takes place in the 20 most developed countries, while the 220 poorer countries represent the 20 % of the remaining economic activity. According to estimates approximately 4.2 billion people originating from 106 countries belong to the "low income" group, while only 19 countries with 800 million inhabitants are ranked as countries of "high income" countries (Kay, 2004). The impressive results with respect to economic development and capital accumulation are noted in Anglo-Saxon countries—for instance the American companies created more wealth in the second half of twentieth century as compared to the whole humanity before 1950. Such wealth differences are mirrored in the growing gap between the "rich North" and the "poor South" (Seitz, 2002). Statistics reveal that approximately 1 billion people live on $1 per day and below, while the following billion people is able to spend $2 daily on their needs. At the same time the statistics reveal that the 447 people control the larger wealth as compared with the half of the poorest world population (i.e. 3.5 billion people). According to the Federal Swiss Technology Institute 737 companies control 80 % of the global economic system while 147 corporations (conglomerates/groups of companies) control 40 % of the global economic system. Figure 7.1 summarizes these estimates.

The above presented income distribution groups indicate the dominance of the population who possesses the lowest disposable income what leads to poor living



aches to reach the

Fig. 7.1 World population by income distribution. (*Source*: Prahalad C. K. I Hart S. (2002) "The fortune at the bottom of the pyramid" Strategy+Business, 26, p. 2—as quoted in Sprague C. (2008). "Alternative approaches to reach the bottom of the pyramid", in Hamann R., Woolman S., Sprague C. The business of sustainable development in Africa, UNISA Press, Pretoria, p. 86)

standards (Jenkins, Ishikawa, Geaneotes, & Paul, 2010; Gradl & Knobloch, 2010). According to statistics of the Australian Research Institute for Environment and Sustainability (aries.mq.edu.au) approximately:

- Over 1 billion people (what is more people than the combined populations of the United States, Canada and the European Union) suffers from malnutrition and starvation, approximately 1 billion does not have access to clean water
- 2.5 million people does not have access to adequate sanitation infrastructure
- 1.4 million people are classified as living in poverty
- 1 billion does not have a proper shelter, the mortality rate of infants in poor countries is estimated at 35–20 %

The world's global GDP accounts for $63 trillion what means that on average $3000 are disposable for a four-member family per month. As calculations show the additional $13 billion would suffice to meet the nutrition demand of all people living in the world. The devloped countries claim they cannot raise such funds while the expenditure for pets food total $18 billion and the consumption of alcohol and cigaretes is worth over $185 billion. The high mortality rate of children (10 million a year) in poor regions is to large extend tied to diseases already targeted by medicine in developed countries (diarrhea, pneumonia, malaria) and which are mostly caused by poor sanitation conditions Kirkby et al., 1995). "In Sub-Saharan Africa, treating diarrhea consumes 12 % of the health budget. On a typical day, more than half the hospital beds in are occupied by patients suffering from faucal-related disease. [As a result of these constrains] every 20 s, a child dies as a result of poor sanitation. That's 1.5 million preventable deaths each year" (UN, 2011).

7.4 Economic Challenges

The shifts of the economic and politcal leaders on the global scene remain the well known phenomenon (Landes, 2002). The historical studies debate on the failures factors of the Roman Empire, Otomanian Empire and China. However such discussion have a different impact and draw more attention when they focus on the changes and transformations identified nowadays. Currently world is observing a dramatic rise of importance and role of emerging markets. The most influential group of emerging countries constitutes the BRIC group which covers Brazil, Russia, India and China. Other important emerging economies include Mexico, Turkey, Pakistan, and Nigeria. The growing importance of the merging market in global business and economics is rooted in several processes. First, companies operating in the developed economies tend to shift their production sites to the emerging regions in order to lower labor costs (Malkiel & Taylor, 2009). Such strategies targeting the opportunities to lower production cost deprive developed economies of jobs and lower their political power to influence global economy. Second, the economic growth combined with the-know how transfer becomes a driving force for the development of companies in emerging regions. These companies introduce their own products with own brands and invest in innovation, marketing and customer relations. Thus, the role of the emerging countries seen recently as a supplier of the cheap labor and natural resources evolve and increase their influence on the global market. The economic dominance translates into stronger political position and growing aspirations to participate in the international affairs and decision making (e.g. coalitions of emerging markets/BRIC within the international organizations such as UN or the World Bank and International Monetary Fund). Although the trend has been noted for the last 15 years, the latest data seem to deliver evidence for dramatic shift on the global economic scene. The general characteristics of BRIC and G7 countries is presented in Table 7.5.

The growing position and importance of emerging markets is rooted in several aspects:

- Developed economies dependence on production and labor force from developing and emerging markets—the corporate trend to search for lower costs of labor and suggested by modern strategic management focus on core competences while outsourcing non-core business led to shifting production to developing countries.
- The impressive GDP growth of emerging markets—mature markers of the European Union and the United States perceived GDP growth at the level of

Table 7.5 Characteristics of BRIC and G7 countries

Country/ region	PKB as % world GDP (2008)	Land surface (%)	Currency reserves ($ bn)	Population as % of world population
China	6.8	6.4	2033	19.7
Brazil	2.7	5.7	197	2.9
Russia	2.8	11.5	400	2.1
India	2.0	2.2	250	17.2
BRIC total	14.3	25.8	2.880	41.9
USA	23.0	6.6	79	1.2
Germany	6.1	0.2	201	1.9
Japan	7.8	0.3	1056	0.9
France	4.8	0.4	125	0.9
United Kingdom	4.5	0.2	74	0.9
Italy	3.9	0.2	107	0.9
Canada	2.5	6.7	45	0.5
G7 total	52.6	14.6	1607	10.8

Source: Uraziński (2009). BRIC kontra G7, Forbes, August, p. 16

Table 7.6 Development forecasts for BRIC and G7 countries ($trillion)

Region/country	GDP (2008)	GDP (2050)
BRIC	8881	69,600
G7	124,210	32,720
USA	14.26	39.39
China	7.39	70.8

Source: Uraziński (2009). BRIC kontra G7, Forbes, August, p. 16

1–3 % as a good rate of economic development. Meanwhile emerging market enjoy an average 10 % GDP growth rate (China, India, Turkey) which helps them attract new investors, provide promising demand level for products and services and eventually catch up with the economy structure of developed economies. Table 7.6 presents the growth pace and the mutual relationships between developed countries of G7 and BRIC economies (Brazil, Russia, India and China) as well between US and China.

As shown in Table 7.6 the BRIC countries importance and power in the global economy will grow significantly within the next 38 years and will surpass the role of G7. According to estimates by Goldman Sachs in 2050 China will be the biggest world economy followed by the US with the GDP of slightly more than 50 % of Chinese size.

- The macroeconomic impact (trade)—the increase of production, outsourcing implemented by global companies and low labor costs in emerging markets led to their increase in international trade and have currently huge impact on the global macroeconomic system. The increase of currency or interest rates or

changes in the access to natural resources in these countries influence the economic situation of developed economies as well
- Capital accumulation—emerging markets also tend to accumulate large sums of funds which originate from trade and the budgetary surpluses and which are then allocated in stocks, bond and derivatives on the international financial market. For instance China controls budget reserves exceeding 3 trillion dollars. It is essential to mention for instance the Chinese involvement in American or EU bonds.
- Growing importance of companies and stock market capitalization in emerging markets—companies originating from emerging markets develop and grow significantly as the market is demanding increased consumption. Additionally, growing and expanding companies are playing more and more important roles in the global economy.

7.5 The Dimensions of Sustainable Development

The concept of sustainable development assumes the balance between three dimensions of the company's activity with respect it its performance and impact on the society and environment. Thus, sustainable development addresses three areas: economic, environmental and social. Figure 7.2 presents the notion of sustainable development.

As shown in Fig. 7.2 covering economic and environmental requirements leads to viable activities, combining social and economic requirement results in equitable activity, whereas encompassing environmental and social requirements provide for bearable activity. Thus it is crucial to emphasize that sustainable development requires fulfilling all these three requirements at the same time and addresses companies' responsibilities (Carrol, 1979). The success in one of these areas with the other lagging behind leads to the failure of the company strategy and has negative impact on global natural environment and society. The general presentation of the three dimensions is presented in Fig. 7.2.

Economic dimension is rooted the prime goal of every business entity as sound economic performance remains the essential evaluation criteria for executives and entrepreneurs. Corporate profitability is the requirement for the company survival in the competitive market. Moreover, it cannot be stated that the economic growth by definition has negative impact on the environment as the direction of the influence may be different (Strandberg & Brandt, 2001). As noted by Pearce, Barbier, and Markandy (1987)) sustainable economic development "involves maximizing the net benefits of economic development, subject to maintaining the services and quality of natural resources over time". The economic goals include the action towards growth, equity and efficiency. The concept of sustainable business assumes that a company operating within the social and environmental requirements assures for sound economic performance since the social and environmental aspects are heavily considered in customers' choices. Green production,

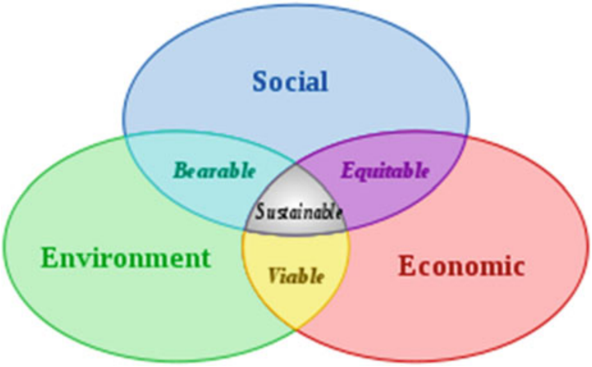


Fig. 7.2 The notion of sustainable development (*Source*: Adams, W.M. (2006). "The Future of Sustainability: Re-thinking Environment and Development in the Twenty-first Century." Report of the IUCN Renowned Thinkers Meeting, 29–31 January 2006)

sound conditions for animal breading, limitation of packaging or adoption of efficient technologies are expected to belong to the customers' purchasing decision criteria. The sustainable companies will not only be able to achieve market share and keep loyal customers but also would be able to demand a higher premium for their products or services. Additionally, the use of natural resources should assure for rationality and accountability as the controlled and irresponsible consumption ultimately leads to severe constrains imposed on business activity in the longer run (depletion of resources, environmental damage, pollution etc.). The efficient natural resources use, lower energy and materials consumption, waste management as well as assuring for rebuilding of natural resources should create global wealth. The economic dimension covers also several problems related to the desire of developing countries for reaching the consumption standard of well developed economies. The actions aimed at environmental protection suggest implementation of the advanced and highly efficient technologies as well as change in the consumption patterns according to the well known greening hierarchy which is presented in Fig. 7.3.

The challenges of the environmental protection and the costs of constrains connected to the environmental damage, the use of non renewable resources and external costs of negative impact of damaged and polluted environment are covered by the science of natural resource economics. Natural resource economics (Tietenberg & Lewis, 2008) is a field of studies adopting microeconomic approach to the problems of scarcity of natural resources. It conducts an empirical calculation of constrains, negatives effects and losses to economic activities. It also explains the optimal structuring of taxes and regulations. Additional impact of the environmental concerns on business is the emergence of environmental management accounting where the traditional measurement of company's performance is to consider its impact on the environment (Hearth & Herath, 2014).

The social dimension of sustainability refers to the social responsibility covering such topics as human rights, working conditions, social justice, individual ethics and lifestyles and ethical consumerism. The aims of social system goals include the initiatives of empowerment, social cohesion and cultural diversity (Elliott, 2009).

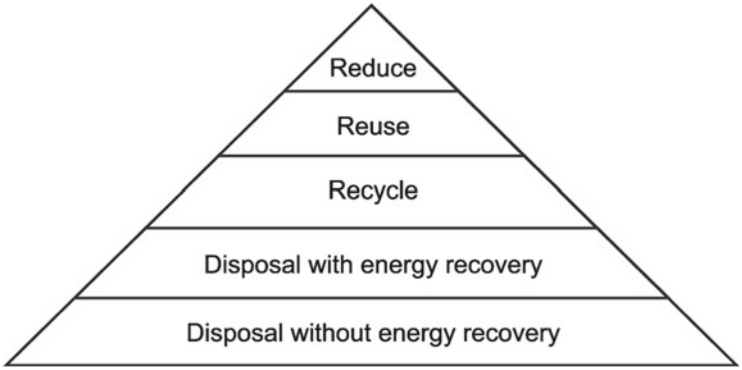


Fig. 7.3 Greening hierarchy (*Source*: Mohan Das Gandhi N., Selladurai V., Santhi P. (2006). Unsustainable development to sustainable development: a conceptual model, Management of Environmental Quality: An International Journal, vol. 17, issue 6, p. 662)

Fulfilling the social dimension is aimed to improve the social performance of the company with respect to criteria accompanied with stakeholder dialogue, community consultation, cooperation with NGOs and customer communication (Spirig, 2006). It is also viewed as a tool for strengthening competitiveness, entrepreneurship and innovation (Joshi & Joshi, 2014) as well as building social capital (Idowu, 2014). The implementation of sustainable development requires several conditions which include the following five elements. First, sustainable stakeholder balance creates fundaments for the long term cooperation and activity of different stakeholders in a company or other activity. Second, learning excellence is aimed at the development of new methods and techniques which support implementation of sustainable development into practice. Third, the process performance excellence assures for organizational learning and internalization of sustainable development principles into corporate cultures. Fourth, stakeholdercracy should allow integrating the expectations of various stakeholders into company operation. And fifth, the increased transparency of companies and other entities should measure and reveal their impact upon environment and society and allow to track the progress on their social and environmental performance. Discussing sustainable development dimensions the reference to principles of sustainable business development is viewed crucial.

The concept of sustainable development recommends further economic development under the condition of balancing social and environmental challenges setting the framework for regulation and public policy. The balance of economic, social and environmental aspects can be achieved with the use of set of various tools and policies which aim at mitigating the negative consequences and phenomena. The possible map for sustainable development addresses various areas such as policy, economy, society and discourse.

7.6 Conclusion

The aforementioned social, economic and environmental challenges exert significant impact on business operation forcing them to adopt new strategies, new performance measurement systems and new communications with stakeholders. As identified in the chapter these forces gave rise to the emergence of the concept of sustainable development and its implementation in companies known as sustainable business development. Sustainable business development is viewed as a strategic framework for integrating the principles of sustainable business by creating innovative solutions to complex needs of business requirements and thinking strategically about leading change (Rainey, 2006). Sustainable business is the way company operate according to the requirements of sustainable development which is rooted in balancing three dimensions of corporate activity: the environment, the economy and social equality.

The definition of Crane and Matten (2007) perceives sustainable development as the long term provision for corporate efficiency taking into account the environmental, economic and social criteria. The environmental dimension refers to the responsible management of natural resources and requires adopting the strategy towards non-renewable resources, the impact of industrialization upon biodiversity and the level of pollution. The economic dimension refers mostly to the long term corporate efficiency understood as financial performance and market position and its impact of the economic condition, it is operating in. The social dimension mostly relates to the concept of corporate social responsibility emphasizing the problems of social justice and equality, fight against poverty and malnutrition, rights for access to education and gender equality. Encompassing all of these three components leads to emergence of sustainable company/sustainable enterprise and requires adopting the rules of sustainable development at all levels and all areas of company's operation. It requires complex and integrated approach and cooperation between strategic and operational level for the organization. More importantly, the implementation of sustainable business standards demands the change of every single individual in the company which will eventually lead to change in social perception and engagement in certain activities.

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Chapter 8
The Pursuit of Responsible Business: Corporate Responsibility of Finnish Companies in Their Global Operations

Mirja Mikkilä, Virgilio Panapanaan, and Lassi Linnanen

Abstract Nowadays, increasing global business operations call for internationally accepted business conduct and socially responsible management. Since there is no over-the-boundary global legislation, the institutionalization of various CR programs and initiatives is challenging for many globally-operating companies. This is true to a few Finnish, globally operating companies, too. Many businesses and policy researchers have been clarifying the global business environment by normative means, such as the development of various corporate responsibility (CR) management programs or initiatives.

This paper looks at some examples of operations of Finland-based companies in six different operation areas to determine the adequacy of national and international CR initiatives in various operation environments and to map out the institutionalization process behind the CR initiatives. The cases were analyzed using the normative ISO 26000 CR guideline interpreted into the Finnish context by the Finnish Corporate Social Responsibility Network (FIBS). The analysis was expanded beyond the Finnish home market, as the major responsibility debate has concentrated on the international operations of large Finnish companies.

The analysis showed that the Finnish business aimed at proactive CR consideration in the studied cases but failed partly in this target due to three reasons; Finnish trust on local legislations and institutions, inadequate base guideline for CR strategies, and inadequate knowledge on local business environment. The work illustrates the diversity of CR challenges within the global business. The strategic CR approach through the standardized and certified core operations creates a basis for legitimate operations both in home and host countries. Profound understanding of local socio-cultural nuances together with large stakeholder consideration and communication strengthens the legitimacy of the operations promoting CR implementation.

ISO 26000 CSR guideline provided a relatively comprehensive framework for the CR implementation, but the detailed revision of the cases indicated the technical-social social focus of the ISO criteria set. The environmental issues

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covered well energy, recycling, and clean technology issues, but the case studies showed the relevance to complete the guideline with raw material related issues, such as the origin of raw material and sustainable and equal governance of natural resources. Furthermore, the responsibility towards shareholders is recommendable to consider within a common CR-framework in addition to Corporate Governance.

The companies adjusted the operations proactively according to the understanding of the business environment in addition to the reaction on the business challenges, such as land tenure debate or employee arrangements in the context of production unit closing. A few clues indicated the recognition of the strategic potential of CR practices to produce indirectly benefits, such as good reputation, efficient management through standardized practices, and brand strengthening.

8.1 Introduction

The Finnish industries have always been export-oriented due to the limited home market; from the construction of sailing ships to the international clients since the late nineteenth century to the export of telecommunication utilities and various paper products in the 2000s. Over the past decade, with the increased media attention, tightening legislations and different stakeholders' interests, the global business operations have been calling for internationally accepted corporate behavior and socially and environmentally responsible business conduct, both in Finland and abroad. Business, policy, and research actors have been clarifying the business environment by normative means, such as standardization and application of the concept of corporate responsibility owing to the absence of over-the-boundary global legislation (Mikkilä, Linnanen, & Panapanaan, 2015). Corporate social responsibility (CSR), a term often interchangeably used with CR and related concepts such corporate citizenship, corporate sustainability, business in society, and corporate accountability have entrenched their role in business languages and practices during the past two decades. Scholars, business practitioners, and researchers have been defining and qualifying the contents of such an essential business concept. Also stakeholders' communication tools like GRI Sustainability Reporting Framework, launched in 1997, standardize the CR contents of business enterprises (GRI, 2014). Internationally or globally operating large companies have particularly adopted such standardizing practices.

The focus of CR (as promoted by the European Commission's Green Paper) has varied in time in Finland covering all three dimensions, originating from the definition of sustainable development by Brundlandt Commission in 1987, namely economic, social, and environmental responsibility. However, owing to the debate and/or disagreement on the definition and coverage of CSR, many Finnish companies opted for the term "corporate responsibility (CR) to describe more comprehensively the responsibilities of business than CSR in the Finnish context. The use

Fig. 8.1 Responsibility characters within globally operating pulp and paper industries (*Sources*: adjusted according to Mikkilä (2006), Mikkilä and Toppinen (2008), CSR Weltweit, 2014)

of CR (rather than CSR) in Finland has been supported by the Confederation of the Finnish Industry and Employers (now Confederation of Finnish Industries) since 2005. In that regard and to avoid confusion with CSR, CR is the term adopted and used in this paper.

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). Consequently, the understanding of responsibility may reflect the values of the home country of globally operating companies. For example, the reporting practices of a few, globally operating companies reflect the value base of the company's home country Fig. 8.1.

Figure 8.1 indicates that local and regional understanding of the content of responsible business reflects local and regional religions, values, and norms. Furthermore, political history and society's role in guaranteeing citizens' welfare services may explain the differences. Understanding of this phenomenon deeper was the driving force for the research question of this work: Do international operations of Finnish companies lead to new, global CR initiatives or wider implementation of CR in the host country than in the home country? What is the process of the adoption of CR initiatives both nationally and internationally?

8.2 Perspectives on Corporate Responsibility in Finland

Globally, the proliferation of the CR concept has become widespread, and for the last two or three decades, a growing number of companies acknowledge the importance of CR, and thus, CR has become a widespread movement on a global scale. Various perspectives and understanding on CR can be found world-wide depending on the economic, political, socio-cultural, and business environment of a given country. On a global perspective, despite the variations in meaning, understanding, and practice, it is very relevant to ask what CR has got to do with globalization (or global trade in particular). Despite the global economic progress, CR is very relevant in global discussion because globalization today is packed with the plethora of corporate responsibility issues such as climate change and global warming, poverty, human rights, labor, and other contemporary environmental and social issues. By this premise, it is but fitting to look and understand how CR in one country or another is being developed, acted upon, and performed. Finland as a country provides a CR perspective in accordance with its status as a welfare state.

The historical development of corporate responsibility in Finland can be divided into three phases: industrialization, emerging of environmental awareness, and globalization. In this regard, the focus of the responsibility debate in Finland has varied in time covering the three dimensions of corporate social responsibility: economic, environmental, and social responsibility.

The social movement by the industrial and agrarian labor claiming for more reasonable working conditions started the series of movements in the early twentieth century. The environmental dimension dominated the debate at the time of the rise of public environmental awareness from the 1960s until the 1990s. The intensive globalization turned the focus on the global social and environmental responsibility in the late 1990s and onwards.

Public debate around CR is relatively smooth in Finland, and although some discourses are arising and getting seasonal attention, for example economic downturn, election, and closure of production units, open discussion or forum is a conventional and preferred approach in the Finnish corporate world. The discussions about CR have been going on since the early 2000s and were a bit intensified by the European Commission's Green Paper in 2001 (Hietanen, 2002). Most of the discussions have been steered by the Finnish Business and Society (FIBS) CSR Network, which is a part of CSR Europe. Through FIBS, various social partners can actively join and participate in the so called "ethical forum", which promotes the development of CR ideas and practices in Finland.

The Finnish Government launched its decision to support initiatives to strengthen international norms and guidelines related to corporate responsibility in 2012. National CR policy is governed by the Ministry of Employment and the Economy, the Ministry of the Environment (sustainable development), the Ministry of Foreign Affairs (development, human rights, and trade policies), and the Prime Minister's Office (State's ownership policy). Responsibility issues are also dealt with in the Committee on Corporate Social Responsibility, which works under the

Ministry of Employment and the Economy. The Committee is as an advisory body that supports the decision-making (Ministry of Employment and the Economy, 2015).

There is currently no direct legislation in Finland concerning corporate social responsibility (CR). The Finnish government emphasizes the voluntary aspect of CR in its public policy (FIBS, 2015) considering CR well-established in different national policies. The Government supports the projects that strengthen international standards and guidelines for CR, and promotes better integration of responsibility in industrial, development, and trade policies and in public procurement (Ministry of Employment and the Economy, 2015).

The diversity of corporate responsibility concepts showed up within the three Finnish business types in the 2000s: large-scale industries, traditional small and medium-scale enterprises, and newly established innovative start-ups. A few large-scale, globally or nationally but within the international sector operating companies, face global responsibility challenges when expanding their operations to new, emerging markets, commonly with inadequate social and environmental legislations. The companies have adopted international environmental and social management systems, and responsibility reporting to strengthen the operations, but also to concretize the responsibility of the operations for various national and global stakeholders.

The advanced Finnish social and environmental regulation and legislation set an established framework for nationally operating small and medium-scale enterprises (SMEs). The owners perceive little value-added by applying the responsibility concept in the daily business, as the operations are considered mainly responsible as such. The business idea of the third group, recently established start-ups, is commonly business by being responsible, guaranteeing the high societal legitimacy of such business. These actors create business by, for example, recycling various materials or offering social services. The future prospect goes more and more towards the innovation type responsible business. So far, the focus of the SMEs' business has been much on the home market operations (Mikkilä et al., 2015).

Issues or questions about CR typically arise when talking about Finnish companies expanding their business operations in different parts of the world. Questions in this regard could be many, and there are probably no straightforward answers. For example: How do Finnish companies conduct their businesses abroad? What standards or laws do they follow in case of differences? How are the CR values back in Finland reflected in other countries? In order to get some insights and understanding of the global CR aspects and issues management, some operations of Finnish companies in different countries are highlighted in this paper. These cases serve as the main indicators for determining and understanding the various approaches, programs, and initiatives on CR undertaken in each specific country of operation.

8.3 Theoretical and Methodological Considerations

8.3.1 Institutionalization of Organizational Behavior

The first Finnish CR initiatives were based rather on the ad-hoc reaction on cases at hand, for example employees' position when closing production units and outsourcing, industrial pollution and acceptable utilization of natural resources, than systemized CR strategies in the international operations in the 1970-1990s when the entire CR concept was relatively new among the industries. This led to an intensive CR debate and institutionalization of CR approach by governmental, non-governmental, and industrial sectors in the 2000s. Both governmental and non-governmental sectors adopted international CR guidelines widely. The industries standardized the operations by launching CR policies and management and reporting practices, such as the application of GRI.

This phenomenon guided the theoretical basis in the presentation and analyses of the cases which are based on institutional organization theory (Powell & DiMaggio, 1991). Theory and research on institutionalization have generated 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-interests and active agency in organizational responses to institutional pressures and expectations.

Within the framework of institutionalization, Finnish CR initiatives are analyzed in six different operation environments to understand whether the organizational self-interest, adjustment of practices from the operation environment, or some other strategy guides the CR initiative in the studied cases.

8.3.2 Cases Representing Global Commercial Partners

The Finnish CR initiatives were analyzed through selected cases in a few strategic commercial partner countries; namely Russia, Germany, China, the U.S.A., and Brazil Table 8.1. In addition to the commercial relevance, the chosen countries represent different political and economic backgrounds and geographic locations to illustrate the diversity of CR demands in various places.

Finnish principal exports are: telecommunications equipment, passenger cars, and forestry products. Finland is a major producer of paper and paperboard and

Table 8.1 Main trading partners of Finland in 2013

	Country	Imports		Export		Trade balance
		€ million	%	€ million	%	€ million
1	***Russia***	***10 521***	***18.0***	***5 359***	***9.6***	***−5 162***
2	Sweden	6 693	11.5	6 489	11.6	−204
3	***Germany***	***7 355***	***12.6***	***5 419***	***9.7***	***−1 936***
4	The Netherlands	3 374	5.8	3 457	6.2	83
5	***China***	***3 6 t79***	***6.3***	***2 766***	***4.9***	***−913***
6	***The United States***	***1 962***	***3.4***	***3 561***	***6.4***	***1 599***
7	The United Kingdom	1 859	3.2	2 916	5-2	1 058
8	France	1 924	3.3	1 827	3.3	−97
9	Estonia	1 688	2.9	1 748	3.1	59
10	Belgium	1 228	2.1	1 922	3.4	694
...						
19	***Brazil***	***796***	***1.1***	***939***	***1.2***	***143***
	Other countries	18 124	31.0	20 585	36.7	2 461
	Total	**58 407**	**100**	**56 048**	**100**	**−2 359**

Source: Observatory of Economic Complexity (2014), Statistics Finland (2014)

accounts for a large percentage of the world export market (10.7 %) (Observatory of Economic Complexity, 2014). The listed major trading goods are reflected in the analyzed cases here.

8.3.3 Characteristics of Business Environment

With respect to Finland, the differences between the selected case countries; Germany, Russia, China, the U.S.A., and Brazil; were characterized through the business environment framework. The framework was outlined on the basis of the current Finnish business environment and CR's role in it Table 8.2.

The political system in Finland, democratic Nordic welfare state, defines much the national level responsibility requirements set for the private sector. Many CR related issues are covered by wide social and environmental legislation in Finland (Mikkilä et al., 2015).

The CR approach is based on Halme and Laurila's (2009) model of business integration of corporate responsibility types and the potential for expected financial and social benefits. The model outlines the three types of corporate responsibility: philanthropic CR, CR Integration, and CR Innovation. Philanthropy tends to be the least integrated with the core business of the company, whereas the CR Integration and CR Innovation approaches are more tightly interwoven with the core business.

The general business environment is assessed through the ranking in the corruption perception index 2013 by Transparency international (2014). On one hand, the index is a well-known, generally accepted indicator describing the business

Table 8.2 Business environment elements

Indicator	Explanation
State's responsibility	State's role in guaranteeing the wellbeing of its citizens: Nordic, conservative, liberal, limited welfare state
National system	Democratic, liberal, transition, communistic market economy
CR approach	Philanthropy, CR Integration, CR Innovation by Halme and Laurila (2009)
Business values: corruption	Ranking in Corruption perceptions index 2013 by Transparency International (2014)
Freedom of speech	Local people's, NGOs' and medias' role in the business environment

values and atmosphere in the listed countries. One the other hand, cultural interpretations of corruption as a business element vary significantly in the globe (see, for example, de George (1997), Hofstede (1991), Irwin (2012)). Regardless of the cultural interpretations, the index shows the ranking of countries by an independent organization. The index assesses the business environment with the same, non-culturally bound criteria throughout the world providing comparable numeric information.

The freedom of speech represents the potential external pressure towards business operations within the indicator set. It also reflects the transparency of operations. Local people, non-governmental organizations, and media can bring to the front business drawbacks in operation areas with large freedom of speech, hence, promoting transparent operations of business enterprises. Business sector has more space for irresponsible operations in areas with limited social debate.

8.3.4 CR Indicator Review

Potential global CR initiatives were reviewed by aggregating the findings and outcomes from the previous work qualitatively, following the analysis path by for example Miles and Huberman (1994) and Yin (2003). The replication strategy by Yin (2003) was followed by studying one case, Finland, in depth. Then successive cases, that is, the selected operational cases in the partner countries, were examined to see whether the international operations lead to the wider application of CR practices than national level operations. A qualitative dual comparison between Finland and the chosen operative areas of Finnish companies was carried out.

The applied data was secondary, publicly available material, such as newspaper articles, previous researches, CR and sustainability reports of Finnish companies, and websites of international organizations.

The available material was analyzed qualitatively within the international framework of ISO 26000-standard modified into the Finnish context by FIBS Table 8.3. The ISO-framework is generally applied by FIBS (2015), the non-profit Finnish Corporate Social Responsibility Network, in the case studies and further

Table 8.3 CR elements by ISO 26000-standard according to FIBS

CR Element	Content
Environmental issues	Energy efficiency, waste management and recycling, avoiding of hazardous materials, environmental impact analysis, water consumption efficiency, investments in clean technology, environmental issues in product design, recycled materials, renewable energy
Equal and just practices	Equitable competition, responsible criteria in purchasing, recognizing of corruption risk, creation of anti-corruption system, tax payment, creation of lobbying practices, transparency
Employment practices	Health and safety development, personnel training and development, development of employee wellbeing, promotion of equality and diversity, stakeholder dialogue
Governance	CR strategy, targets and goals, employee opinions in CR development, adoption of CR practices throughout the organization, assessment of the governance through CR, CR in the compensation and incentive practices, gender balance in the top management
Consumer issues	Proper and objective marketing, respect of consumer privacy and information, guaranteeing of product safety, consumer enlightenment and information, supporting of sustainable consumption, design for all and accessibility principles in product and service planning, promotion of fair trade and ethical products
Human rights	Prevention of discrimination, freedom of association, rights of local societies, organizational human rights, risk analysis and due diligence, prevention of child and slave labor, employment of weaker society members
Development of local societies	Support of local societies, charity, support of personnel's volunteering, hearing of local societies, consideration of employment in investments, outsourcing and technology, solving of societal problems through product and service development

Source: FIBS (2015), ISO (2010)

development of national level CR practices. Furthermore, FIBS initiatives and policies are widely known and applied in the Finnish society, having no major commercial connection. Hence, this framework was considered a solid and generally known basis for the analysis here.

8.4 Potentiality for Global CR Initiatives

8.4.1 Business Environment Description

The business environment of the studied cases is summarized in Table 8.4 CR in Finland was described earlier, but the other cases are analyzed briefly below.

Table 8.4 Characteristics of the business environment in the analyzed cases

Indicator	Finland	Russia	Germany	China	U.S.A.	Brazil
State's responsibility	Social welfare state	Transition: State-controlled → liberal	Corporatist welfare state	Fragmented liberal-conservative	Liberal welfare state	Emerging welfare state "Bolsa Família"
National system	Democratic market economy	Market/transition economy	Democratic market economy	Socialistic market economy	Liberal market economy	Liberal market economy
CR approach	Integration—innovation	Infancy	Integration—innovation	Infancy	Philanthropy	Philanthropy
Policy initiatives	Few	Few	Few	Few	Few	Few
Business values: corruption	3	127	12	80	19	72
Freedom of speech	Large, active NGOs	Partly limited	Large, active NGOs	Limited, NGOs' and medias role limited	Large	Large

Source: CSR Weltweit (2014) European welfare states (2014), Ringen and Ngok (2013), Glenn (1996), Transparency International (2014), World Bank (2014)

8.4.1.1 Russia

The economic development targets seem to exceed the CR initiatives in Russia. CR concepts and strategies are still in their infancy since a radical change of the political-economic system from the communism to the market economy in the early 1990s even though the launching of the concept started simultaneously with the European CR boom. In 2003, the Russian president made a statement about CR during the XIII Congress of the Russian Union of Industrialists and Entrepreneurs (Maksimova, 2014). Leading Russian companies follow the global trend of integration of CR into the corporate strategy for all types of corporate social performance, including corporate philanthropy. However, the Soviet tradition is still reflected in the context of CR in that large companies are essential parties in the design of social life in their local operation environments, especially in areas with a weak infrastructure. (CSR Weltweit, 2014, Kostjuk, 2005; Maksimova, 2014). However, the historical business style and societal changes have created a challenging, non-transparent business style in Russia (Maksimova, 2014) that is reflected in the ranking of Russia in place 127 in the Corruption perception index 2013 (Transparency international, 2014). Also, the freedom of speech can be considered limited, as the state observes closely the media and the activities of non-governmental organizations.

8.4.1.2 Germany

The CR indicators in Finland and Germany remind much each other. The state has a relatively large responsibility in proving welfare services to the citizens within the market economy system. Habisch and Wegner (2005) listed strong trade unions and business associations, religion-based institutions, professional associations and chambers together with a strong state with large social responsibility as main reasons for the marginal space and need for individual and organizational CR initiatives. The well-established system together with the low corruption grade and extensive certification of traded goods provides a stabile operation environment for the industries located in Germany. There are a number of environmental and other types of non-governmental organizations due to the German green tradition since the 1970s (Habisch & Wegner, 2005). It can be concluded that Germany applies widely the CR integration type approach in business.

8.4.1.3 China

CR receives little media coverage in the Chinese media, and CR plays a marginal role in the majority of Chinese companies (CSR Weltweit, 2014). World Bank ranked the People's Republic of China the world's second largest economy by GDP based on purchasing power parity (PPP) in 2013 (World Bank, 2014b). Regardless of the economic success, the Chinese welfare system is under threat due to a huge number of ageing population living in a vast country. The private sector shares the responsibility with the public sector, as a growing number of companies are doing their part by enrolling their workers in government programs that grant industrial injury benefits, maternity leave, and unemployment benefits (OECD, 2014). However, these initiatives are either legal social obligation or a part of the cultural tradition than a CR implementation.[1] Large state owned companies and foreign companies investing in China are expected to increase their social involvement. Foreign companies are increasingly involved in environmental and labor projects (CSR Weltweit, 2014). Social challenges and traditions are reflected reasonably in the corruption ranking index as China holds the 80th place among the total of 177 ranked countries (Transparency international, 2014).

8.4.1.4 U.S.A.

The liberal market economy, U.S.A., has a long tradition in CR issues. The government passed laws to address pollution and hazardous waste control in the late 1960s and early 1970s, due to the social and environmental concerns that arose (Tschopp, 2005), like described for example in the classic novel “Silent Spring” by Rachel Carson (1962). Later on, Carroll (1979) launched the multidimensional construct of CR, which included the elements of economic, legal, ethical, and discretionary responsibility. The approach set the basis for the philanthropic CR, as CR is much interpreted in North America even though the conceptualization has been diversified since that. The U.S. council for corporate responsibility (2014) visions CR with the model of seven pillars embodied in diversity and inclusion, environmental sustainability, governance, global enrichment, organizational health, philanthropy, and supply chain integrity.

8.4.1.5 Brazil

Brazil is a democracy being the largest country in the South America with abundant and diverse cultural and natural resources (Brazil, 2014). Brazil’s development has been positive in terms of economic and social indicators during the past decades. One booster for the positive trend was the reforms, such as the pension system renovation, the increasing of minimum wage, and several others, launched by the former president’s, Luis Inácio Lula da Silva (2003–2011) (Ministry for Foreign Affairs of Finland, 2007). The relevance of the social responsibility continued in the

[1] Chinese society is heavily influenced by the traditional values associated with Confucianism, which promotes a strict system of norms and property determining how a person and organization should act within a. The traditional values, including various gift giving can have a significant role in employees’ behavior in a corporate setting (Irwin, 2012).

governmental program of Bolsa Família, an innovative social initiative supported by the World Bank. The virtue of the Bolsa Família is that it reaches a signification portion of Brazilian society that has never benefited from social programs (World Bank, 2014a).

CR has also long roots in the Brazilian business being a part of the Brazilian public debate since the 1960s. The role of companies is seen primarily in terms of providing workers with an acceptable income and a secure and regular job leading to the adoption of philanthropic approach to CR by Brazilian enterprises. Recently, the presence of foreign companies in Brazil has promoted the shift from philanthropy to an emphasis of sustainability in CR interpretation by Brazilian companies (CSR Weltweit, 2014).

8.4.2 Specific Case Features and Issues

8.4.2.1 Sharing of Responsibility Between the Government and Private Sector in Finland

Two large-scale industries have been involved with a large responsibility debate in Finland in the 2000s; a pulp and paper company, Stora Enso, in the so-called Upper Lapland case and the mining company Talvivaara concerning its financially, socially, and environmentally hazardous operations in the eastern Finland in the 2010s.

The pulp and paper company Stora Enso, was one of the major wood purchasers in an Upper Lapland area where Metsähallitus (Finnish Forest and Park Services) has a legal right to log state-owned forests. The same area is a historical winter pasture for reindeer. Thus, the logging of the forest area is a threat to the traditional Sami lifestyle. Greenpeace launched a campaign to inform the European paper consumers that valuable indigenous forests were being logged, and the rights of indigenous people were being violated in the area in 2002. Due to the consequent pressure from the European clients and unclear legal land use right status, Stora Enso drew back from the Upper Lapland business (Mikkilä et al., 2015). The debate calmed down by the end of the first decade of the 2000s. Metsähallitus agreed the conflict with the reindeer herders in 2010. The land tenure and traditional rights of the Sami people are still to some extent loosely defined (Yle, 2010a).

Talvivaara Mining Company Plc. purchased the rights to mine the Talvivaara deposits from Outokumpu Plc. in February 2004 (Talvivaara 2015a). Throughout the operational history, the company suffered from financial, social and environmental hazards. The company was marketed to the potential shareholders as an attractive investment capturing the financial benefits from rich sulfite deposit, flexible environmental regulations and cost efficient bioheapleaching technique at the time of listing. The company faced continuous challenges with the water storage capacity of gypsum ponds. Due to the inadequate water treatment capacity, non-treated process water was led several times to the natural water ecosystems.

In addition, the company reported a few sulfur emissions, the most serious of them leading to an employee's decease in 2012 (Talvivaara 2015b).

A Talvivaara subsidiary which holds all of the group's mining assets applied for bankruptcy protection in 2014 following a drop in nickel prices, repeated production disruptions and environmental damage. The Finnish government set aside a further 97 million euros to help restructure Talvivaara if a private buyer is found, but might otherwise shut down the mine (Reuters 2015).

The cases showed that regardless of the existing, relatively clear legislation and established institutional framework, there are still cases that the traditional rights and environmental issues are not taken into account and place for the social, environmental and financial hazards of which the Government carries the final responsibility.

8.4.2.2 Promotion of Local Businesses in Russia

Finland and Russia have had a close commercial relationships throughout the history; from Czar Russian business, through long-term, secure bilateral deals at the Soviet time to the challenging business between the current Russia and European Union Finland. Politics has been an essential element of the business relationship, and the membership of Finland in the European Union diversified further the role of politics since the 1990s and onwards. Simultaneously, Finnish companies started to expand their eastern operations by purchasing and establishing production units and distribution channels.

The business challenges are concretized through, for example, the round wood export ban set by the Russian Government in the 2000s (Yle, 2013c) and import ban to European foodstuff—the latter as an objection to the import ban of some Russian products set by the European Union (EU). The Russian government aims at strengthening the country's economy by import ban-like initiatives that lead to the establishment of business units and consequent value creation in Russia. The operations of Finnish companies, such as a dairy company, Valio, were allowed to continue in Russia (Ria Ria Novosti, 2014). The actions influenced Valio's strategy of establishing local production units to increase the share of locally produced dairy products instead of imports from Finland.

Valio's operations were also investigated by the Russian police in 2014 when the police searched Valio's St. Petersburg offices in August 2014 in a probe unrelated to Valio's operations but involving alleged money laundering by an unrelated entity, according to Russian investigators. Although Valio and its subsidiaries were not directly accused on money laundering, the authorities searched evidences of money transfers to Valio's subsidiaries' accounts by members of the criminal world (Wall Street Journal, 2014).

The key initiatives risen from the Russian operation environment can be summarized as the support of national and local economies by the establishment of local production units, good relationships with local authorities and policy makers to guarantee the legitimacy of operations. Also, philanthropic type of CR came out of the Russian business cases in terms of wider social responsibility on local societies, based on the Soviet history. The case supported also the findings of CSR Weltweit (2014) that foreign companies are generally under stricter observation than domestic companies, when it comes to the legality and responsibility of operations.

8.4.2.3 Employee Issues in Germany

Finnish industries have expanded their operations to Central Europe intensively since the 1990s, mainly by purchasing existing production units. Later on, part of the mills were closed down due to the economic reasons. For example the former Finnish cell phone company Nokia closed the Bochum facility and moved the production to Romania with the lower wage and other production costs due to profitability reasons in 2008 (Bloomberg Businessweek, 2008). The pulp and paper company UPM-Kymmene appealed to the over capacity of paper production in Europe when closing down, for example, the unprofitable Albbruck paper mill in Baden-Württemberg in 2012 and one paper machine at its Ettringen mill in 2013 (Kauppalehti, 2012; Yle, 2013a).

The companies carried out legal responsibilities towards the employees during the closing processes by providing various social arrangements, such as pension schemes, support for re-employment, relocations within the company, re-training and compensations payments (UPM, 2011). However, the Finnish companies were strongly criticized on greediness and irresponsibility due to mill closures. The mass circulation newspaper Bild reported also on speculations that the Romanian government lured Nokia with the help of subsidies from the European Regional Development Fund (Bloomberg Businessweek, 2008).

The main CR elements raised from the cases legal and free willing reimbursement of outsourced employees, stakeholder dialogue, and rights of the local people.

8.4.2.4 Local People's Rights in China

The culture is reflected in the CR expectations by the government officials favoring CR in the People's Republic of China, as a way of achieving the goal of a harmonious society, much in terms of positive CR effect on areas of social concern (CSR Weltweit, 2014). Business operations within this framework are commonly challenging for foreign companies. Foreign companies have no code of conduct regarding CR implementation, but they need to clarify the content of CR by learning by doing, like the case Stora Enso demonstrates. The company is establishing a mill complex consisting of a pulp mill and board machine including support functions like a power plant, in the autonomous region of Guangxi, Southern China being in place since the early 2000s. Stora Enso aims at producing the raw material on the tree plantations around the mill leasing the land both from the Government and local societies. Around one third of the land has been leased either directly from the villagers or through local business men who have leased the land originally from the villagers (Stora Enso, 2014b).

The recent land reform of the People's Republic of China that provided farmers guaranteed land tenure rights to forest areas turned the middleman based land leasing procedure close to illegal or broke at least the spirit the land reform. The middlemen were also prosecuted crimes and non-acceptable manners in the land leasing process. The company admitted deficiencies of some contracts and started scrutinizing the land leasing agreements and correcting the content of incomplete documents in the late 2010s (Yle, 2010b).

The case illustrated the relevance of socio-cultural, political, and economic CR elements in the large-scale, land intensive business; rights of local people, transparent operations, legality, legitimacy of operations, co-operations with local stakeholders, responsibility on the actions of counterparts and sub-contractors. The business case showed that the operations are not automatically legal or follow the spirit of legislation if they are implemented in the close co-operation with local authorities and specialists. The company and its shareholders carry the final responsibility in moral questions. The understanding of local nuances requires profound understanding of local cultural traditions in addition to the knowledge on legal and economic aspects.

CR question are rather raised by the media of the home countries of the companies operating in China as demonstrated by the Finnish case Stora Enso. The land leasing manifestations were largely reported in the Finnish and European media. In addition, the chain of events resulted in a document movie, Red Forest Hotel (2014).

8.4.2.5 Shareholder Issues in the U.S.A.

The world's largest economy, the U.S.A. (World Bank, 2014a, 2014b) has large and diversified home market and industries. Both of the globally operating pulp and paper companies, Stora Enso and UPM-Kymmene aimed at encapturing their share of the North American highly competed markets in the late 1990s–2000s by purchasing local companies, North-American Consolidated Papers Ltd. and a Canadian Miramich printing paper mill in the early 2000s. Both companies ended up to sell the production units with low price in the late 2000s after a series of financial challenges (Helsingin Sanomat, 2007).

The telecommunication giant, Nokia, had a good position in the North American cellphone markets in the 2000s. Nokia's clients lost the trust on the strategy of co-operating with Microsoft software house to develop Windows smart phones leading to the significant decrease of the share value in the 2010s (Kauppalehti, 2013). Microsoft purchased the Devices & Services functions of Nokia in 2013 (Nokia, 2014).

The North American cases showed, most of all, the relevance of considering economic responsibility as a part of global CR initiatives. The presented cases raised the debate in Finland on the company's responsibility towards its shareholders, as the shareholders suffered the final consequences of failed operations in the U.S.A.

8.4.2.6 Implementation of Social Policy in Brazil

The official CR expectations towards foreign companies are reasonable in the politically stable Brazil. However, foreign companies can find themselves caught between a rock and a hard place: corruption and active civic society. Local business practices seem to include corruptive element based on Brazil's ranking number 72 in the corruption index in 2013 (Transparency International, 2014).

Brazil is an attractive expansion area for natural resource based industries due to the favorable ecological conditions leading to high yields of biomasses. Brazilian Fibria and Finnish Stora Enso established together Veracel, an integrated agro-industrial undertaking, with large eucalyptus plantations and pulp mill (Veracel, 2014). Major stakeholder concerns in the Veracel case and Brazil generally, relate to land ownership and land use, landless and indigenous people's rights, the water use of plantations, and local social and development issues related to poverty. In addition, Veracel's large-scale land ownership and the consequent elevation of land prices have been a major concern among some stakeholders. The company has agreed with the state government on social initiatives to invest its tax refund in local development programs including associations set up for small-scale producers and indigenous farmers (Stora Enso, 2014c).

Regardless of the social initiatives, Veracel has been criticized on operating on areas with unclear land tenure status. Indigenous pataxó-groups blame Veracel on the use of their traditional, cultural land areas as eucalyptus plantations. It is possible that the company must discontinue some areas in benefit of pataxos. The predecessor of Fibria, Aracuz, had to hand over some plantations, and pay a compensation of 1.5 mill. Euros to the Tupinikim people in Espírito Santo state, southern part of Brazil (Taloussanomat, 2014).

The major challenge for responsible business is the unclear political framework that leads to contradictions between local societies and business enterprises. Furthermore, the expectation of local people and authorities go beyond the legal obligations; the foreign company is expected to follow the local practices of larger social responsibility. The case showed also the relevance of local people's rights, and their consequences on the economic profitability was emerged through the production input issues, that is, land tenure questions.

8.4.3 Synthesis

ISO 26000 CSR guideline provided a relatively comprehensive framework for the CR implementation, but the detailed revision of the cases indicated the technical-social social focus of the CR set. The guideline includes a set of process related environmental issues, good governance, employee issues, fair market behavior including consumer issues and product safety, philanthropy, and human rights Table s8.5.

The environmental issues of ISO 26000 CSR guideline covered well energy, recycling, and clean technology issues. The Finnish, Chinese, and Brazilian examples demonstrated the relevance of the raw material basis of the value add chain, like the issues related to the origin of raw material and sustainable and equal governance of natural resources within the global CR initiatives.

Companies list commonly the responsibility towards investors and stakeholders in their governance criteria even though this may not be reflected well enough in the risk analysis and investment decisions. The Finnish, German, and North-American cases demonstrated the relevance of the responsibility towards shareholders within a common CR-framework in addition to Corporate Governance.

The operations in challenging operation areas like Russia, China, and Brazil concretized the relationship between local business practices, relationships to local decision makers, responsibility on suppliers' operations and international policies, and further impact on local employees and societies around the cases. Furthermore, the development of local economies increases the political power of the business entity. This makes the operation even more sensitive in challenging operation environments increasing the responsibility of the business sector. Although such financial-political issues have direct connection with CR, they seem to be missing from the Finnish application of ISO 26000 CR guideline.

The analysis concretized the sensitiveness of a few sectors, for example the mining industry-case Talvivaara, food-related Valio-case, indigenous people and forests in Upper-Lapland, and Veracel-agri-business case. Food is an essential good for all people. Natural resources based business, such as biomass, food, and wood production, are operating commonly on large land areas impacting on the lives of a number of people.

The synthesis illustrated the diversity of CR challenges within the global business. The strategic CR approach through the standardized and certified core operations creates a basis for legitimate operations both in home and host countries. Profound understanding of local socio-cultural nuances together with large stakeholder consideration and communication strengthens the legitimacy of the operations promoting CR implementation. Commonly, the companies need to carry out larger social responsibilities in their global operation compared to the legal obligations in the home country, such as the establishment of health services and support of education.

Table 8.5 Comparison between CR framework by FIBS and the studied cases

CR Element	Finland	Russia	Germany	China	U. S. A.	Brazil
Environmental issues						
Energy efficiency, waste management and recycling, avoiding of hazardous materials, environmental impact analysis, water consumption efficiency, investments in clean technology, environmental issues in product design, recycled materials, renewable energy	X					X
Origin of raw materials	**X**			**X**		
Land tenure	**X**			**X**		**X**
Rights to natural resources	**X**					**X**
Equal and just practices						
Equitable competition, responsible criteria in purchasing, recognizing of corruption risk, creation of anti-corruption system, tax payment, creation of just lobbying practices, transparency		X		X		X
Employment practices						
Health and safety development, personnel training and development, development of employee wellbeing, promotion of equality and diversity, stakeholder dialogue	X		X	X	X	X
Governance						
CR strategy, targets and goals, employee opinions in CR development, adoption of CR practices throughout the organization, assessment of the governance through CR, CR in the compensation and incentive practices, gender balance in the top management						
Responsibility towards shareholders	**X**		**X**		**X**	
Consumer issues						
Proper and objective marketing, respect of consumer privacy and information, guaranteeing of product safety, consumer enlightenment and information, supporting of sustainable consumption, design for all and accessibility principles in product and service planning, promotion of fair trade and ethical products					X	
Human rights						
Prevention of discrimination, freedom of association, rights of local societies, organizational human rights, risk analysis and due diligence, prevention of child and slave labor, employment of weaker society members			X	X		

(continued)

Table 8.5 (continued)

CR Element	Finland	Russia	Germany	China	U. S. A.	Brazil
Equal and just practices						
Support of local societies, charity, support of personnel's volunteering, hearing of local societies, consideration of employment in investments, outsourcing and technology, solving of societal problems through product and service development	X	X	X	X		X
Financial and economic issues						
Support of local (national) economies	**X**	**X**		**X**		**X**
Relationship to organized criminal world		**X**				
Responsibility on suppliers' operations						**X**
Influence on local economies (land value)						**X**
Policy aspects						
Responsibility of governments related to business operations	**X**	**X**				
Political actions (import bans)		**X**				

Source: FIBS (2015), ISO (2010), findings from the study (bold concepts)

8.5 Conclusions

The Finnish business aimed at proactive CR consideration in the studied cases but failed partly in this target due to three reasons; Finnish trust on local legislations and institutions, inadequate base guideline for CR strategies, and inadequate knowledge on local business environment.

CR development has been an institutional process in Finland: the debate raised in the late 1990s after the period of environmental debate. Especially the natural resource based industries, such as the pulp and paper sector, recognized the inadequacy of the Finnish approach abroad; high working moral and following of local legislation and the respect of local norms did not necessary lead to successful business operations, like the studied cases showed. The globally operating companies recognized the need first and the governmental and non-governmental sectors followed in creating a set of standards and definitions for the concept following much the international guidelines.

The trust on the international guidelines may have led to the situation that the diversity of the local business environments has not been studied profoundly enough. The case companies have developed further the CR policies and practices when the understanding of operation environments increases.

Currently, it seems that the Finnish CR approach has been institutionalized to one direction; from home country to host country. The companies have a standardized CR framework adjusting the details according to local circumstances, norms, and institutional framework. The work supports also new, export oriented enterprises, especially SMEs in preparing their expansion strategies. There are so far little evidence on the reciprocal phenomenon; integration of new CR elements into the home country practices. It rather seems that the companies continue business as usual within the Finnish legal framework supported by the defined, international based CR framework. Many of the elements risen from the international cases are not perceived relevant in the Finnish business context. Hence, it may not be considered resource-wise efficient to build a comprehensive set of CR initiatives based on such observations. However, both Finnish cases, the utilization of indigenous forests in Upper-Lapland and mining industry in Eastern Finland, showed that many global CR issues are relevant also in the national context.

The study resulted in rather organizational self-interest and active agency in organizational responses to institutional pressures and expectations than the traditional approach of the institutional organization theory; firms aiming at engaging in specific types of activities according to the institutional structure of a particular environment. The companies adjusted the operations proactively according to the understanding of the business environment in addition to the reaction on the hazardous cases. There were a few clues that the companies recognized also the strategic potential of CR practices to produce indirectly benefits, such as good reputation, efficient management through standardized practices, and brand strengthening.

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Chapter 9
Key CSR Initiatives in Serbia: A New Concept with New Challenges

Tamara Vlastelica Bakić, Ivana Mijatović, and Neven Marinović

Abstract Corporate social responsibility (CSR) as a business concept emerged in corporate and NGO sector in Serbia in 2000s, when the transition towards the market economy started. First, CSR was introduced by large multinational companies that started their operations in Serbia and transferred the good practice from global level to local level. Soon after, the academic community started to research the topic, while NGOs initiated advocacy campaigns and started to build the cross-sectoral partnerships to promote the CSR concept. The first public policy document related to CSR was the "National Sustainable Development Strategy" adopted by the Serbian Government in 2008, followed by the "National CSR Promotion and Development Strategy 2010-2015". The main objectives of this chapter are to present the initiatives used by: the government to promote CSR, such as the public policies and legal framework, and NGOs, corporate entities and other institutions in Serbia, such as campaigns, CSR awards, certification and reporting. In order to answer research questions, the authors analyzed survey results related to the CSR practice of the 17 large companies, members of Business leaders forum in 2014, the amount and type of their community, marketplace and environment investments, as well as their priorities regarding the social issues and social groups to address. Finally, to illustrate the expectations and perception of CSR from the perspective of the Serbian citizens, the authors presented and discussed the results of the public opinion survey related to CSR in Serbia.

9.1 Introduction

9.1.1 About CSR

In literature and practice, corporate social responsibility (CSR) has numerous and various definitions. The most widespread are definitions created by international

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institutions dealing with some aspect of promoting, institutionalization, controlling or measuring the socially responsible performance of organizations. A few authors have tried to systematize the literature containing CSR definitions (Carroll, 1999; Moir, 2001; Joyner & Payne, 2002; Carter & Jennings, 2004). Reviewing literature, Dahlsrud (2008) recorded 37 definitions from 27 different authors published from 1980 to 2003 and then analysed their citation rate i.e. frequency of use, and finally identified the following five basic dimensions of a socially responsible business which most often occur in definitions:

– Social dimension: Contribution to social wellbeing through improving the quality of life of a social community where such an organization operates
– Environmental dimension: Care for the results of an organization's impact on environmental preservation through decreasing the negative impact and increasing the positive one
– Economic dimension: Preserving the profitability and contribution to economic development
– Stakeholder dimension: Establishing relationships with all stakeholders and meeting their expectations regarding business responsibility
– Voluntariness dimension: Decisions and activities beyond what is prescribed by the law, lead by ethical principles and executed on a voluntary basis

In its *White Paper on Corporate Social Responsibility* (2003), the European Commission defines corporate social responsibility as "*a concept by which a company on a voluntary basis principle integrates the care about social issues and environmental protection in its business activities and relationships with stakeholders*". This is, at the same time, the most often cited definition of CSR in documents that deal with such matter. The *World Business Council for Sustainable Development* (2000) describes the concept of social responsibility of entrepreneurs as a "*commitment by business to behave ethically and contribute to sustainable 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*." Furthermore, the *International Business Leaders Forum* (http://www.ss-gate.org) consider social responsibility to be "*an open and transparent business practice based on ethical values and respecting employees*, *the social community and the environment*, *which contributes to sustainable business success*." Business for Social Responsibility (2003) defines CSR as "*running a business in a way that fulfils or exceeds the expectations of the society in an ethical*, *legal*, *commercial and public aspect. Social responsibility is the leading principle for every decision in every area of business*." CSR wire (2003) suggests that "*Corporate social responsibility is defined as integrating business operations and values in a way that interests all stakeholders*, *including investors*, *buyers and*, *employees but also the environment*, *and reflects on the company*'*s policies and activities*".

In the ISO 26000 standard for social responsibility, the work group of the International Standards Organization (ISO) defined the concept as follows: "responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development, including health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour and is integrated throughout the organization and practiced in its relationships."

Probably the most widespread definition in academic literature in last 30 years is the definition created by the author Carroll that reads "Corporate social responsibility comprises economic, legal, ethical and voluntary/philanthropic expectations of society in relation to organizations during the monitored period." (Carroll, 1979, 1991). When explaining his "four-part" definition, Carroll says that economic and legal responsibilities are mandatory, ethical is expected, while the voluntary/philanthropic responsibility is desirable. Vlastelica Bakić, Filipović, and Kostić-Stanković (2014) used the Carroll's model of "the dimensions of social responsibility" to analyze socially responsible aspects of marketing and corporate communications and to set the theoretical framework for the integration of the CSR philosophy into marketing and corporate communications in Serbia, with special emphasis on ethics.

Having in mind the new approaches to socially responsible business which put forward that it implies "a step beyond" from simply obeying the law, it is obvious that ethical and voluntary/philanthropic responsibility are the essence of CSR which is also supported by definition of Kotler and Lee (2005) that reads:"commitment (of the company) to improve the wellbeing of a society through voluntary business practice and corporate resources".

It important to emphasize that CSR as a business philosophy aims at achieving long-term benefits for the company and the society in which it operates. The arguments for and benefits of introducing the concept have already been explained by numerous authors as "the business case for CSR". Vlastelica Bakić, Krstović, and Cicvarić Kostić (2012) confirmed the impact of CSR on the financial performance of the company, consumer attitude and behaviour towards the company, and ultimately on the company's reputation.

9.1.2 CSR in Developing Countries

According to Gugler and Shi (2008) "CSR conceptualization and uprising initiatives are being taken in the developed countries, while the CSR engagement in developing countries is lax". Developing countries provide a socio-economic and cultural context for the CSR, which is in many ways different from one in developed countries. As a dominantly western concept, modern CSR practice differs in different socio-economic and cultural contexts, even among western societies (Edwards, Mainson et al., 2007). In developing countries, CSR is still more about philanthropy and charity and is primarily considered external to a business, as opposed to an internal process that is mainstreamed into core operations, strategy and long-term planning (Visser, 2008; Final Background Paper Corporate Social Responsibility and Corporate Citizenship in the Arab World FBP CSR Cairo, 2007). Elms (2006) reports that corporate responsibility in Central and Eastern European (CEE) countries is still commonly understood as corporate philanthropy and charity or public relations and marketing issues. According to the same report, a very important issue is based on the lack of stakeholder activism in CEE countries due to different historical experiences and relatively low average incomes as a driver of economically driven, rather than morally driven consumption. Furthermore, executives from Central Europe additionally suggest that their companies used to be more responsible, but they were encouraged by the post transition to focus more upon their core operations (Elms, 2006). Few researches deal with benefits of CSR in developing countries. Based on experience of 19 developed countries over a 6-year period, research of Boulouta and Pitelis (2014) suggested that CSR can make a significant positive contribution to national competitiveness (as measured by national living standards) and that countries with a relatively low innovation record can benefit more, as compared to highly innovative countries, by implementing nationwide CSR-based positioning strategies.

9.1.3 CSR in Serbia

9.1.3.1 Early Socialist Phases

Serbia, as a part of ex-Yugoslavia, had the legacy of the most liberalized ex-communist country. The main difference between a command economy (which was predominant in other eastern European countries) and the Yugoslav market socialism, is that it was based on public ownership, decentralized decision-making and a system which allowed for specific forms of profit (loss) sharing as well as legal, financial and marketing independence of enterprises (Adamovich, 1997). According to Mijatovic, Miladinovic, and Stokic (2015), after the Second world war social responsibility was initiated by the government, ideologically defended by concern for interests of workers and was focused internally and externally:

- Internally, the companies were taking care of some personal needs of employees regardless of their position in the organizational hierarchy. The workers were given free housing. Housing contraction was funded partly from contributions of employees and partly from the state budget. It was common for larger companies to have small medical and dental clinics in the company or resorts in which workers were able to spent their vacations at discounted prices. In the third period of the Constitution of Yugoslavia (1974), smaller companies had the opportunity to be linked to self-interest groups—a kind of clusters—in which they could solve some of problems of their workers by sharing the costs and investments (housing, health, tourism, etc.). However, it should be noted that since self-interest groups began to be organized in the end of the period of socialism, so many good ideas about social responsibility couldn't be implemented in a satisfactory manner.

- Externally, social responsibility of Yugoslav enterprises was usually expressed through financial philanthropy: through supporting cultural activities (e.g. purchase of art works of young and unknown artists) or scholarships for students from poor families. Large companies were sponsoring: music, film, art festivals, sport and other events.

9.1.3.2 The Post Socialist Phase

The early 1990s are marked as the end of worker self management, and start of political and economic crisis, that ended in economic sanctions, war and disintegration of Yugoslavia. During the period of mismanagement of the economy in the 1990es, in the area of employee relation, in many companies care about employees has even gone to the other extreme, with the justification related to the break with the socialist practice. Social responsibility in the area of employees' relation is well known and established in socialism, but social responsibility in areas of marketplace, environment, community investment and ethical business became in lime light much later (see more in Mijatovic et al., 2015).

9.1.3.3 New Wave of Development of CSR After 2000s

New wave of development of CSR started after 2000s. Many foreign and multinational companies, which launched their business activities in Serbia, brought their own business practice as well as their CSR policies and procedures. Since 2003 a number of CSR initiatives were implemented by companies, government, NGOs, international donors and foundations, which put focus of the business community on CSR.

According to the Serbia Country-Specific Fact Sheet published in "A Guide to CSR in Europe Country Insights by CSR Europe's National Partner Organisations" (CSR Europe, 2010), minimum requirements for business practice are set through numerous laws concerning labour rights, social rights and environmental protection. However, there is still no firm legal framework for CSR, neither an environmental and/or social reporting obligation, even they have been strongly advocated both by NGOs and business associations (such as American Chamber of Commerce and Foreign Investors council).

The government adopted "National Sustainable Development Strategy" in 2008, and formed a special department within the Vice prime minister's cabinet to implement it, ensuring that way strategic and continuous approach to this issue (http://www.odrzivi-razvoj.gov.rs/eng/). However, as in any developing country, environmental awareness is not high (although it is increasing in recent years), so the main challenges still include basic issues like waste management and cleaner production. The most common CSR related issues that suppliers encounter when working with multinational companies are health and safety and environmental policies. Human rights are not perceived as business' priority, and are traditionally considered NGOs' "area of work". Recently, labour-related rights are becoming more present in the public opinion. Equal Opportunities might be the less developed area of CSR, since none of the minorities in the labour market or workplace is strategically treated neither by the Government or businesses. The law on employment of persons with disabilities is being enforced since May 2010, for now showing scarce results.

Companies are most active in the community investment dimension of CSR, implementing various programmes, and community engagement is often confused with CSR itself, both by the public and by companies, concludes the CSR Europe report (2010).

9.1.4 The National CSR Strategy of the Republic of Serbia

In May 2009, the Team of the Vice President of the Serbian Government for the Implementation of the Strategy for Poverty Reduction published a report in a form of data base on good practices of socially responsible business in Serbia. As the issue of socially responsible business was in time gaining more and more importance in our country, the Ministry of Labour and Social Affairs formed a Work Group for creating "the Strategy for the Development and Promotion of Socially Responsible Business in the Republic of Serbia for the period from 2010 to 2015" (http://www.minrzs.gov.rs/cms). The first official document on CSR "National Strategy of the Republic of Serbia on Socially Responsible Business 2010-2015", endorsed by the Ministry of Labour and Social Affairs of Republic of Serbia, was adopted in July 2010. In this document, socially responsible business was defined in three levels and as follows:

- "First, it includes respecting legal obligations (ex. tax, health and safety, employees rights, consumers rights, environmental regulations) and industry standards.
- Second, it includes reducing or eliminating the negative effects of business for society and risk management (e.g. from the violation of human rights or pollution).
- Finally, it relates to increasing the positive effects of business and the creation of values through innovations, investments and partnerships directed towards social and environmental wellbeing (e.g. creating new jobs, social and economic development and conflict resolution)."

In order to develop a more adequate action plan to follow the national strategy, SWOT analysis of the current state is presented in this document, which included four elements of the political-economic system to create an enabling environment for CSR (http://www.minrzs.gov.rs/cms):

– Business approach to CSR from the perspective of engaging companies
– Market requirements and pressures (coming from customers, employees and employee unions, employers' organizations, investors, foreign business partners)
– Requirements and pressures from the civil sector (NGOs, the media, educational institutions, business associations—chambers of commerce)
– Rules and regulations, as well as incentive mechanisms from the government

As noted in this document, although there is no ministry or special organizational unit within another ministry in Serbia that would deal particularly with the promotion and development of CSR, through the Ministry of Labour and Social Affairs the Government has made some comprehensive efforts in order to establish public policy in this area. The Government also takes serious steps in order to include CSR issues in laws and regulations as a part of the process of joining the EU. The largest companies in Serbia have a high level of awareness of the significance of CSR and they are strategically oriented towards taking a responsible and constructive role in giving such contributions to the community. However, such practice has been mostly applied in companies with foreign ownership, especially in companies that are parts of multinational corporations.

Some multinational companies have an innovative approach to CSR and are trying to adjust their global approach to the specific characteristics of the local environment and the use of domestic experience and achievements from the past on the global market. Certain multinational companies have a more sedated approach with regards to social responsibility in our country than in their home countries, thus showing "double standards" in this area. However, the integration of socially responsible business into business strategies and the organizational structure of companies is gradually on the rise. In the process of introducing and developing the CSR system, it is obvious that there is a constantly growing number of foundations and endowments, as well as the increasing number of companies that have individuals or units responsible for CSR. According to this document, the weakest link in our country, with respect to socially responsible business, is reporting on non-financial operations i.e. the impact on society and the environment.

The fact that the Serbian government recognized the importance of CSR and adopted a document such as this Strategy is very positive, but in the professional community there has been many criticism of the chosen approach and dynamics of handling this topic by the state executive authorities. The basic criticism is that the Strategy did not identify all the existing initiatives and efforts of the business and non-governmental sector to introduce and promote the concept of CSR, but starts from the assumption that the document was one of the first strategic activities in the field of corporate social responsibility in our country. The question of readiness to implement the strategy in practice is also raised. The Strategy was followed by development of an Action Plan to implement the Strategy which was adopted in February 2012. Representatives of various sectors, institutions and companies were included in drafting this document. After the adoption of the Action Plan it is necessary to allocate resources and establish "infrastructure" for the implementation of activities recommended in the Strategy. The full purpose of the National Strategy will be obtained by its adequate and timely implementation, the process which is yet to be initiated.

9.2 Key CSR Initiatives, Awards and Associations in Serbia

Key CSR initiatives in Serbia emerged after 2004 and may be classified in three main groups:

- Business associations which gather socially responsible companies in order to further promote and improve the implementation of this concept
- Awards and recognition for corporate social responsibility
- Publications and media promotion of corporate social responsibility

Business associations which gather the largest number of organizations around the idea of promoting and implementing CSR in business are Business Leaders Forum Serbia and the United Nations Global Compact in Serbia.

9.2.1 The Business Leaders Forum Serbia

The Business Leaders Forum Serbia (http://www.fpl.rs/about_us.96.html) is the first coalition of socially responsible companies in Serbia. It was established with the mission of stimulating the development of corporate social responsibility and establishing permanent and committed CSR practices in the domestic business sector. The establishing of the Business Leaders Forum Serbia is the result of many years of activity by organization Smart Kolektiv in the field of stimulating and developing CSR in Serbia, implemented in cooperation with numerous state institutions, international organizations, business associations and local and foreign companies, with the support of the Institute for Sustainable Communities and USAID. This unique coalition in Serbia, founded in 2008, connects business sector leaders with representatives of state institutions, non-profit organizations and other stakeholders, by initiating constructive inter-sector dialogue and encouraging joint contributions to sustainable social development. With the aim of resolving individual social, economic and environmental problems, the forum also launches tangible programmes and projects, through which it works—together with other social stakeholders—to achieve sustainable and stable community development. Today, there are 20 members of Business Leaders Forum: 14 multinational corporations operating in Serbia, two regional companies, three Serbian companies and one media house.

9.2.2 The United Nations Global Compact Network in Serbia

The United Nations Global Compact Network in Serbia (http://www.unglobalcompact.rs/) was launched in 2007 at an event jointly organised by UNDP Serbia and the National Bank of Serbia. The Network operates through the seven working groups: Social Inclusion, Anti-Corruption, CSR in Banking and Finance, Education and Development of CSR, Environment, Media and Labour rights. The mission of Global Compact Local Network Serbia is to promote the Global Compact and corporate social responsibility in Serbia and to ensure the progress of its members with respect to implementation of the ten principles of the Global Compact through: learning, partnerships, multi-stakeholder dialogue and advocacy through collective action. In 2014, the number of UNGC members in Serbia reached 94.

It is interesting that in the previous period several awards for corporate social responsibility have been established, generating significant media publicity and a lot of public interest. Today, there are significant associations and organizations in Serbia dealing with standard promotion and organization success assessment in the field of corporate social responsibility on the national level:

The **Serbian Chamber of Commerce** is an independent non-profit institution which represents one of the most important partners of the Serbian Government in creating an economic environment that enables the functioning and improvement of economic and entrepreneurial activities (http://www.pks.rs/ProgramRada2013.pdf). The Serbian Chamber of Commerce works on establishing and promoting the principles of socially responsible business. The related activities it conducts and those that are relevant to companies that want to position themselves on the market as socially responsible, and in this way enhance their reputation, also include giving the National Award for socially responsible business. The Award was given for the first time in 2007 and its goal is to identify the best programmes and initiatives of social responsibility in Serbia during the previous 2 years. The Award has been given in three categories: large companies, medium and small enterprises. (http://www.pks.rs/Vesti.aspx?IDVestiDogadjaji=15271). Companies apply for the Award by reporting in five areas of a socially responsible business: employees, environment, market, property and community.

Trag, the largest domestic foundation, has been present in Serbia since 1999—first as a British charity organization, and since 2004, as a domestic foundation. Up until June 2013, the Trag Foundation operated under the name of the Balkan Community Initiatives Fund (BCIF). Trag is conducting a systematic campaign for the revitalization and promotion of philanthropic ideas and attitudes in the society. The campaign includes a series of activities aimed at revitalizing philanthropic actions and making them a part of everyday routine of citizens and organizations.

According to their official website (http://www.tragfondacija.org/virtus-en/award/) the objective of the "Virtuous" award, established by Trag Foundation in 2007, is to acknowledge and publicly name companies and enterprises that gave financial support for the specific cause and thus set a pattern for the business world to follow. Trag wishes to promote and encourage philanthropy in Serbia in order to increase the participation of companies, enterprises and individuals in charitable actions or programs. The competition itself offers an opportunity to associations, civil society organizations and final beneficiaries of donations to publicly express their gratitude to donors. On the other hand, the award makes it possible for companies to get wider public support for the projects to whose implementation they generously contribute. Companies and enterprises can compete for the following award categories: Main Award for contribution at the national level; Award for contribution to the local community in which the company operates; Award for small and medium-size enterprises; Long-term partnership Award between business and civil sector; Award for support for the most innovative project of the year; Award for the contribution to the social inclusion (in partnership with the Social Inclusion and Poverty Reduction Unit of the Government of Republic of Serbia) and Award for volunteering.

Smart Kolektiv and Business Leaders Forum established two types of awards they give to the most successful companies in Serbia for corporate social responsibility:

- European Award for *CSR* Partnership and
- Corporate Volunteering Award.

Smart Kolektiv (www.smartkolektiv.org) is an independent, non-profit organization which is devoted to promoting and establishing the practice of socially responsible business, developing social communications, as well as finding innovative perspectives for sustainable development of civil society and society in general through synergic interconnection of different social participants. Business Leaders Forum (www.fpl.rs) establishes cooperation between businesses and the society, and represents the link that binds business sectors with the local communities and other stakeholders. The overall goal is to jointly tackle most acute social and environmental challenges. Smart Kolektiv and Business Leaders Forum are partner organizations of *CSR Europe* for Serbia and within this they organize the national contest for the European Award for *CSR* Partnership. Since 2013, the European Award for CSR Partnership has been given for the first time in 28 countries around Europe with the support of the European Commission. The Award has been given in two categories: the award for a small and medium enterprise, and the award for a large company. The Award for Corporate Volunteering has been given since 2011 with a goal to recognise and promote companies that invest the time and skills of their employees into the development of their local community. The awards have been given in the categories as follows: (http://www.fpl.rs/upload/documents/preuzimanja/Uslovi%20ucesca%20i%20uputstva%20za%20popunjavanje%20formulara_Nagrada%20za%20korporativno%20volontiranje%202013_fin.pdf):

- Best volunteer program.
- Most successful partnership in the local community.
- Employee development.
- Result measuring.

The **Non-profit civil society organization Moja Srbija** founded in 2002, in the past several years has been giving the Award "Moj izbor" (My Choice) for Social Responsibility in cooperation with the Belgrade Chamber of Commerce. The purpose of the Award is to encourage economic entities which operate in Serbia to invest into environmental preservation, into the development of the community they operate in, as well as to contribute to the improvement of life of their employees, their families and society in general. The awards have been given in several categories: culture and art, sport, science and education development, local community development, support to charity projects, environmental preservation, and inclusion of disabled persons (http://mojasrbija.rs/index.php/konkurs-za-dodelu-priznanja-moj-1).

It is interesting that business associations like the American Chamber of Commerce, the Serbian Managers Association and the Foreign Investors Council, whose mission is primarily related to networking and business and economic advancement, introduce CSR more and more as a company focus in the form of: common projects, socially responsible activities, educational programs and awards.

One of the best-known **publications** in the field of CSR is the "Leaders of Social Responsibility" which has been published by the Business Info Group for 5 years in a row. "Despite the great economic crisis and loss of income in companies, it turned out that those who strategically cherish giving, philanthropic and socially responsible behaviour, continue such practice regardless of external conditions. This encourages us as a proof that the practice of socially responsible business by European standards has become deep-rooted in Serbia as well" was the conclusion of this publishing company at the promotion of its edition for 2013 (http://big.co.rs/sr/izdava%C5%A1tvo/godi%C5%A1nje-edicije/lideri-dru%C5%A1tvene-odgovornosti-2013).

9.3 Citizens' Perception of CSR in Serbia

Smart Kolektiv and IPSOS Strategic Marketing, an independent research agency, executed three public opinion researches in 3 years, with a goal to answer the following research questions:

- To what extent do institutions, organizations and companies work in the interest of the society?
- What do the citizens of Serbia expect from companies?
- How do the citizens view the business and social performance of companies, in terms of expected responsibility?
- How much does social responsibility impact citizens' choice upon buying decisions or willingness to work in such companies?
- What do citizens consider to be priority issues when companies invest into social community?

The results of this research are presented and analyzed in this chapter with kind permission of Smart Kolektiv that was first published in the “CSR in Serbia” (Smart kolektiv, Forum za odgovorno poslovanje, 2014). The first and second research was conducted in 2005 and 2008, and the latest public opinion research on social responsibility, hereby presented, was conducted in November 2013. The research was conducted on a sample of 1008 respondents by using the telephone survey method (CATI) and it included citizens from all parts of Serbia. For the purpose of collecting data, a random, representative, two-phase stratified sample was used, where there were 6 strata divided by geographic criterion into: Vojvodina, Belgrade, Western Serbia, Eastern Serbia, Central Serbia and Southern Serbia, while the households within one stratum were chosen using the simple random sample method with no possibility of choosing again. The sampling error was ±3.25 % for the incidence of 50 %. The pieces of research conducted in 2005 and 2008 involved the same population i.e. the same type and size of the sample.

The research shows that the citizens of Serbia—as consumers, employees and members of a local community—are aware of the impact which companies have on the quality of their lives through socially responsible business. Even 81 % of citizens think that their quality of life would improve if most of companies in Serbia would operate in a socially responsible manner. The citizens of Serbia are aware of the significance of socially responsible companies and most of them support the attitude that companies have a far wider responsibility towards society than to simply be active in their core business and only care about their profit.

It is interesting that citizens think that government institutions bear the greatest responsibility for general welfare, where 88 % consider the Serbian Government to be responsible, 83 % parliament and 76 % local authorities. However, they also agree with the opinion that companies also have a large responsibility: 73 % think that domestic companies are responsible and 60 % that international companies are responsible. Similar expectations are projected on the media, where 75 % of citizens think that they are responsible, and on non-governmental organizations with 55 % thinking that they are responsible.

However, less than one third of citizens believe, that at this moment, companies in Serbia really work in the interests of society. Namely, 32 % of citizens believe that international companies work in the interests of society and 26 % of citizens believe that domestic companies work in the interests of society. It is interesting that citizens mostly think that the responsibility for general welfare lies with domestic companies rather than international ones, but in a higher percentage they rate international companies as socially responsible.

Generally, only 16 % of citizens think that at this moment, companies in Serbia really operate in a socially responsible manner. On a scale from 1 to 5, citizens rated the social responsibility of companies in Serbia with an average score of 2.6.

In citizens’ opinions, companies are the least responsible to their employees, namely only 8 % of citizens think that companies are really responsible to their employees, while 18 % think that they are really responsible to their consumers, 20 % to the local community they operate in and 35 % think that they are really responsible to business partners and suppliers.

For most of Serbian citizens, a company should be responsible in more different aspects of business so that it could be considered socially responsible, which suggests the understanding of socially responsible business as a concept which is much wider than philanthropy and community investment. Because of various bad practices and experiences, citizens put emphasis on care for employees—primarily on health and safety, but also on the possibility of development and promotion. In their perception of social responsibility, one may notice an increase in significance for citizens in terms of a company's attitude towards consumers and towards environmental protection. Donations and the attitude towards the local community are still important to citizens, but no significant increase in importance was recorded, compared to the previous research.

Most citizens think that a company should fulfil at least eight items, in order to be considered socially responsible and each of them, were rated as very significant (a score of 5) by the majority of respondents Fig. 9.1. However, care for employees, consumers and the environment, and operating in line with the law, were rated as significantly more important than the success and profitability of the company, fair relationships with partners and suppliers, and donating to charity.

Care about Employees. Because of different bad practices and experiences witnessed by citizens in the previous period—bad privatizations and restructurings, disrespect for labour rights and the high unemployment rate, for most citizens, only a company that cares about its employees can be considered socially responsible. For most citizens this means that, in the first place, such a company needs to care about the occupational health and safety of its employees, which was the opinion of 80 % of citizens, and then to give its employees the possibilities of promotion and development, which was considered by 76 % of citizens.

Environmental Protection—For citizens, environmental protection represents one of the most significant issues when estimating if a company is socially responsible or not. A very high percentage of those who consider care about the environment a necessary condition (80 %) indicates that there is a highly developed awareness of the significance of preserving the environment they live and work in, which the large number of campaigns that have been conducted in the territory of Serbia undoubtedly contributed to, aiming directly at raising citizens' awareness of the significance of environmental protection.

True and Full Information about a Product—For 76 % of citizens, another condition every socially responsible company needs to meet is providing true and full information about a product. Such a result should not surprise anyone, keeping in mind citizens' bad experiences. Marketing activities are sometimes very close to misleading citizens, and the public has also witnessed a few affairs centred on products whose ingredients did not match the content, as per the packaging label. One of the examples that may illustrate this is the fruit juice market, where the research conducted by the National Consumer Organization in August 2013 showed that every third fruit juice product item does not contain the quantity of fruit, as stated on the packaging.

Donating to Charity—For slightly more than a half of the citizens—55 %, donating to charity is a condition for a company to be considered socially

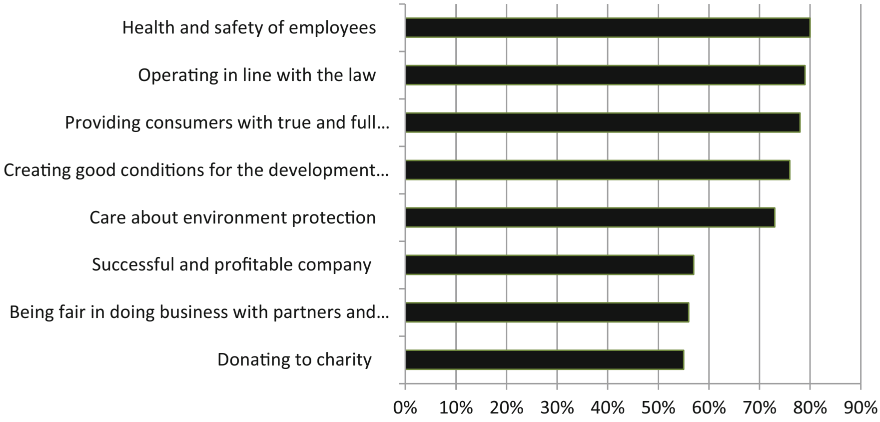

Fig. 9.1 The most significant CSR dimensions for Serbian citizens

responsible. This is also a good result, showing the understanding of social responsibility, but which primarily shows that donations cannot and should not be the most important mechanism of a socially responsible business.

When asked to rank in which fields should companies invest the most, citizens nominated the following: The struggle against corruption, Charity activities, Education, The protection of human rights, Environmental protection, Science, Sport, Culture and art. Also, citizens believe that the following should be the target groups, e.g. beneficiaries of community investment: Those in need (poor and sick); Children and young adults; Educational institutions; Women; Local governments; Talented athletes; Cultural institutions and Organizations representing citizens' interests.

Through making purchase decisions or a work engagement, a large number of Serbian citizens are ready to support the development of new business models based on the care for a certain social goal or for society in general. According to the research findings, citizens, both as consumers and employees, are ready to act—to boycott irresponsible companies, to go to a more distant store if they consider it more responsible, or to work for lower salaries at companies they consider responsible. 73 % of citizens would rather shop in a store belonging to a socially responsible company, even if its prices were slightly higher. 68 % of citizens would rather use the services of a socially responsible company, even if it was located further away. Such results show the highly-developed consumer awareness and the surprisingly widespread positive attitude of consumers towards socially responsible companies.

Despite the high unemployment rate and difficulties in finding a job, 87 % of citizens would rather work for a socially responsible company, even if the salaries were slightly lower in such a company. Employees can more easily identify with the goals of companies that are socially responsible, and the company's reputation plays a great role in attracting skilful staff. This result represents significant progress compared to research results from 2005 which showed that for 79 % of citizens, the salary amount is the most important factor when choosing an employer.

9.4 CSR Priorities and Performance from the Corporate Perspective

In order to encourage social performance measuring and reporting as precondition for business transparency and improvement of socially responsible business practices, an annual research on members' contributions to the local community, workplace and environmental protection was conducted by Business Leaders Forum in Serbia.

The companies' participation in the annual survey was voluntary and research results were communicated to the public only in aggregate terms. The survey was conducted during February and March 2014 and it included 17 members of Business Leaders Forum (http://www.fpl.rs/about_us/members.98.html). The results of this research that are presented in this chapter to illustrate the topic are being published with kind permission of Business Leaders Forum.

In 2013, members of these 17 companies invested a total of 12,782,222.73 EUR in CSR activities (Table 9.1).

Companies have invested a total of 3,772,002.62 EUR to support the development of local community. In the structure of the total contribution to the community development financial contributions make 91 % and in kind contributions make 9 % Table 9.2.

Next research question was related to the more specific CSR areas in which companies have invested. Education represents an area which was a priority for most companies. Environmental protection occupies second place by the number of companies which invested in this area in 2013, while the third and fourth place is occupied by culture and art, and humanitarian aid Fig. 9.2, followed by sport—amateur, youth, school and sport for people with disabilities. It is quite indicative that companies did not invest significantly in CSR areas like healthy lifestyle, active aging or human rights.

Results related to preferred target groups which companies have most often supported, show that companies focus their CSR activities on children, young people and persons with disabilities Fig. 9.3.

Some signs of "maturing" of CSR infrastructure can be seen in the companies' feedback related to their strategic partners in local communities' engagement programs. Although, the public opinion in Serbia (see Sect. 9.4) support the thesis that state institutions have major responsibility for social wellbeing, civil society organizations were for companies the most frequent partners in the implementation of the corporate philanthropy programs, accounting for 66 % of partnerships Fig. 9.4. Foundations were also important partners with whom companies implemented programs to support local communities.

Table 9.1 Investments in key CSR dimensions

The CSR dimension	Amount of investment (in EUR)
Local community development	3,772,002.62
Improvement of working conditions	3,757,441.09
Environmental protection	5,252,779.02

Table 9.2 The most common types of financial and in kind contributions of companies

The most common types of financial contributions of companies (N = 17)	The most common types of in kind contributions of companies (N = 17)
Corporate philanthropy programs	Products donations/pro bono services
Donations from companies' budgets and funds collected from employees and other sources	Equipment donations
Institutional support for organizations and associations with distinct social objectives	Media space donations
Cause related marketing campaigns	

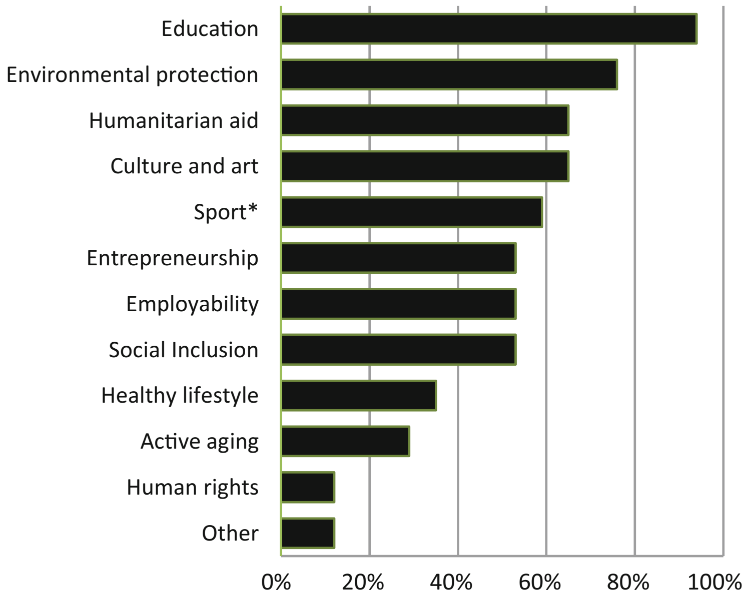

Fig. 9.2 CSR areas in which companies have invested

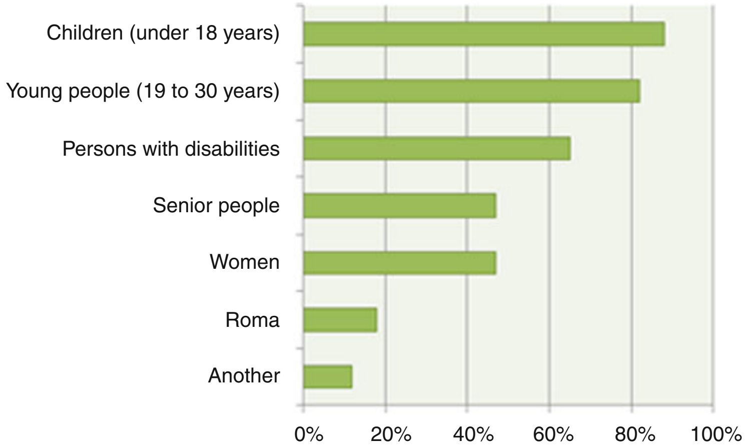

Fig. 9.3 Preferred target groups which companies have most often supported

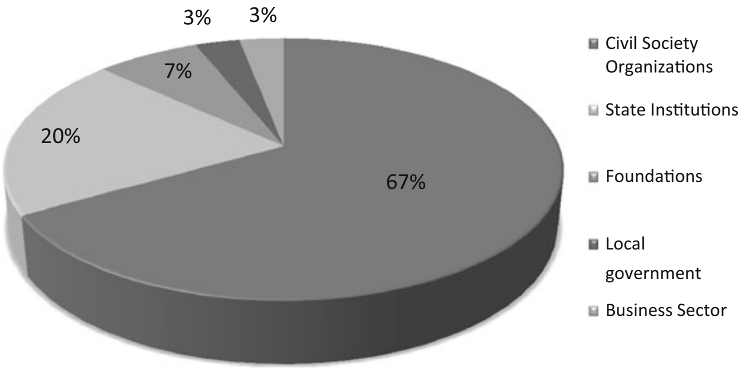

Fig. 9.4 Companies' partners in the implementation of the CSR programs

9.5 Conclusion

The political, socio-economic and historical context of CSR in Serbia is quite specific, being one of the most liberal ex-communist countries at the time. Key CSR initiatives in Serbia are based on activities of business associations which gather socially responsible companies in order to further promote and improve the implementation of this concept; awards and recognition for corporate social responsibility and publications and media promotion of corporate social responsibility. The citizens of Serbia—as consumers, employees and members of a local community—are aware of the impact which companies have on the quality of their lives through socially responsible business. Although citizens think that government institutions bear the greatest responsibility for general welfare, they also perceive that companies, media and non-government are responsible as well and rate their social performance still very low.

In the structure of the companies' total contribution to the community development financial contributions are dominant. CSR areas in which companies primarily invest are education and environmental protection. Some signs of maturing of CSR infrastructure can be seen in the companies' feedback related to their strategic partners in local communities' engagement programs, since they listed civil society organizations as their most frequent partners in the implementation of the corporate philanthropy programs.

The results of the research presented in this paper generally confirm the research findings of Vlastelica Bakić (2012) and Mijatovic et al. (2015). CSR in Serbia is still more present in a form of financial and non financial philanthropy/charity and is primarily considered external to a business. Even in the group of the socially and environmentally conscious companies, CSR is more often implemented through independent projects than an integrated cross-functional approach to conducting business operations.

However, the research showed that in Serbia, in the last decade, the citizens' awareness and expectations in the field of CSR have increased and shifted from pure philanthropy to perception of the more complex role of the business in the society. Government has recognized the importance of CSR by adopting the "National Strategy on Socially Responsible Business" and has taken serious steps in order to include CSR issues in laws and regulations as a part of the process of joining the EU. Business and professional associations and networks started to focus their resources, projects, recognitions, events and publications on CSR related issues. Finally, corporate sector itself has made significant effort in shifting the focus and resources from charity to more strategic approach to CSR management.

There is still room for improvement in the field of CSR certification within the international business arena and more initiatives can be expected in increasing the quantity and the quality of the social reporting of companies in Serbia. The future of implementation of CSR within companies operating in Serbia will be highly influenced by public policies related to CSR either on EU level or on the national level. In future, more focus on implementing CSR should be placed in everyday business activities, not only through independent projects. This can be achieved by further activities of promoting implementation of CSR practice in specific sectors and industries. In that direction, more specific conceptualization of CSR, related to specific sectors or industries, might be focus for future researches.

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Chapter 10
Corporate Social Responsibility Initiatives: Issue-Specific in the Context of Lithuania

Rita Vilkė

Abstract Corporate social responsibility (CSR) is still an evolving paradigm in many new European Union (EU) member states. This is the case despite these states' half-of-a-century experience of Soviet planned economy, different cultural and socio-economic backgrounds of these new EU community member states, they have often propose respective cases for discussion of newly developing businesses and CSR. Soviet business in Lithuania was perceived as a phenomenon, which seemed inconsistent with the political and economic system, but was certainly characterized by business terms from the free world. The originators of capitalism of the planned economy, based on prior Lithuanian traditions and concepts, supported by them and shaped by the environment, had brought many imperfections in the early post-Soviet economic development processes, sometimes without realizing it in line with some shortcomings as well as some benefits. This research aims to elucidate specific key issues in the context of Lithuania, which has historically formed basic fundamentals of the very first CSR initiatives even before the "top-bottom" pressure from the EU. On the other hand, there is a proposed discussion on the input made by international organizations, such as the EU and UNDP, which firstly occurred on institutional agenda and afterwards was followed by a number of CSR initiatives, implemented in collaboration with the government, business and NGOs. The final discussion and conclusion emphasize the crucial importance of the continuity of key CSR initiatives in Lithuania and gives several insights into future CSR development.

10.1 Introduction

Social and economic processes, which accelerate corporate social responsibility (CSR) initiatives in most Western countries (Gond & Moon, 2011; Jackson & Apostolakou, 2010; Midttun, Gautesen, & Gjølberg, 2006; Steurer, Martinuzzi, &

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Margula, 2012) had evolved in Lithuania rather late, nearly at the beginning of the twenty-first century. A millennium history of socio-cultural and economic development behind proposes an important background to the ‘roadmap from confrontation to consensus’ (Vasiljevienė & Vasiljevas, 2005) of stating CSR in the country.

Lithuania is a small country in northeastern Europe with population of 2.9 million as of 2015. It is also known as one of the three Baltic States, next to the Latvia and Estonia, situated along the southeastern shore of the Baltic Sea. Lithuania is bordered by its so-called ‘Baltic sister’ Latvia to the north, Belarus to the east and south, Poland to the south, and Kaliningrad Oblast, a Russian exclave, to the southwest. Vilnius is the capital and largest city with 0.5 million inhabitants, listed among the 20 Greenest European Capital Cities in 2011 (EGCI, 2010; The Economic Intelligence Unit & EIU, 2011). The country is known for its UNESCO World Heritage Sites: a unique Vilnius Historical Centre—the Old Town is recognized among the largest and most beautiful old towns in Central and Eastern Europe; Kernavė, is the first capital of Lithuania, and until today has preserved traces of the most important stages of the humankind history; the Curonian Spit, deservedly titled the Lithuanian paradise, has retained its social and cultural importance, as local communities adapted to the changes in the natural environment in order to survive; and Struve Geodetic Arc, one of the largest and most impressive endeavor to determine the size and shape of the Earth (UNESCO, 2015). Among world’s Intangible Cultural Heritage, Lithuania represents the Baltic song and dance celebrations, Cross-crafting and its symbolism; and ‘Sutartines’, Lithuanian multipart songs. Lithuanians are also unique for the official Lithuanian language, which is often said to be “the most archaic and conservative among the live Indo-European languages” (Zinkevičius, 1993). A small piece of the heritage described might be emphasized in this research as introductory reflection of values, which were settled, protected, cherished and handed by Lithuanian people from generation to generation throughout the centuries, and this was, in fact, fraught with extreme danger (Wolchik & Curry, 2014).

However, CSR was “rather expectation and outlook than a reality in Lithuania” (Vasiljevienė & Vasiljevas, 2005) until the second decade of the twenty-first century. And the reasons refer to the previous cultural and socio-economic development of the country. Nevertheless, particular insights for CSR in Lithuania had appeared on the institutional agenda in 2003, alongside the approved National Sustainable Development Strategy of the Republic of Lithuania (Sustainable Development Strategy…, 2003). In 2004 Lithuania became a full member of NATO and the European Union, and after a few years CSR start being discussed in Lithuania as an evolving business paradigm.

CSR issues start being recognized by Lithuanian scholars since the beginning of the twenty-first century. Research topics most often address various aspects of CSR in business rather than governments and NGOs. A Baseline study on CSR practices in Lithuania was the very first one, which assessed the general level of CSR practices among Lithuanian companies (Barcevičius, Mzavanadze, & Čiupailaitė, D, 2007). A few studies gives an overall comprehensive understanding of the general Lithuanian context for CSR development (Pučėtaitė, Jurėnienė, & Novelskaitė, 2014; Pučėtaitė & Pušinaitė, 2015; Vasiljevienė & Vasiljevas, 2005;

Vasiljievienė & Vasiljevas, 2008; Vilkė, 2011d). Range of fragmented scientific insights made by Lithuanian scholars emphasize CSR by stating the general importance of the issue (Gruževskis, Vasiljevienė, Moskvina, & Kleinaitė, 2006; Šimanskienė & Paužuolienė, 2010), its development tendencies in practice of contemporary companies (Ruževičius & Serafinas, 2006; Vasiljevas & Genevičiūtė, 2004), CSR initiatives (Vilkė, 2010a, 2010b, 2010c), impact on competitive abilities (Juščius & Snieška, 2008), micro and macro factors influencing SMEs' CSR throughout the economic crisis (Bernatonytė, Vilkė, & Keizerienė, 2009), risk management (Vilkė, Matuliauskas, & Ašmenavičiūtė, 2011). In Lithuanian scientific discussions CSR had been also addressed to sustainable development (Juščius, 2007), responsible consumption (Vilkė, 2011a), innovation (Vilkė, 2014a), gender issues (Vilkė & Raišienė, 2014), etc. Issue-specific ethical values' discourse is found in the context of globalization and sustainable development (Čiegis, Gavenauskas, Petkevičiūtė, & Štreimikienė, 2008; Juščius, 2007; Štreimikienė & Vasiljevienė, 2004; Štreimikienė, Simanavičienė, & Kovaliov, 2009; Vasiljevas & Genevičiūtė, 2004; Vasiljevienė, 2002), human resource management (Vasiljevas & Pučėtaitė, 2005), organizational trust, commitment and integrity (Pučėtaitė & La¨msa, 2008; Pučėtaitė, 2009; Raišienė & Vilkė, 2014). Also theoretical and practical insights are proposed for adopting CSR alongside the classical quality tools, which have been examined by industry for decades, to develop modern harmonious management systems (Baležentis & Vilkė, 2011; Vilkė, 2011b, 2014b). Scientific research regarding public sector roles in CSR endorsement is still emerging in Lithuania. CSR issues had been discussed from public administration and business management integration perspectives through public-private interaction model (Guogis & Gudelis, 2009), local public bodies' attitudes and roles in CSR development effectiveness improvement (Štreimikienė & Pušinaitė, 2009; Vilkė, 2011c). Benefits from partnerships between businesses and NGOs are examined alongside the best practice examples from around the world (Vilkė & Wiman, 2011).

Since 2005, scientific discussions are followed by the key CSR initiatives, which played crucially important role for CSR development in Lithuania. The relative movement forward in recognizing CSR as an issue of importance by business, government and society start being evident particularly in the past few years. The increasing role of Lithuania as the EU member-state in the international community had already placed focus on efforts to foster sustainable development by the government, and continuously calls for enhanced role of the private sector and NGOs, since means of CSR are taken unequally important by all actors in the state economy.

This research aims to give an overview of the key CSR initiatives in the issue-specific context of Lithuania by highlighting and discussing the important role, played by international organizations together with Lithuanian government, private businesses and NGOs in key CSR initiatives' development. Analysis of scientific and informative literature, reviews and synthesis of actual documents helped in stating CSR in Lithuania both from national and international perspectives.

10.2 Historical Outline of the Issue-Specific Context of Lithuania

Lithuania (Lituae) counts over a millennium since the time it was first mentioned in the Annals of Quedlinburg in 1009 (Baranauskas, 2009). For centuries, the south-eastern shore of the Baltic Sea was inhabited by various Baltic tribes. Lithuanian lands were first united in the thirteenth century by Mindaugas, the King of Lithuania. July 6, 1253 officially dates the creation of the first unified Lithuanian state, the Grand Duchy of Lithuania, which was the largest country in Europe during the fourteenth and fifteenth centuries: present-day Lithuania, Belarus, Ukraine, parts of Poland and Russia were the territories of the Grand Duchy. In 1569, Lithuania and Poland formed a voluntary two-state union, the Polish–Lithuanian Commonwealth, which lasted for more than two centuries. Vilnius played a political centre's role of the Grand Duchy of Lithuania and the Polish–Lithuanian Commonwealth between the 13th and by the end of the eighteenth century, and has had a profound influence on the cultural and architectural development of much of Eastern Europe. At the end of the eighteenth century Russian Empire annexed most of Lithuania's territory for more than a century, including four decades of Lithuanian press ban. Being a society of incomplete social structure, Lithuanians were mostly engaged in agriculture, since trade, industry and banking were underdeveloped and mostly controlled by other ethnic groups and aliens (Vasiljevienė & Vasiljevas, 2005). Close to the end of the World War I, on 16 February, 1918 Lithuania issued the Act of Independence declaring the establishment of a sovereign State of Lithuania. However, starting with 1940, Lithuania was occupied again: first by the Soviet Union, and then by Nazi Germany. Despite the rapid growth of country's economy at the beginning of a century, two decades of free market were too short in forming any business culture. In 1944 when the Germans retreated, Lithuania was reoccupied by the Soviet Union, and for 50 years doing business became an illegal activity (Fenger, 2007). More precisely, business was associated with the illicit practices that worked against the Soviet ideology and was incompatible with the official economic system. Business use to be identified as a cause of labor exploitation and uneven income distribution and therefore it could not exist in the system, which had declared the equality of persons and the state monopolized market. However, the principle of social equality became formal, and official state economy existed in permanent deficit conditions. Lithuanian citizens from all over the country searched for alternative ways of buying shortage goods. The trade was originated and established on personal abilities and connections. Production, buying and selling for profit became a part of everyday life for many people and thus constituted the basis for forming Soviet shadow economy and entrepreneurship (Tranavičiūtė, 2013). Soviet business so far had been addressed as a phenomenon, which seemed inconsistent with the political and economic system. But certainly it used to be characterized by business terms from the free world, and persons acting in this area, became the originators of capitalism of the planned economy system. For this reason, many aspects of private and illegal business activities of the Soviet period became tightly associated with imperfections in the early post-Soviet economic development processes in the country. Summing up all times many Lithuanian people crafted and traded illegally, and their work was based on the traditions and concepts, supported by their self and the environment, sometimes without realizing in line with shortcomings next to the benefits (Gadeikis, Baronas, & Ambrulevičiūtė, 2010).

The very first signs of civic society movement appeared in a form of joint Baltic peaceful political initiative, today better known as The Baltic Way or Baltic Chain, also Chain of Freedom (Wolchik & Curry, 2014), which occurred on August 23, 1989. Approximately two million people joined their hands to form a human chain spanning 675.5 km (419.7 mi) across the three Baltic States, to issue publicly the values of freedom, independence and commitment, and high ambitions to restore independence from the Soviet Union. Later on the period was titled 'The Singing Revolution' by Heinz Valk, Estonian activist and artist (Vogt, 2005). A year before the formal break-up of the Soviet Union, on 11 March 1990, Lithuania became the first Soviet republic to declare itself independent.

Alongside the restored national independence, many processes of previously industrialized planned economy shaped into a 'creative destruction' (Reinert & Reinert, 2006). With rich 50-year experience of shadow crafting and trading, the very first decade of independent Republic of Lithuania was challenging for many issues, which are typical to the transitional young market economies: economic blockade, wild capitalism, bank crisis, social and economic consequences of shady privatization, emigration of qualified workforce (Pučėtaitė & Pušinaitė, 2015), unformed civic society (Vasiljevienė & Vasiljevas, 2005), corruption in state and municipal institutions (Čepas, 2012; Palidauskaitė, 2006), etc. Despite that, after implemented liberal reforms, Lithuania became one of the world's fastest growing countries in the first decade of the twenty-first century, one of the three 'Baltic Tigers'. SMEs influence on country's economy was huge: they counted for 99.4 % of the total number of operating enterprises in Lithuania, employed over 70 % of the total number of the employed people and created over 70 % the gross value added in national economy (Mačerinskas & Vilkė, 2008; Vengrauskas, Mačerinskas, & Veličkaitė, 2007; Vengrauskas, Mačerinskas, & Vilkė, 2008). GDP growth rate remained positive for nearly a decade, reaching 9.8 % in 2007, and collapsed with speed by −14.8 % in a fade of Economic Crisis in 2009 (Gruževskis & Blažienė, 2012; Vengrauskas et al., 2007). According to Eurostat data, Lithuanian GDP per capita stood at 74 % of the EU average in 2013.

Today Lithuania is a member of European Union and NATO, the Nordic Investment Bank, part of Nordic-Baltic cooperation of Northern European countries. The country is ranked 24th in the world in the Ease of Doing Business Index (EDBI, 2015). The United Nations Human Development Index lists Lithuania as one of the 49 most developed nations globally (UN HDI, 2014). On 1 January 2015, Lithuania adopted the euro as the official currency and became a member of the Eurozone. Annual GDP growth rate counts 2.4 % as of April, 2015.

10.3 Challenges and Opportunities faced by Nation in the Twenty-First Century

From the very beginning concerned with numbers of desultory social activities performed by business and NGOs mostly, CSR begins to play an increasingly important role in a more focused and organized manner throughout a decade of its short history in Lithuania (Vilkė, 2014a). Several stages of key CSR initiatives' development in Lithuania are already available to discuss, pertaining to relevant impact of social, economic, environmental and political challenges faced by nation in the twenty-first century.

CSR was an object of important global and EU debate under globalization, competitiveness and sustainable development. Therefore, it is certainly true that EU acted as the crucial accelerator in forcing CSR to Lithuanian institutional agenda, business practice and NGOs (Ruževičius & Serafinas, 2006; Vilkė, 2011c). CSR in Lithuania was firstly associated with the Lisbon Strategy (2000) for economic, social and environmental objectives as far as it assumed that the company with CSR contributed better job creation and improvement of working conditions, labour rights protection, scientific innovation and technological development. The EU Council recommended member-states "to encourage companies to develop their social responsibility" and at the same time Communication on "Implementing the Partnership for growth and jobs: making Europe a pole of excellence on corporate social responsibility" (March 22, 2006) had stated, that the Commission will focus on CSR, especially in those member-states where the concept of CSR was less known (Vasiljievienė & Vasiljevas, 2008; Vilkė, 2011d).

Thus Lithuania, as a new EU member-state, was brought into the same wave as many former Soviet Block countries (Fenger, 2007; Vasiljevas & Genevičiūtė, 2004). The European Parliament was convinced that encouragement of corporate social and environmental responsibilities was at the heart of European social model, Europe's sustainable development strategy and in response to social challenges of economic globalization (Report, 2006). Furthermore, in July 28, 2009 the EC in Communication "Sustainable Development Mainstreaming in EU policies" had acknowledged that the "European companies incurring higher corporate social responsibility commitments, will increase the capacity for sustainable development". These acted as key primary factors, determining conditions for the very first key CSR initiatives, implemented by government and business associations together, summarized under the very first Lithuanian CSR Development Programme (Report, 2006).

Internal conditions for the key CSR initiatives had been mostly related to the Vision of the State in the Long-Term Economic Development Strategy of Lithuania until the year 2015, namely, "knowledge-based economy is becoming a priority target of Lithuania. The EU is determined to create a knowledge-based society during the coming decade: in 2015 Lithuania expects to reach a similar level in this sphere. However, a knowledge-based society is a challenging objective for Lithuania which may be difficult to deliver unless a high degree of consensus between the widest circles of society can be achieved and unless there is a strong intellectual political will" (Long-Term Strategy..., 2002).

CSR encouragement in National Sustainable Development Strategy of the Republic of Lithuania (Sustainable Development Strategy..., 2003) was attributed to global economic challenges of sustainable development. By implementing the principal of compulsory participation of business companies and social partners, developed within the National Sustainable Development Strategy (2003) and furthered in the CSR Programme (2010), the social dialogue, corporate social responsibility, public private partnership was strengthened. And those primarily aimed to ensure the sustainability of consumption and production (Juščius, 2007; Vilkė, 2011a).

In the 14th Lithuanian Government Programme for the year 2006–2008 (2006), Lithuanian Government was committed to increasing CSR. One of the primary jobs in reaching that was stated as carrying out economic reforms to promote efficient production and expansion of services, while implementing the socially oriented market economy model (Vasiljievienė & Vasiljevas, 2008). The promotion of key CSR initiatives was declared the 15th (2009–2011) and 16th (2012–2016) Lithuanian Government Development Programmes (Ministry of SSL, 2015).

And finally, National CSR Development Programme of the Republic of Lithuania for the year 2009–2013 (CSR Programme..., 2010) was approved in January 2010. The primary purpose was to develop essential conditions towards CSR development, and, by doing so, accelerate business companies implement CSR principles in their daily practice. Therefore in the year 2010 the Government of the Republic of Lithuania had formally recognized that socially responsible business correspond with society's welfare expectations and stands for the base of society's social and economic development (Vilkė, 2011c, 2014a).

Among other important factors that encourage companies to introduce more sophisticated and responsible social and environmental initiatives were recognized climate change, depletion of natural resources, global financial and economic crisis, rise of prices of energy resources, corporate reputation crisis, the need for change in society with increasing pressure of civics (Pučėtaitė et al., 2014; Raišienė & Vilkė, 2014; Vilkė, 2014a). Consequently, the CSR interfering factors were acknowledged with numbers of systemic obstacles: people lacked civic engagement, trade unions were weak and other NGOs remained inactive and powerless (Vilkė, 2011d). And these issues were defined as those most important social, economic, environmental and political challenges to overcome with serve of key CSR initiatives.

10.4 Key Initiatives Used in the Name of Corporate Social Responsibility and Sustainable Development

From the very beginning key CSR initiatives used in the name of CSR and Sustainable Development in Lithuania are coordinated mainly by the Ministry of Social Security and Labor of the Republic of Lithuania (hereinafter referred as (Ministry of SSL, 2015). Stating the important public sector roles in promoting CSR in Lithuania, in 2005 The Ministry of SSL approved an Action Plan on Measures Promoting Corporate Social Responsibility in Lithuania for the year 2006–2008 (hereinafter referred as (CSR Action Plan I. . ., 2006). These measures included mainly CSR information dissemination campaigns, workshops, good practice case studies, monitoring activities, audits, publication of tutorials, training activities, establishment of National Responsible Business Awards etc.

The vision of CSR development in Lithuania set by the CSR Action Plan I for the year 2006–2008 encompassed:

- Competitive companies that change according conditions in global economies
- The safe, clean environment
- Strong social cohesion
- Transparent and ethical business practices

The priority of the country in CSR endorsement in 2006–2008 was to encourage the development of CSR in cooperation with economic, social and international partners. The main goals composed basic CSR promoting targets:

- To stimulate better understanding of CSR and social consciousness in business
- To spread the methodology of CSR in business
- To organize consultations on CSR implementation and share good case practices
- To organize events that encourage the implementation of CSR
- To improve the capabilities of companies and specialists to implement CSR principles in business
- To prepare educational programs for getting knowledge on CSR
- To organize research on CSR
- To increase the transparency, trust and effectiveness of CSR practices, methods and means, and improve its legal base
- To prepare means that encourage observation of CSR practices, methods and means
- To improve the legal environment for the development of CSR principles

While implementing the CSR Action Plan I (2006–2008), the Ministry of SSL and the UNDP Lithuania had undertaken particular CSR initiatives to analyze the general CSR situation in Lithuania, and parallel, CSR promoting and interfering legal factors, concluding with CSR development recommendations. A conducted Baseline study of CSR (Barcevičius et al., 2007), observed that the direct involvement of Governments in promoting CSR across the new EU member states and candidate countries was diverse (Štreimikienė & Pušinaitė, 2009; Vilkė, 2011d). The report, issued together by UNDP Lithuania, was conducted with the aim to:

(1) Identify actors and assess their engagement in promoting CSR
(2) Identify the level of business engagement in CSR
(3) Collect examples of good practices, tools and recommendations for CSR in the region
(4) Promote national and local capacity building for implementing CSR

These studies elucidated that CSR promotion initiatives are often developed and implemented in isolation one from another in Lithuania. The lack of inner-institutional cooperation and coordination, inadequate institutional capacity and lack of particular management framework for CSR implementation and coordination was observed. In other words, the concluding results proclaimed the gap of coordination and communication among institutions and highlighted the non-existence of CSR departments and CSR united administration (Štreimikienė & Pušinaitė, 2009; Vilkė, 2010a).

Following the disclosed circumstances, the 5-year National Corporate Social Responsibility Development Programme of the Republic of Lithuania for the year 2009–2013 (hereinafter referred as (CSR Programme..., 2010) was arranged and parallel the Action Plan on Measures Promoting Corporate Social Responsibility for the year 2009–2011 (hereinafter referred as CSR Action Plan II) was approved in January 2010. Hence, the CSR Programme was approved on the 12 January 2010, including the year 2009, which was left empty in CSR Action Plan II.

The CSR Programme was developed under number of prior relevant legal documents:

- Long-Term Economic Development Strategy of Lithuania Until, 2015 (2002)
- National Lisbon Strategy Implementation Programme 2008–2010 (2008)
- National Sustainable Development Strategy (2009)
- National Sustainable Education Development Programme 2007–2055 (2007; invalid from 1 January 2011)
- Action Plan on Measures Promoting CSR in Lithuania 2006–2008 (2005)

The Preface of CSR Programme defined several most important CSR concepts, i.e. corporate social responsibility,[1] responsible investment, responsible manufacturing and responsible consumption. These concepts were defined for the very first time in Lithuanian CSR history. Hereinafter, CSR Programme (2009–2013) outlined the main provisions of the state policy related to the coherent,

[1] Corporate social responsibility—corporate policies and practices when they are in accordance with the laws and international agreements and the agreed rules of conduct in their business processes, internal and external relationships with voluntarily integrated social, environmental and transparent business principles. Companies with the public and public sector partners are looking for innovative systemic social, environmental and economic well-being of the wider problems (National Corporate Social Responsibility Development Programme 2009–2013 of the Republic of Lithuania, approved by the Government of the Republic of Lithuania, 12 January 2010).

focused and integrated approach from the Government towards CSR. Accordingly, it was declared, that the implementation of this CSR Programme will help companies integrate CSR activities and initiatives, contributing to sustainable development and by doing so will ensure the Lisbon Strategy (2000) goal—to create a competitive and dynamic knowledge-based economy based on sustainable economic development and harmonious relations between business, government and civil society (Vilkė, 2011d).

Those most relevant CSR issues outlined in CSR Programme (2009–2013) were the following:

- The internal and external factors and processes that determine the CSR conditions in Lithuania (Part II)
- CSR objectives and targets (Part III)
- Intended results and its evaluation criteria (Part IV)
- Implementation, evaluation and monitoring processes (Part V)
- Funding (Part VI)

Under these conditions, the strategic goal of the CSR Programme was set as to create friendly environment for CSR development in Lithuania and to encourage companies implement CSR principles into their activities through achieving the three main goals:

1. Creation of a prosperous juridical and institutional environment for the development of CSR
2. Encouragement of a better understanding of CSR as well as its social and environmental perception
3. Increase of companies' competence and other interested parties in the field of CSR

Many CSR initiatives were undertaken throughout the period of CSR Programme's implementation time. The first goal encompassed to prepare modifications of laws that would encourage the development of CSR and to create the administration of governmental institutions that would secure the development of CSR and effective communication among institutions in encouraging CSR. Laws on public purchasing, financial accountability and investment were development developed and necessary improvements were made. Particular requirements of implementing and reporting on CSR principles as well as CSR coordinative departments for state-governed companies were established. Also the competence of staff appointed to deal with CSR issues was increased. Focusing the internal government and institutional structure for CSR, most of activities were concentrated within two institutions in Lithuania, i.e. Ministry of SSL and UNDP Lithuania. However none of them held employees directly responsible for CSR. Besides, there was no any intention towards local government level representativeness in CSR Programme implementation structure, despite the recommendation prescribed for local governments to implement CSR activities in line with their capability (Vilkė, 2011c).

Under the second goal those relevant tasks included: recognizing companies that are active in CSR on the national level; increasing the transparency and reliability of CSR activities; encouraging civil society organizations to work in the field of CSR and encouraging responsible consumption. Accordingly, the system of national awards for responsible business (NAVA) was improved (Vilkė, 2010b). The general framework was created for the CSR observation and voluntary evaluation of the influence of integrated CSR tools, used by companies. The accountability of governmental institutions on responsible practices was encouraged in a form of annual CSR reporting. Additional support was provided for those NGOs that represented interests of consumers and carried out informative campaigns.

The third goal emphasized preparation of methodical tools concerning implementation of CSR principles, spread and sharing good practices and encouragement of formal and informal education and research as well as self-education in the field of CSR. Therefore the development of National Responsible Business Network was ensured (NAVĮT, 2014). Good practices in CSR were published in six volumes titled "Responsible Business" of popular business magazine "IQ" in a form of supplement (Vilkė & Wiman, 2011; Vilkė et al., 2011; Vilkė, 2011a, 2011b). Information spread via Internet was also accelerated via rubric "Socium" of popular Lithuanian daily news web site "delfi.lt". Other activities included organizing CSR seminars and conferences, CSR consultant's training and support for scientific activities in CSR. Among those important CSR initiatives was the preparation of exemplary CSR teaching syllabus for Lithuanian higher education institutions. In fact, CSR is still rarely recognized by universities as equally valuable subject next to the other disciplines in management or economics and in most cases CSR remains optional to study.

Summing up, the key initiatives used in the name of CSR and Sustainable Development in Lithuania, the initiator's and accelerator's role played by government might be emphasised and adored. By approving the CSR Programme (2009–2013), the Government of Lithuania legally admitted that socially responsible business met the welfare expectations of society and was beneficial for the social and economic development. And this was important to state those times exactly. By the end of the year 2013 the main goals set in the CSR Programme (2009–2013) were nearly achieved. Results regarding progress in CSR initiatives throughout the country become more and more evident year by year. However, the forward of CSR initiatives, rather successfully accelerated by government since the beginning of CSR (2005), remain blurring in the year 2014 and further.

One of the reasons probably might be the absence of emphasis on concrete public sector roles in promoting CSR initiatives among business and society, which was found in the final CSR Program amendment. At the same time the external spread of draft CSR Programme documentation is enormously limited. Draft documentation is opened for public stakeholder discussions only for some 3 days. Even being top interested person in CSR, time limits remain inadequate (Vilkė, 2011c). Alongside, CSR initiatives in Lithuania still could be increased with better exploitation of mass media about performing topical CSR development processes. The focus in disseminating information and rising awareness should also be the public actors' responsibility in Lithuania, as successful CSR implementation cases in other countries prove top important role of publics in solving CSR development problems (Albareda, Lozano, & Ysa, 2007).

10.5 The Role of International Organisations, NGOs and SMEs in the Encouragement of Corporate Social Responsibility Initiatives

Role, played by the EU and UNDP, was definitely crucial for CSR initiatives', implemented by corporate entities, development in Lithuania (Vilkė, 2010a, 2011d; Vilkė & Wiman, 2011). First of all, CSR appeared on the agenda of state development programmes mainly after the request from EU headquarters for the report on CSR promotion in Lithuania (Vasiljievienė & Vasiljevas, 2008). Second, in the period of 2006–2012, next to the actions undertaken by the Ministry of SSL, CSR initiatives had been highly supported by the United Nations Development Programme Lithuania (hereinafter referred as UNDP Lithuania). Third, SMEs attempts in promoting CSR initiatives in the country use to be tightly interconnected to the activities performed by UNDP Lithuania because of the "top-to-bottom" approach, dominated in the country, and therefore SMEs attempts in encouraging CSR initiatives can be hardly analyzed in isolation (Vilkė, 2011c). Besides, formal direct responsibility for coordinating CSR development actions and initiatives are not prescribed in the country up till now.

Key initiatives of CSR gained an organized direction in Lithuania since the launch of the *National Responsible Business Network* (hereinafter referred as NAVĮT) in April 2005. This was the result of the very First International Conference on the UN Global Compact and the Concept of Corporate Social Responsibility in November 2004. At present only 25 companies and organizations from almost 90,000 of total operating in Lithuania had adopted the SA8000 standard and were certified. Nevertheless, 31 organizations joined the NAVĮT and 76 organizations support the UN Global Compact Initiative (NAVĮT, 2014).

NAVĮT has emerged in Lithuania from the Group of Initiative on Responsible Business, established at the conference "Responsible Business in Society" in Lithuania in autumn 2004. The founding members of the NAVĮT in Lithuania were the UNDP Lithuania, the Association "Investors' Forum, Association "NETA", enterprises „Constructus", „Berlin-Chemie Menarini Baltic", „Commercial Union Lietuva Gyvybes Draudimas", „Danisco Sugar", „Ernst &Young", „Lideika, Petrauskas, Valiunas ir partneriai LAWIN", „Libra Holding", „Lietuva Statoil", and „Mazeikiu Nafta". The NAVĮT was officially launched in April 2005 by a Group of Initiative, which was formed during the first international conference on the United Nations Global Compact and the CSR concept in November 2004. At its launching date the NAVĮT comprised some 11 companies and business associations, as well as the UNDP Lithuania.

The purpose of the NAVĮT was to exchange knowledge, experience and innovations, organize joint learning forums, alongside improve business strategies and implement joint projects for the benefits of society (Vilkė, 2010c). Companies and organizations that believe in sustainable development and responsible business, respect human and labour rights of employees, protect the environment, disagree with corruption, take interest in the development of sustainable business strategies and civil society may become members of the NAVĮT. At the same time they may officially join the UN Global Compact Initiative separately from NAVĮT. Micro companies (with less than 5 employees) that are not listed at global website of the UN Global Compact Initiative are also accepted as members of the NAVĮT. The contribution of the NAVĮT towards key CSR initiatives development in Lithuania is relatively important.

The Network operates as an entirely voluntary initiative. The NAVĮT was initially facilitated by UNDP Lithuania. However such situation caused some complications as sometimes it was difficult to separate UNDP Lithuania initiated activities from the activities of the NAVĮT as such, to which UNDP Lithuania is also a member. The UNDP Lithuania was convening the meetings of the NAVĮT in 2005 and 2006. Later on members of the NAVĮT undertook this task on rotational basis and by the end of 2007 had decided that the network is chaired for 6 months' period by one company—member that will be also responsible for organization of meetings and information dissemination (NAVĮT, 2014). This enhanced the corporate ownership of the NAVĮT, which is essential in order to sustain the network in a long run. Gradually the role of UNDP Lithuania was passed to the purely consultative.

The NAVĮT convenes regularly once per month and about 10 meetings are taking place during the year. No formal structures exist (e.g. Steering Committee), as the network sees its main strength in informality. There are no membership fees and no formal Secretariat as functions of Secretariat are performed by the company-champion leading the NAVĮT for 6 months. Decisions within the network are taken by consensus of the participating members.

Initially started as a network of 11 members (including two associations and UNDP) in April 2005, as of the end of 2013 it was comprised 126 companies and organizations, and only 37 of them were not members of the UN Global Compact Initiative. In the period of 2007–2014 the NAVĮT was comprised of business companies (both national and multinational) from financial, insurance, telecommunications, textile, chemical and other industries, consultations and other sectors, business and professional associations, trade unions, academic institutions, NGOs and international organizations (NAVĮT, 2014). Since the launch of the network, business representatives constitute the majority, nearly 80 % of total members. Approximately half of NAVĮT business companies regularly are SMEs. Since the launch till today there are no Government participants in the network, neither is any formal relationship with the Government. However, occasionally the NAVĮT shares important information with the Government (e.g. conclusions of the annual conferences). The Ministry of SSL refers the list of UN Global Compact Initiative on its website acknowledging them as responsible companies (Ministry of SSL, 2015). However, the information is not updated regularly on the Ministry's website. Regularly position taken by the Government regarding the CSR initiatives generates the debate whether CSR ideas are the Government's policy of drift and CSR initiatives in Lithuania looks more likely the business of business. On the other hand, Government approved the CSR Program (2009–2013) which was the main co-generator of many CSR initiatives undertaken during the period of 2010–2012.

On the 1st of July 2013 UNDP Lithuania has completed its activities in Lithuania. NAVĮT member organizations, chaired by one of the leading members SC[2] "LESTO", decided to formalize their activity. In August 2013 NAVĮT became *Lithuanian Responsible Business Association* (LAVA). LAVA mission is to promote the CSR development in means of major condition for sustainable development in Lithuania. At the same time, LAVA became a formal representative of UN Global Compact in Lithuania. Currently LAVA comprise 31 members (5 SC; 18 JSC; 6 PE and 2 As[3]). Therefore, since the year 2013 CSR initiatives, earlier carried out by the UNDP Lithuania and NAVĮT, are being further developed by LAVA association (LAVA, 2015).

One of the most salient among those organized CSR initiatives in Lithuania was the establishment of particular country-specific CSR acknowledgement system. The process was coordinated by the Ministry of SSL. The country-specific CSR acknowledgement system appeared in the form of an annual CSR award (Dubee & Rugiero, 2007), titled *National Responsible Business Award* (hereinafter referred as NAVA). Annual CSR Award in Lithuania is partly a result of gradually developed recognition of the increasingly important public sector roles in promoting CSR activities and rewarding companies for achievements and progress in CSR implementation. Lithuanian NAVA ceremony, organized in the beginning of 2008, was the very first ever acknowledged system of responsible businesses in Lithuania, supported by the state (Vilkė, 2010b). As CSR Awards in Lithuania are organized annually since 2008, some relevant issues could be observed and discussed more detail.

Before the establishment of CSR Award, bespoke "Overview of CSR Award Systems in Europe and Advice on Establishment of Government Award System in Lithuania" was prepared by Daxam Sustainability Services in 2007. This was the major basis that provided an overview of CSR Awards in EU member-states as well as some examples from other regions with supporting documentation (Dubee & Rugiero, 2007). In addition, it contained a set of practical recommendations and a methodology enabling the Ministry of SSL to establish appropriate CSR acknowledgement system in Lithuania. More specifically it included overview of criteria and operational systems of various CSR awards conducted in the EU member-states. At the same time the developed concrete practical recommendations served as methodology for the establishment of particular criteria and operational mechanism of the CSR Award in Lithuania. This was implemented by taking into account the experiences of other countries and the country-specific CSR development, as described in previously implemented Baseline study on CSR (Barcevičius et al., 2007). Additional consultations were necessarily provided by the UNDP Lithuania. Those recommendations covered a few options with advice on positive

[2] SC—Stock company.

[3] JSC—Joint stock company; PE—Public enterprise; JSLLIC—Joint stock limited life insurance and pension company; GE—government enterprise; As—association (almost similar to NGO).

and negative aspects of the model, based on the criteria for measuring company performance/advancement in CSR.

Currently annual NAVA is initiated and governed by the Ministry of SSL. Partners of the initiative are Ministries of Economy and Environment of the Republic of Lithuania and LAVA (previously—NAVĮT). Award format frequency could be described as annual award, as it is performed every year. The length of process is 9 months, encompassing all applicants' evaluation procedures.

The purpose of the Lithuanian CSR award is to encourage improvements in CSR performance in Lithuania by performing dual actions:

1. Generating awareness about, and interest in CSR practice and
2. Rewarding, sharing and encouraging good CSR practice.

The CSR Award categories proposed by the experts in 2007 were focusing three CSR social and labour issues, namely: being an employer of choice; valuing and utilization of diversity; adding value to local and global community. Due to date, NAVA recognize business enterprises within three modified nominations (Employer of the Year, Partnership enterprise of the Year, Environment protection enterprise of the Year) and one major nomination—Socially Responsible Enterprise of the Year.

The companies could be nominated in the award if they are mostly contributing to the development and strengthening of social wellness, putting the most efforts to minimize the effect of their operation onto the environment. Only mostly committed to operate transparently and fair with the employees, community and society are awarded in NAVA.

NAVA is annually performed since the year 2008. Responsible business activities have led to new challenges during the years of difficult economic recession (Bernatonytė et al., 2009). Therefore that time assessing achievements were focused with special attention, which businesses should have passed through the responsibility of operating principles. It should be stated here, that during the year 2009, Lithuanian business' situation was very complicated, flexible solutions were required in order to remain competitive in the market. It is pleased that during this difficult period of time many companies have not delayed CSR for the future. Especially taking into account that social responsibility is not just a single 1-year project, but habitual, long-term performance strategy. Despite the high level of bankruptcy, companies have started their operations under recession deployment, by focusing on socially responsible business principles on their future desired direction. How far the mobilization of these principles echoed the reality in times of economic crisis and how responsible actions have added value to the same business, society and the economy, was mainly emphasized by NAVA 2009 and 2010 (Ministry of SSL, 2015) In total, there are 12 companies regularly awarded within 3 major categories of the NAVA annually, e.g. Employer of the Year, Partnership enterprise of the Year and Environment protection Enterprise of the Year, and the main category—Socially Responsible Enterprise of the Year. Each of these categories have three sub-categories rewarding SMEs, large national, and foreign-owned companies separately.

Recently companies use to be awarded with special additional prizes for their specific achievements in particular fields of CSR or particular solely initiatives of CSR. E.g., in spring 2014 additional NAVA prizes within the nomination “Employer of the Year” were given to SC „Lietuvos gelezinkeliai“ for the constructive dialogue between company’s management and trade union representatives; and JSC „Layher Baltic“ for the recruitment of young people from disadvantaged groups and youth emigration prevention. SC „Lifosa“ was awarded with additional certificate within the nomination “Environment protection enterprise of the Year” for comprehensive measures to reduce pollution in the Baltic Sea. Even four additional certificated were issued in the category “Partnership enterprise of the Year”: Lithuanian Exhibition and Congress Centre LITEXPO—for the active partnership with all stakeholders; JSC “K2E”—for the active participation in tourism development in Kedainiai region and partnership with local community; JSC „Callcredit Operations“—for the active co-operation with the Children’s Day Centre and employee involvement in promoting community partnership projects; and JSC “Western Union Processing Lithuania”—for the active promotion of employee volunteering. In 2014 was established additional nomination titled “Healthiest Enterprise of the Year”. SC “DNB Bank” received the award for the position that “healthy lifestyle” philosophy is the same as “a healthy financial lifestyle” philosophy; as well as health promotion initiatives, implemented in Vilnius, the capital city of Lithuania.

Since the beginning, all the winners of the main category “Socially Responsible Enterprise of the Year” are the UN Global Compact members. Awarded companies usually are welcomed by Speaker of the Seimas of the Republic of Lithuania, Minister of Social Security and Labor, Minister of Environment and representative from the Ministry of Economy.

10.6 Discussion and Conclusion

Since the free market opened by the EU proposed numbers of challenges for both rather young private businesses and government, with 50-years of socialist regime experience, business companies should be considered flagmen in starting Western CSR-like practices in Lithuania. Numbers of interviews conducted in Lithuanian capital companies, which already implement particular CSR programs or, in solely cases, CSR strategy, indicate, that initial acceleration for taking into account higher standards than those required by national law, was mainly tailored to particular social responsibility requirements and standards in the supply chain, necessarily to be implemented while expanding the exports. At the same time the increasing amount of well-known international companies’ representative agencies and agents had already brought an issue of higher standards for local market competitors. Local community has begun to recognize advantages of various social initiatives exceptionally taken by foreign companies at the very beginning and latterly more often proposed by local business and NGOs. Nevertheless, CSR is still perceived quite fragmentary, not sufficiently integrated into corporate strategies in Lithuania. Business environment, particularly SMEs, hold general perception that CSR is an expensive process, without giving a real advantage. And partly it is true, especially in the case of SMEs. Lithuanian companies most often competes on price, sometimes—on quality, but relatively rarely on reputation and social responsibility.

CSR Programme outlined the main provisions of the state policy to be related to the coherent, focused and integrated approach from the State towards CSR, addressing to abstract overall sense that companies will integrate CSR, this way contributing to sustainable development. However, there were no particular concrete insight, what role is to be taken by government in CSR encouragement, despite modifications of laws that would encourage the development of CSR (i.e. public purchasing, financial accountability and investment) and accelerate companies to perform social dialogue and public private partnerships to ensure sustainable consumption and production. At a first sight, government had arranged all necessary strategic and action documentation for CSR enhancement in Lithuania. However, more often government role in CSR remain being recognized and criticized rather publisher's of rules in the files, highly distanced from the needs of business and citizens, than actual creator's, accelerator's and enhancer's of favourable environment for reasonable developments in Lithuania. And this criticism comes from those actual actors, i.e. business and citizens, who pass through the mill of one-night tax reforms, social injustice, inequality and continuous promises of prosperous future in every election campaign without any reliable reference regarding a consensus favouring policy continuity and durability. However, numbers of problems in consolidated efforts on country level will remain, since there is no any continuity of national CSR policy approved for the year 2014 and further.

Those most relevant CSR initiatives, i.e. National Responsible Business Network (NAVĮT) and CSR acknowledgement system in a form of Lithuanian National Responsible Business Award (NAVA) contributed as key organized CSR initiatives in Lithuania. The UNDP Lithuania, together with the NAVĮT had implemented many significant initiatives related to CSR development in Lithuania. Among the key achievements in the NAVĮT network organization, should be stated the shift from ad hoc approach to strategic approach and transfer from UNDP Lithuania leadership to company leadership in the NAVĮT by enhancing corporate ownership. Coordinated communication activities resulted with more companies engaged in joint external actions by development of good practice examples and joint organization of media events. Successful organization and carrying out for the first time joint NAVĮT initiatives are important starting point in joint activity organization. Regularization of experience share among members and production of the first methodological tools that are already used in companies' practice were crucially important in creating durable CSR initiatives. Progressive competencies in CSR implementation enhancement in future and collection of good practices, performed together with UNDP Lithuania and NAVĮT were very significant in CSR endorsement in Lithuania. Progressively the network's voice, which is currently being represented in a form of LAVA association, is recognized as main organized

CSR initiatives' accelerator in Lithuania today. Still, many problems, mainly related to the lack of dialogue between the LAVA and the Government, better attraction of local companies from regions to participate in CSR activities and preparation of reports by inactive association members should be solved in future.

The attention paid by Lithuanian government authorities for business enterprises in the National Responsible Business Award (NAVA) process hopingly will build up a closer dialogue between government, business and civil society in CSR development and promotion processes. While local government does not appear in any context of CSR in Lithuania yetStating the fact that every year new applicants are coming into the NAVA competition, it could be considered kind of sign that CSR promotion in a form of NAVA had been the most durable CSR accelerating tool in Lithuanian business lately.

The final outcome at the beginning of 2015 is neither existence of any evidence for continuity of consolidated CSR policy nor defined government role in CSR development in Lithuania. Moreover UNDP Lithuania, who acted as the major initiator of key CSR initiatives, had finished its activity in Lithuania on July 1, 2013. Thus the future of CSR will highly depend on the already established LAVA which was comprised of NAVĮT members and had already undertaken the former role of UNDP Lithuania.

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Chapter 11
Building the Capacity for CSR Through Supportive Initiatives in Estonia

Mari Kooskora

Abstract Estonia is a country that experienced lengthy periods under many foreign powers such as Denmark, Germany, Sweden and Russia. It enjoyed a short period of independence in terms of economic and social prosperity, and was again occupied by the Soviet Union for 50 years. It has been relatively successful as an independent state in rebuilding a sustainable economy and developing a favourable business climate leading to rapid growth in its economy and social dimensions. Now that the initial rapid and radical changes are over, businesses have started to realise the importance of corporate social responsibility (CSR); although, corporate social responsibility and its related topics are not yet being discussed at length publicly, and people may claim that they are not familiar with the concept at all. At the same time, it seems that much more is actually being done by companies; although, these activities are often not acknowledged as CSR.

We can see that in most cases CSR is freely accepted by companies, while support from the government is relatively modest. Although a National CSR Strategy for Enterprises has been created, it only performs an advisory role, and CSR initiatives have not been supported by the public authorities. Therefore, we can argue that in many companies and especially among public officials, CSR is still perceived as corporate philanthropy, sponsorship and/or marketing activities rather than a consideration of and responsibility to stakeholders.

However, this view has recently started to change in several business organisations; moreover, a new generation of civil society is taking the lead, willing to enter into dialogue and contribute to a more developed and better balanced society where CSR has a central role. Although CSR has been left mainly as an initiative of companies, there are some non-profit and academic institutions which have taken leading roles and are fostering CSR related initiatives in Estonia. They are increasing awareness about CSR and related issues, conducting research, providing training and consultation whilst supporting those organisations that want to know more and develop further in this field. Among these activities there is also a CSR Index, which helps companies to define, evaluate and monitor their economic, social and environmental impacts and to highlight areas that require further development.

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11.1 Introduction

Estonia is a small country in Northern Europe that throughout its history has experienced lengthy periods under foreign powers such as Denmark, Germany, Sweden and Russia. Between the two world wars, the country was relatively successful as an independent state; however, the independence lasted only 22 years and the country was then occupied by the Soviet Union for 50 years. After regaining its independence in 1991, the country started to implement radical changes to develop a favourable business climate that led to rapid growth; however, the financial and economic crisis hit the country even harder than other EU countries.

At various times and under different regimes, the Estonian people have had various attitudes and expectations towards businesses (see Kooskora, 2004: 197), and these periods have had a strong impact on people's mind-sets. We can argue that Estonia's transition from a socialist to a free market capitalist economy is considered one of the most radical, with very rapid and fundamental changes made during a relatively short period. During the transition period, practically everything was changed: the political and economic system, ownership relations and citizenship, friends and enemies (see Kooskora, 2008a, p. 21).

While real entrepreneurship opportunities and having a private business became possible only after Estonia regained its independence in 1991, and although there was an initial drop of 22 percept in the first 2 years of independence in real output per capita, our economy recovered quickly as we engaged in a wide range of reforms to transform the country into a market economy. Since that time the country has focused on increasing economic growth and creating a favourable business climate to attract foreign investment. In 2011, Edward Lucas wrote: 'Estonia is the only country in Europe that is a member of both the eurozone and NATO, and obeys the rules of both clubs and easily meets the debt and deficit criteria for the eurozone. It is one of the very few countries in NATO that comes even close to spending 2 % of GDP on defence. Estonia, once such an outsider that it was not even on the map of the world, has become the quintessential European insider. At a time when other countries are breaking the rules, Estonia has shown it is possible to keep them—and prosper' (Lucas, 2011).

It can be argued that being flexible and open, developing and implementing several e-solutions, Estonia was able to gain recognition and relatively high international ratings and even become known as an e-country, where successes with e-government, Skype and other high-tech initiatives complemented this image (see e-Estonia.com). Moreover, Estonia's successes in public administration, economic liberalism and national security, as well as in tax policy and economic flexibility are also recognised internationally (Estonian Foreign Ministry, 2014). However, integrating social subjects was not the primary concern for Estonian companies, and therefore, corporate social responsibility remained a relatively new issue in our local business environment until recent years.

Now that the period of radical change is over, businesses have started to realise the importance of corporate social responsibility, and actually quite a lot is being done, although not often acknowledged as CSR. Companies have started to implement more CSR in their activities and in different areas it is evident that voluntary activities by influential organisations are giving consideration to other values, besides financial success, have become increasingly important. However, many of the CSR activities conducted by these companies are seen simply as PR and marketing campaigns and the overall understanding and awareness of CSR is still rather low in our society.

Although the number of business organisations who start implementing CSR ideas in their activities and want to develop further is increasing every year, CSR and related topics are not yet discussed publicly at any length and the support from the government is modest. An Estonian National CSR Strategy for Enterprises has been created, but it only performs an advisory role and CSR initiatives are supported by public authorities. Relying on conversations with several public officials and their comments, it can be argued that especially among public officials and also many companies, CSR is still merely perceived as corporate philanthropy, sponsorship and/or marketing activities rather than the consideration of and responsibility to stakeholders.

Nevertheless, it is obvious that there are many organisations and associations of CSR enthusiasts who aim to promote and develop the field among Estonian companies and society. Among these we can name the Responsible Business Forum, the Estonian Chamber of Commerce and Industry, the Open Estonia Foundation, Good Deed Foundation, various embassies and chambers of commerce (especially from Nordic countries), and from among academic institutions, Estonian Business School has and is enhancing awareness of ethical and responsible business among current and future business leaders.

Having personally participated in many thematic seminars, workshops and roundtable meetings on CSR and related topics, the increasing interest in CSR is clearly seen and several companies claim to feel the need to know more about ethical and responsible business practices and leadership. Furthermore, a new generation of civic society is taking the lead, and willing to contribute to a more developed and better balanced society where CSR has a central role. Therefore, there are indications that Estonian society is becoming more mature and stronger, the economic and political situation is becoming more stable and the value orientation among our people is changing, and although CSR has been left to the companies, there are some organisations and initiatives that can be seen as taking leading roles in fostering CSR related activities in Estonia.

Among these activities, there is also the Estonian CSR Index, which helps companies to define, evaluate and monitor their economic, social and environmental impact and show areas that should and can be further developed. Participation in the Index provides organisations with an opportunity for self-assessment through the lens of CSR and assistance in increasing their awareness of responsible business. In addition, after the evaluation process, every participant can obtain feedback, help in setting new goals and information about their position compared to others in their field.

In the current paper, after providing a brief overview of studies conducted about CSR and related fields in Estonia, I will discuss initiatives and organisations that have taken a leading role and are increasing awareness of CSR and related issues through research, training and consultation, and supporting organisations that want to know more and develop in this field.

11.2 Understanding CSR in Estonia

Although widely criticised (Freeman, Ramakrishna Velamuri, & Moriaty, 2006; Porter & Kramer, 2011 and others), it is undeniable that the area of corporate social responsibility (CSR) has grown dramatically all over the world in recent decades (Carroll & Shabana, 2010; Roome, 2010). Moreover, during the last years, the view that ethical behaviour is the best long-term business strategy for a company has become increasingly accepted. Treating employees, customers, vendors and the public in an ethical, fair and open way is not only the right thing, in the long run, moreover it is the only way to stay in business (Freeman, 1984; Aupperle, Carroll, & Hatfield, 1985; Matten & Moon, 2004; Carroll, 2008; Freeman, Harrison, Wicks, Parmar, & de Colle, 2010; Kooskora & Vau, 2011). CSR has been regarded as a business contribution to sustainable development (Freeman, 2000; McElhaney, 2008; Blowfield, Blowfield, & Murray, 2008; Hollander & Breen, 2010), and is therefore, one of the topics covered more often than before on the agendas of world economic and social forums, debated at global development discussions, and addressed within strategic political frameworks, such as the EU Lisbon agenda. In 2001, the European Commission published its Green Paper promoting CSR (Green Paper, 2001), which brought CSR topics to the fore in most European countries.

More recently, the European Commission (2011, p. 6) put forward a new definition of CSR, stating that 'CSR means the responsibility of enterprises for their impacts on society'. In the new policy of corporate social responsibility, the European Commission emphasises that in order to fully satisfy corporate social responsibility, enterprises need to enhance the process of integrating social, environmental, ethical, human rights and consumer concerns in their core business strategy and operate in strong collaboration with their stakeholders (European Commission, 2011). Furthermore, it is stated that the aim of this is to maximise shared value between owners, shareholders, other stakeholders and moreover society at large.

Today, businesses are increasingly involved in serious efforts to define and integrate CSR into all aspects of their operations (Zadek, 2004; Jonker & de Witte, 2006; McElhaney, 2008; Milliman, Ferguson, & Sylvester, 2008; Visser, Matten, Pohl, & Tolhurst, 2010). This is also the case in other European countries (Matten & Moon, 2008; Crane & Matten, 2007; Fassin & Buelens, 2011, Fassin, Werner, Signori et al., 2014), organisations in Estonia are defining and creating meaning to the concept of CSR for themselves (see Kooskora, 2010; Kooskora & Vau, 2011). Realising the need to be considered trustworthy partners in the European market, and accepting and following the European Union's policies have also helped Estonian businesses to acknowledge the importance of integrating CSR in their business strategy. Moreover, integrating CSR in organisational activities has become necessary for competitive business practices (EIROnline, 2006).

Studies among SMEs in Estonia show that although 85 % of Estonian SMEs are interested in finding-out more about CSR and its advantages, and there are 74 organisations certified according to OHSAS 18001, no organisations are yet certified according to SA 8000 (CSR Foorum, 2013). Similar to other EU countries, the majority of enterprises in Estonia are micro (over 93 %) and small (5.6 %), whereas the share of medium-sized (1.1 %) and large companies (0.1 %) is significantly smaller (Eurostat, 2013). Therefore, enhancing the awareness of CSR among SMEs has become very important in Estonian business society and it has been suggested that the best way to promote CSR among SMEs in Estonia is through organising seminars and publishing best practice materials.

We can argue that the cognition of ethics and responsibility in business is strongly influenced by the national context (Fassin et al., 2014). Moreover studies in Estonia have proved that the external factors related to changes in the political and economic environments have played a more important role in the moral development of organisations than the internal forces within companies (see Kooskora, 2008a).

According to the study conducted by Kooskora (2008a), the majority of Estonian business organisations have developed from the double morality stage of the period of socialist erosion through the instrumental and legalistic stages to the responsive stage; however, only emerging by 2005. At that time, the majority of Estonian companies had reached the stage in which ethical statements and concerns were understood as a useful tool for creating a positive image and regarded as valuable when these were profitable (Kooskora, 2008a, p. 74). Therefore, without having external pressure for more ethical and responsible activities, the awareness of CSR and its implementation within Estonian organisations was not a very common practice before the financial and economic crisis.

This can also be seen from the results of earlier studies (see Kooskora, 2004). These studies showed that offering jobs was considered enough to fulfil responsibilities towards society and often CSR was equated with sponsoring and charitable activities especially towards children. Moreover, these earlier studies revealed that the small companies were mainly involved in CSR activities to avoid sanctions from not obeying laws and regulations; medium-sized companies, although realising the business organisation was part of society and the environment, stressed their charitable activities, and large enterprises and companies believed that society cannot function without them (Kooskora, 2004, p. 205).

These earlier studies showed that the issue of stakeholder relations and consideration of the environment and society were relatively new to Estonian business representatives (see Kooskora, 2008b). The rapid development and radical changes were considered the main reasons why stakeholder interests and corporate relations with society and the environment in business had seemed less important. The overall perception at that time was that the company's main goal was to earn a profit, whereas the importance of other purposes were left in the background (Kooskora, 2008b, p. 212). Furthermore the studies revealed that people did not have a very clear concept of CSR in their company, or they were not implementing it (Alas & Tafel, 2008; Jaakson et al., 2009; Ubius, 2009). Even if a company decided that CSR activities were important and they were set in the corporate mission and values, these companies still did not know what activities to concentrate on (see Kooskora, 2006).

The studies mentioned above also identified the main types of obstacles that respondents believed were preventing the adoption of CSR practices. Financial difficulties like the cost of CSR projects, lack of financially successful results and other similar reasons were considered the biggest obstacles. Other barriers were related to governmental and institutional obstacles, such as lack of government involvement or assistance regarding CSR, concerns about government policy discouraging companies to invest in CSR activities, lack of appropriate institutions and legal framework (Kooskora, 2006; Noorkõiv & Tamm, 2006). Finally, the third type of obstacle was associated with human resources, including management or employee resistance and cultural differences. In addition to these main barriers, also a lack of time, information and tax incentives were highlighted.

Moreover, the companies, especially those that were not the largest and most influential, also lacked know-how and competence in CSR practices; many companies still related CSR with sponsorship, or even more commonly used it primarily to create a better reputation. Therefore, according to these earlier studies, having a clearer concept and understanding of CSR and integrating it more into business strategy were the main areas that needed improving. We can argue that although the situation improved, having been cut off from the western world without self-determination, partially explains why many Estonian people were so eager to get rich quickly without considering the means and who were affected and how, and that had an impact on all their business activities.

A couple of years later, the results were already slightly different. In 2007, The World Bank launched a study, which analysed different CSR attitudes and practices in Estonian enterprises. The study was carried out in 80 companies, where 95 % of the companies were privately owned, but differing in terms of structure, sector and size. The study (World Bank, 2007) revealed that the enterprises exhibited different understandings of the term CSR. While most of the respondents associated CSR with ethical conduct and social relationships between the company and its stakeholders, more than half of the companies also linked CSR with environmental practices. Moreover, companies that dealt with financial services had a better understanding and knowledge of their CSR. The results varied also according to the size of the organisation; while smaller companies linked CSR with environmentally friendly activities, the large enterprises associated CSR with reducing social inequalities (World Bank, 2007).

However, the most recent study from KPMG (2013) shows that the situation has changed even more. According to their study, over half the Estonian entrepreneurs and business leaders that participated in the study consider CSR a part of business strategy and activities. Moreover, today an increasing number of organisational representatives believe that CSR has a positive impact on economic performance, and therefore, new voluntary CSR standards and performance measurement tools continue to proliferate amidst the on-going debate about whether and how to formalise legal CSR requirements for companies.

Furthermore, the European Commission survey on corporate responsibility and its impact on society (Eurobaromeeter, 2012) revealed that compared to 10 years ago the amount of Estonian people who believe that companies pay more attention to their impact on society has increased by 47 %, whereas 59 % of SMEs and 48 % of large companies try to perform responsibly. Among 1000 respondents, 70 % consider the impact of business enterprises on society as positive and only 16 % find it to be negative. These results show development from an earlier survey conducted by Turu-uuringute AS in 2007, which showed that only 15 % of the respondents ($n = 1021$) believed that Estonian managers are ethical and honest in their behaviour, whereas these managers saw themselves as much more honest and ethical (EAS, homepage).

As in other regions, interest in CSR is connected with actual issues like sustainable development, globalisation, business ethics and other related concerns that have changed the economic, social and environmental aims of companies and the relationships between business and society (Roome, 2010, p. 294). In most of the companies who are involved in CSR activities, CSR is understood as a way for a company to achieve a balance or integrate economic, environmental and social imperatives, addressing shareholder and stakeholder expectations at the same time.

It can be argued that although discussions about ethics and responsibility in business activities are still rare in the Estonian media, and support from government and public offices is practically lacking, the ice seems to be cracking and in recent years the Estonian government has started to take a more active role in CSR activities. In the next section, I will introduce the creation of CSR Strategy and the CSR Action Plan for Estonian Enterprises, an initiative where I was also personally involved.

11.3 Estonian National CSR Strategy for Enterprises

Although the support for CSR activities and initiatives by the government and public officials is rather modest in Estonia, some positive developments can be seen here as well. The Estonian National Strategy on Sustainable Development—Sustainable Estonia 21 (SE21(SE 21, 2005)) was approved by Parliament in 2005. The strategy defines the goals for sustainable development in Estonia and serves as a basis for drafting sector-specific development plans and strategies. More direct government involvement in CSR activities started in 2010 through a European

Cohesion Fund project, which developed a national CSR platform in Estonia. The project resulted in the adopted Estonian National CSR Strategy for Enterprises and a National Action Plan for 2012–2014.

The project was designed to develop a National CSR Policy for Estonia as well as to build the CSR capacity of businesses and government institutions and recognise outstanding companies in the field through a nationwide Responsible Business (CSR) Index. More specifically, the National Action Plan on CSR involves the following actions: a compendium of best practices, an e-learning module for businesses, further development of a CSR award scheme (CSR Index) and a series of awareness-raising events. The objectives of the National Action Plan are to boost national competitiveness, improve civil governance, supplement the Government's social and environmental policy and benefit enterprises.

It has two strategic goals and associated actions: (1) Expanding the system of CSR recognition and certification for enterprises: actions include re-designing the award scheme, analysing take-up and exploring whether public procurement can include consideration of the award. (2) Improving awareness of CSR among entrepreneurs, investors, consumers, officials, business professionals, media and opinion leaders: actions include campaign events and seminars, delivering training for entrepreneurs and business groups, collecting and showcasing good examples and including CSR in the business studies curricula of schools, vocational schools and universities.

The main points arising from the Action Plan are the importance of: (1) partnerships with business-led organisations and wider stakeholders; (2) an emphasis on delivering free training to achieve a high quantity of business engagement; and (3) awareness-raising activities among all sections of business and society (Post Event Report, 2013). Future developments are expected to include a new Action Plan beyond 2014, including CSR in the overall Estonian enterprise growth strategy for 2020, and providing more training opportunities for enterprises with a sector focus.

However, the Action Plan only performs an advisory role and most CSR initiatives have not been supported by the public authorities. Therefore, we can argue that in many companies and especially among public officials, CSR is still merely perceived as corporate philanthropy, sponsorship and/or marketing activities rather than the consideration of and responsibility to stakeholders. Moreover, laws regulating the implementation of CSR in Estonia do not provide any specific provisions for supporting the field, and the Commercial Code requires from managements that business entities be managed in an economically profitable way; therefore, for numerous business organisations, CSR and related issues have not yet been acknowledged as an integral part of their performance leading to sustainable business success.

In addition, we can say that tax legislation regulates the implementation of CSR behaviour in Estonia. For example, companies may, at their own discretion, use 3 % of sums subject to social taxes or 10 % of the profit earned during the previous financial year for non-government organisations (NGO), recognised as such by the government of Estonia (Luiga, Azanga, & Loigt, 2009, p. 97). Any other costs may cause additional tax liability if the management cannot relate the activity to the business of the company. Therefore, when a company wants to start or develop activity in the field of CSR, legal requirements regarding taxes should be considered in order to avoid unpleasant encounters with the taxman.

Nevertheless, despite the lack of government and legislative support for CSR activities, there is a growing number of companies who have started or are developing CSR activities, and besides these there are several CSR enthusiasts, NGOs and other organisations leading the CSR field in Estonia. In the next section, I will introduce the activities and initiatives of those organisations and after that give a brief overview of the CSR or Responsible Business Index (RBI) initiative in Estonia.

11.4 Main CSR Activities and Initiatives in Estonia

It can be argued further that although the principles and core subjects of CSR are universal, the implementation and the challenges related to CSR may vary according to the level of development of any given country or region. Today, companies in Estonia have started to implement more CSR principles in their activities and different areas. There are several voluntary initiatives by successful businesses and great efforts have been made to support the community. These activities and initiatives aim to benefit society's well-being and contribute to the community and the environment.

In addition to business enterprises who have been actively involved and taken the leading role in CSR initiatives, there are also different organisations and associations of CSR enthusiasts that aim to promote and develop this topic among Estonian companies and society. Some of the most successful and important associations that need to be mentioned are the Responsible Business Forum, Estonian Chamber of Commerce and Industry, Open Estonian Foundation and Good Deed Foundation, chambers of commerce and Embassies of Scandinavian and other countries, and also, quite significant work has been done by the Centre of Business Ethics at the Estonian Business School (EBS) even before its official foundation in 2001.

The EBS Centre for Business Ethics acts as competence centre for business ethics and corporate responsibility. The goal is to enhance ethical and responsible activities leading to long-term success and sustainability in Estonian organisations and society. The Centre provides business ethics and corporate responsibility education, research, consultation, and communications to students, faculty, and multi-stakeholders in business and private practices, other professionals, and society at large.

The activities include research and development projects, training sessions, conferences, seminars, and workshops (e.g. The First Business Ethics Seminar in Estonia in 1999 and the European Business Ethics Network (EBEN) Research Conference in 2005 and several others); disseminating research results and cases of best practices by making presentations about research results at local and international conferences, and building strategic partnerships and interdisciplinary alliances with academic, business, public, civil society institutions, locally and internationally.

Having been involved in these activities for almost 16 years now, I can claim that there is undeniably growing recognition in Estonia of the fundamental link between sustainable and responsible business practice and business success. Besides the activities of Estonian Business School, there are several associations of leading local and international organisations, as well as the chambers of commerce and the embassies of different countries who have been at the forefront of recognising this link and encouraging their members to maximise their responsible and sustainable activities.

Among others, the Estonian Chamber of Commerce and Industry, Norwegian-Estonian, American, Swedish and Danish chambers of commerce, British Council Estonia, and the Royal Norwegian, Swedish and Danish Embassies organise and support seminars and workshops, involve themselves in development projects, and share best practice examples in the field of ethics and responsibility in business. These institutions also provide professional leadership and help to finance some local NGOs and other organisations to raise awareness of the CSR among their own members and in the wider society. What they all have in common is strengthening the link between business responsibility and business success and promoting CSR as good business practice.

For example, most recently, in September 2014, the Norwegian-Estonian Chamber of Commerce organised a high-level CSR conference 'Boost Your Business with Corporate Social Responsibility' in cooperation with the Royal Norwegian, Danish and Swedish Embassies and the Danish and Swedish chambers of commerce (Nordic Council of Ministers' Office in Estonia, 2014). This was the largest CSR event in Estonia in recent years and brought together high-level speakers and over 300 participants from business and public sectors.

Over several years, the British Council Estonia has worked with partners to promote stronger relations between countries, to foster discussions about equality and diversity, and provide many platforms and networks for open, international debates on contemporary issues, including CSR, as well as providing access to specialist knowledge and expertise. Together with the EBS Centre for Business Ethics, the American Chamber of Commerce has organised special CSR movie nights that have brought together people interested in CSR and related topics and given an opportunity to discuss issues in a more informal atmosphere.

In 2009, the Swedish Chamber of Commerce started to nominate Swedish Business Awards to the best companies in Estonia, among these awards two of three are directly related to sustainability and CSR: the 'Sustainable Growth Award' is given to a company who has shown harmonious development, turnover growth with positive results and contributions to environmental and social sustainability; and the award of 'Corporate Social Responsibility Initiative of the Year' to the most relevant CSR activities or initiatives beneficial to the development of Estonian society implemented during the last 2 years (swedishbusinessawards.

com). A similar award 'Responsible Entrepreneur of the Year' is also given to companies by the Tallinn City Council Entrepreneurship Office, and this year there was also a special award for 'Eco-Innovation', which aims to promote environmentally friendly or a significantly improved product, service or technology.

The Good Deed Foundation (Heateo Sihtasutus) is the only venture philanthropy organisation in the Baltics, and concentrates on supporting high-social-impact initiatives in Estonia, such as projects and organisations that show the greatest potential for solving pressing problems in Estonian society. Half of these initiatives are established by the foundation and others stem from activities by existing organisations confirmed as solutions with the greatest potential. The foundation supports their realisation and growth by means of both financial investment and professional consulting (e.g. involving volunteers from Swedbank, Hill & Knowlton, KPMG, Fontes). The driving idea behind the support is to create the greatest possible change in society (Heategu.ee homepage).

The Estonian Responsible Business Forum (RBF) as one the most active and influential organisations regarding CSR implementation in Estonia has described itself as, 'a non-profit organisation with the aim of furthering CSR in Estonian society through being the centre of competence building and communication on CSR' (see csr.ee homepage). As a competence centre, RBF unites a network of specialists in the field that can contribute with their knowledge and experience to supporting and providing consultations to various CSR-related initiatives. The organisation has grown out of the Multi-stakeholder Forum initiative of the Open Estonia Foundation during 2004–2006, when the framework for CSR in Estonia was developed based on round-table events and seminars that involved various stakeholders from public, private and civil sectors.

Building on the outcomes of the multi-stakeholder dialogue, the Responsible Business Forum in Estonia continues its action through fostering CSR-related initiatives as well as providing related consultation (csr.ee homepage). Today, 40 Estonian companies have joined the RBF, among those we can find large companies, SMEs and also micro-enterprises, public and private, local and international organisations, companies from different industries and the service sector. The common thread running through all these is a willingness to develop their CSR practices and take a leading role in enhancing ethical and responsible business in their field.

Since 2007, the Responsible Business Forum (RBF) in collaboration with EBS Centre for Business Ethics has conducted the CSR or Responsible Business (RBI) Index among Estonian companies. The RBI aims to help businesses to analyse and evaluate their responsible activities and impact towards social and environmental issues, and thereby, create sustainable business models that help improve competitiveness and success. Participation in the CSR or Responsible Business Index (RBI) is voluntary in the form of self-assessment, and requires companies to fill out a questionnaire about their corporate responsibility (CR) strategy, integration, management of the main CR areas and communication, as well as describing concrete examples and supporting evidence, to justify their answers, and referring to publicly available information. The results are then evaluated by a team of CSR experts and each company gets detailed feedback highlighting key CR strengths as well as areas that need improvement. As this study method is rather long and the questions are detailed, answering these needs commitment and time; therefore, a group of organisational representatives is involved, including CEOs and other relevant members of the management board (for more detailed information about the RBI method see Kooskora & Vau, 2011; Kooskora, 2015).

The RBI assessments have been conducted 7 times now, and having been personally involved since its creation, I can confirm that the number of participating companies has increased every year. Therefore, there are more companies that have become aware of and interested in ethics and responsibility in business, and are willing to evaluate themselves publicly. Moreover, the number of companies who have taken part in the study, but have not submitted the results for public ranking has increased even more significantly, reaching over 200 companies by 2013 (CSR Foorum, 2013: Siller, 2014). Another important point to add here is that what is expected of companies to be considered responsible and the level and quality of their CSR activities has significantly increased and there are several companies who have started to approach CSR activities more strategically (Kooskora & Vau, 2011; Kooskora, 2015).

Furthermore, at least those organisations who belong to the CSR network (CSR Forum Estonia) and take part in the RBI study are focused on developing further in this area and enhancing their awareness of ethics and responsibility in business within their fields. Representatives of these organisations often take a leadership role and are willing to share their principles and experiences with others; they are involved in training activities and make presentations at conferences and in the media (see Kooskora, 2015) and their web-sites contain information about their CSR principles and activities. Therefore, when looking at those activities and initiatives, it can be seen that the new generation of civic society is taking a leading role in the dialogue and contributing to a more developed and better balanced society where CSR has a central role.

11.5 Concluding Remarks

When looking at the overall trends and development of CSR activities and initiatives in Estonia, we can see that each year an increasing number of people and private, public and civil society organisations are acknowledging the importance of ethics and responsibility in their performance. Moreover when comparing more recent survey results to earlier ones we see clear changes in the understanding of CSR in Estonia. Today, over half of the Estonian entrepreneurs and business leaders that participated in the studies, consider CSR in particular as part of business strategy and activities and an increasing number of organisational representatives believe that CSR has a positive impact on economic performance.

The surveys conducted in recent years show that business leaders in Estonia understand CSR as an ethical way of carrying out business and that the business entity must act as a part of society caring for its fellow citizens, and being responsible for its impact. In most of the companies who are involved in CSR activities, CSR is understood as a way for a company to achieve a balance or integrate economic, environmental and social imperatives, addressing shareholder and stakeholder expectations at the same time. These developments can be related to the fact that Estonian society is getting more mature and stronger, the economic and political situation is becoming more stable and the value orientation among our people is changing. With the development of the Estonian business environment, practicing CSR is also becoming more essential and integrating CSR is now seen as being in the interests of every company's long-term success, adding value to business and to the community they operate in.

However, discussions of ethics and responsibility in business activities are still very rare in the Estonian media and support from government and public offices is practically lacking; therefore, most CSR activities and initiatives are conducted by the companies themselves and led by CSR enthusiasts from NGOs and academic institutions. Although Estonia has created a CSR Strategy and Action Plan for Enterprises, these documents only perform an advisory role and most of the CSR initiatives have not been supported by the public authorities. Therefore, we can argue that in many companies and especially among public officials, CSR is still merely perceived as corporate philanthropy, sponsorship and/or marketing activities rather than the consideration of and responsibility to stakeholders. Moreover, laws regulating the implementation of CSR in Estonia do not provide any specific provisions for supporting the field, and the Commercial Code requires from management that business entities should be managed in an economically profitable way, and therefore, for numerous business organisations CSR and related issues have not yet been acknowledged as an integral part of their performance leading to sustainable business success.

Nevertheless, despite the lack of government and legislative support for CSR activities, a growing number of companies have started and are developing CSR activities. In addition to these business enterprises there are several CSR enthusiasts, NGOs and other organisations leading the CSR field in Estonia. These different organisations and associations of CSR enthusiasts aim to promote and develop CSR among Estonian companies and society. Some of the most successful and important associations that need to be mentioned are the Responsible Business Forum, Estonian Chamber of Commerce and Industry, Open Estonia Foundation and Good Deed Foundation, chambers of commerce and embassies of Scandinavian and other countries, and the Centre of Business Ethics at the Estonian Business School.

If we take a closer look at their activities and initiatives it can be seen that a new generation of civic society is taking a leading role and contributing to a more developed and better balanced society where CSR has a central role. They are increasing awareness about CSR and related issues, doing research, providing training and consultation and supporting those organisations who want to know more and develop further in this field. Among these activities the CSR or Responsible Business Index also exists to help companies to define, evaluate and monitor their economic, social and environmental impact and highlight areas that should and can be developed further.

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Part II
Key Initiatives from Australasia

Australia
Japan
Australia
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Indonesia

Chapter 12
Corporate Social Responsibility Initiatives in Australia's Mining Industry: An Applied Stakeholder Approach

Dyann Ross

Abstract In Australia, as elsewhere, corporate social responsibility (CSR) is a set of strategies undertaken by governments, public and private companies and organisations to align their operations with an ability to respond to relevant social needs. The motivation for many Australian businesses and organisations to develop CSR initiatives and to report on their social benefits varies considerably. In its most sophisticated expression, this involves taking responsibility for any adverse social impacts where this is understood as being good for business and for ensuring a 'community licence to operate'. This requires an awareness of and willingness to work constructively with a range of non-traditional stakeholder groups, going beyond the shareholders, suppliers and customers, to consider those who might be adversarial towards corporate entities.

In the mining sector the stakeholder pressure on businesses to undertake CSR initiatives has occurred in the context of some very troubling adverse impacts on people, communities and ecosystems. There are limited government regulations requiring CSR despite these historical and contemporary socio-environmental costs and issues. In this arguably problematic context it is interesting to explore what CSR initiatives are being pursued, what has influenced these developments and how successful they have been.

12.1 Introduction

Australia is a western, capitalist democracy and has an enviable economy by international standards, having fared better than most countries after the economic crisis of 2008 (Hill, 2013, n.p.). Its three tiered system of government—local, state and federal—tends to be strongly influenced by neo-liberal ideas of small government, a managerialist approach to policy issues centring on a pre-occupation with

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balancing budgets, and winding back the universalist nature of its welfare state including cuts to health care and income support (ACOSS, 2014). The gap between the richest and poorest citizens is widening and the level of social disadvantage and violence is increasing as a result of the resultant inequalities (Wilkinson, 2011). A divisive politics of 'Team Australia' is promoted by the Prime Minister whereby anyone who doesn't agree with the government of the day is labelled as anti-Australian (Rajca, 2014). The reality of a 'two speed' economy based on the mining boom (Brueckner, Durey, Mayes, & Pforr, 2013, p. 118)—starkly relating to the rich/poor divide—does not substantially threaten the dominant discourse of neo-liberalism and capitalism. Thereby the status quo is maintained by the government's 'light touch' (Anderson & Landau, 2006, p. 1) in relation to CSR.

One reason for the relatively strong re-bound after the 2008 crisis relates to Australia's heavy reliance on the mining sector which at the time and continues to earn major export income in the form of taxes and royalties for the Australian Government and large profits for the companies (Knowles, 2014, n.p.). Some sections of the mining industry are experiencing a slow down (Bice, 2013, p. 139) due to a drop in international prices for coal and iron ore. Yet the Australian Government has avoided the need to implement austerity measures undertaken in countries such as has occurred in Greece and Ireland (Monastiriotis et al., 2013, n.p.) and the Baltic States (Staehr, 2013, n.p.). Nevertheless, with this circumstance of dependence on mining, it is perhaps timely to consider the nature of CSR in Australia's mining industry.

In Australia, as elsewhere, corporate social responsibility is a set of strategies undertaken by governments, public and private companies and organisations to align their operations with an ability to respond to relevant social needs. The motivation for many Australian businesses and government departments to undertake CSR initiatives and to report on their social benefits varies considerably. In its most sophisticated expression, this involves taking responsibility for any adverse social impacts where this is understood as being good for business and for ensuring a 'community licence to operate' (Trebeck, 2008, p. 353). The commercial business sector has notable achievements in CSR spurred on by consumer demand for quality services and social benefits. For example, National Australia Bank is a participant in a pro-CSR web-site which gives the public information about its current CSR activities and the nature of social benefits for its customers (Pro Bono Australia, 2015). Organisations concerned with environmental sustainability, such as Greenpeace, Wilderness Society and the Australian Conversation Foundation, constitute perhaps the most significant stakeholder group to pressure businesses which have environmental impacts to be socially responsible (Elijido-Ten, 2015, p. 5).

In the mining sector CSR initiatives have tended to occur in the context of some very troubling adverse impacts on people, communities and ecosystems (Brueckner & Ross, 2010; Brueckner et al., 2013; Heinrich, 2013). There are limited government regulations requiring CSR (Anderson & Landau, 2006, p. 1) despite these historical and contemporary socio-environmental costs and issues.

After providing a brief overview of CSR initiatives across all industries in Australia, the paper mainly focusses on illustrative CSR initiatives in the mining sector. Mining CSR initiatives are shown to be largely the result of voluntarily undertaken decisions and actions linked to advancing mining companies' commercial interests (Kinley, Nolan, & Zerial, 2007, p. 41). The main question the paper is considering then is not so much—*what CSR initiatives*? rather—*what evidence is there of the claimed CSR initiatives benefiting impacted stakeholders*? The aim is to show that initiatives relating to CSR need to be linked to place, relationships and specificities of mining impacts to avoid slippages of responsibility simultaneous to claims by mining companies of substantive contributions. Several pertinent questions are posed after the exploration which have no easy answers and require further research.

12.2 Overview of CSR in Australia

The idea of CSR has been widely debated and variously defined with most definitions referring to the need for businesses to be accountable for the impacts of their operations on the host society where this includes the expectations and interests of all stakeholder groups (The International Organisation for Standardisation, cited in MOSS, 2015, n.p.). This definition is augmented for present purposes with an emphasising of business accountability to adversely impacted stakeholders, including animals, the environment and ecosystem. Thus, a social justice emphasis within a social sustainability framework (Ross, 2013a) is proposed for exploring the nature of CSR initiatives to counter the unequal power relations involved in the business sector, in particular, the mining industry (Ross, 2013b, pp. 204–205).

Overall, across all industry sectors CSR initiatives tend to take the form of social philanthropy or off-setting of environmental impacts in the manufacturing, mining, construction and transport sectors. CSR activities tend to coincide with medium to larger sized businesses of between 500 and 1000 employees. Even so less than 50 % of these organisations undertake CSR initiatives (Manpower Australia, 2009). Research found the following mix of initiatives among this proportion of Australian industry groups: donating to charities (81 %) and disaster relief (74 %), volunteering in local communities (62 %) and partnering with environmentally friendly companies to reduce their carbon footprint (66 %) (Manpower Australia, 2009, p. 7). Further, the drivers for CSR programs were reported as: contribution to society (70 %); public relations strategy (53 %) and environmental considerations (40 %) (Manpower Australia, 2009, p. 8).

The CSR practices of companies in Australia occur in a broader context of leadership by global and national peak industry bodies, forums and non-government entities. Collectively, these organisations and forums variously seek to provide an encouraging environment for businesses to be socially responsible. Several key agencies and initiatives are briefly outlined to set the Australian context which frames CSR initiatives for all sectors of the economy.

Internationally an influential initiative for social responsibility as comprising explicit social justice efforts is the United Nations Global Compact. It provides a set of ten principles for voluntary self-monitoring by businesses to avoid human rights abuses and corruption (United Nations Global Compact, 2015, n.p.). The UN Global Compact's web-site provides businesses with ready access to a Human Rights and Business Dilemmas Forum where exemplary case studies and useful resources are presented (United Nations Global Compact, 2015, n.p.). The off-shoot organisation Global Compact Network Australia (GCNA), in co-operation with the Australian Human Rights Commission and sponsors Rio Tinto, KPMG and La Trobe Business School, held the inaugural Australian Dialogue on Business and Human Rights in 2014 (GCNA, 2014, p. 1). This initiative has placed a human rights discourse into the space of an influential group of business leaders in Australia for the first time. Although it is important to not over claim a subsequent influence on business operations to the extent that its promoters risk in their promotional press release (GCNA, 2014, pp. 1–2).

In early 2000, The Global Mining Initiative comprised of nine of the largest mining companies in the world, charged the World Business Council for Sustainable Development to undertake a comprehensive research agenda 'to achieve serious change in the way [the mining] industry approached today's problems' (MMSD, 2002, p. 4). The resulting substantial *Breaking New Ground* report (MMSD, 2002) provides still relevant guidelines and challenges to mining companies and their host countries.

The Australian Mineral Industry Code for Environmental Management is an example of the industry's determination to be its own regulator of standards (Wells, 2009, n.p.). From an industry reporting viewpoint, the Australian Institute of Social and Ethical Accountability provides a business quality rating system—the AccountAbility AA1000 (Zadek, 1999, p. 2). Yet as Wilson, citing other authors, writes:

> Regrettably, it has been said that '[s]eeking ethical guidelines for business decisions is [to be] compared to "nailing jello to a Wall."'(2012, p. 150)

The Australian Centre for Corporate Social Responsibility (ACCSR) is a significant independent entity which seeks to enable business CSR (ACCSR, 2014, p. 2). Research from ACCSR provides sorely needed (but not the only) Australian context specific knowledge about the nature and challenges of CSR (Black, 2001, p. 70). It contributes towards businesses developing a range of management capacities to progress CSR (Black, 2006, p. 25; Black, Sydney-Smith, & Zhao, 2009, p. 3). Yet the potential of research centres to inadvertently advantage big businesses such as BHP Billiton (Black, 2006) and Alcoa (Black et al., 2009) is perhaps something that needs recognising due to the pre-existing unequal power relations with stakeholders.

A significant indicator of where the power sits to define what counts as CSR in Australia is shown by the outcome of a Government investigation into CSR in relation to the adequacy of the Corporations Act (2001). The Act refers to and relies upon company directors to act with 'enlightened self interest' and thereby assumes they will appropriately include impacted stakeholders (Broomhill, 2007, p. 16).

Industry groups such as the Chamber of Commerce and Industry (Western Australia) (2006) argued against changes to the Act (Anderson & Landau, 2006, p. 7). No changes were made and further, repeated attempts to pass bills in the Australian Government's Senate for a corporate code of conduct have failed (Thirarungrueang, 2013, p. 10). Anderson & Landau's review of CSR studies in recent decades shows that:

> Although CSR is clearly being adopted by a greater number of Australian companies, they continue to adopt practices that are short-term and philanthropic in nature rather than integrating CSR into their business strategies and organisational practices. (2006, p. 3)

12.3 CSR Initiatives in Australia's Mining Sector: An Applied Stakeholder Approach

The task of portraying the nature of CSR initiatives in Australia's mining sector is challenging as initiatives are typically embedded in unfinished, context specific circumstances. In these circumstances the company may be responding to immediate risks or issues impacting on its operations. The paper takes the position that there are likely to be politically driven mechanisms occurring where CSR is valued for strategic (Parsons, 2008, p. 122), and to a far lesser extent, for purely altruistic reasons or win-win outcomes. The strategic reasons may not equate on the ground with substantive social contributions where the direct impacts of mining companies are occurring. As Banerjee writes:

> There are structural and functional limits to CSR that determine the boundary conditions of corporate social initiatives. The current preoccupation with win-win situations in CSR may not serve societal interests. (2014, p. 84)

To understand the unequal power dynamics underpinning CSR practices it is necessary to locate the analysis of mining company's initiatives in specific examples and contexts. It is possible that initiatives in CSR will co-exist with deleterious or harmful social effects of mining practices. CSR initiatives may perhaps not actually exist at all in other than company's public relations material and rhetoric (Parsons, 2008, p. 122). Hence a stakeholder approach is adopted which values non-traditional interest groups such as impacted communities and social groups (Freeman, 2010, p. 26) to assist in uncovering non-dominant views and impacts.

Mining is highly significant to Australia's economic prosperity, as Bice summarises:

> Australian mining's 2,490 firms employ over 180,000 individuals and were expected to pay about AU$18 billion in wages in 2010–2011 (Australian Bureau of Statistics [ABS], 2010; Minerals Council of Australia [MCA], 2012). (2013, p. 139)

The mining sector is largely self-regulating in terms of the nature and extent of CSR with very few examples of the Australian Government intervening to address transgressions against individuals or communities. Australian companies and business representative bodies are proud of their achievements and it is now common place to find multi-national mining companies providing social reports of their contributions to the social well-being of neighbouring communities and their workforces (BHP Billiton, 2002). These reports can though gloss over the complexity of the socio-political contexts of business and also at times can understate or omit to comment on conflict and significant social justice issues. For this reason the presentation in this section on CSR initiatives is tied to pertinent points related to two contextualised examples of CSR initiatives and broad general claims are thereby avoided.

12.4 An Impacted Locality and Community as Stakeholder

The mining company to be focussed upon in detail is Alcoa and specifically its operations at Wagerup in Western Australia. The context is briefly outlined without seeking to provide a comprehensive account as this has been done elsewhere (Brueckner & Ross, 2010). This is followed by some significant initiatives by Alcoa internationally (hereafter Alcoa USA) and counter-posed with reactionary initiatives at Wagerup in a local context of conflict and complexity of competing and, to some extent, unresolvable interests. As a result the initiatives are less convincing as examples of CSR which serve the interests of community stakeholders.

12.4.1 The Context

A landmark conflict in Australia's mining sector relates to Alcoa and the Western Australian Government's mishandling of irreconcilable differences (Ross, 2013b, p. 198) with the small rural town and locality of Yarloop. The conflict can be traced from the late 1990s after Alcoa installed a liquor burner, one of only four such plants in the world, to increase the efficiency of processing raw materials into alumina. Local individuals and eventually activist groups, including a Medical Practitioner's Forum, complained about the health and environmental impacts of emissions and noise from the refinery. Alcoa denied and continues to deny harm despite a Parliamentary Inquiry (Sharp, 2004) and findings of a range of impacts by its own funded research by Edith Cowan University (Ross, 2002). Media reports and a number of Government investigations have found Alcoa culpable of breaches of regulatory requirements (Towie, 2008; Flint, 2006a) and Alcoa eventually compensated some of its workers who developed illnesses such as multiple chemical sensitivity (Southwell, 2001; Flint, 2008).

12.4.2 The CSR Initiatives

Alcoa USA seeks to be an exemplary company and locates its competitive market edge in its adherence to a number of core values—integrity, environment health & safety, innovation, respect and excellence—claiming that 'since 1888 the people of Alcoa have partnered to create innovative and sustainable solutions that move the world forward' (Alcoa, 2015a). Alcoa USA explicitly declares its active commitment to the Global Compact and the Millennium Development Goals (United Nations, 2015, n.p.) and reports on its achievements against these commitments through regular progress reports (Alcoa, 2015b).

Internationally, Alcoa USA has initiated a number of innovations which are recognised through awards such as the 2013 Catalyst Award for 'recognition of our progress on recruiting, developing and advancing women in the workplace' (Alcoa, 2015c, n.p.). Ín 2014, Alcoa USA received the Human Rights Campaign's Corporate Equity Award. This is a significant achievement against the UN Global Compact's labour standards criteria of 'the elimination of discrimination in respect of employment and occupation' and the Millennium Goals category of 'promote gender equality and empower women'. Further, Alcoa USA instigated an employee volunteer program which is integral to all its sites and constitutes its main contribution to local community well-being. Another significant initiative, the Alcoa Foundation, claims hundreds of millions of dollars have been invested for a broad range of initiatives throughout the world (Alcoa, 2015d, n.p.).

Alcoa can lay claim to a number of initiatives at their Wagerup operations which were at least to some extent, from their perspective, aimed at responding to perceived local community social needs and interests. In a shocking example of singular authority, Alcoa acted without town planning approval to create what some have called an 'economic zone' (Ross, 2003), but locally it was called a 'buffer zone' around the refinery at Wagerup, adjacent to Yarloop and in a rich farming area. Alcoa claimed it needed to buy up a large number of private properties to ensure its operational viability (Hahn, 2002) and believed that this was in Yarloop's interests as well. They undertook consultations about their plans and instigated a Land Management Policy which set the terms for the property buy ups (Alcoa, 2001). Here is an example of corporate initiative which Alcoa claimed was intended to respond to some of the demands of local people for protection from health and social impact concerns by giving an above market value payment to some property owners if they wished to leave the area. For current purposes, it is evident that initiatives in the name of CSR are not necessarily progressive or benign. The Parliamentary Inquiry in fact found that Alcoa had acted outside Town Planning requirements in purchasing private properties to establish an unapproved 'buffer zone' around its refinery (Sharp, 2004, p. 267).

Another context sensitive initiative occurred when Alcoa approached the local university for expert assistance to respond to an escalating level of community outrage (Sandman, 2002; Ross, 2013b, p. 196). Alcoa subsequently agreed to participate in an unprecedented number of open public meetings facilitated by the university research team to try to resolve the complex conflict with the local community (Ross, 2003; Ross 2009, p. 308). While it is possible to be critical of Alcoa's limited acquiescence to community demands, these meetings were an important opportunity for Alcoa to meet community stakeholders on the community's terms to some extent. From this particular view, Alcoa personnel involved in the meetings were stepping way out of their comfort zone and directly feeling the pressure to enact CSR, as defined by community stakeholders. This was occurring at a time in Alcoa when there was no language for social sustainability and certainly no language for social justice. Notwithstanding the actual outcomes of the meetings, this has to be acknowledged as remarkable. That it has not so far been acknowledged is because of Alcoa's subsequent retreat to a non-partnering and non-dialogical approach with aggrieved community stakeholders (Brueckner & Ross, 2010, p. 258).

Alcoa worked with some sections of the local community during this time to establish a Sustainability Fund in recognition of the importance of being a good neighbour and it also developed an Enterprise and Learning Centre. They claimed perhaps beyond realistic judgement that 'both have the potential to build sustainable development in the area' (Brueckner & Ross, 2010, p. 150). Meanwhile at another university in the capital city of Western Australia, Alcoa funded an inaugural Chair for Stronger Communities, which perhaps tellingly had no brief to address the collapse of communities adjacent to the Wagerup refinery and mine-site.

12.5 Impacted Australian Indigenous People as Stakeholder

The second example is only loosely located on a specific mining company with an overview being attempted of a pattern of corporate relations with some members of one population group—Australia's Indigenous People—due to their ownership rights to large tracts of land valued by mining companies. Historical legal events and context are key factors in the apparent recent increased valuing of mining company relationships with Indigenous People. The requirement of mining companies to negotiate with the relevant Registered Native Title Body Corporate for mining agreements to access Indigenous land provides an example of the continuing unequal power relations and social benefits involved (O'Faircheallaigh, 2013, p. 290; Coronada & Fallon, 2010, p. 666).

12.5.1 The Context

The Native Title Act 1993 paved the way for many of Australia's Indigenous People to re-claim their ownership and access rights to their homelands and in so doing precipitated a need for mining companies to negotiate with Traditional Owners. This has been co-ordinated through the Government's creation of Registered Native Title Body Corporate (RNTBC) entities who manage or hold in trust the interests of the Traditional Owners in mining exploration and extraction agreements. It is expected that the number of agreements will increase in the coming years as more native title determinations are completed. Thus it becomes problematic if as research shows 'agreements between mining companies and Indigenous groups often suffer from serious implementation problems' (O'Faircheallaigh, 2013, p. 277).

The influence on corporate practices is clearly conveyed by the Business Council of Australia's, 2014 Indigenous Engagement Survey Report which details the nature of corporate contributions. The survey shows how 'our members are continuing to explore and find new ways of supporting Indigenous economic and social inclusion' (Business Council of Australia, 2014, p. 1). Notwithstanding the importance of social benefits to Indigenous People where mining is occurring in their communities, it is questionable whether this unprecedented interest in Indigenous Peoples' well-being would be occurring to the extent it is were it not for the direct implications of the Native Title Act (Parsons, 2008, p. 122).

12.5.2 One Mining Company's CSR Initiatives

Fortescue Mining Group (FMG) provides a significant example in Australia's mining sector of CSR initiatives because of its extensive human rights initiatives. These initiatives have a global reach and have been recognised at the highest levels of government and international forums (ABC News, 2014, n.p.). FMG is an Australian listed iron-ore mining company, established in 2006 and operating two mines in the Pilbara's Chechester Range and Hamersley Range. It is the world's fourth largest iron-ore producer, which undertook a $9.2 billion dollar expansion in the last period and shipped 124 million tonnes of iron-ore in 2014 (FMG, 2015, p. 7). FMG employs 1100 Indigenous People (representing 12 % of the workforce) and awarded $1.6 billion dollars to Indigenous contractors which FMG sees as part of its goal of 'seeking to end Aboriginal disparity in the Pilbara' (FMG, 2015, p. 9).

Significant initiatives such as employment opportunities for Indigenous People by FMG (Forrest cited in FMG, 2015, p. 9) are correctly presented as progressive examples of what can be achieved through informal local initiatives (Cullen, 2013, n.p.). FMG claim that their '"welfare-to-work" model, catering for people with little or no work history, has been an enormous success, so much so the Federal Government has adopted our employment model around the country. We have challenged the Commonwealth to issue $1.3 billion worth of contracts to Indigenous companies knowing that Fortescue has led the way' (2015, p. 9). However, scratching the surface of the mining company's promotional material, can show a misfit between the claimed benefits and the reality for some Indigenous People (Waters, 2011; Herbert, 2012).

Alongside this situation is the perhaps unprecedented influence by Forrest in Australian Government public policy. Forrest describes this social policy initiative as:

> a strategy that delivers a complete end-to-end solution, without the baggage attached to current government policies and arrangements. Implemented in full, it will finally create parity and comprehensively build our society. (cited in FMG, 2015, p. 9)

The unacknowledged paralleling of Forrest's thinking with neo-liberalist ideology of small government and individual responsibility (Baum, 2014, p. 87) has not been sufficiently considered for the potentially blaming discourses for people who do not succeed in Forrest's grand plan. It may be too simplistic to claim that 'the existing [welfare] system has been tried and disproved for decades and decades' and that it is a matter of a person getting and keeping a job 'for six months then they [will] have broken their own psychology [of] the welfare reliance mentality' (Forrest cited in ABC News, 2013, n.p.). Structural inequalities such as racism in Australia are not so readily amenable to one-dimensional strategies. However, in an inclusive robust democratic dialogue about how to address inequalities, where mining company executives don't hold excessive influence, there is no doubt that these CSR initiatives hold much promise for many Indigenous People.

12.6 Limitations of CSR in Stakeholder Examples

As noted earlier, the paper is seeking to answer the power sensitive question—*what evidence is there of the claimed CSR initiatives benefiting impacted stakeholders*? This section elaborates on the two stakeholder examples to suggest there are very real limits to CSR from this perspective even while it is hard to quantify and substantiate such matters. With regard to the FMG example, the difficulty not addressed in the current paper relates to the lack of enthnographic data from impacted stakeholders. FMG, under Forrest's leadership, has made impressive CSR contributions far beyond the likely direct business benefits for their company. In relation though to their work with increasing access to employment for Indigenous People in the mining industry more broadly, the results are less un-equivocal which relates in part to factors beyond FMG's control. However, with regard to the Alcoa example at Wagerup there is local, multi-stakeholder (community, Alcoa and government) research data that does enable an evaluation of limited even biased CSR efforts. The main focus in the following sections is on Alcoa due to the author's involvement in the situation and consequent ability to draw on empirical evidence to answer the posed question.

12.6.1 Limits of CSR Initiatives at Yarloop

Alcoa's Land Management Policy initiative to help local people (and its own commercial interests) created divisions and outrage in the community as properties closest to the refinery were purchased at a higher price compared with properties in the older part of Yarloop. Many people saw it as Alcoa trying to silence people and subsequently, when Alcoa privately rented the purchased homes they placed stringent obligations on tenants not to complain about the refinery (Flint, 2006b). In a climate of fear for health and loss of property values many people sold and left the area which in turn collapsed the town and area's viability. Alcoa refused to link their property strategy to peoples' health concerns but was eventually directed by the Parliamentary Inquiry to acknowledge the links and to buy properties from anyone who felt adversely impacted (Brueckner & Ross, 2010, p. 56). A class legal action is current for claims of social and other losses after attempts at dialogue and lobbying Alcoa have largely been unsuccessful (Brueckner & Ross, 2010, p. 60).

The social costs are incalculable yet no less important and continue in the present time, spanning losses relating to health, quality of life, impacts on families and friends, severing of local ties, loss of community, increased social divisions, conflict fatigue with Alcoa, loss of future, loss of services, demographic changes and financial losses (Brueckner & Ross, 2010, pp. 81–125). This is the human dimension of unsustainability, specifically the insufficient exercise of social responsibility, in some quarters of the mining sector in Australia. In this period Alcoa continued a double speak on the public arena of being a good corporate neighbour and held the company line that what is good for Alcoa is also good for Yarloop despite mounting evidence to the contrary. Yet an Alcoa manager declared confidentially as part of a research project:

> I think we went down the path that 'we're going to get our supporters and we're going to battle this out' rather than 'we want to reconcile with the community'. (Brueckner & Ross, 2010, p. 140)

The State Government's role was complicit with Alcoa's commercial interests overall and can be best appreciated by two events—the securing of a senior role in the Government's insurance company by Alcoa's CEO in Australia at the height of the controversy and the employment by Alcoa of the lead senior policy official in the Government's Health Department who had been intimately involved in pro-community conversations. These 'revolving doors between industry and government were seen by outsiders as a deliberate corporate strategy to keep the regulator at bay' (Brueckner & Ross, 2010, p. 194). Then there is the silencing of dissent when the West Australian newspaper agreed to Alcoa vetting stories about the company which was typical of:

> Heavy-handed tactics by Alcoa to ensure the company's operations remain unaffected and its reputation untarnished. Alcoa was described by different state politicians as a company that 'likes to stay in control' and its approach to dealing with problems was 'very sophisticated but cynical'. (Brueckner & Ross, 2010, p. 195)

12.6.2 The Limits of CSR Initiatives in Relation to Australian Indigenous People

The focus in the second example was on the undertaking of CSR initiatives relating to a particular social group, namely the Indigenous People of Australia, who gained significant political leverage through the Native Title Act. FMG's CSR initiatives while only briefly explored were exemplary and not matched by other mining companies in Australia for the breadth and substance of their social benefits. Nonetheless, on conducting a critical discourse analysis of web based sources, Coronada and Fallon conclude:

> Through their rhetorical manipulation of the CSR discourse, mining companies construct a homogeneous representation of Aboriginal peoples, for strategic purposes. Companies maintain a public image as good corporate citizens, while using the rhetoric to divert their CSR activities to less problematic Indigenous groups, thus ignoring the claims of stakeholders who are more directly affected by mining. (2010, p. 666)

They identify 'the strategic use to be made of CSR for building reputation' by quoting Rio Tinto:

> [. . .] by earning a good reputation for our care of the environment and contribution to social improvement and the economic conditions of local [Indigenous] communities . . . we gain improved access to land, people and capital, the three critical resources on which our business success is built. (Coronada & Fallon, 2010, p. 671)

Thus, Coronada & Fallon found that 'CSR is discursively manoeuvred by mining companies in order to strategically distance themselves from Indigenous Peoples who occupy the land on which mining operations are conducted (2010, p. 678). This allows the mining companies to be seen to be pro-Indigenous stakeholders but perhaps not the ones who are likely to make the most demands and be most impacted by mining operations (McLean, 2012, p. 339).

Similarly, Campbell and Hunt provide research based accounts on the range of agreements between Indigenous People and mining companies and suggest that equitable benefits from such activity are rare (2010, p. 22). However, as Parsons recognises, Indigenous People are aware that stakeholders relationships with mining companies are because of Native Title and other formal legislations not through any sense of propriety (2008, p. 115). Yet the complex inter-relationships between multiple stakeholders through the often under-resourced relevant Registered Native Title Body Corporate (RNTBC) can confound individual and local group's efforts to gain equality and access to some of the benefits of mining (Langton cited in Campbell & Hunt, 2010, p. 1).

12.7 Conclusion: CSR Initiatives for Whose Benefit?

The link between sustainable development, which includes economic, environmental and social considerations (Ross, 2013a; Elkington, 1997) and CSR are direct and inter-dependent but complex and not assured. At the same time there is a tendency to not recognise or to under-state the social nature of all three dimensions of sustainability which means political struggles are integral to sustainability efforts (Ross, 2009, p. 301). In this context it is worrying that the official reporting and evidence that forms the basis for establishing the extent and substance of CSR in Australia is in the main generated by the companies without any auditing or review by a higher authority. The pro-development agenda in Australia being reinforced by these reporting practices hides 'the implicit assumption . . . that . . .. contemporary capitalism can satisfactorily address social concerns' (Parsons, 2008, p. 99). The dominant stakeholders, including the Australian Government, will not be the parties who challenge the status quo. Thus, it has been important to show how in the most powerful industry sector on which Australia's economy depends, that there are trade-offs occurring at the expense of members of social groups and locations who are already being disadvantaged in Australian society (Ross, 2015, under review). The analysis in part parallels the recognised international injustice of the '[in] equitable distribution of environmental burden and risk' of mining operations, where for example:

> Indigenous communities have historically been more exposed than other communities and geographic areas to environmentally hazardous activities on their territories, to contamination of their forests, land and rivers and to land expropriation due to extraction activities. (Anguelovski, 2008, p. 198)

It is suggested that a similar disadvantaging dynamic is occurring in the social sustainability domain which is not being sufficiently addressed by mining company or government CSR efforts. If the examples are indicative of the state of CSR in Australia, at worst the discourse of CSR may be covering an otherwise naked pursuit of profits without regard for the social consequences (Coronada & Fallon, 2010, p. 667). At best CSR may be an integrated, ethical dimension of company's substantive sustainability and social justice efforts in selective locales and projects. It is simply not possible to make one blanket claim about the nature of CSR initiatives for the mining sector or the broader economy due to this complexity of competing interests and the tendency for companies to employ CSR language in power mystifying ways.

The paper has shown that CSR needs to be linked to place, relationships and specificities of mining impacts to avoid slippages of responsibility simultaneous to claims by mining companies of substantive contributions. Unless companies in the mining sector work with Government and the broader polity to address institutional racism and other socio-economic inequalities and injustices, then social responsibility by corporations will not be realised. Rather, a dominant insidious, hidden capitalist discourse of 'the pursuit of profits at any cost' appears to prevail even as CSR is claimed in all but a few exceptions. In the absence of evidence of impacted stakeholders being adequately compensated or even heard, the language of CSR initiatives is itself problematic. There is an inter-connected, but not the same order of, responsibility and accountability that needs assuming between all tiers of the Australian Government and large scale mining and other commercial interests on behalf of Australian people. Failures of CSR by Government and big business will equate with socially unsustainable business practices which will adversely affect other aspects of their operations, including cost effectiveness and profit margins. However, significantly, the cost is borne disproportionately by people, landscapes and ecosystems in the locales of mining operations on behalf of the affluent sectors of society, especially on behalf of mining businesses and government interests.

Several pertinent questions can be posed after this exploration which have no immediate or easy answers and require further research:

1. To what extent is it possible to change the power inequalities which work against just and sustainable trade-offs for losses and harm caused by large scale businesses?
2. If the Australian Government is dis-inclined to regulate industry to ensure socially just business practices, should society be surprised if business CSR initiatives are limited to philanthropy on their terms?
3. If the current situation is that CSR is whatever the industry sector says it is and there is no political will to change the status quo, what value is there to speak of 'CSR'?
4. In a post-modern technological society, is there perhaps insufficient credence given to customer and public backlash and pressure in a range of stakeholder groups for holding business and government to account?

A national debate is urgently required where the most powerful and least powerful stakeholders meet and engage in non-coerced dialogue to develop an ethical, legal and policy framework for (not specifically or only Corporate) Social Responsibility which is binding for all sections of society.

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Chapter 13
From Insularity to Integration: The Reformulation of Socially Responsible Business in Japan

Scott T. Davis

Abstract CSR in Japan is currently undergoing a reconceptualization as a result of government policies and related reforms being implemented by Prime Minister Shinzo Abe's administration in order to revitalize the Japanese economy from its prolonged economic stagnation. In realization that economic health and vitality can no longer be defined exclusively in terms of isolated corporate interests, Japan's conservative government is seeking to push corporations out of their commonly criticized insularity and towards a more socially informed and integrated competitive stance. As a result of this, corporations are being called upon to reformulate their CSR plans and activities by integrating social and strategic goals into long-term plans and strategies which cover the full scope of their activities both domestically and globally. This paper will argue that, by acknowledging a link between social wellbeing and long-term economic growth and competitiveness, the Abe administration's reforms could constitute a turning point in the conceptualization of the social responsibility of corporations in Japan.

13.1 Introduction

The concept of CSR in Japan has developed over time as corporations, governments and the public have responded to a series of watershed events including industrial pollution of the natural environment, corporate scandals, and demands for more rigorous legal compliance and governance as the nation developed into an economic world power (Davis, 2010; Kawamura, 2003). CSR in Japan is currently facing yet another significant turning point. This time however, it is not the result of an unforeseen accident or sudden crisis, but rather the outcome of a carefully orchestrated series of reform policies designed to revitalize the economy in order to respond to looming challenges.

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Seeking to revitalize Japan's economy from prolonged economic stagnation and strengthen its global industrial competitiveness, the reforms of Japan's conservative government are pushing corporations out of their commonly criticized insularity towards a competitive stance based upon greater social integration. Industrial deregulation has featured in this as in previous such efforts, however, in realization that economic health and vitality can no longer be defined exclusively in terms of corporate interests, reforms to empower non-corporate entities as constituents in the ongoing dialogue on sustainable growth have also been implemented. Current measures implemented to promote corporations capable of realizing sustainable, long-term economic growth together with balanced social development have included:

1. Formulation of the "*Japan Revitalization Plan—Japan is Back*" (released 2013)
2. Release of the "*Report on Competitiveness and Incentives for Sustainable Growth*: *Building Favorable Relationships between Companies and Investors Project*"
3. Introduction of the "*Principles for Responsible Institutional Investors*" (Japan's Investment Stewardship Code) (released February 2014)
4. Revision of the investment policy of the Government Pension Investment Fund of Japan (announced October 2014).

These reforms represent a significant change in the definition of CSR in Japan. They represent both a systematic effort to increase corporate transparency and accountability as effective countermeasures to corporate insularity and business stagnation, and an explicit acknowledgement of a link between social and environmental sustainability and long-term economic growth and competitiveness. For Japan's corporations these changes represent a clear call for a shift away from an insular and towards an integrated formulation of CSR.

This paper will present an overview of these key developments, and assess their potential to move corporations towards a more socially integrated approach to conceptualizing, planning, and discharging their social responsibilities as businesses.

13.2 Challenges for Japanese Corporations

In order to understand the impact of these current reforms it is important to first examine the prevailing state of CSR policy and implementation in Japanese corporations. This section will present a brief overview of several recent studies of CSR initiatives in Japan, the features they have identified as characteristic of them, and their evaluations of their strengths and shortcomings in practice.

In September 2004 the Ministry of Economy, Trade and Industry (METI) released its "Interim Report by the Council on Corporate Social Responsibility (CSR)." CSR was defined here as a "concept whereby corporations, as important components of today's economy, based on their own management principles and through proactive engagement with stakeholders to which they are related, apply themselves to their core business and by attempting to increase the results thereof, ensure both their sustainable development as companies and contribute to the sound development of society" (Ministry of Economy, Trade and Industry, 2004, p. 29). It could be said that this was METI's, and the Japanese government's, first major statement of their conceptualization of CSR.

Marking the elapse of 10 years since the issue of this report, in May 2014 METI released a new report entitled "Survey of CSR Issues in Global Business Activities and their Management." The aim of this survey was to take a closer look at the world where Japan's corporations must operate. On announcing the report METI stated that policy regarding CSR could no longer be made only in consideration of the issues immediately facing corporations domestically, but also needed to consider the wider international and institutional trends developing around them (Ministry of Economy, Trade and Industry, 2014c).

Based upon a review of world trends, government, corporate and NPO produced reports along with other media coverage of business issues; the report identified 11 key issues for CSR. Of these 11, METI then identified 7 (marked with an asterix) as being of particular importance by virtue of the high levels of risk they pose to Japanese corporations.

1. Labor issues in developing nations *
2. Regional societies/communities and indigenous peoples lifestyles *
3. Water risk in water stressed regions *
4. Corruption *
5. Sustainability and traceability in food supply chains *
6. Conflict minerals *
7. Toxic materials in consumer products
8. Economic impact of climate change
9. Tax evasion *
10. Energy conservation and renewable energy business opportunities
11. Management and employee diversity

The report identifies the risk level of these issues as being commensurate with the degree of globalization of a corporation's business activities. Conflict minerals are cited specifically as an example of an important area where supply chains become directly linked to social problems outside the immediate focus of business.

METI's point, however, is that if these issues are managed strategically they can also become valuable opportunities for business. METI notes that: "it is important that management approaches these issues with the understanding that dealing with them not as charities by as issues that must be faced in order to conduct their business is important." METI links corporate competitivity with social issues under the concept of a "license to operate." The report states that "an appropriate response to CSR issues and risks will be a means for Japanese corporations to achieve a *license to operate* and a source of competitivity as they seek to create sustainable value through their global business activities."

METI's conclusion is that the success of Japanese corporations in their overseas operations will be contingent upon their ability to integrate plans for resolving social issues within their business strategies. These statements calling for a closer integration of social and strategic goals stand in marked contrast to METI's previous statements on the need for CSR and are reflect a deep concern for the future global competitivity of Japan's businesses should they continue to fail to respond to the social issues related to their business activities overseas.

This concern is not confined to METI. The KeizaiDoyukai – an influential association of Japanese business leaders (see Davis, 2013b) – concluded in their 2012 report on the state of CSR in Japan that corporations showed an inadequate level of awareness of global social issues (KeizaiDoyukai, 2012). In their survey report for 2014 the KeizaiDoyukai further observed that, despite criticism of short-term profit taking in the years following the 2011 Great East Japan Earthquake and calls for CSR initiatives capable of promoting the wellbeing of employees, corporate performance and social progress as a whole, the conceptualization of CSR has remained virtually unchanged since 2010 (KeizaiDoyukai, 2014).

When corporations were asked to explain the meaning of CSR in the 2014 survey the five most frequent responses remained: 1 "compliance" (88 %), 2 "provision of good products and services" (85 %), 3 "response to social issues through business" (81 %), 4 "promotion of the development of host communities" (80 %), and 5 "reduction of the environmental impacts of business" (77 %) (KeizaiDoyukai, 2014, p. 14). Moreover, while 71 % of corporations cited CSR as "central to business management" only 30 % indicated that it was a "central factor in their business strategies." This is unchanged from the results of the 2010 survey (KeizaiDoyukai, 2010). This lack of strategic integration was made particularly evident in the management of human rights issues. Only 44 % of respondents in 2014 had introduced their own human rights policy, and of these only 21 % responded that they apply it in their supply chain management. In terms of practice, 24 % of respondents indicated that they regularly conduct human rights due diligence as part of their supply chain management, 44 % are aware of this form of due diligence but do not practice it, and almost a third (32 %) responded that they do not know of human rights due diligence and are not aware that this puts then at risk of accusations of collusion. Corporations indicated that they were actively engaged in disclosing their CSR plans and achievements as part of their disclosure on nonfinancial performance. However, few corporations were satisfied with the degree to which their performance in this area was given appropriate external evaluation. In most cases corporations indicated that there was a lack of communication between corporations and external stakeholders (62 %), almost half attributed this to the lack of ability to communicate their nonfinancial performance effectively (47 %), and a third cited a difference in values or perspectives on issues between companies and their stakeholders (35 %).

While acknowledging that corporations have made great progress in the last 2 years, the KeizaiDoyukai characterizes CSR activities as still being largely domestically focused, with few corporations managing the social responsibilities arising from their supply chains and particularly with regards to the monitoring of human rights issues. In short, their conclusion is that CSR as currently implemented by Japanese corporations remains inward looking, short-termist and nonintegrated, and that many “current social issues are too difficult for isolated corporate action and require coordinated initiatives in partnership with NPOs and other stakeholders.”

Why then, despite considerable investments of time and resources have the CSR initiatives of Japan’s corporations yielded only such limited results? Valuable insights into this situation can be gained from the results of a study by the Tokyo Foundation (Tokyo Foundation, 2014) This study was designed to identify issues that were emphasized by Japanese corporations in their CSR activities domestically compared with those implemented overseas, to clarify the level of strategic integration of these activities, and the level of strategic planning involved in their implementation. The survey asked corporations to self evaluate their CSR initiatives regarding nine issues: human rights, eradication of poverty and hunger, promotion of an environment conducive to childbirth and raising children, eradication of child poverty, the advancement of women (gender equality), disease prevention, environmental sustainability, regional and local cultural preservation, and others (including water resources, aging, political corruption and conflict minerals/resources).

The domestic focus of CSR in Japan was again evident with corporations responding that they were active in only one of the eight issues overseas compared to an average of five within Japan. The majority of corporate activity took the form of charity, the supply of a corporation’s own products or services, or through original, independent corporate initiatives in the absence of cooperation with other organizations. Kamei and Hirano, the authors of the study, noted that this fragmented and short-term approach to designing CSR initiatives was one reason why CSR reports in Japan tended on average to be filled with numerous and uncoordinated examples of the charitable and volunteer activities of individual executives and employees (Kamei & Hirano, 2014).

The most critical finding of the study however, regarded the limited extent to which corporations applied the practices of business management and administration (one of their core strategic capabilities as business organizations) in the planning and implementation of their CSR activities. Respondents were asked to indicate which of the nine issues they had (1) made the subject of the same level of issue research and planning as applied their regular management of business, and (2) were currently targeting with CSR initiatives. The results showed three situations: “planned initiatives” where initiatives were implemented after considerable deliberation and planning, “semi-planned” initiatives which were implemented with some degree of preplanning, and “unplanned” initiatives for which implementation took place without any significant preliminary research or planning. The results revealed that corporations were taking action in a range of issues without first holding the planning meetings and research they normally would in a regular business engagement, and that a significant lack of planning was evident in overseas compared to domestic initiatives. While there were no “planned” initiatives identified by the study either domestically or overseas, “semi-planned” initiatives identified within Japan tended to concentrate on issues of women, maternity, the environment and illness, while those overseas concentrated on women, human rights and the environment. "Unplanned" initiatives in Japan focused on poverty, child poverty, culture and human rights, compared to those implemented overseas which concentrated on poverty, maternity, culture, child poverty and the prevention of illness. Kamei and Hirano attributed this situation to a lack of dialogue between corporations and their stakeholders and potential social partners both within Japan and especially overseas, and with the attendant lack of partnership with other organizations in the planning and implementation of their initiatives. It is interesting to note that initiatives which were reported by firms to have yielded long-term value creation for both society and the corporation were those based upon cooperation between NPO's and other social organizations (Kamei & Hirano, 2014, p. 256).

The findings of these three recent studies show that the planning and implementation of CSR in Japan generally remains disconnected from strategic business goals, defined in terms of short term initiatives, and that it largely fails to include social issues related to business activities in markets overseas. The criticism here is that in recent years CSR in Japan has tended to be overly short-termed, passive and insular and that this has led to a situation whereby Japan's corporations are not realizing their full potential as a force for the promotion of wellbeing and social development. Such identifications of a gap between corporate social contribution and the expectations of society are not unique to the present day but have been articulated periodically throughout Japanese history (see Davis, 2013a).

As in previous years, the social role of corporations in Japan is currently being questioned and redefined. The current redefinition is taking place within the context of the Abe reforms, a platform of government initiatives designed to revitalize the economy by requiring corporations to increase their transparency, accountability and social integration, and thereby enhance their strategic competitivity. The following section will present an overview of the Abe administration's reforms, show how they are designed to promote changes in the social and economic expectations directed towards corporations, and argue that they represent a qualitative redefinition of CSR in Japan.

13.2.1 Abe's "Three Arrows"

Prime Minister Shinzo Abe has described his current economic revitalization plans as Japan's "last chance" to remain an economic power in Asia. His revitalization plans – popularly referred to as "*Abenomics*" – are aimed at long-term structural change and hinge on resources being invested in new and competitive industries, corporations increasing their profit levels in order to increase national revenue, overseas investors being made feel confident and attracted to invest in Japanese industry, and the enablement of women's participation in the workforce. An

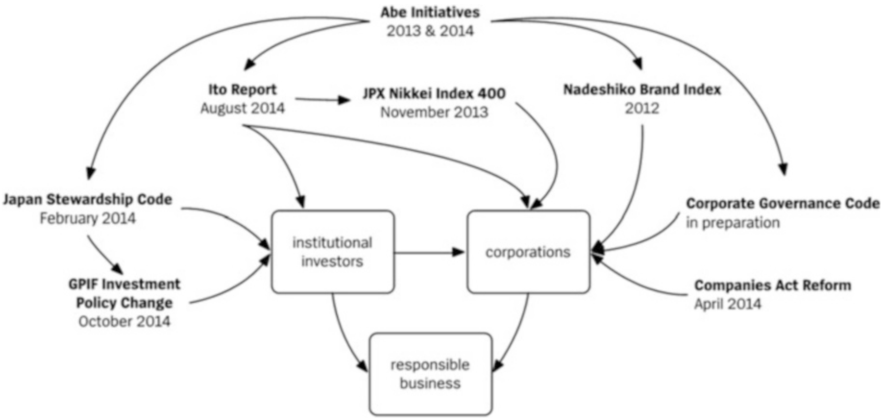

Fig. 13.1 Overview of the Abe initiatives

overview of the various components comprising the Abe initiatives is shown in Fig. 13.1

The current reforms of the Abe administration are arguably the biggest and most ambitious change effort undertaken by the Japanese government for decades. The challenges they face are also substantial. With the world's oldest population and lowest birthrate Japan's demographic profile is changing rapidly. The population is expected to decline from 120 million in 2014 to 97 million in 2015, and 86 million in 2060 (Bureau of Statistics, 2014). An older and smaller population will put more stress on public welfare which currently already consumes around a third of the national budget (Ministry of Finance, 2014, p. 1). The implications of this for Japan's future are serious. The working population (ages 15–65) has shrunk by 6 % over the last 10 years which, combined with the increasing welfare expenditure for the aged and decades of weak consumer spending and deflation has resulted in the accumulation of a massive national debt (Akram, 2014, p. 166). Prime Minister Abe maintains that monetary policy alone will not be enough to redress Japan's current situation and that structural reform is needed in order to promote economic growth (Abe, 2013).

Abenomics consists of three plans – know in Japan as "Abe's Three Arrows" – for reviving the sluggish economy by an:

1. Aggressive policy of qualitative monetary easing by the Bank of Japan aimed at ending deflation and boosting investment,
2. Massive fiscal stimulus approved by the cabinet in January 2013, consisted of a ¥20.2 trillion stimulus package, the third-largest ever in Japanese history, with ¥10.3 trillion earmarked for infrastructure investments including bridge and tunnel construction, building earthquake resistant roads, and promoting private investment in clean energy, and
3. Structural reforms to boost Japan's competitiveness (Office of the Prime Minister, 2013b, 2013c, 2014b).

13.2.2 The Third Arrow

The third arrow is aimed at promoting domestic investment and it has evolved through two iterations – the first in 2013 and the second in 2014. Prime Minister Abe has stated that "everything hangs on this new growth strategy" (Nihon Keizai Shimbun, 2014) and it constitutes the center of his reforms.

On June 2013 the Abe administration released a document entitled "*Japan Revitalization Plan—JAPAN is BACK*" (Office of the Prime Minister, 2013b) detailing a range of mid to long-term plans intended to "change expectations [for growth] into action and behavior."

In October 1, 2013 the Headquarters for Japan's Economic Revitalization (a body established within the Cabinet Office to manage the reforms) approved a "Policy for Growth Strategy Implementation" comprising of three plans – the Industry Revitalization Plan, the Strategic Market Creation Plan and the Strategy of Global Outreach (Office of the Prime Minister, 2013c). Together these plans aimed to: (1) Increase the labor supply by promoting workforce participation of women and relaxing immigration restrictions on introducing skilled workers from overseas, (2) Promote development of infrastructure by encouraging new ventures and investments in information technology and other advanced new industrial fields, (3) Promote investment in facilities and equipment domestically by the establishment of special areas where radical deregulation can be implemented on a limited scope, (4) Increase the quality of human resources available to corporations within Japan by means of a number of global human resource initiatives and promotion of the globalization of universities, and (5) Promote corporate innovation in high-tech industries where technological innovation will yield virtuous cycles of higher profitability and further technological innovation. The Abe administration promptly followed up on these plans by tabling a total of nine bills at the 185th session of Parliament in November and December of 2013 aimed at implementing much of this growth strategy. The key to the long-term success of these reforms will be the promotion of economic growth which yields higher tax revenues and permits a lowering of the national debt.

13.3 Second Round of Reforms

In June 2014 the Abe Administration announced two new policy documents: the "*Basic Policies for Economic and Fiscal Management and Reform 2014*" (Office of the Prime Minister, 2013a) and the "*Japan Revitalization Strategy 2014 Revision*" (Office of the Prime Minister, 2014b). The latter contained ten new initiatives in three areas as shown below.

13.3.1 Japan's Earning Power

Transforming corporations by:

1. Strengthening governance by introducing a corporate governance code,
2. Revising the management of the Government Pension Investment Fund, and
3. Establishing funds to promote venture businesses and investment in new industries. Two new goals were added to:
4. Reduce the corporate tax rate to promote growth and,
5. Introduce a "National System to Promote Technology Innovation" with special emphasis on the application of robotics in providing care for the aged.

13.3.2 Next-Generation Workforce

Three new initiatives here included:

6. Promoting women in the workforce by expanding childcare capacity, providing social support and introducing "gender blind" income tax formulas,
7. Reform of work practices including strengthened measures to prevent overwork, a focus on performance over hours worked in setting pay rates, the diversification of employment forms and the introduction of a more proactive system for industrial dispute resolution, and
8. Promotion of the use of overseas workers by relaxing immigration restrictions and enabling foreign workers to work in specific areas such as elderly care.

13.3.3 New Growth Engines and Promotion of Industries to Support Regional Areas

Two new initiatives included here were aimed at:

9. Developing a more competitive agricultural industry by facilitating the amalgamation of farmland, promoting farming by corporations and promoting the export of agricultural produce, and
10. Reform and revitalization of the healthcare industry by permitting the operation of hospitals as nonprofit holding companies, incentivizing preventative medicine and health care for individuals, and permitting medical procedures currently not covered under the national health insurance scheme to be used in combination with covered procedures.

13.4 Action to Date

Efforts to date to promote the revival of long idle industries have taken the form of reforms in the agriculture industry by revising the rice production adjustment programs (government subsidies for regulating rice production and maintain prices) establishing institutions to facilitate farmland consolidation, establishing funds to support producers wishing to expand their agricultural businesses into food processing or distribution, and establishing six "*national strategic special zones*" to enable specific regulatory reforms in specially designated areas intended to serve as growth engines in the areas of health care, employment, education, urban revitalization, agriculture, and utilization of historic buildings (Office of the Prime Minister, 2014a, p. 8).

Efforts to enhance corporate earning power have included a 2.4 % reduction in the corporate tax rate in April 2014 and the introduction of an "*Industrial Competitiveness Enhancement Act*" t0 promote investment by private corporations by giving tax relief to companies implementing domestic capital investments (Ministry of Economy & Trade and Industry, 2014b, 2014a).

Other areas of progress have included an expansion in child care for working mothers, increase in child care leave benefits from 50 % to 67 % of pre-leave salary level for the first initial 6 months of leave, and the introduction of a requirement for companies to disclose the proportion of women in executive posts in their Annual Securities Reports and explain their efforts to promote the employment of women in managerial positions each year starting from FY2014 in their Report Concerning Corporate Governance (Office of the Prime Minister, 2014a, p. 17). In 2012 METI and the Tokyo Stock Exchange established a "*Nadeshiko Brand*" index of corporations most active in promoting the career advancement of women and work life balance. This index was designed to make it possible to verify a corporation's commitment to promoting women's interests at work and place considerable pressure on corporations to reform work force management practices (Ministry of Economy & Trade and Industry, 2014d; Tokyo Stock Exchange, 2013, 2014b).

Far from being chosen at random as readily available opportunities to kick start growth, the Abe administration's initiatives are remarkable in that they are based on long-term structural reforms in areas that have long resisted substantial change in the past such as agriculture and farming reform, the promotion of women, strengthening corporate governance and transparency, and the internationalization of product and labor markets (Abe, 2014).

Many of the areas earmarked for deregulation are particularly controversial because they involve extensive changes to certain "bedrock" regulations upon which several highly influential interest groups are based. While the rice production quotas and subsidies are said to undermine the efficiency of Japanese agriculture they also serve to protect prices and thereby the welfare of farmers – an organized and hitherto very powerful political force in Japan. While previously too "politically hot" for any fundamental reform, these problematic areas are now deemed too serious to ignore.

13.5 Abenomics as a Redefinition of Japan's CSR Agenda

The third arrow has considerable social impact and relevance for CSR. Within the historical context of Japan these reforms represent a reevaluation of what form responsible industrial and economic development should take, and the roles and responsibilities of both public and private organizations within it. These initiatives call for changes in many of the social relations which define characteristic features of present-day Japanese society including the rights and responsibilities of investors, workers rights, employment stability and career development, the role of women, protection of agriculture and small farmers, and public wellbeing by access to subsidized, low-cost healthcare.

In essence the third arrow defines areas and goals for action needed to promote economic and social welfare for Japan's future while at the same time placing the onus of achieving these goals upon private corporations. Strengthening corporate governance, developing a clean energy industry based on renewable energy, the promotion of women at work, expanding preventative healthcare, improving care for the aged, and increasing the efficient usage of agricultural land, all serve to link business success with the resolution of serious social issues in Japan. In effect this represents a realignment of public and business interests and a redirection of the issue agenda of corporate social responsibility initiatives towards the resolution of critical social issues that threaten future wellbeing.

13.6 The Ito Report

The "Ito Report" represents another recent effort to redirect corporate action. The "*Competitiveness and Incentives for Sustainable Growth*: *Building Favorable Relationships between Companies and Investors Project*" was established by METI on July 16, 2013 in order to make "recommendations with respect to the issues companies face in seeking to increase corporate value and generate on-going growth via investor dialogue and capital procurement." (Ito, 2014). The report can be compared to the UK's Kay Report (Kay, 2012). The project which was chaired by Prof. Kunio Ito of Hitotsubashi University and the resulting report which was released in August 2014 has come to be known as the "Ito Report." The Ito Report aims to map a course for promoting constructive dialogue and communication between Japanese corporations and their (overseas) investors.

The political message of the report and its relevance to the Abe administration's reforms is made clear in the introductory statement that the:

> ... Critical perspective is building and maintaining Japan's national wealth. Japan faces a rapidly aging and declining population and a decreasing stock of labor and household financial assets. Japan has no room to waste its limited resources and capital. Japan must effectively leverage the resources it has such as 'financial capital' raised both domestically and overseas; 'human capital' supporting management and operations; 'intellectual capital' which is the source of innovation; 'social/relationship capital' stemming from supply

> chains and social norms; and 'natural capital' such as the environment. In other words, increasing capital efficiency in the broadest sense is crucial from the perspective of Japan's survival. Japanese companies – as a critical source of value creation – must strive to increase capital efficiency through their dialogue with investors, and contribute to the accumulation of a broad range of capital stock that will serve as the foundation for future economic prosperity (Ito, 2014, p. 5).

13.7 Japan's "Paradox"

At the core of the report is an examination of what is defined as the "paradox" that Japan can be one of the most innovative economies in the world while at the same time it's corporations are among the least profitable (Ito, 2014, p. 1). The report identifies a "double standard" in the management of Japanese corporations dating back to the 1980s as the cause of this situation.

Up until the beginning of the 1980s, Japanese corporations withstood the short-term changes of the capital market and maintained their long-term internal perspectives characterized by sustained investment in research and development and large facilities, long-term employment and expenditure on human resource development. During the 1980s Japan's corporations consistently assured capital markets of their commitment to yield profits on the short term while continuing to manage their corporations on a long-term basis thus making possible the long-term investments upon which Japanese innovation was then based. However, this double standard became unfavorable by the end of the 1990s as corporate executives began to explain corporate performance to investors in terms of return on equity (ROE) and economic value-added (EVA) without integrating these market-based performance indicators into their internal management goals and procedures. During this same period, moreover, the terms of the presidents of large corporations shortened progressively to their current 4–6 years average thus leading to an internal short-termism in management planning. This absence of an internal application of capital efficiency measures and management strategies, combined with the short-term rotation of corporate heads, led to the emergence of a negative double standard resulting in the de-emphasis of capital efficiency, poor growth and low profitability levels evident since the 1990s (Ito, 2014, p. 2).

13.8 Report Recommendations

Ito's conclusion is that Japan's corporations must attract long-term capital investments in order to enable them to utilize their proven innovation capabilities to compete internationally. In the words of the report it is time for Japan to become a "fund management nation" (Ito, 2014, p. 3). The report makes the following five key recommendations for achieving this goal:

1. Promote "collaborative creation" between companies and investors where together they seek to create sustainable value
2. Initiate a "capital efficiency revolution" where companies set ROE targets higher that their Cost of Capital (at a minimum of 8 %)
3. Optimize "investment chains" between capital providers and corporations to overcome short-termist problems and inefficiencies.
4. Pursue "high quality dialogue" between companies and investors based upon a framework of disclosure that clearly conveys the corporate value creation process and establishes a relationship of trust between companies and investors.
5. Establish a "Management Investor Forum" (MIF) where issues such as mid and long-term disclosures integrated reporting and the promotion of constructive dialogue between companies and investors can be discussed.

The report's recommendations for setting minimum ROE targets and more dialogue between investors and corporations represent a serious challenge to prevailing management practices and a clear call for the fundamental reform of how businesses should be managed. However, despite its being overshadowed by the other recommendations, the first recommendation for "collaborative creation" holds a greater potential for long-term change by calling for a redefinition of the social responsibilities of business and the manner in which they should be discharged. The report explains that in order to achieve collaborative creation three "*gaps*" currently preventing the alignment of corporate and investor interests must first be overcome. The three gaps are identified as the outcome of incompatible definitions of *added value*, *corporate value*, and the *relationship between shareholder and stakeholder value*.

13.9 The "Added Value" Definition Gap

The report explains that there are two definitions of added value currently used in Japan. One holds that added value is the sum total of value distributed to all the stakeholders of a corporation, while the second defines it as residual profit in excess of capital cost minus the value that is distributed to stakeholders other than shareholders. The report maintains that Japanese corporations and Japanese society in general have implicitly subscribed to the former definition. Because of this, the report goes on to say:

> . . . it is important for companies and investors to engage in dialogue and share an understanding of how increasing value for all stakeholders including customers, employees, business partners and the community will in turn lead to an increase in shareholder value and ultimately to mid to long-term corporate value (Ito, 2014, p. 10).

The report is defining a *socially-contexted* definition of added value which includes long-term intangible forms of value such as social or partnership capital.

13.10 The Gap in Defining "Corporate Value"

The report also recognizes that while neither corporations nor investors would disagree that the mid to long-term goal of corporations is to increase corporate value, it notes that a gap based on different definitions of "*corporate value*" has prevented effective communication between the two parties. The report states:

> In general, corporate value is measured by economic value or shareholder value using a metric such as market capitalization or by discounting future cash flows to present value using methods such as DCF. A company is deemed to be value-creating if its returns exceed its cost of capital over the mid/long-term. On the other hand, there is a view that defines corporate value more broadly, and considers it to be the sum of value provided to each stakeholder such as shareholders, customers, employees, business partners, and the community (Ito, 2014, p. 10).

The report thus identifies a *narrow* as opposed to a *broad* definition of corporate value.

13.11 The "Shareholder and Stakeholder Value Relationship" Definition Gap

These different definitions of added value and corporate value lead in turn to two divergent conceptualizations of the relationship between shareholder value and stakeholder value. The report explains that:

> One view focuses on value distribution and contribution to society ("Working for the benefit of society"), while the other view focuses on value *creation* and social responsibility ("Benefits of socially responsible behavior"). The first view examines the value distributed to each respective stakeholder in isolation. For example, this view would consider things such as inventory levels necessary to adequately supply goods to business partners (business partner value), the provision of high quality and reasonably priced goods and services for customers (customer value), the stability of employment necessary to support the livelihood of employees and their families (employee value), and shareholder returns (shareholder value); each in isolation. Therefore, this view regards corporate value as the sum of distributed stakeholder value, i.e., shareholder value (market capitalization or discounted cash flow) plus the aggregate of other stakeholder value.
>
> The second view states that enhancing overall stakeholder value will ultimately increase shareholder value through improved profitability and financial competitiveness. For example, building trusted relationships with business partners helps to enhance pricing power; providing high-quality products and services to customers enhances profitability and competitiveness; and providing stable employment helps to secure a talented workforce; all of these therefore contributing to the overall profitability and competitiveness of the company (Ito, 2014, pp. 38–39).

The former *distributive* conceptualization of the relationship suggests that value is allocated to competing parties in a zero sum situation, while the latter *creative* conceptualization sees allocations as investments aimed at long-term returns. By indicating this gap the Ito Report is in effect locating corporate value creation within the context of social value creation by defining it in terms of its being the result of constructive and transformative activity for the benefit of all stakeholders. The meaning, however, is that while corporations have resisted what they have seen as the economic, narrow and distributive definition of corporate value held by investors, they have largely failed to articulate and defend what they have positioned as their own "*socially contexted*," "*broad*" and "*creation*" based definitions in terms of their relevance to the long-term value promotion of their own businesses and thereby also to investors.

13.12 The Ito Report and Its Meaning for CSR in Japan

The report mentions that corporations have long complained that investors tend to ignore important non-financial messages regarding corporate mission, vision and information on CSR activities because of their preoccupation with profits. Investors on the other hand, respond that Japanese corporations rarely disclose information other than that which is required under legal compliance and regulatory guidelines and express a need for more substantial information regarding the important long-term social challenges and risks facing the business and its environment, their meaning for the business strategy and their potential impact on future corporate performance and value creation.

The Ito Report identifies this as a critical communication gap between corporations and investors stemming from a difference in the definition of the boundaries and processes of social value creation. For investors, corporations are seen to be wasting potential profits on activities irrelevant to their businesses, while corporations have resisted what they interpret as a myopic focus on short-term profits and a threat to their long-term sustainability and an impediment to fulfilling their wider obligations as responsible corporations within Japanese society.

The Ito Report in effect locates CSR as one factor within its conceptualization of competitiveness and defines added value in terms of a wider definition including social and environmental value. On a business level the implementation of the Ito report recommendations means that Japan's corporations would no longer be able to prioritize strategies aimed at market growth and organizational stability at the expense of profitability and competitiveness. More importantly, however, on the social level it means that corporations must be able to articulate strategies for creating stakeholder value in terms of their potential to facilitate the enhancement of long term corporate value and thereby also of shareholder value through their core business activities.

The CSR activities currently reported upon by corporations in Japan tend to focus primarily upon issues of relevance to them as individual organizations rather than as the stewards of valuable resources that must be utilized effectively and efficiently through their business activities in order to ensure long-term value creation essential to promote the well being of society. This issue of stewardship is another key theme of the Abe reforms – one that has been addressed in detail in the establishment of the Japan Stewardship Code.

13.13 The Japan Stewardship Code

The plan to develop and introduce the "Principles for Responsible Institutional Investors: Japan's Stewardship Code" (hereafter: "Stewardship Code") was put forward as part of the Abe administration's first Japan revitalization plan and authorized in June 14, 2013—(Council of Experts Concerning the Japanese Version of the Stewardship Code, 2014). The Code was positioned as the center-point of efforts to encourage constructive engagement between investors and corporations in order to promote stewardship and facilitate sustainable corporate growth. In November 2013 the "Council of Experts for Advancement of Risk Management and Operation of Public Funds Report" included the call for the application of the Code by public fund asset managers, and on December 13, 2013 the "Panel for Vitalizing Financial and Capital Markets" called for the swift introduction of the Code and the promotion of its implementation by private corporations.

The Code aims to define the stewardship responsibility of institutional investors as promoters of corporate value growth. The Code is an attempt to apply external pressure in the form of institutional investor oversight to change the attitude of corporate managers towards their own responsibility for value maximization and to pay more heed to the voice of the capital market.

The Code was formulated by the "Council of Experts Concerning the Japanese Version of the Stewardship Code" and released in February 26, 2014. Japan's Stewardship Code is modeled after the UK's "Stewardship Code" (Financial Reporting Financial Reporting Council, 2012). The Code defines investor stewardship as the "responsibilities of institutional investors to enhance the medium to long term investment return for their clients and beneficiaries by improving and fostering the investee companies' corporate value and sustained growth through constructive engagement, or purposeful dialogue, based on in-depth knowledge of the companies and their business environment" (Council of Experts Concerning the Japanese Version of the Stewardship Code, 2014, p. 2).

Similar to the UK Code the implementation of the Japan Code is based on a "comply or explain basis" wherein investors are not compelled to "comply with all of the principles uniformly" but are instead required to "articulate to clients and beneficiaries the approach they chose to adopt in lieu of the principles they have decided not to comply with" and takes a "principles" not "rules-based" approach in order to encourage institutional investors to "fulfill their stewardship responsibilities focusing on substance" (Council of Experts Concerning the Japanese Version of the Stewardship Code, 2014, pp. 3–4).

13.14 Implementation of the Code

Institutional investors adopting the code are expected to publish an annual account and review of their implementation of the code, and the Financial Services Agency (FSA) is required to review these reports and regularly publish data showing code adoption and implementation.

The Code's seven principles are:

1. Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.
2. Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.
3. Institutional investors should monitor investee companies so that they can appropriately fulfill their stewardship responsibilities with an orientation towards the sustainable growth of the companies.
4. Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.
5. Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.
6. Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.
7. To contribute positively to the sustainable growth of investee companies, institutional investors should have in-depth knowledge of the investee companies and their business environment and skills and resources needed to appropriately engage with the companies and make proper judgments in fulfilling their stewardship activities (Council of Experts Concerning the Japanese Version of the Stewardship Code, 2014, p. 6).

These principles differ from the UK Code on four points. Unlike the UK Code the Japan Code principal on the timing and method of engagement does not stipulate actual methods or concrete timing, requiring only that the policy regarding engagement must be disclosed. Principle five of the UK Code on "group and coordinated engagement" is not included in the Japanese Code, and principle seven of the Japanese Code instead includes the suggestion that investors may benefit from "exchanging views with other investors and having a forum for this purpose" (Council of Experts Concerning the Japanese Version of the Stewardship Code, 2014, p. 13). Principle seven, which is not in the UK Code, requires that investors provide the resources and organization necessary to implement engagement.

13.15 Historical Context

The Code's introduction and calls for constructive engagement and investor responsibility for long-term growth takes place within the context of considerable changes in share ownership patterns over the past few decades in Japan. From the period of high economic growth in the 1970s up until the first half of the 1990s cross shareholding was common in Japan's and banks and industrial investors were major owners of corporate shares (Kagono, Isagawa, & Yoshimura, 2010, p. 98). Cross shareholding was used as a means of restricting the influence of external investors, and freeing management from their responsibilities to investors by realigning the roles of the principal and agent in the investment relationship (Miyajima & Nitta, 2011) at the expense of competitivity (Porter & Sakakibara, 2004).

Share ownership patterns in Japan have changed greatly following the financial crisis of the 1990s as shown in Fig. 13.2 (Miyajima, 2011). The percentage of shares held by "insiders" (corporations, city banks, life and non-life insurers) has dropped from 60 % to 30 % of the total between 1995 and 2010 as the proportion of shares held by overseas institutional investors rose from 3 % to 30 %. Ownership by "outsiders" (annuity trusts, investment trusts, individuals and foreigners) fell from 30 % at the beginning of the same period, rising to 65 % by the 2000s and falling to 56 % by 2010.

As a result of this, industrial investors seeking to use long-term investments to create stable corporate relationships have been replaced by investors seeking favorable returns. For some Japanese corporations this is a considerable change in the business environment and many have tended to respond to these new active

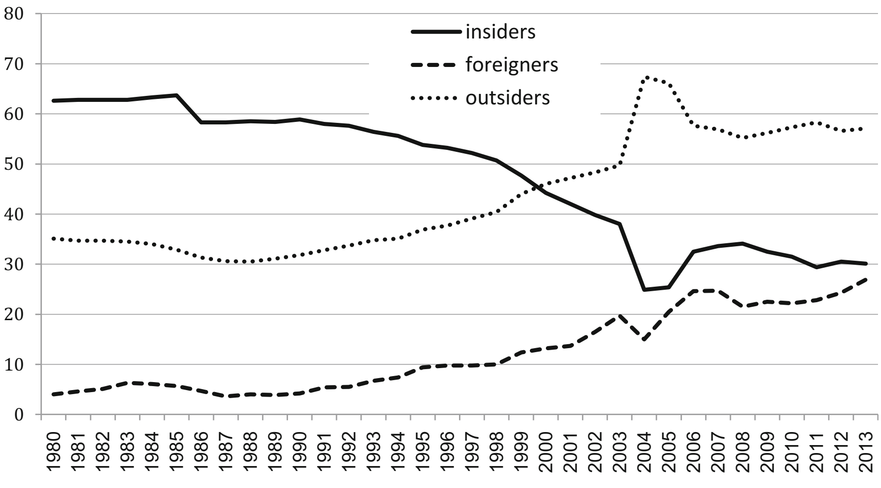

Fig. 13.2 Distribution of share ownership on Japan stock exchanges by year from 1980 to 2014 (Unit = %) (*Source*: Tokyo Stock Exchange Data (http://www.tse.or.jp/market/data/examination/distribute/. Accessed November 1st 2014) (Tokyo Stock Exchange, 2014a))

investors in almost the same manner in which they responded to *Sokaiya* extortionists—criminals who demand money at the threat of disrupting shareholder meetings (Szymkowiak, 2002).

The Code is an attempt to reform the investment chain in light of both these changing ownership patterns and the subsequent need for a new approach towards investor relations for the enhancement of capital efficiency. Given the history of investor-investee relations in Japan the Code's calls for change are significant. The first principle of the Code requiring investors to formulate and disclose their investment policies constitutes a substantial change for Japanese investors who are used to only a very superficial and mechanical form of compliance in discharging their responsibilities as investors. Principle two which requires investors to produce a policy regarding conflicts of interest will make it difficult to maintain these strategic cross holdings aimed at promoting stable relationships rather than investment returns. Principle seven will require investors to demonstrate that they have the ability to manage the investment of their client's funds in fulfillment of their fiduciary and other obligations. This is especially important in Japan at the moment following a number of recent, high profile incidents where several pension investment funds have collapsed as a result of poor management.

Japan's institutional investors have been quick to adopt the Code. As shown in Table 13.1 by September 2014, 160 organizations had adopted the Code and disclosed policies for responsible investment.

Among the investors adopting the Code the most significant was the Government Pension Investment Fund of Japan (GPIF). Established by the government of Japan in April 1st 2006 the GPIF is an independent administrative institution charged with managing the reserve funds of the Employees' Pension Insurance and the National Pension. With total assets of ¥127,262.7 billion the GPIF was the world's largest public pension fund as of the first quarter of 2014. The GPIF does not directly manage its own investments but entrusts investment operations to private asset managers. Upon adopting the Code in May 30, 2014 the GPIF announced its intention to require all asset managers entrusted with its funds to apply the Code and report on its implementation on an annual basis (Government

Table 13.1 Number of corporations declaring adoption of the Japan Stewardship code

Investor type	June 2014	September 2014
Trust banks	6	6
Investors (investment advisors)	86	109
Life insurance	14	17
Non-life insurance	5	4[a]
Pension funds	12	17
Other (proxy advisors)	4	7
Total	121	160

Source: Based on FSA Data, http://www.fsa.go.jp/news/26/sonota/20140902-1.html accessed November 1st 2014

[a]Number reduction is due to the merger of two companies in September 1st 2014

Pension Investment Fund of Japan, 2014c). In it's "Policy for Fulfilling Stewardship Responsibility" the GPIF announced that it would evaluate asset managers on the content of their interaction with investees and not upon "superficial measures" such as the number of meetings held in a year with executives of the investee (Government Pension Investment Fund of Japan, 2014b). The GPIF has announced its intention to emphasize engagement regarding: the business strategies and content of business models, and values and vision of investees, governance performance (supervision and execution of the board), consideration of the long-term productivity of capital, level of risk management (specifically including social and environmental risk) and involvement in and prevention of antisocial activities. The GPIF has also announced "all things being equal, asset managers that best fulfill their stewardship responsibilities will be given a higher evaluation" (Government Pension Investment Fund of Japan, 2014b, p. 2).

The GPIF's strong support of the Code has played a significant factor in promoting its adoption among institutional investors and asset managers within Japan. The significance of the GPIF's rigorous implementation of the Code has been made even more significant by the subsequent revision of its investment strategy announced on October 31, 2014 (Government Pension Investment Fund of Japan, 2014a). As shown in Table 13.2, effective from April 2015 the GPIF plans to significantly increase its holdings of corporate stocks both domestically and abroad. The meaning of this portfolio composition change has not been lost on corporations in Japan. This change in investment strategy, in combination with the implementation of the Code, could herald the emergence of a Japanese version of the California Public Employees' Retirement System (CalPERS).

Another organization vocal in its support of the Code is the Japanese Trade Union Federation (RENGO) which has long voiced its support for the introduction of a Stewardship Code as an "effective method for promoting responsible investment of workers capital" (Japanese Trade Union Japanese Trade Union Confederation, 2014). RENGO's expressed goal is to encourage the GPIF to manage its funds in order to promote the interests of Japan's workers. In the preamble to their public comment on the Japan Stewardship Code RENGO stated that workers as asset owners (where pension funds are defined as "workers capital") "must recognize the social responsibility to exclude investments that are concerned with corporate behavior that adversely impacts society and the environment, and to establish a fair market." RENGO further elaborated that the interests of workers capital are encapsulated in the "ILO Core Labor Standards" and are aimed at

Table 13.2 GPIF investment portfolio composition targets

Portfolio component	Current allocation (%)	Allocation from April 2015 (%)
Domestic bonds	60	35
Domestic stocks	12	25
International bonds	11	15
International stocks	12	15

Source: Government Pension Investment Fund of Japan (2014a) achieving the "application of social insurance, promotion of health and safety, advancement of dialogues with workers (trade unions), development of human resources, appointment of women managers, and provision of decent work, including promotion of work-life balance" within Japan (Japanese Trade Union Japanese Trade Union Confederation, 2014). On a wider scope, RENGO describes the responsibilities of the investment of workers capital in it's "Basic Position on Workers Capital and Workers Capital Responsible Investment Guideline" (Japanese Trade Union Japanese Trade Union Confederation, 2011) as promoting the observance of international agreements including the United Nations, International Labour Office, and the OECD guidelines relating to environmental protection, human rights, labor rights (including freedom of association, right to collective bargaining, and the prohibition of forced labor, discrimination and child labor) and anticorruption in all aspects of an investee corporation's global business activities.

13.16 Stewardship and CSR

Overall the Code calls for a move away from a relational and towards a performance based model of capital investment management. The meaning of this for Japan's corporations will be profound. If Japanese companies are to continue to globalize their businesses and meet the requirements of investor stewardship they will be required to:

1. Develop an awareness of the specific CSR topics and issues relevant to their own business activities and determine their own materiality.
2. Grasp the scope and boundaries of their business activities both in terms of worldwide and regional distribution, local impact and context.
3. Realize both CSR risks and opportunities and understand them within the framework of a long-term strategic approach to ensuring responsible business.

Repositioning their CSR activities away from their current passive/reactive stance and integrating them strategically in this manner will enable corporations to communicate on a business level the meaning and potential value in a wide sense of their activities to strategic partners, investors, and other resource owners whose understanding and cooperation will be critical for realizing long-term value creation.

13.17 In Conclusion

This paper has maintained that the impact of the Abe Administration's reforms is a result of their call for higher levels of corporate business performance based on enhanced innovation and more productive use of capital, combined with demands that corporations contribute to the betterment of society through more competitive yet responsible business models. These reforms are not simply a repetition of calls for an expansion of the CSR agenda to accommodate a few new topics or issues, such as have prevailed in the past. The significance of the Abe initiatives lies in their being based on a far more fundamental level in that they call for a qualitative change to the way CSR is defined, planned, implemented as a part of business, and communicated to stakeholders. The Abe initiatives can be interpreted as an effort by the government to revitalize the economy and promote growth by redefining the boundaries of responsible corporate conduct.

Although the political future of the Abe Administration's reforms is far from certain, it is clear that both the conceptualization and implementation of CSR in Japan is currently at a turning point. The combined effects of the events of the past 2 years will make it difficult for many corporations to simply maintain their existing CSR policies and agendas. The Abe administration's reforms will prompt corporations to change the focus of their CSR activities to incorporate issues relating to the long-term well-being of society including environmental protection and energy conservation, the promotion of new growth industries, and resource efficiency. Internally corporations will be expected to promote the career advancement of women, workforce globalization and corporate governance. The Ito Report calls for corporations to forgo organizational stability at the expense of profitability and competitiveness and to reposition themselves as attractive targets for long-term investment. This repositioning will require corporations to articulate the wider social value of their businesses in terms relevant to investors outside of Japan not just within their own corporate cultures. Under the Japan Stewardship Code corporations will increasingly be held accountable for their business responsibilities both domestically and for as far as their supply chains extend overseas.

These are substantial challenges. They will require a reformulation of CSR to ensure that it is *integrated*, *long-term*, and *extended*. Integrated in the sense that it is pragmatic and based on material issues the management of which is made part of the process of planning and implementation of business itself. Long-term in that its social value creation goals and their attainment will be made the subject of objective and ongoing evaluation in order to rationalize their allocation of social and corporate resources. And extended so that its scope of coverage will match corporate responsibilities in terms of the risks and opportunities both caused and faced by its global activities including its tangible supply chains and intangible investment chains.

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Chapter 14
Corporate Social Responsibility in India: From Traditional Ethos to Contemporary Transitions

Samir Ranjan Chatterjee

Abstract A holistic concept of societal embeddedness has been deeply rooted in Indian tradition and continues to dominate the ethos of a significant number of contemporary corporations. The traditional wisdom literature drawn from a diverse range of religious texts emphasized a deeper level integration of secular ideas of societal good within the world of work. Though the ancient tradition emphasized more on philanthropy by imposing religious responsibilities, a deeper and integrated logic of external engagement, no doubt, was an overwhelming and critical assumption. In the twentieth century, during the country's independence movement many of India's indigenous business houses were inspired by the promotion of the 'trusteeship concept' by Mahatma Gandhi where the key goal of business was aimed at benefitting the society. The adoption of the socialistic 'mixed economy' model following India's independence and subsequent major economic reform of the 1990s have seen dramatic shifts in the CSR approach in India in the recent decades.

The unprecedented legal requirement for certain sized companies to mandatorily earmark 2 % of their profits towards approved corporate social responsibility (CSR) initiatives since 2014 has changed the thousands of years of 'volunteerism' into a new experimental stage. This paper traces these dramatic transitions of CSR concepts and practices and attempts to explore the motivations of this new law in terms of business being a critical force in strengthening healthy ecosystems, fostering social inclusiveness as well as sustaining a long term growth. As the concepts and practices of CSR evolve and expand their scope and scale, the case of India, may be of considerable relevance to the emerging economies around the world.

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14.1 Introduction

The emerging conceptualisation of the term ‘corporate social responsibility’ (CSR) centres around redefining the way companies think about themselves. While Western corporations have been embracing CSR with the pragmatic and strategic intent of external engagement, the ideas and ideals of CSR have been deeply rooted in the ancient Indian traditions for centuries. The ethos of ‘Lokasamagraha’ or the idea of selfless duty to ‘universal good’ has been a cornerstone of Indian heritage. The concept has been modified by many social activists in the context of the Indian freedom struggle including Mahatma Gandhi. Gandhi’s formulation of the “Trusteeship” concept underpinning societal wealth creation being a logical extension of this long cherished tradition. Increasingly there is a consensus that CSR is a core responsibility of business, as corporations are more powerful than other societal forces in contributing to the sustainable and inclusive social and economic development.

After decades in pursuit of a socialistic pattern of economic development, after the country’s independence in 1947, India adopted massive economic reforms in 1991 by eliminating the role of the State in the economic sphere to a considerable extent. The economic reform of the 1990s had ushered in a new era in Indian corporate culture and assumptions. In contrast to a marked increase in corporate profits and perceived financial excesses with a remarkable rise in the number of millionaires and billionaires—a huge number of the population are still living in abject poverty. Spectacular corporate scandals of greed and the failure of governance in companies like Satyam Computer Services in the past decade also acted as a trigger for the legislative agenda.

The CSR discourse in India is increasingly contrasted with the West by locating it in the context of development. The idea of CSR as a tool for development, however, has been contested by many scholars. One argument is, “CSR as a concept and as a practice cannot tackle developmental issues of India. It can, at most make contributions through their interventions in the communities or can align its goals with the development goals of the State. At worst, it has the potential to create dependence of the communities in the funds and services that the corporate pours into these communities.” (Sharma, 2013, p. 392). In spite of these reservations, what is becoming increasingly clear is that CSR in India is creating its unique space by locating itself within the long tradition and contemporary transition. Perhaps this signals a new lesson for emerging economies as they attempt to integrate their socio-cultural context with global imperatives. As Robertson pointed out, “Ultimately, the development of CSR should be strongly influenced by relevant cultural, social, political and economic factors specific to a particular country and thus subject to cultural adaptation (Robertson, 2009, p. 631).

Locating the discourse in a unique socio-cultural context generates a level of complexity not commonly evident in the extant discussions and debates around the corporate social responsibility. Perhaps a dialogic approach advocated by a number of scholars may be of relevance in recognising the multiple contradictions of the concepts and practices (Chatterjee, 2009; Dhanesh, 2014; Karnani, 2014). Examples of Union Carbide disaster in Bhopal, collapse of Satyam, Nike sweatshops and a number of other scandals have created a large group of people losing their faith in India while organizations like Tata group are hailed as heroes with an impressive scorecard of championing CSR. As has been pointed out, ". . .a dialectical analysis situates the study of CSR in the discursive spaces in which meanings of CSR are actively created and negotiated by social and organizational actions. . ."(Dhanesh, 2014, p. 168). In order for such "actively created" and negotiated formulations of CSR, to be underpinned in an enterprise an integration of the salient issues of social, environmental, as well as ethical challenges need to be enshrined in the culture and the mindset of an organization. Though India has registered a rapid economic growth since adopting its new economic policies in 1991, it has not been able to make any significant mark in reducing widespread socio-economic disparities. After a long debate spanning more than a decade, government of India enacted a bold legislative change in redressing this disparity by requiring a compulsory contribution of a percentage of profit for certain category of companies. From April 1, 2014 companies with annual turnover of Indian Rupees ten billion (US $180 million) or more or net worth of Indian rupees five billion or more (US $90 million) or net profit of Indian rupees of 0.05 billion or more (US $9,00,000) during any financial year are encouraged to spend at least 2 % of their average net profits made during immediately preceding 3 years on legislated areas of CSR activities. This new rule became applicable from the financial year 2014–2015. The amended act also requires companies to set up a CSR committee consisting of company's board members. A more detailed discussion on this legislative change is outlined in a later section of this paper.

It is interesting to note that a recent comprehensive and widely acclaimed study of Indian Management Culture reiterated that the concern for over societal good was the "core" of Indian managerial ethos (Cappelli, Singh, Singh, & Useem, 2010). However, there is a commonly held view in India that benefits of globalization and economic gains have not trickled out of urban centres to village India. The high compensation levels of managers along with the luxury laden lifestyles of the privileged are readily transmitted to the poorest villages creating increasing resentment. In a country where amongst its large population of 1.2 billion, 700 million people still live on one dollar a day, social issues at a very basic level becomes a political and economic reality. It is this rationale which has triggered the new mandatory CSR law that came into operation in April 2014 in India as referred to earlier. The purpose of this chapter is to present an overview of the social context of CSR and the recent game-changing legislative initiatives of the Government in India. Quite strikingly, the values drawn from ancient Indian traditions exist side by side with the imperatives of the globalised in most organisational culture in India. Consequently, this overview aims to provide an integrative and unifying framework for scholars as well as practitioners emphasizing a more nuanced and socio-culturally grounded analysis of the key drivers of CSR in India.

14.2 CSR Concepts and Practices in Western Context

There is general consensus (Davis & Blomstrom, 1966; Carroll, 1999) that CSR emerged as a relatively undeveloped construct in the late 1930s in books such as Chester Barnard's 1938 *The Functions of the Executive* and J. M. Clark's 1939 *Social Control of Business* (Carroll, 1999, p. 268). These seminal works reflected humanitarian and cooperative philosophies of the time and were arguably direct reactions to the excesses of incipient capitalism. During the 1950s, considerations of CSR and its various definitions became more refined and analytical. As examples, Bowen's *Social Responsibilities of the Businessman* (1953, p. xi) focused on the notion of 'social consciousness' and posed the question of 'what responsibilities to society may businessmen reasonably be expected to assume', and Davis's so-called 'Iron Law of Responsibility' (1967) suggested that 'the social responsibilities of business needed to be commensurate with the social power of corporations. Paradoxically, in spite of the idea of CSR being embraced universally by corporations they failed to connect with the external world. The example of the recent 'Occupy Movement' in USA as well as polls conducted in many countries attest to this paradox. In addition, internal empowerment through the legitimatization of 'whistle blowing' remains a far cry. Major scandals such as BP in the Gulf of Mexico, Gap in Bangladesh, HSBC in money laundering, Monsanto for harmful chemicals, disinformation by fast food companies, Climate change denials by resources companies plague the public perception of corporations to be 'anti-social' and irresponsible.

During the 1960s and 1970s, the concept of CSR was revisited and extended by a number of leading scholars, notably Frederick (1960), McGuire (1963), Davis (1967), Johnson (1971) and Manne and Wallich (1972). Frederick emphasised the need for businesses to have public positions on CSR focused on 'broad social ends and not simply the narrowly circumscribed interests of private persons and firms' (1960, p. 60); whilst McGuire (1963, p. 1) introduced the notion of 'corporate citizenship', encompassing interests in 'the welfare of the community, in education, in the "happiness" of its employees, and the whole "social world"', which parallels the approaches based on more traditional influences which are demonstrated by some of the Indian corporations discussed later in this paper. In 1967, Davis re-entered the debate by suggesting that 'the substance of social responsibility arises from concern for the *ethical* consequences of one's acts as they might affect the interests of others'. Both Johnson (1971) and Manne and Wallich (1972) canvassed the complexity of CSR, presenting a more balanced perspective. Johnson, for example, emphasised a complementary 'stakeholder' approach, which had several interconnected and instrumental purposes—namely, 'to add profile to their organization' (p. 54); 'multiple goals rather than maximum profits'; and 'lexicographic views of social responsibility' (targeted goals—Johnson, 1971, p. 54). In many ways, his input synthesised the previously discussed moral, ethical and enlightened self-interest imperatives of earlier CSR scholars.

Manne and Wallich (1972, pp. 4–6), on the other hand, reverted to earlier philanthropic perspectives—'to qualify as a socially responsible corporate action, a business expenditure or activity must be one for which the marginal returns to the corporation are *less than* the returns available from some alternative expenditure, must be purely voluntary, and must be an actual corporate expenditure rather than a conduit for individual largesse'. Finally, the Committee for Economic Development (CED), the precursor of the OECD, categorised CSR imperatives into three concentric 'circles'—namely, an inner circle (economic), an intermediate circle (social values and priorities), and an outer circle (improving the social environment through poverty reduction or urban redevelopment—Carroll, 1999, p. 275). Against these positive perceptions, Nobel Prize winning economist Milton Friedman provided a counterpoint which grounded the notion of CSR in Western countries in their traditional roots—'few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible' (1962, p. 133). Friedman's view is now seen as at odds with the multi-faceted perspectives of modern corporations, whether in developed or in developing countries. It is somewhat paradoxical to note that the Friedman argument still remains alive in scholarly debates on CSR.

The conceptualization of CSR has progressively transformed in Western countries from simple philanthropy to more complex social, political and environmental concerns, and has been considered in different terms—for example, corporate responsibility, social responsibility, social action, public service, public responsibility, social responsiveness, corporate citizenship and corporate social performance (Carroll, 1999, p. 279, Carroll, 1977, 1979, 1981; Sethi, 1975; Drucker, 1984). As Carroll (1999, p. 284) summarised, 'CSR involves the conduct of a business so that it is economically profitable, law-abiding, ethical and socially supportive....Thus, CSR is composed of four parts: economic, legal, ethical and voluntary or philanthropic'. He further suggested that the three principles of CSR are social legitimacy at the institutional level, public responsibility at the organisational level, and management discretion at the individual level (Carroll, 1999, p. 289). These principles imply CSR has become a more complex, structured and multi-faceted construct than its earlier proponents ever intended.

According to Porter and Kramer (2006, p. 3), contemporary CSR programs in Western countries are underpinned by four main 'justifications', namely a fundamental moral obligation, the stewardship of environmental and community sustainability, a 'license to operate', and reputational protection ('enlightened self-interest'). They also suggested that corporations need to follow 'the principle of shared value' (p. 5) between themselves and their communities. In this vein, many Western governments have promulgated CSR imperatives in order to encourage local corporations to invest in such programs.

A scholarly model integrating public expectations and enterprise value-based change in promoting CSR suggested five principles and five corresponding interpretative action points. These principles are *principle of worthy contribution*, *principle of qualitative management*, *principle of benefit stacking*, *principle of resource perpetuation*, *principle of strategic satisfaction*. The corresponding interpretative dimensions as follows: *defining the scope of influence at Level 1*, *identifying major stakeholders as Level 2 catalyst*, *assessment of CSR at Level 3 motivation*, auditing the enterprise's commitment to CSR as Level 4 and systematic monitoring and communication of results as Level 5. The authors concluded by suggesting, "presenting some historical facts relating to the 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: acting responsibly in its relationship with other stakeholders who have legitimate interest in the activities of enterprise" (Valackiene & Micevicic, 2015, p. 567).

In most Western societies, there is an explicit linkage between company responsibilities to its workforce and its local community, together with an emphasis on the business advantages of such programs. Its priorities include raising the profile of social and environmental issues, to 'make responsible behaviour a consideration of core business', to engage with small and medium enterprises (SMEs) and ensure transparency in CSR reporting. One of the criticisms of contemporary CSR formulations has been in its fragmentation and lack of overall linkages to a core mission of a company that CSR can be a significant source of innovation, opportunity and competitive strength—is often not sufficiently highlighted (Porter & Kramer, 2006). An effort was made to overcome this fragmentation in a recent empirical study in Spain. The suggested model extended Carroll's ideas, the stakeholder theory and designed an interpretative questionnaire. The results were obtained by second order factor model and the statistical analysis was carried out from a Bayesian perspective (Agudo, Gargallo, & Salvador, 2015). Another recent integrative effort in the measurement of corporate executive performance (CEP) provided an encompassing definition, framework and conducted a large empirical study establishing its multidimensionality. The authors claim this research to be a coherent and elaborated understanding and measurement methodology (Trumpp, Endrikat, Zopfc, & Guenther, 2015).

The Eighth International Millenium Development Goals (MDGs) endorsed by 193 members of the United Nations aspires to achieve, amongst a number of other initiatives, an inclusive and sustainable global partnership for development. Other key actors such as the World Business Council for Sustainable Development continue to promote CSR around the world. The updated version of the UN Global Compact and the OECD Guidelines for Multinational Enterprises provide significant criteria for companies around the world. It is therefore evident that a number of internal and external factors have become urgent, determining the CSR motivations of all corporations. An increasing number of researchers are arguing that businesses need to go beyond mere responsibility and became strongly involved in social change (Saul, 2011). A number of scholars raise questions like could IBM educate better than traditional universities, could General Electric reduce global warming faster than Kyoto protocol? Or could Starbucks be more effective in stabilizing the economy of Rwanda than overseas aid? What is clear about the development of CSR in Western countries is that it has a relatively short history compared to comparable approaches to social responsibility in the context of India. It needs to be noted that in India it has moved away from mere philanthropy towards broader social and environmental goals; that it is promoted, and to an extent monitored by governments rather than corporations; and finally, that it has integrated workplace and environmental concerns. Interestingly, recent research comparing India with USA provides confirmatory evidence to this diverging perspectives (Gupta 2011).

In the organisational context, three conditions are necessary in transforming the concept and practice of social responsibility. Firstly, there should be a set of strong and organization wide value systems espousing CSR. Secondly, there is also the need for a strong sense of employment of employees in expressing their concerns in matters of social importance to the organization. Thirdly, a deeply thought out integrated external engagement policies and practices in remaining relevant to the social context.

14.3 Social and Traditional Legacies: Corporate Social Involvement in India

It is beyond the scope of this chapter to incorporate all of the diverse and complex traditions, values and principles which underpin Indian society and it would be presumptuous of us to attempt such a task. However, some of the key characteristics of its cultural fabric which appear to support the proposition that social responsibility is inextricably embedded in Indian management and leadership practices are discussed in this chapter. As a nexus between business and its broader social responsibilities was deliberately fractured in many Western societies with the rise of capitalism and the associated dominance of the profit motive somehow this alternative path in India remained unnoticed. As D'Mello & Erikson (2005, p. 83) explained, "Indians are socio-centric as opposed to egocentric, which is to say that they ostensibly place community and family interests at the centre of their universe rather than the individual, in contrast to the West". This theme of 'family orientation' was further endorsed and extended in Capelli et al's 2010 study of a significant number of business houses in India. They suggest the "India Way' inextricably binds business and social motives in ways which have not been replicated in the majority of their global or domestic Western counterparts (Cappelli et al., 2010; Nilekani, 2008).

As far back as 300 BC, Kautilya Chanakya, author of the world's first treatise in management, emphasised the need for ethical principles in management, and the edicts of the great emperor Asoka promulgated moral and ethical precepts and corresponding behavioral codes during his reign from 269 to 232 BC (Chatterjee, 2009; Palakshappa & Chatterji, 2014). Derived from these exemplars, together with the successive moral imperatives of Hinduism, Islam and Zoro-Austrian philosophies, amongst many other influences, traditional values which reflect the socio-centric perspectives of Indian businesses within the communities in which they operate. For example, *dharma* and *neeti* emphasise the duty of managers and their organisations to their employees, whilst the deeper idea of *lokasamagraha* focus more broadly on associated universal social obligations. They appear to be taken quite seriously by many large and small Indian employers, and are clearly evident in the principles espoused by contemporary CEOs of some of the most well-regarded global Indian MNCs and SMEs.

There are a number of traditional anchors that have significant relevance to modern corporate context. For example, *Seva* refers to the overall responsibility for 'service', whilst *Sraddha* and *Sneha* respectively infer mutual upward and downward esteem (Nankervis, Cooke, Chatterjee, & Warner, 2012, p. 21). In the case of *seva*, service is not interpreted narrowly (as in the West) to the customers or employees of business, but more broadly to the entire social context (including its environmental components) within which businesses operate. It is also a more spiritual conception of service linked to social obligations rather than merely the pragmatic reciprocity which underpins much of the 'service mentality' in many Western businesses (Sen, 2009). The Indian cases discussed later illustrate these characteristics in relation to their various commitments to community health, education, sanitation, and poverty- reduction and crisis recovery projects. *Sradha* and *sneha* respectively reflect the deeply-entrenched hierarchical order of Indian society derived from traditional legacies. Paternalistic and familial management styles persist in many Indian global and domestic companies, perhaps implying adherence to form rather than substance in some such businesses, but there are indications that such traditional respect in employer-employee relationships is being supplanted by more modern iterations. As examples, both new IT giant Infosys and the house of Tata have their corporate identity seeped in CSR. The biggest private sector company Reliance Industries has recently witnessed a turbulent family dispute which resulted in the division of the conglomerate into separate business entities led by two brothers. However, in this bitter dispute, the companies have sought to maintain *sradha* and *sneha* relationships demonstrated by their acceptance of their mother as they key arbitrator (Cappelli et al., 2010).

Whilst these Indian social and traditional legacies cannot be directly equated to contemporary Western CSR imperatives, they provide solid foundations for the development of more guidance which have the potential to further facilitate the relationships between Indian businesses in dealing with their Western counterparts (Gopal Krishna, 1992; Plankerz, Sahu, & Nickerson, 2010; Sandhu, Pathak, & Pathak, 2014).

It may be interesting to note an alternative perspective on this is "whilst CSR has been implemented in the Western context, there is a heightened level of demand for greater attention to CSR among developing nations. Though CSR cannot be regarded as a prevailing management concept in the Indian business environment, its importance in recent years has evolved and developed rapidly. Understanding CSR in India requires some knowledge of history, the role of government and the growth of the private sector" (Palakshappa & Chatterji, 2014, p. 141). It can be argued that CSR applications in India do not only reflect the residual influences of traditional values such as those discussed above, but that the most successful

Indian companies (notably those considered below) have consciously reinvigorated these explicit links between business and society in order to promote their competitive advantage both domestically and globally. There is some evidence to suggest that such strategies underpin a fresh paradigm of business leadership which explicitly promotes its social responsibility commitment as a powerful recruitment tool to attract talent in globally competitive labour markets; as a retention trigger for employees who have different values and priorities and as loyalty incentives for their increasingly well-educated and demanding consumers. Such Indian companies have not only recognised the strategic advantage of stakeholder perceptions of the fusion of business and social values, but more proactively have leveraged this recognition to strengthen their competitive business edge in response to trends such as corporate branding; the growth in the power of consumers, environmental and social lobby groups; and the potential markets for their goods and services amongst the burgeoning middle and lower classes. It has been argued that the adherence to '*Rita Dharma*' or the universal duty makes it obligatory for believers to strive for the environment. These transitions link contemporary corporate ethos to the eternal formulations of ancient India invoked a 'universal social obligation' (Muniapan & Jalarajan, 2014).

14.4 Mandated CSR Regulations in India: Role of Large Social Agenda

In a significant departure from the global norm, India has chosen a legislative path towards CSR, the New Companies Act of 2013 which came into legislative mandate on 1 April 2014 made it obligatory for all companies operating in India with revenue greater than 1000 Crore Rupees (approximately USD $180 million) or profits of five Crore Rupees (about USD $1 million) to spend two percent of their average profits of the preceding three years on CSR initiatives. The law makes it mandatory for all companies within the scope of this initiative to the establishment of a governing CSR Committee of at least three senior Board members with one independent from outside the company. This committee needs to be vested with the responsibility to oversee the CSR policies, architecture and practices. This role should explicitly include the broad goals of the CSR framework, processes of building alliances with other agencies in implementation as well as auditing and reporting duties. The activities expressly included in this Act to be eligible for funding include:

- Promotion of education
- Eradication of extreme hunger and poverty
- Gender equity and empowerment of women
- Combating HIV/AIDS, malaria and related medical challenges
- Environmental sustainability
- Reduction in child mortality and improving maternal health

- Ensuring environmental sustainability
- Social business projects
- Contribution to the Prime Minister's National Relief Fund or any other relevant funds set up by the Central Government as the state level governments for socioeconomic initiatives
- Funds targeted at the welfare of lower castes, backward classes and minorities

Clause 135 (Section VII) of the Act also stipulates the "impact measures" acceptable to the eye of the law. They include:

- Measures outlined by London Benchmark Group (LBG) in their well known model
- Details of 'Social Return on Investment' as per SROI network model
- Measures accepted by 'Global Impact Investing Network' (GIIN)
- The Institute of Social and Ethical Accountability, the ISO 260, Social Responsibility Standard as well as other Government of India guidelines

Interestingly, the Act also specifies a definition of 'fraud' with the establishment of a new agency to investigate where necessary. The law's major aim is the plugging of loopholes in the system in order to achieve what the lawmakers call "a better business environment". The amended company law certainly strengthens checks and balances in the governance system of companies, brings more transparency to board decisions, and prescribes enhanced accountability of company's directors and auditors. The law requires companies to rotate auditors and clarifies oversight of companies seeking public deposits of funds as well as intra-company loans.

It is estimated to generate CSR spend of a staggering amount of Rupees fifteen to twenty thousand crores (approx. USD $2.5 to 3.5 billion). 2014 CSR clause will be applicable to about ten thousand registered companies which are publicly listed as well as multinational companies. This is a very small fraction of the country's estimated eight hundred thousand registered companies. It also needs to be noted that a significant number of public sector companies will come under the provisions of this law. Multinational company responses to these legal requirements have also been varied and innovative. For example, Hindustan Lever have been able to receive endorsement of its rural health initiative through its brand of soap called "Lifebuoy" in communicating the message of rural sanitation by emphasising hand washing. Shell Foundation finds its niche in rural lifestyle change through the promotion of *Envisofit* Cooking Stove. The Mahindra Group's "*Spark the Rise Fund*" has been a great success as a dialogue platform for individuals or groups for seeking funding through innovative projects. The jewellery house 'Tanishq' received endorsement of its CSR initiative of changing social perception of 'remarriage' in an Indian cultural context. A number of projects around appropriate technology energy efficiency, new agricultural methods, rural development, infrastructure, transport as well as 'social entrepreneurship' have been generated through these endeavours.

It needs to be clarified that by requiring companies with a minimum net profit of five Crore Indian Rupees, the Act opens up the compliance regime for a large number of SME's. As has been pointed out, "this will usher in a fresh set of challenges to a sector that is increasingly being asked by its B2B customers to comply with environmental and social standards, while remaining competitive in terms of price and quality. The SME's will have to quickly learn to be compliant with these diverse set of requirements" (PWC, 2013, p. 5). In a recent empirical study of corporate social responsibility (CSR) by Corporate India, it was reported that the key areas covered in the CSR spend were education, healthcare, women empowerment, environmental sustainability, infrastructure development and disaster relief. The data suggested that, ". . . on the basis of market capitalization, large cap companies are spending more on CSR. On the basis of ownership structure, private companies are spending more than the PSU's (*Public Sector Units*) and on the basis of industry classification, energy and power sector is spending the most on CSR" (Chandra & Kaur, 2015, p. 73). In another empirical study of private sector companies, it was suggested that the least priority was attached to drinking water and sanitation related activities. The researchers asserted, ". . . hence it can be stated that India's progress from the concept of 'corporate philanthropy' characterized by randomness to CSR activities, which is systematic and integrated with the core business objectives, is still to reach its peak" (Ghosh, 2014, p. 107).

14.5 A Reflective Model for the Emerging CSR Scene in India

The Department of Public Enterprise (DPE) in India defined CSR as a company's commitment to operate in an economically, socially and environmentally sustainable manner, while recognising the interests of its critical stakeholders. A number of studies in India have explored the corporate and managerial responses to CSR concepts. As examples, Gopal Krishna (1992) investigated the perceptions of middle and senior level managers in relation to CSR; Khan (2008) considered the culture-based approach with a new perspective; Plankerz, Sahu & Nickerson (2010) extended some Indian ideas; and Gautam and Singh (2010) explored indigenous CSR practices in the Top 500 Indian companies. Mitra (2012) considered five main themes of CSR in terms of its corporate role in nation-building; CSR as volunteerism; CSR as a neo-liberal model; its stakeholder and cultural perspectives.

Thus, CSR initiatives in Indian companies reflect both 'old' and 'new' approaches within their broader society. Whilst they represent the continuity of traditions, they also suggest a new agenda for Indian business. This agenda may include, but is not restricted to, notions that CSR is a key focus of the so-called 'India Way' (Cappelli et al., 2010) and that cultural legacies may provide significant business advantages for Indian companies which compete in global markets, especially with Western corporations which do not share such traditions; and that concepts such as Mahatma Gandhi's 'trusteeship' between employers and their employees, and between business and society more generally, is preferable in the Indian context to Western-style legislative approaches. In the latter case therefore it

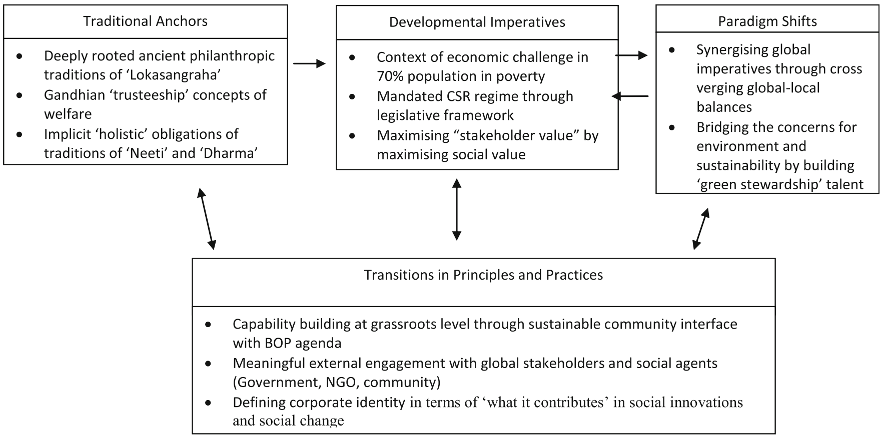

Fig. 14.1 Mandated CSR in India: a reflective model

is surprising that the Indian government has recently decided to follow a legalistic approach.

Though it is very early to consider the success or failure of the mandated CSR in India, it is evident that it is having a profound influence in the corporate vocabulary in India. In the specific case of the 'sanitation' drive initiated by the Prime Minister of India, in 2014, companies are advertising in the media extensively of their support and their CSR contribution to the initiative by leveraging their roots to the country's tradition (Fig. 14.1).

Although CSR is receiving much deserved attention in management literature, a context specific discourse is still lacking. The 'social role' of corporations needs to be understood in the universal as well as local spheres for a more cross-verging frame of reference to emerge. A contextual understanding of the role of particular organisations, their historical development and the values which underline its managerial precepts are crucial in such scholarly investigations. For example, the nation building aspirations of the Zoroastrian religion as well as strong philanthropic traditions led the core values of the 100-year Indian organization called Tata and the ideology continues in spite of its transformation as a major global corporation.

The above model illustrates the interaction of three key variables—namely, traditional anchors, developmental imperatives and shifting paradigms. Central to the model is the relationship between local and global imperatives, which mandates a cross-vergent shift in the corporate strategic paradigm. These shifting paradigms guide a corporation's desiderata (or 'desired things') in devising its policies and practices. The model hypothesises a subaltern (or 'bottom up') as opposed to a 'top down' approach. As an example, the joint venture company Maruti-Suzuki uses a subaltern theme in its encouragement of employees to use one day per month to work with local communities in contributing to educational, sanitational, healthcare, and other socially valuable activities. The key driver for Maruti-

Suzuki's CSR is to acquire local legitimacy, encompassing the definition of the company in terms of what it contributes. Other notable companies which have adopted a subaltern CSR approach include the alternative lifestyle giant FabIndia (award winning village craftsmen based company), ITC's e-choupal, and Hindustan Unilever (HUL). HUL Sankalp is a subaltern volunteering program in which employees commit to educating people about basic hygiene mainly through activities with school children, community and especially women's groups as social change agents. The recent Government initiative of 'Swachh Bharat' (cleaner sanitation in India) is drawing a significant number of companies in this area. The 'Swachh Bharat' (sanitationally clean India) exemplifies government-business-community partnership in eradicating a pernicious social shame in India. An integrated external engagement with NGOS's, Government and local communities underscores the paradigm shift in the national mindset. Knowing of the socio-cultural context as well as key stakeholders and locating methodologies of external engagement in every part of a corporation demonstrates the internalisation of the model presented in this chapter. The model emphasizes the need for organizations in mastering the discipline of its structure, processes, technologies and behavior to become highly tuned equally as they do with other critical elements like procurement, recruitment, marketing, supply chain and every other such strategic endeavours.

The model highlights how context specific CSR practices can be formulated based on specific company, industry, historical and traditional roots on the one hand, and the global imperatives on the other. The interplay of tradition and global forces, coupled with stakeholder alliances, establish the developmental agenda. Thus, CSR in India cannot be a piecemeal concept. It must necessarily be framed through dialogue and communication, and anchored to its traditional roots and lead to social innovation. This Indian CSR model can serve as a reference point of other emerging countries.

14.6 Illustrative Cases of CSR Practices in Indian Companies

This chapter explores the broad applications of social responsibility, and CSR in particular, in four large Indian multinational corporations (MNCs) with a view to analysing their origins and implications and, in particular, their response to the new CSR law in India. The four chosen companies are Tata Group, Mahindra Group, Aditya Birla Group and Reliance Industries. They were chosen because they represent 'best practice' in many areas of management, including CSR. They are also amongst the most well-known Indian global MNCs.

14.6.1 Four Illustrative Cases

The cases considered here are all global corporations but family dominated and have charismatic Chief Executive Officers with strong contextual knowledge. Their socio-cultural and historical roots as well as their transformations demonstrate that ‘the Indian management mindscape continues to be influenced by the residual traces of ancient wisdom as it faces the complexities of global realities’ (Chatterjee, 2009, p. 92). The Confederation of Indian Industries (CII) and PWC developed a handbook of corporate compliance regime for the mandatory CSR legislation on behalf of the Government of India (PWC, 2013). KPMG India also developed a handbook for a wide range of Indian companies (KPMG, 2014). However, the four cases illustrated for this chapter highlight companies that are at the forefront of the legislation.

The Case of Tata Group

The Tata Group is India’s largest private sector conglomerate, with nearly one hundred associated companies (28 of which are publicly listed), revenue exceeding US$30 billion (more than 3 % of India’s GDP, and 57 % of which is obtained internationally—Grainger & Chatterjee, 2008, p. 229) and seven major business interests—namely, ICT, engineering, materials, services, energy, consumer products, and chemicals (Goldstein, 2008, p. 6). It was founded in the 1870s by Jamsetji Nusserwanji Tata, a deeply spiritual and patriotic leader from the strongly religious Zoroastrian community. Almost two thirds of the equity in Tata Sons is held by philanthropic trusts, including the Sir Ratan Tata Trust (1918), the Sir Dorabji Tata Trust (1932), the MK Tata Trust (1958) and the Tata Social Welfare and Tata Education Trust (1990).

CSR is not a practice but an anchor of core business DNA for Tata. Tata’s corporate vision, called the ‘Tata Commitment’, is expressed as striving for leadership and global competitiveness in the business sectors in which they operate and its heavily promoted values include integrity, understanding, excellence, unity and responsibility (Goldstein, 2008, p. 14). These values are pervasive throughout Tata’s systems and policies, together with a strong emphasis on innovation and corporate social responsibility (CSR). Innovation is associated with its products and services, and CSR is enshrined through both the corporate equity structures as discussed above and enormous social funds. The two are blended in the company’s concept of ‘frugal innovation’—a conscious effort to develop new products for poor people, such as small benevolent trusts and the Nano or ‘people’s car’. More recently, Tata has focused on converting deserts into fertile land and developing new medicines to counteract or eliminate epidemics. This blend of social values and corporate entrepreneurship is arguably the crux of Tata’s success—‘Tata’s culture of probity has helped to insulate it from India’s endemic corruption’. During the year 2014 compulsory CSR spend for the Tata Group exceeded 1000 Crore Rupees (approximately USD $2 billion). Though each Tata company envisions and implements its CSR programs, recently established Tata Sustainability Group (TSG) provides conglomerate wide thought leadership and implementation guidance. TSG also oversees the Tata volunteers programmes with a pool of about 30,000 employees in 150 companies across 60 countries and in 550 locations. Tata Steel, India's oldest steelmaker uses United Nations' Human Development Index (HDI) to monitor its CSR engagement in rural India.

The Case of Mahindra Group

Established just two years before India's independence in 1947, the Mahindra Group has emerged as a significant family conglomerate dominating a number of sectors in the Indian economy. The Group operates in over one hundred countries and has presence in industries like automobiles, farm equipment, agribusiness, information technology and financial and insurance services. The Group has branded itself with a significant reputation for proactive corporate social responsibility. Of all their diverse enterprises, Mahindra & Mahindra is regarded as a flagship company. The company's core automotive and farm equipment business are leaders in India and its triple bottom line includes social responsibility, technological innovation and customer responsiveness.

In 2014, the Mahindra Group brought corporate social responsibility, sustainability and corporate governance initiatives under a single corporate umbrella titled 'Rise for Good'. This new initiative has a much larger scope of putting together governance, environment and community in a synergistic platform. The aim of the new initiative is to deepen the Group's external engagement by empowering all sections of the Group in building partnerships with individuals, groups, organizations and other entities. For example, the 'Nanhikali' program focus on the education of the girl child, which addresses a deep rooted social evil of bias for the male child over female children in the country. Another programme emphasizes the livelihood training to socially marginalized youth through 'Mahindra Pride' school. In addition, the umbrella covers initiatives in health through a mobile hospital and disaster relief camp called 'Lifeline Express'. A significant initiative of 2014 called 'Sankalp' promotes the idea of safety through a 'National Safety Day'.

Though the Group's CSR initiatives primarily focus on five key areas like education, health, environment, disaster relief and sports, its commitment to education defines its identity. In 2013–2014, the Group allocated one percent of their consolidated profits after tax to education, amounting to about 150 Crore Rupees (approximately USD $325 million) in contrast to its 2012–2013 contribution of about 42 Crore Rupeees (approximately USD $90 million). The educational initiatives include direct help to Government schools, provision of scholarships, as well as 'Mahindra Pride' school targeted towards empowering disadvantaged youth. One of the unique CSR strategies of Mahindra is called ESOPS (Employee Social Options) where employees volunteer their personal time and initiatives for social good.

The Case of Aditya Birlas Group

The Aditya Birlas (AB) Group is a part of a continuously family-owned conglomerate for more than a century. Since it was established in 1857, the founding father developed industrial operations in sectors such as textiles (Eastern Spinning Mills, Calcutta), energy (Hindustan Gas), chemicals (Indo-Gulf Fertilisers & Chemicals

Ltd), engineering goods and the manufacture of viscous staple fibre. G.D. Birla, who transformed the company, was a confidant and supporter of Mahatma Gandhi (who was assassinated at Birla House in January 1948), is acclaimed as a great visionary who himself set out a bold, uncharted path that proved that Indian businessmen are second to none when it comes to creativity and adventure'. The Group operates in 40 countries with about 130,000 employees. The total revenue is approximately about USD $ 50 billion a year. It is the third largest private sector company behind the Tata Group and Reliance Industries.

Reflecting these values, and in common with the other two Indian companies considered in this chapter, the A.B Group established and maintains a strong corporate social responsibility (CSR) imperative under the umbrella of the Centre for Community Initiatives and Rural Development—'a value-based, caring corporate citizen' (Som, 2010, p. 560). The company's vision is expressed as 'to be a premium global conglomerate with a clear focus on each business', and its mission as 'to deliver superior value to our customers, shareholders, employees, and society at large', and its values include integrity ('honesty in every action'), commitment ('doing whatever it takes to deliver as promised'), passion ('a missionary zeal arising out of an emotional engagement with work'), seamlessness ('thinking and working together across functional silos, hierarchical levels, business lines and geographies'), and speed ('one step ahead always')—(Som, 2010, p. 551). All of these values are symbolised in the corporate logo which reflects Aditya as the 'Rising Sun'.

The Case of Reliance Industries

Founded by Dhirubhai Ambani (1932–2002) in 1958 as a small trading company, Reliance Industries is currently the largest private sector enterprise in India, with business interests in textiles, polyester fibre, plastics, petrochemicals, petrol refining, oil and gas exploration, dairy foods, retailing. Reliance has impressive business credentials—the world's third largest single-location oil refinery (Jamnagar, Gujarat) and the first export-oriented refinery.

The CSR initiatives of Reliance Industries are mainly in the areas of healthcare, urban renewal, rural transformation, Mission Rahat, environment, arts, culture and heritage initiatives. The healthcare initiatives have four key platforms of 'Dhishti Project' (nationwide cornea grafting for the underprivileged), HIV and Tuberculosis control centres and hospital and healthcare services. The Reliance Foundation headed by Nita Ambani (wife of the corporate leader) has touched the lives four million people across 2500 villages and urban locations.

It provides significant educational and healthcare support to its employees, together with environmental and community welfare programs within its local and global contexts. Like the other three Indian companies discussed in this chapter, Reliance assumes a proactive stance as a good corporate citizen. Reliance also provides special assistance for natural disasters. The Dhirubhai Ambani Foundation provides scholarships for hundreds of students every year. Moreover, Dhirubhai created hospitals and medical research centers, such as the Sri Hurkisondas Nurrotumdas Hospital and Research Centre, a charitable hospital.

14.7 Conclusion

Critical incidents such as Union Carbide's failure in Bhopal in 1984 may have been the awakening of Indians to the massive impact corporations can have on society. Paradoxically, it is also being recognised in India that corporations can be more impactful in bringing economic and social change in the country. In addition, innovative and synergistic alliances of business, community and Government are making changes to the providing of a new wave of social action never seen before. The foregoing discussion of this chapter attests to the fact 'social issues' are certainly within the domain of 'business' and, in particular, their contribution to the stopping of environmental damage, creating more educational opportunities as well as being exemplary health care providers. The foregoing discussion and case analyses lend support to the idea that traditional values such as *dharma*, *neeti*, *loka sangraha*, *seva*, *sradha* and *sneha* inextricably bind Indian businesses to their communities in significantly different ways to their Western counterparts, with consequent implications for CSR. Thus, rather than a reaction to the adverse consequences of free market ideology, or imposed by governments with a view to electoral popularity, CSR initiatives in many Indian companies derive from deep-rooted traditional legacies and social obligations, and the individual visions of their CEOs.

However, as discussed earlier in this chapter, the four large Indian companies considered above are not only following indigenous traditions which blend businesses with the societies and environments in which they operate but also their pre-ordained 'spiritual' agenda undoubtedly serve as a catalyst for their survival and impressive growth. However, it may be further suggested that they have consciously leveraged these important underlying values and traditions in order to develop successful business strategies for competitiveness in the global marketplace with respect to the satisfaction of their key stakeholders—namely, employees and consumers of their products and services.

As examples, whilst A.B. Group's Centre for Community Initiatives and Rural Development has contributed a great deal to the communities it serves, it has also facilitated the development of numerous new company products and services, expanded the associated consumer markets, and enhanced the attraction and retention of the talent required to service such business strategies. Similarly, Reliance Industries' plethoras of healthcare, education, infrastructure, and natural disaster programs, have ensured its survival and growth in order to maintain such social initiatives. Tata Group's host of well-established social responsibility initiatives has ensured its recognition as an attractive corporate brand for consumers, existing and potential employees. In particular, its 'frugal innovation' design and manufacturing concepts have effectively fused social and business imperatives for mutual benefit.

From the above discussion, it can be inferred that the 'India Way' represents a form of 'disruptive innovation'—'which allows a whole new population of consumers at the bottom of the market access to a product or service that was historically only accessible to consumers with a lot of money or a lot of skill'

(Christensen 2013)—whereby traditional values and relationships have been transformed into an effective and proactive partnership between business and their societies with significant advantages for all stakeholders. Thus it transcends more limited Western concepts of CSR which in comparison have largely been artificial constructs developed to mitigate the excesses of free market ideology on the one hand, or social imperatives of governments on the other.

The social pressure in India is building for the recent economic success of the country to be translated into social progress. A number of business houses as well as public enterprises have taken leadership in this area. Apart from the cases discussed in this chapter, Ranbaxy, Maruti-Suzuki, the BHEL Group and NTPC have taken prominent roles in this area. It is pleasing to see that more companies are integrating their external engagement in terms of social and environmental impacts by rethinking all aspects of their corporate functioning. In particular, HRM professionals are playing an innovative role in crossing traditional boundaries. For example, Maruti-Suzuki's policy of granting a day per month to its employees to engage with the local community through their contributions to sanitation improvement, working in local schools, and other community work is a path-breaking initiative of CSR in India.

The debate surrounding the government's proposed legislative reform requiring a compulsory two per cent CSR contribution may have divided scholars, practitioners and policy-makers, but the new generation of Indian managers appears to be proactively moving forward with the CSR agenda with vigour and imagination. This is an optimistic perspective of course, as endemic corruption has tainted Indian business for a very long time. The core value of Indian traditions, epitomised in *samaste janam sukhino bhabanto* (maximizing welfare for people) needs to complement narrow managerial or economic perspectives.

Appendix

Notes on the indigenous terms related to the social and traditional legacies of India. Though these concepts are widely used in scholarly writings in India, it may be useful to provide short explanations for readers unfamiliar with these terms.

- ***Dharma:*** it is a broad philosophical term and guiding principle used in both general as well as in very specific contexts. Through the concept originates from the ancient texts, it is widely used in contemporary contexts. The original conceptualisation can be noted in scriptures of Hindu, Buddhist, Jain as well as Zoro- Austrian traditions with a range of diverse nomenclature. The term outlines one's duties and responsibilities to society as well as to themselves. The broad or "universal" dharma termed as '*Ritadharma*' enshrines duties of maintaining order of the environment whereas personal duties are termed as '*swadharma*' which may entail personal obligations based on one's social or organisational location.

- ***Lokasamgraha:*** this compound word combining *Loka* meaning mankind or the world and *samgraha* meaning protection, regulation or harmonization conveys much wider meaning in terms of social obligation of citizens. Though the origin of this term may be traced back to sacred Hindu text of '" Gita "its secular interpretations have been widely used in the writings of national political as well as spiritual leaders like Mahatma Gandhi and Swami Vivekananda. The idea of Lokasamgraha provides an umbrella concept where welfare of the society is the supra goal preceding all other precepts or practices for every societal constituency.
- ***Neeti:*** The Indian word 'neeti' may be freely translated in English as, "Maxim". Though it can be used in various contexts with multiple meanings, its primary idea is the notion of following the "right path". With a deep moral anchor. In the context of ethics, it can be termed as "neeti shastra", in political exploration; it is "raj neeti" while investigation of social policies will be "samaj neeti". It may be interesting to note that the Government of India has recently renamed its Planning Commission as "Neeti Ayog".
- ***Seva:*** Though the term 'seva' has a unique cultural connotation for Indians, in essence, it is the foundation of all religious or noble ideas. Seva or 'selfless service' implies selflessness in service or service with a noble goal. In the organisational context, 'seva' of a collective membership uplifts it to reach its values and grand vision. Culturally, seva is a positive and elevating force where narrow self-interests are subjugated to a bigger cause. This overarching cultural tenet is being widely espoused in a very practical way by the corporate world in India. For example, Tata motors uses the phrase, "sampoorna seva" (a complete service) in promoting their automobiles, construction and mining vehicle business.
- ***Sneha:*** The nearest equivalent English meaning for 'sneha' may be "affection with an altruistic motive". Sneha is the affective emotions of a 'paternalistic' social structure with high power distance. Sneha is the reciprocal term of 'sraddha', where seniors demonstrate a "caring" mindset for juniors. A number of Indian scholars have taken issue with the uni-direction conceptualisation of "power –distance" as they argue that high power distance associated with Senha signals paternalistic caring mindset.

Sraddha: The term sraddha does not have any equivalent phrase in English. Perhaps it is a mixture of trust, confidence, faith and loyalty with grace by an individual with a lowered status for someone with a higher status or achievement. In an organisational context, it inevitably has a vertical directionality where "sraddha" flows from juniors to seniors. Sraddha is not a cognitive concept, it is more in the affective domain of "mindfulness and feeling", encompassing what one values and practices. The reciprocity of 'upward sraddha' and 'downward sneha' are mindset orientations from the civilisational roots where contracts and agreements were few if any and social and work organisations were sustained by the force of tradition and culture.

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Chapter 15
Corporate Social Responsibility Initiatives in a Regulated and Emerging Country: An Indonesia Perspective

Juniati Gunawan

Abstract As a country with a number of dynamic issues, Indonesia has given immense attention to Corporate Social Responsibility (CSR). CSR is also perceived as substantial practices as it is now regulated at both national and local levels. Unfortunately, there is still a common misunderstanding about CSR in Indonesia; that it has always been linked to social programs, philanthropy and donation activities. Hence, this paper aims to explore CSR implementations, challenges, key initiatives, and methods which are used by several leading organisations in the country.

Supporting information was undertaken through literature reviews, desk study, and simple unstructured interviews from CSR practitioners. Samples were randomly selected from 10 leading companies participating in the 2014 CSR Award. Descriptive and comprehensive analyses were then, conducted to understand the phenomenon of CSR implementation in Indonesia.

Government initiatives and regulations are inevitably found as the most determinant driving factors in Indonesia for business to conduct CSR, followed by business organization and local CSR networks. Further, multinational companies (MNCs) are more likely in bringing the CSR context that refer to sustainability development, while the majority local companies are still considering CSR as philanthropy activities. Other than that, understandly the state owned enterprises (SOEs) seem to be the one which adhere strickly to Governments's regulations.

To sum up, CSR implementation in Indonesia is still in the early phase of development and less likely related to corporate sustainability strategies. However, rapid development in CSR practices since the political change of 1998 have resulted in CSR being strategically and ethically understood in business. By that time, the government faced a number of challenges in its attempt to refocus CSR practices into the more 'moral obligation' strand rather than the 'regulation-abiding' strand of CSR.

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15.1 Introduction

15.1.1 Brief Details About Indonesia

For around 250 years, the majority of what is now Indonesia was ruled by one of the biggest, longest lasting and least socially responsible of the colonial trading companies (Chapple & Moon, 2005). Such companies were in their own way prototypes of the modern MNC. The legacy left by the colonial regime and the Dutch East India Company in Indonesia was a complex *mélange* of patronage, monopolies (the so-called conglomerates) and the commensurate concentration of wealth and power.

Large businesses in Indonesia are marked by the presence of what have been labeled conglomerates that is, well-connected groups of businesses linked to Indonesian political elites and large State Owned Enterprises (SOEs), which are bureaucratic corporations protected by the power of government and patronage. Increasingly they operate as limited companies (PT) and possess the same flexibility as private enterprises. The Indonesian military runs what has been labeled a parallel economy through SOEs. As a consequence, the implications for social and political accountability and responsibility are clear, as is the threat to anyone or any companies that challenge their interests in those sectors.

The fall of Soeharto in 1998 punctuated, but did not change, a system that was based on systematic and pervasive rent-seeking. The implications in terms of business ethics and governance could be clearly seen: after years of this sort of business culture, it is difficult to expect that things will change overnight. The endemic nature of corruption was cemented by the fact that many of those in enforcement agencies also held franchises or was too afraid to act. The culture of corruption has had the effect of causing widespread cynicism and complicity in a culture used to official dishonesty (Alatas, 1999). This situation does not bode well for the practice of CSR, which requires a high level of monitoring and disclosure.

The change in Indonesia's political order has altered the point of view of CSR in terms of conducting more ethical business. The public is now more demanding of an atmosphere of openness, including that related to the management of various natural resources and economic activities in general. The pattern of relations between the public and companies has also changed. The community is now increasingly well informed, and Indonesians are more willing to express their aspirations, including their demands toward companies operating in their midst. People now demand that companies atone for the repressive approaches of the past, and are encouraging them to develop improved relationship fundamentals, thus forming a harmonious relations framework between the company or industry and its strategic environment (Achda, 2006).

In addition, the Government is aware that for over three decades Indonesia's economy has been built on the foundation of a growth theory that provided unlimited opportunity for major corporations to exploit natural wealth sources, but return little or nothing to the communities from which this wealth was acquired. Thus, it can be assumed that after political change, the business practices in Indonesia have become more dynamic, and concerns regarding community and the environment have increased.

15.2 The Emerge of CSR

It is more likely that the driving force for social responsibility have come from outside Indonesia (Kemp, 2001). Indonesian CSR is driven by globalization since there is a considerable amount of MNCs operating in the country (Rosario, 2011). These MNCs can improve the practice of CSR to local small and medium enterprises in their supply chains by encouraging them to implement CSR programs and projects. MNCs also bring with them international standards and practices. In doing so, they share the knowledge with local corporations.

On the other hand, religion plays an important role in the acceptance of CSR among Indonesian companies (Rosario, 2011). The Islamic practice of *zakat*—"to purify or justify through alms-giving" provides a foundation for philanthropy in Indonesia. *Zakat* is institutionalized in Indonesia, which has established clear mechanisms and management structures in *zakat* disbursement and collection. There is a Zakat Management Law and there are collection agencies such as the Badan Amil Zakat Nasional (BAZNAS).

However, although Indonesia has the world's largest Muslim population, it is not an Islamic State, as there is a separation of religion and state. Indonesia is an emerging economy country. It faces wide income gaps, social and health concerns and various environmental issues (Sujatmiko, 2011). These issues have encouraged the creation of the type and image of CSR. Poverty alleviation, education and health issues continue to be the key CSR concerns in Indonesia. Thus, the majority of CSR activities are addressed to reduce the high level rate of poverty and increase the level of education and health. This situation is strongly considered as a fundamental reason to practice CSR.

Since CSR practitioners in Indonesia are mostly from MNCs, the practice of CSR tends to respond to international market demands and global corporate policies. On the other hand, many local Indonesian companies conduct CSR by engaging in philanthropic or charitable activities (Gunawan, 2008). These companies do not necessarily integrate these initiatives into their business strategy. The concept of CSR in their perspective is the allocation of money to help society or to protect the environment, while sometimes unrealized about the basic concept which is: 'do not harm' society and the environment (Karoff, 2012). Further, the context of 'minimalize all the negative impacts of the companies' operations' is also being ignored. In many family-owned corporations, for example, the driving factors to conduct CSR come from the owners of the company, who are very rich, and thus donate their wealth for personal advocacy through the foundation, rather than activities linked to business strategy or operations.

There is nothing mistaken with donation or helping society through CSR activities. However, it should be noted that donations or philanthropy do not reflect the real concept of CSR that should contribute to sustainability (Sampan, 2009; Van der Duijn, Mazereeuw, Graafland, & Kaptein, 2014). Doing good is good, but it is not enough for a business to support sustainable development. Donations and CSR should be considered as two different perspectives, even though donations are a part of CSR activities for a social context, but should not be included as a sustainability activity.

Regarding regulation, it is clear that Government has a strong role in promoting CSR activities (Gunawan, 2013; Vilke, 2011; Rahman, Zain, & Al-Haj, 2011). One of the rules was introduced in 1995. The Indonesian government opted to mandate CSR and also to require all state owned enterprises (SOEs) to address social and environmental issues in the areas they operate in, namely Partnership and Environmental Development Program (PEDP). The PEDP program is considered as CSR program for the majority SOEs, even though some of them are also allocating other funds to conduct CSR. Hence, questions have arisen throughout SOEs asking the difference practices between PEDP and CSR. Some companies state that PEDP is the activity just to be accordance with the State Owned Ministry of Indonesia's regulations; therefore the activities are similar among SOEs. On the other hand, other SOEs still consider conducting CSR activities, apart from PEDP, based on their interest, voluntarily based, and thus, the activities for this kind of CSR are different throughout SOEs.

The debate is still ongoing between CSR and PEDP because some argue that SOEs which only undertake PEDP are considered for not having conducted CSR yet, as CSR should not be mandated. In contrast, the majority of SOEs claim that they have conducted CSR by doing PEDP. There are many viewpoints that should be justified, not only the confusion in terms of CSR and PEDP, but also the cost allocation. Thus, the perceptions of CSR and PEDP have been significant tasks for the Government to be addressed to SOEs. The Government needs to seriously think about the purpose of PEDP and how SOEs should conduct this activity, while there is also an option to carry out CSR programs.

At this stage, one source of the main cost allocation for PEDP is regulated by the State Owned Ministry of Indonesia for approximately 1–3 % of net profit. All the PEDP activities and cost allocation have to be reported and audited, then submitted every year in a stand-alone report to the Government. However, since November 2013, an updated regulation, states that all the cost to conduct PEDP should be shifted from the allocation of net profit to expenses. This current regulation has brought confusion for most of SOE as they cannot differentiate between PEDP and CSR, both for the activities and cost allocation. Since it has been more than 1 year, the Government has not released any amendments of the regulations explaining this situation. The Government should pay attention to this situation, especially the State Owned Ministry if they realize that CSR is one of the power tools to support sustainable development.

Another regulation that influences CSR activities relates to environmental preservation. The Indonesian Government has been encouraging highly sensitive industries to be assessed by the State Minister for The Environment, through the Industrial Performance Rating Program (PROPER) which is a nationwide national environmental reporting initiative since 1995. The program was created to minimize the heavy pressures on the environmental caused by rapid growth of industrialization, while the ability to conduct surveillance and environmental court system were inadequate. Initially, PROPER aims to provide a rating of compliance with water pollution control regulation, but since 2002 it has been developed to evaluate compliance with air pollution, hazardous waste management, marine pollution control and the environmental impact assessment (Oktavia & Meaton, 2014).

PROPER initiative seems to be a powerful driving for high sensitive companies in Indonesia. Many of the companies try to receive 'a gold' appreciation, which is the highest rating for those which not only comply with all environmental regulations, but also conduct CSR activities. In awarding the gold rating, the Government assesses companies' CSR activities through the positive impact to communities. Consequently, instead of environmental protection, the companies should conduct CSR activities in higher value compared to only charity. Most of the companies which received gold appreciation have introduced new technology, innovative and creative CSR activities.

Regulations are still numerous, produced by different Government Departments, and considered 'overlapping'. It can be seen, for example, regulations for foreign companies, oil and gas industries, reducing poverty, and many different local regulations from the local Government. Each regulation has been produced by different Government Department which is often confusing. Having observed this situation, one may think that the abundant regulations just results in many ineffective CSR programs. On the other hand, it is also a big concern that these 'overlapping' regulations reduce the fundamental context of CSR originality.

15.3 Discussion

15.3.1 CSR Obligations

After almost 5 years since the enactment of Law No 40 of 2007 concerning Limited Liability Companies ('Law 40/2007'), the Indonesian Government has finally enacted the implementing regulation derived from Clause of Law 40/2007 which states that companies that manage or utilize natural resources, or that impact natural resources, are required to fulfill social and environmental responsibilities. As an implementing rule, Government Regulation No 47 of 2012 concerning Social and Environmental Responsibility of Limited Liability Companies ('GR 47/2012') specifically addresses the relevant issues of Corporate Social Responsibility, as generally applicable to Indonesian companies. GR 47/2012 took effect from 4 April

2012 and provides certain issues related to CSR obligations, implementations and sanctions.

GR 47/2012 stipulates that all companies that manage or utilize natural resources or that impact natural resources are required to bear a social and environmental responsibility which is harmonious and balanced with the surroundings and according to the values, norms and culture of that society. Obligations include the preservation of the function of the environment pursuant to the law along with its implementing regulation regarding natural resources or matters pertaining to natural resources, as well as the ethics of running a company. One example is the obligation to implement community development according to Law No 4 of 2009 concerning minerals and coal. In addition, this regulation also stipulates that CSR is required to be practiced both inside and outside the company.

One of the consequences of the CSR regulation is a budget allocation requirement. A company's CSR program and its related budget must be included in its annual work plan which needs to be approved by the Board of Commissioners or the General Meeting of Shareholders of the company (based on the company's articles of association or as otherwise provided by law). The results of the implementation of the CSR work plan for the previous year must be included in the company's annual report, and reported to shareholders at the annual shareholders meeting. Thus, for a public company, CSR activities can be observed through its disclosure in the annual report submitted to the Indonesian Stock Exchange Commissioners.

15.3.2 Examples of Regulations

Regarding the requirements for implementing a CSR program, the following are some examples of regulation which already included the requirements for the company based on their business activities.

15.3.2.1 Mining Industry

Under Government Regulation No. 23/2010 concerning the implementation of mineral and coal mining business activity, the concept of CSR is stipulated in Chap. 13 about society development and empowerment around the mining license area and the special mining license area. Accordingly, the holder of a mining business license (MBL) and a special mining business license (SMBL) is required to have a development and empowerment program which is funded by the MBL and SMBL budget every year. Unfortunately, there is no further explanation and/or requirement regarding the budget amount. The holder of a MBL and SMBL is also required to report the plan and estimate the cost of the program implementation annually as well as reporting the realization every 6 months.

15.3.2.2 Upstream Oil and Gas Industry

The oil and gas industry, especially in upstream business activity, is required to stipulate the implementation of CSR in the contract. The obligation to implement a CSR program is based on Article 26 of Government Regulation No. 35/2004 as amended several times into Government Regulation No.55/2009 concerning upstream business activity in the oil and gas industry. This regulation states that the minimum provision in the contract is required to have several points, regards the impact and development of the society and the rights of indigenous societies. Moreover, the company is required to allocate part of its annual budget to develop the environment and society.

15.3.2.3 Downstream Oil and Gas Industry

Under the Ministry of Energy and Natural Resources Regulation No. 007/2005 concerning terms and guidelines of the business license implementation in downstream business activity in the oil and gas industry, every company engaged in the processing, transporting, storage and/or general commerce of downstream business activity is required to ensure health and safety, environmental management and development of society. However, it is still unclear what the requirements are for companies in terms of developing the society.

Beside legal regulation required for specific industries, The Indonesian Government ratifies some initiatives in supporting CSR implementation. The Government has established the National Committee on Governance Policy in 2000. The code of conduct that has been developed by the National Committee can be regarded as soft laws for companies in Indonesia to act under Good Corporate Citizenship principle and social responsibility, and to create the better environment for investment. In respect to this, Indonesia has ratified the OECD Guidelines for Good Corporate Governance Conduct and the national contact point for the Guidelines is located in the Minister of Finance (Oktavia & Meaton, 2014).

At an international level, through its National Standardization, Indonesia has adopted the International Standard Organization (ISO)26000 or Social Responsibility Standardization in 2005. A year later, Indonesia ratified the United Nation Convention to combat corruption. By following some initiatives, it is expected that Indonesian Government gains better understanding of CSR with global contexts.

15.3.3 Awards and Sanctions

Law 47/2012 states that every company which has participated in the implementation of CSR can be rewarded by the authorized agencies. Although the form of the reward given is not specifically stipulated in this regulation, in the elucidation of the regulation, the reward is referred to, for example, in the form of privileges or other forms of rewards. Hence, it remains in question.

On the other hand, a company which does not implement CSR can be subjected to sanctions in accordance with the provisions of the relevant regulations. These sanctions are stipulated in the laws related to the business activities of the company. One example is Law No. 27/2003 concerning geothermal activities. According to Law 27/2003, the holder of a geothermal MBL is required to implement a local community development and empowerment program. MBL holders who intentionally abandon their work area without fulfilling their obligations can be subject to criminal sanctions in the form of imprisonment for a maximum of 6 months. As such, every company will be subject to different sanctions and requirements according to its business activities.

Beside governments, business organizations and local CSR networks have become key CSR players in Indonesia (Rosario, 2011). Both of business organizations, as well as local CSR networks are important players in the practice of CSR in Indonesia through their activities in providing CSR trainings, discussions, and many events related to CSR. Apart from big companies, the business organizations and local CSR networks have also realized that there is a need to assist small medium enterprises (SMEs) in developing and implementing CSR programs.

15.4 CSR Awareness and Implementation

CSR development in Indonesia is confronted by the lack of CSR awareness and technical capability among local companies. Indonesian companies face challenges concerning the real context of CSR and weak implementation of regulations. Another barrier is the lack of technical capability in developing and implementing CSR. While some MNC have a solid understanding on the concept, value and importance of CSR, the CSR programs are often scattered and unrelated to the business. As a result, there is a concern that the CSR programs undertaken may not be sustainable.

The biggest challenge in CSR implementation is the distinct perception of CSR which is not just limited to the CSR definition, but also the interpretation of CSR programs, whether it is qualified as charity or contributes to sustainable development. While advanced literature always refers to CSR as a powerful tool to support sustainable development, many companies involved with CSR related activities, tend to adopt it on an "ad-hoc" basis rather than incorporating it into their business strategy (see, for example: the report from the Communication from the European Commission of 2 July, 2002). In contrast, there is also a notion that CSR is similar to charitable or community development activities or seen as a tool for avoiding external pressures or public relation gimmicks (PIRAC, 2002). The charity for community development includes building infrastructure and giving scholarships.

15.4.1 CSR Perspectives from Indonesian Companies

In order to obtain broader perspectives and enrich the above discussion of CSR implementation in Indonesia, 26 people from 10 companies were interviewed from September till November 2014. The interviews were conducted based on the participants voluntarily during their involvements in the Indonesian CSR Award 2014. Most of the participants were either managers or directors, positions that are considered as middle to high level management. They act, for example as CSR managers, Community Involvement & Development (CID) senior managers, external relation managers, public relation managers, corporate secretaries, and CSR Directors. The companies comprised of three companies in coal mining industry, three companies involved in cement industry, and the remainder involved in the business of banking, oil and gas, plantations, and energy and utilities.

During the interview, four main questions were asked: motivation, challenges, implementation and procedures in conducting CSR activities. Since it was an unstructured and open questions, the interviewer was able to explore answers deeper and the respondents were able to be more creative, self-expression, and richness of detail. Further, both interviewer and interviewees could clarify any issues and reduce bias during the interview.

15.4.2 Motivation

Some companies, especially those that are involved in natural resources business activities, admitted that their CSR implementation was strongly encouraged by the regulation. Beside the Law No 40 of 2007 concerning Limited Liability Companies, CSR implementation was also affected by specific regulation, such as regulation in mining industry. Some companies that were also SOEs stated that their CSR implementation was greatly influenced by The Ministry of State-Owned Enterprises Regulation concerning Partnership and Environmental Development Program (PEDP). Within SOEs, PEDP was being considered similar with CSR.

However, some companies interviewed described their CSR motivation in ideal definition. A cement company stated that CSR implementation was a form of company's concern on surrounding environment. The company was not only obtaining profit, but also want to contributing to society. "*If we succeed, then the community must be also succeeding*," she said. Therefore, their CSR program aims to obtain community self-reliance.

Another contextual answer came from mining companies, which revealed that "*we understand that our business type is closely related to environment. So, we pay attention to maintain the environment, and at the same time building a harmonious relationship with the community. We realize that the community is our main stakeholders that stay just beside our next door. There is no other way to 'run', as we belong to this community as well*". On the other hand, "*Yes, the regulations in* *this country are numerous, if not to be said 'too many'. I think what we are doing now has been regulated all, without we realize it. Of course, regulations are the priority to be accordance, but we cannot just undertake CSR because of regulations as CSR for us is a foundation to conduct business continuity*".

In addition, "*apart from the external driver to conduct CSR, the role of top management is the most crucial. This relates to CSR fund, policy, procedure, authority and activity. Our top management is very supportive for CSR, but I know that my friends who work in another company is struggle in conducting CSR. His director treats CSR as giving donation and charity activities and putting the economic performance to be number one*". Similar to this response, another respondent said that "*CSR is a part of our business. Our top management always supports us to conduct CSR efficiently and effectively*".

From the above answers, it shows that regulations, inevitably, still play a strong role to impose CSR implementation, as well as the role of top management in directing CSR strategies. This seems that respondents understand CSR quite well, both in the context and implementation, and this is relevant to their job backgrounds. Moreover, the respondents are from the companies which participate in the Indonesia CSR Award, and therefore, their understanding about CSR is above the average when compared with other companies.

15.5 Challenges and Applications

All companies admitted that they have encountered many challenges when implementing CSR programs. In terms of social, engaging the community has become the main challenge. According to them, it was difficult to interact with various kinds of people who have different understanding on CSR. Mostly, CSR was conceived as charity only; therefore, there was a view that companies must give things or money to community. This kind of misunderstanding still occurs among companies, government, and NGO.

The majority of interviewees also stated that 'limited resources with expertise on CSR practices' is another challenge. Many of them work in CSR areas with very limited number of people because it is difficult to receive CSR expertise. However, the companies considered CSR as not a main activity focus, thus did not want to spend money in getting more people to conduct CSR activities.

The majority of companies have provided sufficiently large sums to undertake CSR requirements, but some still only provide what is necessary. With regard to methods of delivery and utilization CSR activities, few companies have developed well planned strategies. However, there are many companies that treat CSR expenditure as still based on proposals made solely by the community.

Where CSR was perceived as charity, communities often expected CSR funds from companies. "*They don't understand that the company is trying to avoid any dependence of community*," said an officer from a mining company. In addition, the community never considers that any sustainable initiatives and innovation are also part of company's CSR programs. However, to encounter this challenge, company usually discusses their CSR framework with the community in order to provide clearer understanding. Companies admitted that the presence of CSR framework is very useful. Through this framework, companies could explain their long term plan to their community and at the same time avoid any incidental fund demand.

All companies stated that their CSR implementation was rarely encouraged by international organization or NGO. Moreover, they appeared to be unfamiliar with this kind of organization or NGO in terms of CSR implementation, but acknowledged that they learn many CSR issues from CSR networks and academicians. However, they mentioned some international guidelines they were adopting, such as ISO, MGDs, Global Compact, or GRI, as a part of international involvement. From this, it might be concluded that encouragement of international organization or NGO was mostly on the development of system and understanding within companies. It might also be concluded that the adoption of international standard was performed under the companies' initiatives.

Another interesting finding was derived from the interviews. Most companies claimed that they have very good relationship with local government and NGO, therefore no problems appeared. However, a mining company mentioned that currently, the local government—both province and regency—as well as agencies had issued different regulations concerning CSR implementation in regional areas. This has happened since the issuance of mandatory CSR regulation. "*By issuing regulation, they want to take any portions of CSR funds in a subtle way*," said the officer. However, from the side of company, this practice didn't fit with the spirit of CSR as the funds are not guaranteed to be received by community. On the other hand, it would confound tax and CSR fund allocation.

In the side of economic, all companies state they didn't encounter any significant challenges. Besides, a company mentioned that allocation of CSR cost was never a problem in their company. Moreover, the allocation was quite high, not only percentage of profit, but was allocated based on sales. According to them, it indicates a high commitment to CSR implementation within management.

Similar with economic side, all companies mentioned that they didn't have any substantial problems to conduct CSR in environmental activities. Most environmental challenges were already handled properly and never brought complaints or conflicts with the community or NGO.

15.6 CSR Procedures

Among 10 companies, the procedures of CSR implementation were very diverse. Most of companies already established particular division or unit to manage CSR activities. Some of them are under Division of Corporate Communication or Division of General Affairs. Most of CSR implementation was conducted based on CSR framework or master plan that was developed long term.

A mining company explained that their CSR programs were monitored by a facilitator to ensure its sustainability. The programs for community were no longer hit and run mechanism, yet it was accompanied by both internal and external facilitators. While, other mining company stated that community must contribute to their CSR programs, not merely depend on company's fund. According to them, without contribution from community, the community's sense of belonging will hardly exist. The company determined that community must contribute a minimum 10 % of the project value. This policy was considered to be effective as community was noticeably proud of their contribution and later on CSR projects were well-maintained by them.

Another mining company explained that its CSR programs were regulated by detailed Standard Operating Procedures (SOP) and performance based on mapping study. Regularly, they managed community consultative forum with their stakeholders in order to review and monitor the progress.

Further, a plantation company developed their CSR programs with consideration of local government programs. They state that any program that is already included on the local government program, would not be inserted on company's CSR programs. They elaborated their CSR program and carefully eliminated programs that were already covered by local government. Hereafter, they made priority list to be undertaken based on bottom up input. This policy was possible to change if it was involved in natural disaster assistance. According to staff, the company's CSR programs were under the direct supervision of Board of Director.

Companies that have subsidiaries throughout Indonesia usually implemented their CSR program in different mechanism. The banking company interviewed mentioned that their Head office in Jakarta established general master plan for CSR programs that became the guidelines for branch offices in regional areas.

While the cement company mentioned that its CSR programs were divided into two sections: CSR programs undertaken by plants in several areas, and CSR programs undertaken in non-plant areas such as terminal or warehouse. The head office located in Jakarta was responsible to monitor and to supervise CSR programs of each plant and non-plant.

15.6.1 SMEs

Most companies agreed that SMEs also need to implement CSR program. The program was no need to distribute any cash to community, yet SMEs were expected to share knowledge, empower community, or hold capacity building programs. All companies mentioned that SMEs were also having moral responsibility upon their activities. They should share their experience and skills to surrounding community therefore the community could grow better.

However, SMEs attempts in promoting CSR initiatives in Indonesia were rarely found. Most of CSR initiatives were promote by companies, which then involved SMEs. Therefore, big companies treat SMEs only as the target for their CSR programs (Indonesian Chamber of Commerce and Industry, 2013). This is in accordance with the impression from the companies interviewed, namely that the involvement of SME's was due to their cooperation with companies in CSR implementation, and was not by SMEs initiatives to promote CSR (Prabowo, 2014).

15.7 Summary

Addressing the above endless discussion, this paper may conclude that CSR awareness and implementation in Indonesia is closely related to two major challenges. Firstly, the implementation of CSR that mostly based on the perspective that CSR activities are cost center, rather than awareness of supporting sustainable development. This 'cost' perspectives tend to drive CSR as mandated activities, therefore, regulations often come as the first reason.

This argument can be challenged by highly sensitive industries, such as mining, oil and gas, which categorized as extractive companies (Gunawan, 2008). For these types of companies, CSR is not viewed as regulated activities. Even though their perspectives are still on business-minded, not further beyond sustainable development, but they understand that CSR is a 'must' activity to create sustainable business. Apart from their 'awareness', it is again, all regulations in Indonesia have been settled for those type of highly sensitive industries. Therefore, people may think that CSR in Indonesia is mandatory activities surrounded by rules.

Another perspective is considering CSR as a tool to mitigate company's risks and the activities should be conducted according to the maturity of the company. A company in the early stage may concentrate more in developing financial performance, rather than thinking about community development and environmental preservation. This perspective supports a concept that CSR is a risk management and therefore, evaluating CSR should be always related to companies' relevance risks. Kytle and Ruggie (2005) underline that CSR activities can be a social risk entry point and it is related to corporate risk management by providing intelligence about what those risks are, and by offering an effective means to respond to them.

The second conclusion can be summed that the challenge of CSR implementation is the top management's role in directing CSR activities. The lack of awareness of this by top management often becomes a significant barrier to conduct CSR strategically. Conversely, a Board of Directors which is aware and responsive in CSR global issue may provide a strong message and support for the CSR implementation, regardless the company's condition (Swanson, 2008). In this case, this view can be considered as a 'right' step of CSR that might contribute to sustainable performance. The original CSR concept should not only be viewed as 'cost' rather than 'a man kind-awareness' to support sustainability development that turn into 'business strategy'.

In relation to the explanation on clause 74 of Act No. 40 on Limited Liability Company mentioned above, it can be understood that CSR by the Limited Liability Company Law has been defined as a statutory obligation not as a mere moral obligation implemented voluntarily. It was drawn little attention that Indonesian company conduct CSR activities with awareness that CSR as a tool to support sustainable development.

Having seen the results of the interviews, it is inevitably that regulations and Government pressure is still considered the powerful external driving factor for Indonesian companies in conducting CSR activities. Apart from the form of what CSR activities should be undertaken, regulations should be implemented first to increase the awareness of being responsible corporations. Hence, this is the most challenging for Indonesian Government to really provide facilitation, partnership, endorsement and demonstration. These four main questions should be answered as a first step to mandate CSR activities.

First question is the role of Government to be a facilitator. Which department will be the coordinator to regulate CSR for different type of companies? This is important to avoid too many overlapping regulations and none of them provide clear direction. A complete, simple and strong message in directing CSR activities should be provided. If this cannot be achieved, then, CSR activities in Indonesia should remain voluntary, rather than impose too many confusing regulations. To be a good partner, the Government should put a strong role in supporting CSR activities. The question, then, is: what kind of role the Government should act?

The other considerations are; how can the government provide endorsement to those companies which conduct good practices of CSR? Should there be reliable awarding appreciations? At this time Indonesia provides numerous awards and competition events relate to CSR, but unfortunately, there is no evident which one is considered reliable and which is endorsed by the Government. Finally, the Government should demonstrate good practices of responsibly institution which apply good governance and ethical behavior. People will notice and judge whether the Government can 'walk the talk' when they release regulations for conducting CSR which include governance and ethics practices.

Apart from regulations from Government, key initiatives to conduct CSR in Indonesia come from the influence of head office or the pressure of stakeholders, which is the community. Many companies undertake CSR initiatives based on international initiatives and guidelines, for example ISO26000 and Global Reporting Initiatives. This evident supports the fact that CSR networks are important for companies in Indonesia to encourage their practice of CSR.

However, social activity undertaken by companies had not reached the level of sustainable participation and social care of stakeholder, yet it was only limited to meet social demands as well as to establish a company's positive image and accordance with regulations. Less awareness of sustainability concept might be affected by the assumption that social activity had become a burden of company, especially in term of budget. Business had not realized the importance of social activity as a long term investment. This influences the mode of CSR activities which are majority in charitable performances.

To conclude, the concept of CSR requires companies not only to abide by the law, to be good corporate citizens and to abide by government and professional compliance codes and requirements, but to do more—to display an elevated level of quality in all that they do. It requires cultivation of an organizational corporate culture, a vigilant and constant awareness of undertake CSR activities to encounter social and environmental issues. These concerns have stimulated interest in how companies should behave and are also reflected in the decisions that people make about which companies they want to work for or do business with.

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Chapter 16
A Preliminary Analysis of Australian Government's Indigenous Reform Agenda 'Closing the Gap' and Corporate Accountability

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Abstract This chapter provides a preliminary analysis of Australian Government's reform agenda popularly known as 'Closing the Gap'." Closing the Gap" sets a commitment by all Australian governments to improve the lives of Indigenous Australians, and in particular provide a better future for indigenous children. This article discusses how the coalition of Australian Governments prepared this agenda and how this program involves Australian corporations in this task. Our observations suggest that another reform is required for the government to mandate corporate involvement and contribution to this reform agenda.

16.1 Introduction

In 2008, the Australian government has introduced the 'closing the gap' initiative with six main targets, outlined in the National Indigenous Reform Agreement, which commits all states and territories to investment in closing the gap in indigenous disadvantage (COAG, 2014). They are to:

- Close the gap in life expectancy by 2031.
- Halve the gap in mortality rates for indigenous children under five by 2018.
- Ensure access to early childhood education for all indigenous 4 year olds in remote communities (to have been achieved by 2013).
- Halve the gap in reading, writing and numeracy achievements for children by 2018.

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- Halve the gap for indigenous students in year 12 or equivalent attainment rates by 2020.
- Halve the gap in employment outcomes between indigenous and other Australians by 2018.

This chapter discusses how the government initially set up this agenda and whether government has been able influence Australian corporations to address the agenda. Our preliminary observations suggest that another reform is essential for the government mandate corporate contribution to improve the living standards of indigenous peoples in Australia.

Despite government initiatives on "closing the gap", the parity between indigenous Australians with mainstream Australians is a long way off. parity of indigenous "Education and employment have the capacity to end the disparity, but a massive 30 point gap in employment outcomes between Indigenous and other Australians exists despite the tens of billions of dollars spent by governments to address Indigenous disadvantage" (Forrest, 2014, p. 3). Forrest states that the best way forward is through education as there is employment parity for post high school graduates between the two groups.

The rest of the chapter is organised as follows. Section 16.2 provides background of the 'closing the gap' campaign. Section 16.3 provides discussion of government's responsibility to hold Australian corporations accountable to minimise the gap. Section 16.4 provides preliminary analysis of the impact of closing the gap campaign. Section 16.5 provides concluding remarks.

16.2 Background: Closing the Gap Campaign

'Closing the Gap' a campaign led by Dr Tom Calma, the Aboriginal and Torres Strait Islander Social Justice Commissioner, was introduced in 2006 (Australian Human Rights Commission, 2014). Consequently the Close the Gap statement of intent was signed by the then Prime Minister Kevin Rudd (followed by the National Apology delivered by Kevin Rudd in 2009) and Health Minister Nicola Roxon on 20th March 2008 (Table 16.1) (Altman, Biddle, & Hunter, 2008).

The Council of Australian Governments (COAG) (2014) describes in detail the government programmes designed to achieve the stated outcomes. The first is the National Partnership Agreement on Closing the Gap in Indigenous Health Outcomes (2008a), committed AUD1.6 billion over 4 years. The key aim is to help indigenous Australians to stop smoking, providing a healthy transition to adulthood including the reduction in the use of addictive substances, reduction in injuries due to violence, making indigenous health everyone's business, delivering effective primary health care services and better coordinating the patient journey through the health system (Council of Australian Governments (COAG), 2008a, p. 4).

The health of indigenous people is the critical element of the Closing gap agenda. There is an increasing concern against the health of indigenous people

Table 16.1 Statement of intent, close the gap

To developing a comprehensive, long-term plan of action, that is targeted to need, evidence-based and capable of addressing the existing inequities in health services, in order to achieve equality of health status and life expectancy between Aboriginal and Torres Strait Islander peoples and non- Indigenous Australians by 2030
To ensuring primary health care services and health infrastructure for Aboriginal and Torres Strait Islander peoples which are capable of bridging the gap in health standards by 2018
To ensuring the full participation of Aboriginal and Torres Strait Islander peoples and their representative bodies in all aspects of addressing their health needs
To working collectively to systematically address the social determinants that impact on achieving health equality for Aboriginal and Torres Strait Islander peoples
To building on the evidence base and supporting what works in Aboriginal and Torres Strait Islander health, and relevant international experience
To supporting and developing Aboriginal and Torres Strait Islander community-controlled health services in urban, rural and remote areas in order to achieve lasting improvements in Aboriginal and Torres Strait Islander health and wellbeing
To achieving improved access to, and outcomes from, mainstream services for Aboriginal and Torres Strait Islander peoples
To respect and promote the rights of Aboriginal and Torres Strait Islander peoples, including by ensuring that health services are available, appropriate, accessible, affordable, and of good quality
To measure, monitor, and report on our joint efforts, in accordance with benchmarks and targets, to ensure that we are progressively realising our shared ambitions

worldwide and in Australia that lags behind mainstream society using every measure of health and social disadvantage (Gracey & King, 2009). They have high infant and child mortality, maternal morbidity and mortality, heavy infectious disease burden, malnutrition and retarded growth, shortened life expectancy at birth, high incidence of tobacco, alcohol and other drug related problems, social problems, accidents, poisonings, violence, obesity, diabetes, hypertension, chronic renal disease and diseases caused by environmental contamination (Gracey & King, 2009, p. 66, Panel 2). The tyranny of distance in remote Australia inhabited by its Aboriginal population decreases availability of timely and appropriate social, psychological and health services. Aboriginals are also overrepresented in the poorest socio-economic groups, magnifying the disparity. Change from traditional lifestyles to western lifestyles, including dietary changes, has resulted in a pandemic of lifestyle associated diseases in this community (Gracey & King, 2009). Hill, Barker, and Vos (2007) report that the life expectancy disadvantage of indigenous Australians is less than the differentials in comparison to mainstream society in other developed nations. This is approximately 13 years less than the non-indigenous population. The infant mortality rate is about twice that of the rest of the Australian population (Gracey & King, 2009; Oxfam Australia, 2014). It is argued that the easiest methods of improving the lot of the aboriginal communities are by improving access to clean drinking water, sanitation, prompt treatment of skin sores, encouraging communities to take control of their own health, and acknowledgement by governments (King, Smith, & Gracey, 2009).

In this heightened concern regarding aboriginal health and wellbeing, the Social Justice Report was published in 2005 that recommended that Australian Government should commit to Aboriginal & Torres Strait Islander Social Justice Commissioner (2005):

- Achieving health equality between Indigenous and non-indigenous people within 25 years
- Achieving equality of access to primary health care facilities within 10 years
- Make available resources similar to that required in any community to achieve these results
- Work in concert with indigenous peoples
- Signing of a National Commitment to achieve Aboriginal and Torres Strait Islander Health equality with bipartisan support.

Improvements in the health of a population are reliant in improvement in early childhood health and development (United Nations, 2000). The Australian Federal Government earmarked AUD564 million through the National Partnership Agreement on Indigenous Early Childhood Development. As part of this program 35 early childhood development centres to be developed by 2014 were proposed, of which 20 were in regional or remote areas with significant indigenous population (Council of Australian Governments(COAG), 2008b). Other features of this program included provision of antenatal care services for young indigenous women, provision of sexual and reproductive health services, and maternal and child health services.

Apart from health, a 10-year program for the provision of *housing* for indigenous Australians in remote areas aiming to reduce overcrowding, improve the quality and availability of housing, and to reduce homelessness was provided AUD5.5 billion (Council of Australian Governments (COAG), 2008c). Benchmarks for achieving each of these goals were provided in the agreement, for re-evaluation at the end of this plan in 2018.

Education is also considered to be the key to improving the lot of the socially downtrodden. Consequently, the Aboriginal and Torres Strait Islander Education Action Plan (Ministerial Council for Education Early Childhood, 2010) was endorsed by the COAG in 2011. 900 schools were identified that required support in closing the gap between indigenous and mainstream Australian students. The schools and programmes were designed with public consultation and indigenous participation, to commence in 2011. The goal of this policy is aiming for a part of the overall closing the gap statement listed above. This ambitious project required the provision of a Government Business Manager and Indigenous Engagement officer in 29 priority locations at the cost of AUD291 million under the National Partnership Agreement on remote Service Delivery. Each jurisdiction established an independent board of management to improve governance, leadership, economic and social participation and partnership. To this end, COAG committed AUD6.967 million for the provision and expansion of public access to the internet in remote indigenous areas.

COAG has also committed to halving the *employment* gap between Indigenous and non-Indigenous Australians by 2018. To meet this target, major reforms have already been implemented to promote Indigenous people's participation in the wider economy (Department of Social Services, 2009). In 2008, the Government committed over $750 million over 5 years to the reformed Indigenous Employment Program (IEP). The IEP complements the work of Job Services Australia (JSA) providers, enabling individuals, communities and employers to benefit from tailored employment assistance packages including wage subsidies, training and mentoring and business support. In the first 9 months of the reformed program, there were 12,777 commencements in the program, and over 7500 employment placements (Department of Social Services, 2009).

In December 2008, the Government announced it would commit a net $202.4 million over 5 years to reform Community Development Employment Projects (CDEP) around Australia, except the Torres Strait. The reforms are strengthening Indigenous communities and supporting Indigenous people in predominantly remote areas through community development and participation opportunities that develop skills, improve capacity, work readiness and employability, and link with local priorities. The 2010–2011 Budget provides funding to extend these reforms to the Torres Strait region (Department of Social Services, 2009).

Based on consultations with Indigenous communities about CDEP reforms, the Australian Government committed $55.0 million over 4 years from 2009 to 2010 for a development of a national network of 87 Indigenous Community Support Service providers (Department of Social Services, 2009). At least 30 of these Indigenous Community Support Service providers are operating commercially with the support of the IEP's Indigenous Capital Assistance Scheme. These businesses have accessed commercial loans worth over $5.6 million through the Westpac Banking Corporation, the Government's partner in this scheme (Department of Social Services, 2009). The Australian Government provided $1.9 million from 2008–2009 to 2010–2011 to the Queensland Government to support the full time employment of nine Indigenous Enterprise Development officers at various locations across Queensland. This project aimed to deliver on the ground economic and enterprise development services to Indigenous Queenslanders.

The Commonwealth and state and territory governments have agreed to raise the level of Indigenous employment in the public sector to at least 2.6 % to reflect the proportion of Indigenous people in the population. The Government has already invested $6.0 million over 3 years from 2009 to 2010 in the Australian Public Service Commission's Indigenous Employment Strategy to support Australian Public Service agencies in meeting the target. This Budget provides funding to assist Commonwealth public sector agencies outside the Australian Public Service to meet or exceed this target (see Department of Social Services, 2014; www.dss.gov.au).

The Australian Employment Covenant (AEC)(Indigenous Jobs Australia, 2015) is an indigenous employment initiative which is driven by private industry with the support of government. It "represents a significant commitment to providing the majority of Indigenous Australians, who are capable of and prepared to work, with a real opportunity to achieve their full potential as productive members of Australian society" (Indigenous Jobs Australia, 2015). The AEC is a three-way commitment between the Australian Government, Employers and Indigenous people committed to providing:

1. 50,000 sustainable jobs for indigenous Australian's.
2. 50,000 workplace mentors.
3. 50,000 indigenous job seekers specifically trained for a guaranteed job (Indigenous Jobs Australia, 2015)

The Australian Government has committed to secure a reliable level of income for the Indigenous Land Corporation. New funding arrangements guarantee an annual payment of $45.0 million to the Indigenous Land Corporation from 2010 to 2011 with later year payments indexed to the Consumer Price Index". In addition to the Closing the Gap initiative, a new initiative has been introduced by the Abbott Liberal Government (Australian Government, 2013). Abbott's government has established a Prime Minister's Indigenous Advisory Council. The advisory council provides ongoing advice to the Government on emerging policy and implementation issues related to Indigenous affairs including, but not limited to:

- Improving school attendance and educational attainment.
- Creating lasting employment opportunities in the real economy.
- Reviewing land ownership and other drivers of economic development.
- Preserving Aboriginal and Torres Strait Island (ATSI) cultures.
- Building recognition and creating a new partnership between black and white Australians.
- Empowering ATSI communities, including through more flexible and outcome-focussed programme design and delivery.
- Building the capacity of communities, service providers and governments.
- Promoting better evaluation to inform government decision-making.
- Supporting greater shared responsibility and reducing dependence of government within ATSI communities.
- Achieving constitutional recognition of ATSI people (Australian Government, 2013).

The Australian government recognised that the Indigenous people have a cultural and traditional responsibility to protect and manage their land and sea country, comprising 20 % of the Australian continent (Australian Government Department of the Environment, 2015). This land is rich in environmentally precious assets, and valuable to the indigenous community for its cultural and spiritual values. This prior spiritual, cultural and traditional knowledge is harnessed by the "Working on Country" program. The Working on Country program trains and employs Indigenous rangers for work on environmental and cultural activities. $244 million was invested till June 2013 with another $320 million provided since that time. Working on Country currently employs around 630 Indigenous rangers on 66 projects nationwide.

16.3 Closing the Gap and the Government's Responsibility to Hold Australian Corporations Accountable to Minimise the Gap

The closing the gap initiative aimed at providing an interdepartmental and inter-sectoral collaboration. The Australian Government expects Australian corporations to address indigenous rights, and the Closing the Gap initiative is considered as the main mechanism used to encourage this. The initiative "acknowledges that improving opportunities for Indigenous Australians requires intensive and sustained effort from all levels of government, as well as the private and not-for-profit sectors, communities and individuals" (last viewed Dec 15, 2014, https://www.coag.gov.au/closing_the_gap_in_indigenous_disadvantage). There are policy actions taken by the government to encourage corporations to close the gap. For example, given that smoking tobacco is responsible for significant morbidity and mortality in this population and one of the aims of this initiative is to reduce smoking rates, it behaves the government to impose on big tobacco to reduce the availability of cigarettes and tobacco in these populations.

Government procurement policies are being amended to boost Indigenous employment and business. In February 2010 the Australian Government launched an enhanced Indigenous Opportunities Policy under the National Partnership Agreement, which has had a staged implementation from 1 July 2010 (Australian Australian Government, 2010). The policy required corporations submitting bids for high value projects (over $5.0 million, or over $6.0 million for construction projects) in regions with significant Indigenous populations to develop an Indigenous Training, Employment and Supplier Plan as part of their application. The aim of this policy was to encourage corporate social responsibility in relation to Indigenous employment and training and the use of Indigenous suppliers (Australian Australian Government, 2010). The Government's Business Action Agenda, funded $3.0 million over 4 years has sought closer involvement of the private sector in Closing the Gap. A Government Ambassador for Business Action, Mr. Colin Carter, was appointed in February 2010. Mr. Carter has worked on community-business partnerships in Cape York and regional Victoria and will be engaging corporate leaders across the country, encouraging them to share their expertise with Indigenous people, businesses and communities (www.dss.gov.au).

Many Australian companies are already contributing to Closing the Gap through their Reconciliation Action Plans (RAP) and participation in initiatives such as the Australian Employment Covenant (Indigenous Jobs Australia, 2015; www.dss.gov.au). *There are* over 500 organisations dedicated to turning their good intentions into mutually beneficial actions that align to core business objectives. RAPs play an important role in providing a framework to create relationships, respect and opportunities for Aboriginal and Torres Strait Islander peoples. For example, in 2011–2012 the RAP of Woolworths Limited states that:

> The RAP working group is part of the Diversity Steering Committee and consists of representatives from across the business. This group led the development of the RAP,

> which involved consultation with broad spectrum of stakeholders including: Staff from both Aboriginal and Torres Strait Islanders heritage as well as non- Indigenous backgrounds. The Steering Committee also consulted with external Indigenous stakeholders as part of the process. The RAP working group has been engaged for almost two years to ensure our RAP is one all of our divisions will support and be proud to be part of. Having already begun our journey, there are a number of targeted training and employment programs already contributing towards better outcomes for Indigenous Australians and we are committed to continue to embed these activities as the way we do business (Woolworths Limited, 2012).

A brief survey of some of the websites of Australia's biggest corporations gives evidence that there is active involvement by these companies in Closing the Gap. For example, the Wesfarmers Reconciliation Action Plan for 2014 includes commitments to: "maintain our support for Aboriginal communities through financial, in-kind and seconde contribution, continue to promote aboriginal culture inside and outside of Wesfarmers, grow our supplier diversity program, support all of our divisions to employ, develop and retain Aboriginal team members" (Wesfarmers, 2014). This included in 2013 the employment of 247 aboriginal people at Coles (Australia-wide), and over $394,000 contributed to Aboriginal education programs during the year (Wesfarmers, 2014).

One of Australia's biggest four banks, ANZ, has taken a different approach to involvement in Closing the Gap, delivering a service to promote financial literacy. According to the ANZ website, this program is being delivered in over 215 communities (ANZ, 2014).

> In the last seven years, ANZ has worked with indigenous communities and the Australian Government to develop innovative programs and initiatives to help build financial capability and money management skills of indigenous people..." "MoneyBusiness" was developed to build the money management skills and confidence of Indigenous people and develop a stronger savings culture in remote communities (ANZ, 2014).

The Australian Chamber of Commerce and Industry, representing over 350,000 Australian companies, has a plan called "Employing Indigenous Australians" (Australian Chamber of Commerce and Industry, 2014). The strategy provides about a business case for the employment of indigenous Australians.

The Australian Bureau of Statistics in 2009 commenced closer monitoring of indigenous life expectancy every 3 years instead of every 5 years in the census (Holland, 2013). This allows closer monitoring of the gains from policy initiatives. Measurement of the success (or failure) of policy initiatives thus far is fraught with error given the short time since the initiation of this program.

The Department of Industry's vision for reconciliation is to foster partnerships with Aboriginal and Torres Strait Islander people to accelerate economic productivity and wellbeing for Australia's First Peoples and their communities. These partnerships include:

- Working together to expand Australia's resource base, consistent with the principles of environmental responsibility and sustainable development
- Boosting employment and economic development in Aboriginal and Torres Strait Islander communities

- Building pathways with vocational educators and industry for a new generation of Aboriginal and Torres Strait Islander professionals
- Creating greater participation in science and technology in Aboriginal and Torres Strait Islander communities; and
- Working with Aboriginal and Torres Strait Islander businesses to set-up, capture emerging opportunities and prosper (Department of Industry, 2014)

These strategies, action plans and sustainability policies of companies and their peak bodies are not mandated by government. While anti-discrimination legislation may have a role in this, it still seems as though government and corporations are not doing enough to "close the gap".

16.4 Preliminary Analysis of Closing the Gap

There is certainly some progress towards closing the gap. Between 1998 and 2010 national death rates for indigenous children 0–4 decreased by nearly 20 %, from 252.3 deaths per 100,000 children to 202.6 (Holland, 2013). This may be related to the reduction in incidence of smoking during pregnancy and increase in the attendance at antenatal clinics at least during the first trimester. This also resulted in the reduction in number of low birth weight infants from 11.2 % in 2007 to 10.9 % in 2009. This demonstrates that there is some impact of the education and antismoking campaigns and increased community use of provided health services. A lot of the services are provided at no cost to these communities. The gains in health measures are threatened by proposed state and federal cuts on health spending (Holland, 2013). All gains thus far are in large measure due to community participation in the planning, administration and delivery of projects.

It is considered that the national data on indigenous population health status and mortality is not uniformly reliable (Holland, 2013). Therefore data is extrapolated from reliable jurisdictions in New South Wales, Queensland, South Australia and the Northern Territory. Using 2006 baseline data there was no significant change in overall mortality rates between 2006 and 2010. During this period indigenous mortality rates declined in Queensland and the Northern Territory.

Based on 2011 census data, 91 % of indigenous children in remote areas were enrolled in a preschool program (Australian Australian Government, 2013). In 2011, 6.5 % more indigenous Australians achieved year 12 or a Certificate II than in 2006. Trade training centres in focus schools helped achieve this target. Improvement in numeracy and literacy as assessed by NAPLAN tests demonstrates that there is some though not adequate improvement (Australian Australian Government, 2013, p. 14).

By 2012, 1550 of the 4200 new houses in remote areas for indigenous Australians had been built and 5156 houses refurbished, ahead of target. The construction workforce comprised on at least 20 % indigenous Australians. In

2011 there was an increase in the employment of indigenous Australians by 2.3 % in mainstream jobs in comparison to 2006.

Assessment of uptake of health measures assessed by the use of Medicare Benefit Schedule items by the indigenous Australians for the management of chronic diseases increased by 33.8 % in 2011–2012 over 2010–2011. There is also improved utilisation of the free/ heavily discounted therapeutic pharmaceuticals provided. This improved utilisation of mainstream health services is surely likely to close the gap in health outcomes for sufferers of chronic diseases. As a part of this program an indigenous free to air television service was launched in 2012, helping to disseminate information and education.

Despite government's initiatives on closing the gap, the progress is not yet satisfactory. Ongoing disparity has defeated successive well-intentioned governments of every political persuasion at the Commonwealth, state and territory levels for decades. Progress has been made in some areas, but most concerning is the growing gap in employment outcomes. Education and employment have the capacity to end the disparity, but a massive 30 point gap in employment outcomes between Indigenous and other Australians exists despite the tens of billions of dollars spent by governments to address Indigenous disadvantage which seems to be the worst economic gap ever (Forrest, 2014, p. 3). This can be taken as a damning indictment of progress made by COAG with Closing the Gap, which has been operating since 2009. As stated in the Forrest Review (Forrest, 2014, p. 3):

> Nothing destroys family and traditional culture quicker than despondency, dependency and poor lifestyles. My childhood was populated by Indigenous leaders who proudly wore the mantel of their own culture and upheld and ensured the preservation of their laws and traditions. Aboriginal ceremonies like corroborees were often held in short distance from our homestead so everyone could take part. There was never any discussion that their ability to lead in the workforce and enjoy a modern standard of living would conflict with the love of their culture. They competently conversed in both English and Indigenous languages. Since then, the ability of Indigenous people to be employed is not assured. Indeed, the disparity resulting from the large proportion of Indigenous Australians who are disengaged from the workforce has reached crisis levels—hence this report.

Forrest (2014) believes that this worsening gap is a result of:

- Reliance by governments on public servants and service providers to make necessary changes rather than empowering first Australians (ATSI) themselves.
- A lack of coordination and collaboration in state and commonwealth policies and programs and how they are implemented.
- The focus by governments on treating the symptoms of entrenched disadvantage, rather than preventing it, meaning success is limited and expensive.
- Drawn-out approaches, such as targets to only halve employment disparity, extending the trajectory of cost, lost opportunity and misery to individuals and to country.
- A lack of accountability for results, with service delivery and welfare systems that entrench passive income lifestyles for providers and recipients.

According to Forest, "we have no interest in merely halving the employment gap. These piecemeal efforts simply justify a thousand different, small, yet highly expensive measures that may or may not work. They also cost the taxpayer a fortune. Projects that exist on government funding but do not measure themselves against highly capable and transparent outcomes should be discarded. We already have massive levers we have not yet used to end the disparity—the power of the market, enforcing truancy laws and changing our attitudes to expect and demand more for first Australians. One of the elements we need to address quickly is the lack of cooperation between the states and territories and the Commonwealth. It is vital that the jurisdictions cooperate fully in the implementation of these measures." (Forrest, 2014, p. 5).

Altman (2010, p. 262) believes that Closing the Gap is "an extremely complex, managerial and technical approach to addressing Aboriginal disadvantage that is probably for the first time ever unambiguously based on articulated neoliberal principles. It is a state project that envisages an economic future for Aboriginal people as part of the Australian mainstream—the latest discursive and policy assault of the settler colonial society on diversity and difference that remain enduring features of Aboriginal societies in remote Australia [It] represents a fundamental redeployment of state power and unprecedented financial commitments to meet state-specified mainstreaming ends. Most of its focus is on remote Australia where only 25 % of the Aboriginal population lives. It is envisaged that remote living Aboriginal people will engage in the so-called real economy like other Australians, with progress in closing the development gap to be measured by social indicators of standard education and employment outcomes".

Altman advocates a different approach "that can encompass a wider set of economic forms and intercultural values". This alternative is what he calls the "hybrid economy" and is a framework that adds the customary sector, where it exists and persists, to the standard two-sector economic model—and so properly empirically grounds and complexifies the nature of Aboriginal economies in remote Australia beyond the "usual market and state monetised duality" (Altman, 2010, p. 262). He also refutes the belief the closing the education gap will necessarily close the employment gap: "socioeconomic outcomes, irrespective of cross-cultural or intercultural contexts or territorial spaces, a view that seems to be shared by Noel Pearson and Helen Hughes, among others. I am no expert on education but I fail to see how standard education will assist those living non-standard lives" (Altman, 2010, p. 267).

In summary, Altman's (2010, pp. 268–9) main argument against Closing the Gap is contained within three points:

1. Those in remote communities are supposed to participate in mainstream education and training in the market economy—changing kin-based societies to market based societies which are individualistic (this will not work).
2. Closing the Gap renders complex developmental problems into technical problems by being measured by numerical targets based on census data which may or may not be accurate.

3. Closing the Gap is aimed at particular communities and other needy communities miss out.

Altman et al. (2008, p. 16), express the opinion that: “Policies designed to close the gap. . .are intrinsically difficult to operationalise since many of the underlying causes are inter-generational in nature. . .it would be naïve to think that prolonged improvements in indigenous socioeconomic status can be achieved easily. . .even if new policies represent a structural break with the past, the complexities of delivery mean that it is difficult to sustain any improvements for prolonged periods. . .structural breaks in approach may not be sustained past the evolution of the next government”. Further, they state that “policies designed to redress the gaps between indigenous and non-indigenous socioeconomic outcomes need to take into account the inter-dependence between extant disadvantages and be informed by evidence on how disadvantage evolves over the’life-cycles’ of individual and communities” (Altman et al., 2008, p. 17).

Despite the inherent problems with the Closing the Gap initiative, Altman et al. (2008, p. 14) argue that “private sector employment for indigenous people has increased since 1996. . .this may reflect the tendency to privatise low-skilled jobs in the public sector, but is has been achieved despite the relatively depressed labour market conditions in regional Australia”. However, “the estimate of 23 years until this gap between mainstream and aboriginal Australia is closed may be excessively optimistic, as it assumes sustained economic growth at recent historically high levels.

16.5 Conclusion

In this chapter we have provided a preliminary observation of Australian Government’s reform agenda known as ‘Closing the Gap’ which is attempting to bring Indigenous Australians at par with mainstream Australians for all measures of health, education and employment. An overview of government initiatives to minimise this disparity has been presented followed by how Australian corporations are responding to these guidelines. We argue that the progress so far in closing the gap is not sufficient.

Theoretically, there are different motivations for corporations to be involved in closing the gap initiative. Some corporations participate in such campaigns with a view to increase profitability (Friedman, 1970), some attempt to legitimise their operations (Islam, 2015) while others’ actions are driven by a perception of responsibility to society as explained by the accountability theory (see review in Islam, 2009). In the context of Indigenous Australia, corporations appear to operate and profit from the land owned traditionally by Indigenous Australians, provide a symbiotic relationship with Indigenous Australians. In other words, our view is that corporations respond to government’s “Closing the Gap” campaign in order to gain legitimacy rather than following any perception of accountability. The Australian government needs to encourage corporations to implement "Closing the Gap" initiative and mandate their accountability.

This chapter provides a preliminary discussion of the Australian Government's attempts in closing the gap. There is a need for further research to pursue in depth investigation of corporate responsibility, management motivations and response to government initiatives in "Closing the Gap"

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Part III
Key Initiatives from Africa

Nigeria I
Nigeria II
Kenya
Ghana

Chapter 17
Corporate Social Responsibility Initiatives in Nigeria

Louis Osemeke, Stephen Adegbite, and Emmanuel Adegbite

Abstract Corporate Social Responsibility (CSR) initiatives in Nigeria originated from the practices of Multinational companies (MNCs) operations in the extraction sectors of the Nigerian economy, especially in the oil sector. Their operations in communities resulted in CSR breaches such as oil spillages, gas flaring, militancy/community agitations and dumping of toxic waste materials in rivers. These activities destroyed the sources of income for the communities which are mainly farming and fishing, leading to widespread poverty and agitation from the communities. Cumulatively, these raised concerns about the role of businesses in the Nigerian society.

Apart from the activities of MNCs, the failure by successive Nigerian governments to fulfil their mandatory obligation of providing social amenities for communities has made MNCs to become quasi-government with community depending and targeting MNCs to solve their economic problems. Government from all levels, have failed to offer solutions (such as building infrastructures, roads, medical equipment and schools). This is largely due to corruption, weak institutional framework, lack of transparency and accountability among public officials and bad governance among other issues.

As a result, CSR initiatives in Nigeria have not been strategic, in a way which provides a thorough engagement of businesses in society and nation building, but have been culturally oriented, reflecting the religion, ethnicity, traditions and communal lifestyle of the people which involves sharing, togetherness and consensus. As such CSR initiatives in Nigeria have been mostly discretionary and philanthropic, characterised by donations, charities and community developments. Most corporate entities such as MNC and financial institutions are taking CSR initiatives seriously. Some have CSR departments and publish their environmental/CSR reports in addition to their annual reports. Their CSR initiatives involve mostly

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sponsorship in sports, beautification of roads, giving donations and project implementations. Some of these projects include the provision of borehole water, youth empowerment, schools and healthcare centres for the communities.

This chapter will explore the perception of CSR as well as the key CSR initiatives in Nigeria, in order to strengthen the understanding of the concept as well as to encourage responsible behavior by large and small businesses in the country. In doing this, it will analyze the institutional determinants of effective CSR in Nigeria. This is a much needed study in Africa's biggest economy.

17.1 Introduction

Corporate Social Responsibility (CSR) demonstrates that companies should be responsible to the society and the stakeholders within the environment in which they operate. As a result, corporations have come to realize that they cannot operate in isolation of the community, and that a responsible corporation will go beyond maximizing shareholder's value but at the same time demonstrate responsibility to other stakeholders, including employees, customers, suppliers, government, the environment and the community. In developed countries, ecological and environmental issues have been brought to bear on businesses by pressure groups and the laws. There has also been a heightened awareness amongst stakeholders of the environmental dangers of corporate irresponsibility. This has led to increased pressure on businesses to act responsibly particularly in developed countries where companies have found themselves bearing greater costs through fines, taxes, litigation and community agitations.

Meanwhile, the activities of multinational companies (MNCs) have posed severe threats to the environment in many developing countries, and these have invariably led to increased concerns among various stakeholders. A contributory factor is that the institutions and laws in developing countries are weak and less stringent both in conception and application. As a result, MNCs are able to engage in corporate social irresponsible practices, with limited consequences. This has led to sharp criticisms of MNCs and intense public attention paid to their operations in developing countries, especially in countries such as Nigeria, where environmental damages are common due to oil exploration by MNCs.

Consequently, there have been several initiatives employed by both governments and corporate entities to combat the social challenges of MNC activities and to ensure that they are socially responsible. These social challenges include environmental degradation, global warming, climate change, bad business ethics, poor corporate governance practices, and human right abuses. In addressing these challenges, there have been different CSR initiatives put in place, including both long term and short term CSR initiatives. These initiatives range from capacity development and empowerment, to philanthropic activities undertaken through

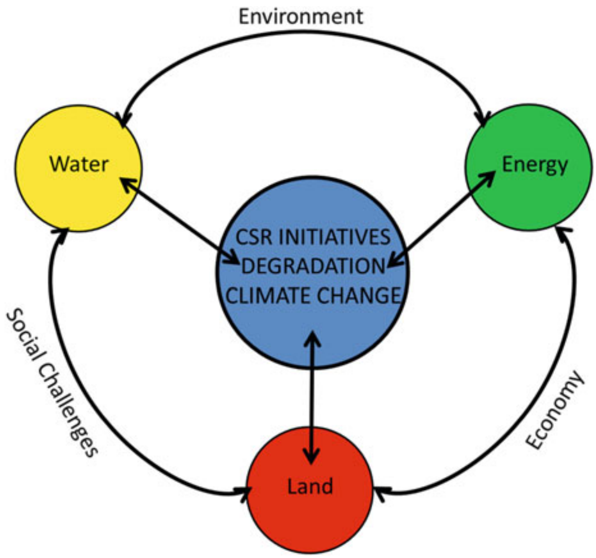

Fig. 17.1 The interactions between CSR initiatives and the environment within a social and economic context

foundations. They also include engagement in beautification projects, provision of scholarships for students in communities where MNC operates, employment of disabled people, provision of relief materials to disaster victims, provision of medicines and medical ambulances. An illustration of the interactions between CSR initiatives, environment, social challenges and how they influence access to key economic drivers (water, land and energy) is given in Fig. 17.1.

In this chapter, we review the important CSR initiatives in Nigeria, Africa's biggest economy and largest market for goods and services, to articulate the understanding and dynamics of CSR in sub-Saharan Africa. This is important to global CSR research which often neglects cross-national variations and certain peculiarities in the CSR discourse. The rest of this chapter is organised as follows. First, the concept of CSR is examined and contextualised in the developing countries (Nigeria). Next we look at the CSR initiatives in Nigeria, including those by MNCs, Small and Medium size enterprises (SMEs), the government, and international non-governmental organisations (NGOs). We also highlight key strategies employed by these initiatives, such as the use of the Memoranda of Understanding (MOUs). Lastly, we critically examine the strategic intent of these initiatives, in order to provide recommendations for future initiatives.

17.2 The Concept of Corporate Social Responsibility

The debate on CSR has been centred on a strong business case, which argues that if companies are socially responsible, they will benefit from a good image and reputation, increased sales, licence to operate, avoidance of fines, litigation and fees. More importantly, the reasons for CSR include the need to follow acceptable business trends and standards, the potential enhancement of the company's image which can eventually translate into higher sales and lower employee turnover, the need to comply with relevant regulations and to satisfy public scrutiny, among others. On the other hand, critics argue that CSR distracts companies from the fundamental economic role of businesses which is profit maximisation and therefore CSR is only cosmetic or window-dressing (Aras & Crowther, 2010; Mullerat, 2009). While Aras and Crowther argue that **CSR allows businesses to project positive image by doing very little, Mullerat noted that CSR remains an empty promise employed by business organization as a public relations tool**. Hence there is a need to revisit the definitions and meaning of CSR.

The basic idea of CSR is that business and society are interwoven rather than separate entities. Evidence of corporate giving, variously referred to as charitable giving (Brammer & Pavelin, 2006), philanthropic contributions (Seifert, Morris, & Bartkus, 2004), can be traced back to centuries ago. However, formal writing on CSR is largely a twentieth century work (Carroll, 1999), but it was in the 1960 that the CSR construct became ubiquitous. For example, CSR have been viewed in different dimensions as corporate citizenships (Pinkston & Carroll, 1994), corporate social performance (Johnson & Greening, 1999), corporate social responsiveness (Wood, 1991). These constructs suggest CSR is a dynamic phenomenon, sometimes with imprecise definitions, and used by authors interchangeably (Galbreath, 2010).

According to Davis (1973, p. 70), social responsibility is a, *'businessmen's decisions taken for reasons at least partially beyond the firms' direct economic or technical interest'*. By this, Davis is suggesting that social responsibility is a vague idea, which would be meaningful only if viewed in a managerial context. Similarly, Frederick (1960, p. 60), views social responsibility as: *. . .a public posture towards 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.* The arguments of David and Frederick both stressed on the importance of companies and society sharing a common interest of meeting social ends. Also, the central arguments of Frederick's definition is that a business derived its means of production from the society; hence, the socio-economic interest of the society must be taken into consideration when distributing business wealth. However, while, Frederick's definition suggests that the responsibility of the firm goes beyond that of making economic gain, it fails to specify what those social ends are. Clearly, Frederick's definition lacks specificity on the normative or moral obligations of the role of business in society.

In extending the suggestion that the responsibility of the firm goes beyond that of making economic gain, to improving the society, McGuire (1964, p. 144), opined that: *The idea of social responsibility supposes that the corporation has not only economic and legal obligations but also certain responsibilities to the society, which extend beyond these obligations.* McGuire, in supporting the above arguments of Davis and Frederick implies that a single definition of CSR may be difficult, so long as the society continues to change and that the socio-economic interest of the society must be taken into consideration.

At the heart of the CSR concept is the question of who is to be satisfied or who should the business organisation focus on when making decisions? Is it to satisfy shareholders' interest alone or multiple interests of stakeholders? In examining these issues, Carroll (1979, p. 500) defined CSR as: "*…encompassing the economic, legal, ethical and discretionary responsibilities and expectations that society has of organisations at a given point in time*".

Carroll CSR conceptualization or four (4) compartments are, first, that companies are expected to meet their judiciary responsibility of making profits and guaranteeing a return on investments. Thus, this is their economic responsibility. Second, companies are expected to obey the countries' rules, laws and regulations. Also, the society expects businesses to fulfil its economic responsibility within the legal framework. This forms the legal responsibility of business organisations. Third, companies are expected to do the right thing that are morally correct and avoid anything that will cause harm to the society. Fourth, by discretionary responsibility, it means companies are supposed to invest in areas not required by law or mandatory on them, such as investing in society, employee training, quality product and philanthropy.

According to Carroll (1979, p. 501) *the four-part frame work can thus be used to help identify the reasons for business actions as well as to call attention to the ethical and discretionary considerations that are sometimes forgotten by managers*. In essence, the philosophy behind the other side of CSR (business, legal, ethical and discretionary) or social responsiveness is the managerial responses (mode, strategy) to social issues. According to Carroll (1975), the model integrates economic objectives into the social performance framework, by placing discretionary and ethical expectations into a rational and legal framework. This helps managers to systematically think through social issues when making strategic decisions that will shape the CSR initiatives for the company.

However, the shortcomings of Carroll CSR conceptualization is that it covers CSR orientation (Galbreath, 2010) and views discretionary responsibility of CSR as not only separate but represent the last responsibility companies should perform (based on Carroll's pyramid of companies' responsibilities). What this means is that, the discretionary responsibility is not only broad but could conflict with economic and legal responsibilities. Also, the conflicting CSR definitions according to Carroll (1979, 1991) are caused by the word 'social' in corporate social responsibility because CSR connotes ambiguity. This inconsistency in the word social was supported by (Cochran & Wood, 1984; Wartick & Cochran, 1985; Clarkson, 1995). It could be said that these criticisms of CSR have led many scholars to adopt Corporate Social Performance (CSP), which means CSR in action as mentioned earlier, suggesting the processes and relationships between firms and society (Carroll, 1979, 1991, 1999; Clarkson, 1995; Cochran & Wood, 1984; Wartick & Cochran, 1985 and Husted, 2000).

More importantly, CSR is a multidimensional and diverse construct, across varieties of capitalism (Coffey & Fryxell, 1991; Carroll, 1979, 1999; Griffin &

Mahon, 1997; Amaeshi, Adegbite, & Rajwani, 2015). The multidimensional nature of CSR further reinforces the above assertion by Carroll concerning the word 'social' in corporate social responsibility. This diversity of CSR has led to different findings in CSR studies, particularly on how CSR is measured empirically (Johnson & Greening, 1999). For instance, Cox, Brammer, and Millington (2004) used the disaggregated CSR dimensions such as environment, community and employee relations as a measure of CSR in their study. Johnson and Greening (1999) use two CSR dimensions as a measure of CSR, namely, the people dimensions (women and minorities, employee relations and community) and product dimensions (product quality and environment).

Despite all attempts by scholars to create acceptable definitions of CSR, there were notable criticisms. Friedman (1970) was more critical in his analysis of the CSR agenda. Both authors view CSR practices as a misguided philosophy. Friedman (1970) and Elaine (2000) viewed CSR practices as misappropriation of company resources. Friedman (1970) went further to define corporate responsibilities by affirming that corporate bodies should be responsible only to shareholders' interest. The author further noted that the maximisation of shareholder's wealth should be the main corporate objectives of corporations. However, Goodijk (2000) in advocating for the stakeholder's model as against the shareholder wealth maximisation's model of corporate governance gave the following reasons as the advantages of the stakeholder's model: that stakeholder approach increases shared responsibility, good management practices and societal legitimacy. Hence, according to Freeman (1984) the stakeholder is a person or group that can affect or is affected by the achievement of the organisation's objectives. The stakeholder group includes the shareholders, employees, suppliers, customers, environment, communities, government and the media (Freeman, 1984; Carroll, 1991, 1999; Jensen, 2001).

Considering the above discussions on CSR, this chapter proceeds with an understanding of the CSR concept as the voluntary provision or contribution of a business' resources beyond their fiduciary responsibility, aimed at satisfying the various internal and external stakeholders. These provisions and contributions by firms include the provision of amenities to the communities, providing quality products, clean environments and high employee morale.

17.3 Corporate Social Responsibility in Developing Countries

Developing countries are less industrialized, characterised by low per capital income, high rate of poverty and a weak institutional framework (Visser, 2008). CSR in developing countries is however important due to the rapidly growing economies, market growth and trade expansion for business organisations. Also, in developing countries, socio-environmental issues are more pronounced arising from the impact of MNC operations (Visser, 2008). Furthermore, ecological issues have heightened awareness amongst stakeholders of environmental dangers and there is a consequent increased pressure on businesses to act responsibly. Meanwhile, the threats posed by MNCs to the environment in developing countries are lagging behind in laws and they tend to be less stringent both in conception and application. As a result, there have been increasing criticisms of MNCs as well as intense public attention paid to their operations. They are easy prey to the charge of double standards by suggesting many companies try to eat their cake and have it too (Visser, 2008).

In Asia, the CSR initiatives in China are mainly philanthropic, pollution control and more of energy conservation (Zhuang & Wheale, 2004). However, CSR in China is still government oriented as most business organizations are state owned enterprises with private owned enterprise initiatives being fewer in numbers. This has made economic responsibility to be principal in the CSR agenda. This is because China being a centrally government controlled economy insist on economic responsibility to be met by business organization and this has impacted on the CSR practices (Zhuang & Wheale, 2004; Chapple & Moon, 2005; Yongqiang, 2008). However, the CSR history in China can be traced to the deep culture of China which is Confucianism[1] and these are being reflected by business organizations in China in their CSR practices. However, this China cultural philosophy of Confucianism has been weakened by the introduction of western values, norms, and way of life between 1966 and 1976 which witnessed lots of cultural revolution leading to reform policies being introduced in 1978 (Chaudhri & Wang, 2007; Yongqiang, 2008).

For Bangladesh, CSR initiatives include beautification projects, providing scholarships and doing charity works. Keating et al., (2008) scanned websites of companies and annual reports in Bangladesh and found that CSR practices were undertaken by banks through foundation by engaging in beautification projects and scholarships. Also, Chaudhri and Wang (2007)[2] stated that business organizations understand the need to report their CSR practices. While in India the challenges of globalization, liberalization and emerging trends towards a free market economy have made the role of CSR very paramount. Primarily because foreign investment has increased in India, trade links between India and developed countries has grown, leading to a powerful influence on CSR in India. Companies benefits from adopting corporate responsibility policies in response to globalization, through access to markets, cost and risk reduction, improved productivity, competitiveness and improved global image (Gupta, 2007). In India, the CSR initiatives are mainly philanthropic as in the case of Bangladesh and China.

[1] Sage Confucianism is born in 551 B.C. It is a moral-political culture in nature that influences the people of China (Warner & Zhu, 2002). Confucianism is doing good for the benefit of the society. Confucianism is explained using two viewpoints namely 'Ren' and 'LI' where 'Ren' is the benevolent, kindness, philanthropic and giving. While the 'Li' is a pattern of roles and activities carried out by people as defined by norms, values, and culture of the people (Warner & Zhu, 2002).

[2] India companies report their CSR practices on the web page and reports about one-third on their home page while two-thirds are listed on their 'about us' primary link section.

In Vietnam, Tencati, Russo and Quaglia (2008) stated that CSR was introduced into Vietnam through international codes of conduct[3] thereby making CSR in Vietnam to be mandatory in nature. However, CSR practices remains unsustainable due to the high cost outlay involved in CSR investment. This makes it difficult for indigenous organization to practice CSR in Vietnam and at the same time limits the companies from becoming competitive internationally as they are unable to comply with international code of conduct (Tencati, Russo, & Quaglia, 2008).

In South Africa, CSR is not only a frequent topic for conversation and debate, but also a tangible effort by many companies. The social picture of the country after the Apartheid era was one of marked inequalities in terms of education, infrastructure, economic power, and basic services access. The democratic regimes that have governed the country since 1994 have made important efforts in combating those social imbalances through different social programs and various public initiatives, but also through the impulse given to the private sector. Although the South African Companies Act 61 of 1973 does not oblige companies to engage in CSR projects, the country's Policy Document and the King II and King III Corporate Governance codes explicitly address the need and relevance for corporations to acknowledge all stakeholders and to adopt and focus on social, environmental and economic concerns. The King reports' clauses are not mandatory, but they take a "comply or explain" approach which makes corporations to apply CSR programs or justify why they have not adopted them.

Companies in South Africa have engaged in social responsible behaviours in many ways. For example, they implement, coordinate and manage various sustainable development initiatives in the areas of education and training, capacity building, socio economic development and health care. Particularly, BHP Billiton Energy Coal South Africa has established different mechanisms to protect the environment, to enhance the safety and security of their employees, to support the community and to empower individuals (including women) to participate and profit from local mining and energy activities. Coal mining companies has engaged in different initiatives to demonstrate their commitment with local communities in South Africa and with the protection of the environment.

17.4 Corporate Social Responsibility Initiatives in Nigeria

In line with the foregoing discourse on the rationale for CSR in developing countries, CSR initiatives in Nigeria arise as a result of the practices of multinational companies (MNCs) operations in the extraction sectors of the Nigerian economy, especially in the oil sector (Amao & Amaeshi, 2008; Adegbite & Nakajima, 2011). These activities of the MNCs are more prominent in the Niger Delta region of Nigeria because of the huge oil deposit and presence of MNCs.

[3] The international code of conduct includes ISO 8000, ISO 9001, ISO 14001 (Tencati et al., 2008).

Their operations in communities resulted in CSR breaches such as oil spillages, gas flaring, militancy/community agitations arising from the dumping of toxic waste materials in rivers. These activities destroyed the sources of income for the communities which are mainly farming and fishing, leading to widespread poverty and agitation from the communities.

Apart from the activities of MNCs, the failure by successive Nigerian governments to fulfil their mandatory obligation of providing social amenities for communities has made MNCs to become quasi-government with communities depending and targeting MNCs to solve their economic problems (Oyefusi, 2007; Adegbite & Nakajima, 2011). Government from all levels, have failed to offer solutions (such as building infrastructures, roads, schools and hospitals. This is largely due to the following: corruption, weak institutional framework, lack of transparency and accountability among public officials and bad governance (Helg, 2007; Rwabizambuga, 2007).

According to Idemudia (2007), the community expectation of CSR programs from oil MNCs has been on the rise. These community expectations are bound to affect both community decisions and perceptions of MNCs operating in their communities (Idemudia, 2009; Rwabizambuga, 2007). Therefore, Ehikioya (2009) noted that an understanding of what drives community expectations is imperative to reduce problems in developing countries like Nigeria and help companies in implementing CSR policies and practices. The community expects MNCs to provide more employments to their indigenes, provide poverty reduction schemes such as hospitals, schools, pipe borne water, electricity, roads, bridges and micro-credits scheme (Oyefusi, 2007).

Similar to South Africa's Kings Report, the Nigerian Securities and Exchange Commission (SEC) (2003 and revised in 2011) code on corporate governance recommends that companies should report their social, economic, ethical and environmental sustainability performances. In compliance, therefore, companies reports their CSR practices in company bulletin, annual reports and websites. Generally, the Code of Corporate Governance has led to gradual improvement aimed at self-regulation towards best practices among PLCs in Nigeria. According to the Nigerian Stock Exchange (NSE) fact book (2009), about 40 % of listed companies have complied with the SEC Code of Corporate Governance.

The MNCs that operate in developing countries have been accused of environmental degradation and pollution by the host communities and countries, especially those with prominent oil operations. Indeed these issues have led to many conflicts, as in the case of the Niger Delta region where the host communities have been in near constant conflicts with the MNCs. For example, the Ijaws and the Ogonis (communities from the Niger Delta) are in constant conflicts with the MNCs operating in their region. The region remains poor, under-developed and environmentally degraded. Recently, in January and February 2006, the face-off between the Federal Government of Nigeria, the MNC and the host communities reached a boiling point. There were two separate kidnappings of foreign oil workers by the Ijaw militants in the Niger Delta. The militants asked the oil companies to leave their region and at the same time asked the Federal Government of Nigeria to develop their communities.

In the CSR studies on Nigeria, Wheeler, Fabig, and Boele (2002) explored the challenging issues faced by companies in their stakeholder responses in the oil industries using Shell Petroleum Development Company (SPDC) and Ogoni community as case studies. Wheeler et al. (2002) found that increasing stakeholder responses at the strategic and corporate level of the companies is important in promoting a peaceful Ogoni community. Another reminder of CSR breaches (See, Wheeler et al., 2002) is the degradation of the Ogoni land by SPDC. Some environmentalists, such as Ken Saro-Wiwa protested the activities of SPDC in their land. This led to the hanging of the Ogoni writer, human rights activist and environmentalist, and eight (8) of his colleagues in 1995. According to Wheeler et al. (2002) the Ogoni land and SPDC complicity are indications of the poor stakeholder welfare management by MNCs in Nigeria. In 2009, Shell settled out-of-court with the family of Ken Saro-Wiwa for $15.5 million.

In addition, Ana, Sridar, and Bamgboye (2009) investigated CSR breaches in community in Nigeria. The authors found that environmental degradation is higher in oil producing areas with a high incidence of pollution compared with non-oil producing area. Also, health related diseases such as skin disorders, respiratory problems and deformity are prevalent in oil producing areas compared with non-oil producing areas.

Furthermore, on the nature of CSR practices in Nigeria, Amaeshi, Bongo, Ogbechie, and Olufemi (2006) used unstructured questionnaires to explore the practices and established that CSR is localised and practised by indigenous companies as corporate philanthropy. Amaeshi et al. (2006) argued that their findings affirm CSR practices to be socially embedded and culturally rooted in the operations of indigenous companies.

17.5 Environmental Risks Associated with CSR Misfit in Developing Countries

Concerns have been raised on the variance between the increasing environmental risks associated with the operations of MNCs in developing countries and abysmal commitment to strengthening CSR for the economic transformation and social well-being of the host communities. As currently being practised by many MNCs and their local counterparts in developing countries, a business strategy which relegates CSR to the side lines as philanthropic gestures without the strategic provision of resources risk the prevalence of multifaceted challenges, such as environmental degradation, pollution, global warming, climate change, poverty and hunger and so on. Whilst the government has the legal duty to protect human lives, property and environment, the moral obligation for MNCs to promote environmental sustainability in their host communities become increasingly relevant to their

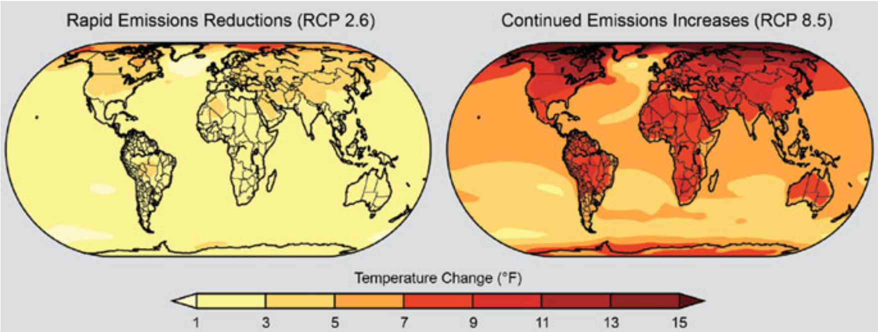

Fig. 17.2 Projected change in average annual temperature over the period 2071–2099 under low emissions (RCP 2.6) and high emissions (RCP 8.5) scenarios (Walsh et al., 2014)

business interests. For example, a negative externality from MNCs engagement in sub-Saharan Africa is the case of pollution arising from oil and gas production plants, which causes health hazards to residents in their host communities (Nigeria's Niger-Delta region presents a good case study). Environmental pollution and the release of green-house gases (for example, carbon dioxide) into the atmosphere have been attributed to the surge in respiratory and cardio-vascular diseases, food security as well as the increase in global warming (Fig. 17.2 shows the world-wide temperature projection in 2071–2099). Whilst the global sea level has risen by about 8 in. since in 1880, it is projected to rise another 1–4 f. by year 2100. The rising temperatures are reducing ice volume and surface extent on land, lakes, and sea. The oceans are currently absorbing about a quarter of the carbon dioxide emitted to the atmosphere annually and are becoming more acidic as a result, leading to concerns about intensifying impacts on marine ecosystems (Walsh et al., 2014). Furthermore, the increasing occurrence of droughts and famines, damaging thunderstorms, tornadoes and typhoons has strengthened the need to reduce global emissions particularly through the incorporation of CSR framework. Whilst, developed countries have infrastructural capabilities and strong institutions to surmount these challenges, the focus should be on MNCs operating in developing countries to invest on emissions reduction technologies, as well as on socio-economic programs (education, health services and infrastructure), whilst putting pressure on the host governments to tighten environmental legislation, combat corruption and bring development to all their people.

17.6 International Organisation's Corporate Social Responsibility Initiatives

Many international organisation and Non-Governmental Organisations (NGO) are beginning to assist in CSR initiatives in Nigeria. Among these are the Red Cross that have assisted the government and country in disaster intervention and relief efforts. Also the UNICEF has been involved in several CSR initiatives in Nigeria such as treatment of malaria and curbing the spread of HIV/AIDs. Furthermore, as part of its CSR initiatives, Olam International, an international organisation is embarking on the "fitness for the Blind walk", a yearly event organised by Nigeria Society for the Blind. This is to raise awareness and sensitize the public on the need to always render help and give succour to the physically challenged in the society.

Meanwhile, the company also reaffirmed its commitment to customer satisfaction adding that, it would not relent in its effort of providing quality products to meet the ever-changing needs of consumers. Some of the subsidiaries of Olam in the packaged food business environment in Nigeria that featured during the Blind walk program include, Olam Sanyo Foods, Ranona Limited and OK Foods.

Furthermore, NGOs have assisted the federal, state and local governments in combating diseases and its spread in the country such as the current Ebola crises. A Non-Governmental Organisation (NGO), Society Awareness Response on Epidemic Diseases (CARE-D), and Friends Africa have both helped in sensitising hospitals, citizens and communities on how to manage the Ebola crises especially detecting early signs of the virus. Also, the NGOs cautioned hospitals against rejecting patients with symptoms similar to Ebola. With their assistance, Nigeria was able to contain the spread of the disease (www.crofsblogs.typepad.com/h5n1/2014/08/ebola-in-nigeria-ngo-cautions-hospitals-against-rejecting-patients-with-symptoms.html. Accessed on October 10, 2014).

17.7 Small and Medium Enterprise CSR Initiatives in Nigeria

Helg (2007) points out that CSR in Nigeria is informal as practised by majority of Small and Medium Enterprises (SMEs). For example, donations and charitable works fall under informal CSR activities, while most MNCs practise the formal CSR such as community development, product quality and environmental management (Perrini, Russo, & Tencati, 2007). Besides, Helg (2007) adopted Carroll's, 1991 CSR model of economic, legal, ethics and philanthropy responsibility in her study and concluded that philanthropic responsibility is ranked second after the economic responsibility in the SMEs' CSR practices in Nigeria (Amaeshi et al., 2006, 2015). This differs from the Carroll's pyramid model for developed countries that ranked legal responsibility as second and philanthropy responsibility as fourth on the pyramid.

Many indigenous companies in Nigeria use foundations as an avenue to launch their CSR initiatives. An indigenous company such as Dangote has created its own charitable organisation called the Dangote Foundation which is very active in terms of CSR initiatives and Public relations efforts. The company launch in early 2011 of a NGN5 billion (US$33 million) fund for job creation was in partnership with the Bank of Industry. This initiative is meant to help create employment in SMEs across the country. Other indigenous companies using foundations to run their philanthropic activities include Zenith bank and United Bank of Africa.

Several authors examine CSR practices in Nigeria (Eweje, 2006; Amaeshi et al., 2006; Helg, 2007; Amaeshi & Amao, 2009), and conclude that CSR practices in Nigeria are discretionary and philanthropic in nature and not strategic. According to Helg (2007), MNCs perform greater CSR activities than most indigenous companies that are mostly small and medium sized firms. This is because of their huge resources and firm size, thereby providing increased capacity for the MNCs to engage in CSR. Furthermore, in February 2006, a Federal High Court in Port Harcourt, Nigeria upheld a resolution by the Nigeria National Assembly ordering Shell Petroleum to pay US $1.5 billion to the Ijaw communities as compensation for the devastation of their environment occasioned by oil exploitation and exploration since 1956.

17.8 Current Corporate Social Responsibility Initiatives

The CSR initiatives of companies in Nigeria are wide-ranging and cover critical infrastructure like beautification projects, roads, electricity, markets, civic centres, among others. For example, Fidelity Bank, a large commercial bank in Nigeria, spends about USD1 million each year on CSR through diverse projects across including the renovation of schools, provision of water to prisons, facilities for widows, computers for the blind, as well as equipment for hospitals (Amaeshi et al., 2015). So far, there are expectations that companies offer certain benefits to their employees and the communities where their facilities are located, but these benefits are neither non-specific nor focused only on a specific enterprise. In addition to being motivated by concrete needs, expectations reflect traditional views of a company's or an entrepreneur's responsibilities toward employees and the community.

In addition to benefiting society, CSR initiatives are often undertaken as a way of promoting a company's image. CSR in Nigeria is philanthropic in nature and has culture of charity as companies and wealthy individuals contribute to charitable causes and use these contributions to garner positive publicity. However, companies in Nigeria are expected to promote transparency, even beyond what is required by law. This is encouraged by the government, which has made it clear that it has certain expectations, particularly of foreign enterprises. So far, however, there has been little response from companies despite the high priority attached to this topic because of Nigeria's widespread corruption.

17.9 Use of Memoranda of Understanding (MOU) as Company Strategy

Most MNCs have adopted the use of MOU as a tool for social change. The MOU is a bilateral or multilateral agreement between two or more parties. It expresses a convergence of will between the parties, indicating an intended common line of action. In this case it is an agreement between the MNC and the community on how to implement a set of CSR programs within a given time frame.

The trajectory of using MOUs began with payments to community leaders as proxies looking after their communities, assistance to communities with surveillance jobs, scholarships, market stalls, water boreholes, jetties and roads, to establishment of community-based committees to prepare MOU based on community demands that were sub-optimal for several socio-cultural reasons and not achieving maximum benefit. Then the demand for sustainable development which was targeted at promoting and managing the company's commitment to society for the inherent value of obtaining a positive perception, growing the company's clout, as well as making it a preferred operating partner in Nigeria. The overall objective was to obtain a favourable "licence to operate" within communities, with other stakeholders and in society at large. An example is Total in 2007 that adopted a new Sustainable Development Strategy which is driven by the need to encourage partnership and engagement of stakeholders, establish community-based institutions, encourage human capacity and enterprise building, accelerate community-driven development, and ensure sustainability of projects.

In the above discussion, it is clear that CSR practices in Nigeria are still largely characterised by donations, charities and community developments. Therefore, some authors argue that CSR practices are unsustainable in Nigeria (Eweje, 2007). As a result, it is difficult to say that the Public Liability Company (PLCs) is practising strategic CSR as evidenced by developed countries.

The CSR initiatives of companies in Nigeria are wide-ranging and cover the following:

1. ***Education*:** Programmes cover infrastructure; scholarships for primary, post-secondary and post-graduate education in institutions. For example, Total PLc in Port Harcourt runs programs such as the "Catch-them-Young". Also, most MNCs (Shell, Mobil and Chevron) have been involved in either school renovation projects or building of school blocks for communities in Nigeria.
2. ***Health*:** Companies develop infrastructure by building health care centers or offer free health programmes such as HIV/AIDS awareness campaigns, malaria prevention campaigns, and the donation of drugs.
3. ***Water supply*:** Most companies provide bole-hole water to communities. Examples include the NNPC/TEPNG joint venture that supplies potable water to 17 communities across 16 locations with 300,000 gal capacity in strict observance of WHO standards.

4. ***Capacity Building- Skills Acquisition*****:** Most companies in Nigeria engage in capacity building through providing skills in form of training and internship. This is perhaps one of the most important programmes that have positively affected the youths of the communities. For instance, Total Plc in partnership with United Nations Institute for Training and Research, UNITAR, has trained a total of 3812 youths from Rivers, Akwa Ibom, and Delta states for the acquisition of skills in welding and fabrication, hairdressing, fashion and designing, plumbing, carpentry, building, and masonry. In that every year, 700 youths undergo these programmes and are provided with business starter packs on completion of apprenticeship.
5. ***Employment*****:** Under specific Memoranda of Understanding (MOU) provisions, qualified youths from the communities are not only given employment opportunities, they are also integrated into the company's on-going projects.
6. ***Agriculture*****:** Microcredit schemes are provided to farmers' co-operative societies and the farmers are encouraged with know-how and equipment in the areas of fish farming, poultry, and so on.

17.10 Are the CSR Initiatives strategic in Nigeria?

According to Ite (2004) CSR practices by PLCs have emerged as strategic business practices in Nigeria. Ite (2004) argues that in the absence of governmental socio-economic development of communities, companies rather than government lead the path of community development projects in the Nigeria. Ite (2004) posited that government from all levels, such as the council, state and federal have failed to offer solutions (such as building infrastructures, roads, medical equipment and schools). This has led to high incidence of poverty in Nigeria because of the following: corruption, weak institutional framework, lack of transparency and accountability among public officials and bad governance. As a result, Ite (2004) concludes that the absence of macroeconomic planning and good governance, strengthened by the availability of resources, and backed by good environmental management determines the nature of CSR practices in Nigeria.

Others argue that CSR initiatives in Nigeria have not been strategic, in a way which provides a thorough engagement of businesses in society and nation building, but have been culturally oriented, reflecting the religion, ethnicity, traditions and communal lifestyle of the people which involves sharing, togetherness and consensus (Helg, 2007). As such CSR initiatives in Nigeria have been mostly discretionary and philanthropic characterised by donations, charities and community developments. Most corporate entities such as MNC and financial institutions are nonetheless taking CSR initiatives seriously. Some have CSR departments and publication of environmental/CSR reports in additional to their annual reports (Amaeshi et al., 2015).

17.11 Conclusion

CSR initiatives are used by corporate entities around the world to deal with all the challenges on global warming, climate change, poverty and hunger, depletion of natural resources, irresponsible management practices, and human rights abuses. As a result, CSR is a core part of corporate strategies of many companies in most advanced economies. However, in Nigeria successive governments have failed to fulfil their mandatory obligation of providing social amenities for communities. This has made MNCs to become quasi-government with community depending and targeting MNCs to solve their economic problems. Therefore, CSR initiatives mostly involve sponsorship in sports, beautification of roads, giving donations and project implementations. Some of these projects include provision of borehole water, youth empowerment, schools and healthcare centres for the communities.

Moreover, CSR initiatives in Nigeria tend to be culturally oriented (Helg, 2007). Altogether, the practice blends into other activities which reflect the religious, educational, linguistic, ethnicity and traditions of the people (Amaeshi et al., 2006; Amao & Amaeshi, 2008). According to Helg (2007) CSR in Nigeria reflects the communal lifestyle of the people which involves sharing, togetherness and consensus in CSR practices. It follows that these cultural influences help to shape CSR practices in Nigeria. They turn out to resemble philanthropic donations embedded into the socio-cultural lives of the people. The CSR initiatives in Nigeria are mostly discretionary and characterised by donations, charities and community developments (Amaeshi et al., 2006).

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Chapter 18
Fostering Corporate Social Responsibility Among Nigerian Small and Medium Scale Enterprises

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Abstract This study seeks to contribute to the growing body of literature on corporate social responsibility (CSR) in African countries from a Nigerian standpoint. In particular the paper explores the role of Small and Medium Sized Enterprises (SME's) in promoting CSR initiatives in Nigeria as well as their motivation and challenges. The review in subsequent sections draws on the ethics, CSR and entrepreneurship literature in arriving at a working theoretical base for the study. The rationale stems from the fact that very little is known about SME awareness of CSR practices and strategies adopted by such firms within the Nigerian context. Data for the study was obtained from a face-to-face questionnaire survey with 371 SME owner/managers in Lagos, Nigeria. The finding obtained from the survey conducted with the SME owner/managers supports the view that Nigerian SMEs adoption of CSR is closely linked to the owner/managers values, religious orientation and SME entrenchment in the local socio-economic environment. The study has several theoretical implications. The study makes an empirical contribution to the meager literature in this area thus fills gaps in the literature on SME CSR practices thereby providing a theoretical perspective on which future research can be developed. The study also highlights the importance of more NGO and government support for CSR initiatives amongst SME owner/managers especially in the context of developing countries.

18.1 Introduction

There is now recognition of the importance of Corporate Social Responsibility (CSR) and its interrelationship with other concepts such as ethics and corporate governance. The attention given stems from the need to circumvent future corporate scandals thus curbing weak governance practices which reverberates with

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negative ramifications for economic growth and social development. Various scandals such as that seen in Enron and Worldcom in the United states and Pamalat in Italy has brought to the fore international deliberations as to the efficacy of CSR and existing corporate governance standards and practices (Solomon, 2007; Erkens, Mingyi, & Pedro, 2012). In a bid to ensure good governance and bolster socially responsible practices, various countries have devised strategies to ensure transparency and accountability of corporate practices not only as a means of inculcating investor confidence but also as a way of further strengthening their legal systems, democratic governance and ensuring local communities are accounted for in CSR practices. There is general consensus amid academics, researchers and government agencies worldwide that such systems helps to provide a degree of confidence, integrity, stability, investment and sustained economic growth, which is necessary for the proper functioning of a market economy. Consequently various writers posit that CSR and good corporate governance practice is essential especially in developing and emerging nations as it brings about positive change and economic advancement (Black, Jan, & Kim, 2002).

The link between CSR and corporate governance is highlighted particularly in relation to the stakeholder perspective of corporate governance. Both CSR and corporate governance champion consideration and commitment to diverse stakeholder interests and interaction within the wider community (Jamali, Safieddine, & Rabbath, 2009; Kolk & Pinkse, 2010). Accordingly research work by Sacconi (2010) confirms that CSR is an extension of corporate governance in that the organisation is perceived as owing its fiduciary duty not only to its shareholders but also to a wider category of stakeholders. In-spite of the growing recognition of the significance of CSR, much of the scholarly discussion in this area has focused exclusively on Multinational Corporations (MNC's) and other large corporations (Coppa & Siramesh, 2013). The concept remains elusive within the African continent (Muthuri, 2012) consequently there are unanswered questions on CSR within the African milieu. It is argued that the conclusions drawn from studies which have their focus primarily in the 'Developed World' do not necessarily apply to the situation in Nigeria which has peculiarities that distinguish it from the outside world generally and from Western countries where many MNC's and large corporations originate. Giovanna, Massis, and Lucio (2012) state that relatively little is known CSR practices among Small and Medium Sized Enterprises (SME's). Evidence suggests that recent developments and studies on CSR in Africa in general and in particular Nigeria have been mainly promulgated by MNC's as such there is a dearth of academic literature on CSR amongst SME's in Nigeria (Amaeshi, Adi, Ogbechie, & Amao, 2006). This is surprising in light of the number of SME's in various countries around the world.

According to the International Finance Corporation (IFC, 2012), SME's are an important force for economic growth and development in both developed and developing countries. SME's are said to account for more than 50 % of employment and about 90 % of all businesses worldwide. Furthermore, these firms are key engines of job creation and economic growth in developing countries, particularly following the recent 2007–2008 global financial crises. Entrepreneurship is a dynamic field particularly as it relates to the process of change creation and vision. In light of recent economic downturns there is now recognition that the ability to increase global wealth and wider community development is dependent to an extent on successful entrepreneurship in transition economies. Transition economies such as the MINT economies (a neologism which refers to the economies of Mexico, Indonesia, Nigeria, and Turkey) are predicted to become substantial contributors to the global economy and Gross Domestic Product (NDFF, 2014). The importance of the SME sector to these economies has also been recognised. The prominence of the sector is matched by the appreciation of its unique role as one of the most vital contributors to people's income and to economic development and innovation. SMEs are perceived to be the seedbed for indigenous entrepreneurship and are known to generate many small investments, thus encouraging entrepreneurship is a key policy instrument for promoting economic growth and employment creation including social and environmental development in Africa (Woldie, Leighton, & Adesua, 2008; Adesua-Lincoln, 2011; NDFF, 2014). According to Murillo and Lozano (2006) and Russo and Perrini (2010) the social capital theoretical perspective closely aligns with SME's approach to CSR. SME entrenchment in the local socio-economic environment, their interaction with clients and employees in the local communities make them key contenders where CSR is concerned since a good reputation is essential to achieving competitive advantage (Perrini, Russo, Tencati, & Vurro, 2009; Murillo & Lozano, 2006; Lee, 2008). SME's are also more aware of local practices, associated risks and emerging social issues within their local communities than large corporations. Furthermore, SME owner/managers due to the informal hierarchical structure of the firm are more suited to fostering effective networking, interpersonal relationships and cooperation based on trust of stakeholders and legitimacy (Murillo & Lozano, 2006; Lepoutre & Heene, 2006; Fassin, 2008; Russo & Perrini, 2010).

Consequently SME's are more likely to conduct their business in a socially responsible manner, respond to social and community needs and engage in activities which take into consideration key stakeholder interests (Giovanna et al., 2012). Furthermore Quinn (1997) asserts that the SME owner/managers personal values and ethical as well as moral convictions to extent impact CSR strategies adopted in light of the lack of separation between ownership and control of the business. Murillo and Lozano (2006) and Fassin (2008) also suggest that CSR advancement among SME's is linked to the owner/manager and their value system. Accordingly, Spence (2004) posit that SME entrenchment within their communities and their close nexus to their customers and local community creates a situation whereby the SME owner/manager feels morally obligated to engage in a socially responsible manner.

In-spite of the associated benefits which can be reaped from SME engagement in CSR related activities evidence shows that many SME's are unaware of CSR initiatives (Jenkins, 2006). A review of the literature highlights that CSR and social community activities undertaken by SME's tend to be fragmented and informal in nature (Maitland, 2002; Perrini et al., 2009; Jamali et al., 2009). Lepoutre and Heene (2006) suggest that SME's seldom engage in formal CSR strategies. SME's are also said to encounter greater barriers and challenges in their quest to engage in CSR activities and are prevented from active CSR engagement due to various factors ranging from their size, lack of time and support, lack of financial resources and expertise on CSR issues (Lepoutre & Heene, 2006; Ortiz & Kuhne, 2008; Blomback & Wigren, 2009). For example Hsu and Cheng (2012) state that many SME's consider that they lack requisite skills and guidance in CSR, this is because some of the guidance developed on a global level or sector specific level are not suitable for their purpose. Murillo and Lozano (2006) state that SME's lack knowledge and know-how in relation to CSR issues which act as a barrier to their ability to effectively engage in CSR. Furthermore SME's make little or no attempt to communicate their involvement in CSR related activities or publish annual reports which discloses their CSR engagements (Murillo & Lozano, 2006; Fassin, 2008; Giovanna et al., 2012). Fassin (2008) however assert that SME's actively engage in socially responsible practices although they do not formally publish or report their activities.

This study seeks to explore the dimensions of CSR within the SME context in Nigeria and factors which hinder SME active engagement in CSR related activities. This study is of significant importance given the lack of adequate investigation of CSR practices among Nigerian SME's within their local communities. Consequently, this research contributes to pragmatic theoretical development on SME approach and engagement in CSR activities in Nigeria. This study seeks to examine CSR concepts from a Nigerian perspective with specific focus on Nigerian SME's. The study seeks to provide answers to four main research questions namely:

1. Are SME's in Nigeria aware of CSR initiative, if so, what motivates SME's in Nigeria to engage in CSR related activities?
2. What strategy do SME's adopt in promoting CSR initiatives in Nigeria and what is the SME owner/managers intention for CSR activities in the future?
3. Are NGO's effective in promoting CSR amongst Nigerian SME's?
4. What are the challenges of CSR amongst SME's in Nigeria?

18.2 Definition of Corporate Social Responsibility and Stakeholders

Corporate Social Responsibility (CSR) as a concept has witnessed a number of redefinitions in light of the expanding nature and role of the corporate sector and its impact on the wider society (McWilliams, Siegel, & Wright, 2006). One of the earliest depictions of CSR was put forward by Howard Bowen (1953). Bowen in his seminal work explores what it means to conduct business in a socially responsible way. According to him "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of our society" (p. 6). Subsequent definitions of the concept viewed CSR as decisions and actions of businessmen made partially beyond the firms direct economic or technical interests (Davis, 1960, p. 70). McGuire (1963) is of the view that "corporations have economic, legal obligation and responsibilities to society at large which extends beyond these obligations (p. 144). Frederick (1960) opines that social responsibility concerns the ability of businessmen to oversee the operation of an economic system that fulfils public expectation and a willingness to see that society's economic and human resources are utilised for the wider society. According to Johnson (1971) a socially responsive entrepreneur or manager is interested not only in his own well-being but also that of the other members of the enterprise and his fellow citizens. Jones (1980) views CSR as a voluntary obligation owed by an organisation to constituent groups within society other than shareholders such as customers, employees, suppliers and the wider community.

Carroll (1991) puts forward a model of CSR, which encompasses four essential aspects namely; economic, legal, ethical and philanthropic responsibilities. Carroll (1991) CSR components allow managers identify and take into consideration the interests of various stakeholders affected by the firms. More recent definitions postulated for CSR include The World Business Council for Sustainable Development (1999) definition which views CSR "as the 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 community and society at large" (p. 3). The United Nations Economic Commission for Africa (UNECA) and the African Union (AU) (2010) define Corporate Social Responsibility as a framework used in formulating and implementing the expanded roles and responsibilities of the corporate sector to include the needs of the wider community. Furthermore Hopkins (2007) defines CSR as a concept which is concerned with ethical and responsible treatment of a firms' stakeholder.

The ensuing definition reaffirms that CSR as an instrument of governance facilitates the integration of ethics into the strategic objectives of the firm (Baldo, 2012). There is recognition in both the CSR and governance literature that business operations and decision making should be in the interest of both shareholders and stakeholders (Freeman, 1984). For example Dahlsrud (2008) is of the opinion that the various definitions of CSR encapsulates social, economic and stakeholder dimensions. One of the most significant debates in modern corporate governance literature relates to the question of whether the effectiveness of the firm's governance arrangements should have implications beyond those of its shareholders to include a wider stakeholder interest, i.e. stakeholder theory (Freeman, 1984; Freeman, Harrison, Wicks, Parmar, & De Colle, 2010). Stakeholder theory views the firm as a collection of implicit and explicit contractual and non-contractual relationships between internal and external stakeholders (Hill & Jones, 1992).

The primary concern is with ascertaining the balance of responsibility, accountability and power between the firm and these stakeholders (Tricker, 2012). Freeman (1984) provides the classic definition of stakeholders as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (p. 46). This is certainly one of the broadest definitions as it leaves the notion of 'stake' and the ambits of possible stakeholders unambiguously open to every individual or group that affects or is affected by the firm. Furthermore, unlike other contracts or relationships which require a reciprocal exchange of benefits between parties, there is no implication or necessity of reciprocal impact between the firm and some of its stakeholders (Mitchell, 1997).

Carroll (1996), however, argues that a wider definition is warranted as firms are affected by, or can be affected by almost any individual or group of individuals. He defines stakeholders as "any individual or group who can affect or is affected by the actions, decisions, policies, practices, or goals of the organisation" (p. 74). However, in reality, this is complex for managers to apply as the notion of comprehensively identifying all stakeholder types can be difficult. This view is supported by researchers such as Tricker (2012) who states that the challenge in adopting a stakeholder approach is that businesses can no longer have a single constituency i.e. the shareholders to satisfy but need to balance the potentially conflicting interests of a diverse set of stakeholders. The OECD (2004), include as one of its principles, the role of stakeholders in corporate governance. It states that an effective governance framework should recognise the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between sound enterprises.

18.3 Stakeholder Theory

Stakeholder theory posits that mechanisms should be adopted to ensure that management safeguards the rights and interests of stakeholders and are accountable for the generation and distribution of wealth in firms (Aguilera, Filatotchev, & Gregory Jackson, 2008). Stakeholder theory is concerned with identifying and resolving inter-stakeholder and intra-stakeholder conflicts. While stakeholder theory conceptualises ways that managers might balance their responsibilities to shareholders and legitimate stakeholders, the reconciliation of such competing 'stakes' can be difficult (Carney, Gedajlovic, & Sujit, 2011). Various academics and researchers have put forward divergent classifications in a bid to gain deeper insight into stakeholder identification and management. Freeman (1994) posits three main stakeholder taxonomies. The first is the stakeholder enabling principle, which is that firms are managed in the interests of stakeholders, such as employees, financiers, customers, employees and communities. The second is the principle of director responsibility. This means that firms have the legal authority and moral responsibility to use reasonable judgment to identify and distribute rights and obligations among stakeholder groups. The third is the principle of stakeholder recourse, which means that stakeholders are provided with a platform to bring actions against directors who fail to discharge the duty of care owed to the firm and stakeholders (Freeman, 1994).

Donaldson and Preston (1995) put forward three-part taxonomy namely: normative stakeholder theory, instrumental stakeholder theory and descriptive stakeholder theory. Normative stakeholder theory is concerned with understanding how the firm should relate to stakeholders. This is because the interests of any individual or group affected by the firm is viewed as intrinsic value which can further the interests of other stakeholder groups, such as shareholders (Donaldson & Preston, 1995). Central questions of normative stakeholder theory focus on how to balance the concerns of different stakeholders (Ulrich, 2008). The instrumental stakeholder theory identifies that some stakeholders are critical for the survival of the firm as they provide resources e.g. employees providing human capital to the company. The principal focus is how to ensure that the firm practices effective stakeholder management thereby paying attention to the stakeholders who can affect the value of the firm in terms of success (Donaldson & Preston, 1995; Jensen, 2001). In order words, this strand establishes a framework for identifying such critical stakeholders and providing them with a voice so as to secure their continuous contribution to the success of the firm (Ulrich, 2008). The descriptive stakeholder theory identifies and classifies stakeholders of the firm without assigning any value statements regarding the legitimacy of their claims or power (Lozano, 2005). This theory is used to reflect and explain the past, present and future state of affairs of firm and their stakeholders. It also describes the firm as a collection of cooperative and competitive interests possessing intrinsic value and as such it provides a framework for testing any empirical claims relevant to the stakeholder concept contained in both the instrumental and descriptive stakeholder theory (Donaldson & Preston, 1995).

Philips, Freeman, and Wicks (2003) streamlined the three stakeholder taxonomy identified by Donaldson and Preston (1995) into two separate categories i.e. normative and derivative stakeholders. Normative stakeholders are those to whom the firm has a direct moral obligation to consider their interests, such as shareholders, creditors, employees, customers, suppliers and local communities. Derivative stakeholders, on the other hand, are individuals or groups who can harm or benefit the firm, but to whom the company has no direct moral obligations. Examples of such stakeholders include competitors, activists, terrorists, and the media. While the firm is not managed for the benefit of derivative stakeholders, the extent of their influence on the firm and normative stakeholders means that their interests must be considered when managers make decisions (Philips et al., 2003). Consequently, the question of stakeholder management depends on the objectives of the firm (Philips et al., 2003). The extent of the voice awarded to stakeholders depends on the firm and the jurisdiction in which the firm operates. However, Philips et al. (2003) opine that irrespective of the voice afforded to stakeholders it is important for the success of the firm that stakeholders are granted some voice. Stakeholder theory seeks to strike a balance between maintaining the economic and social goals of the firm and its stakeholders, while also encouraging the efficient use of resources, accountability in the use of power and stewardship by those in control of the firm (Okeahalam & Akinboade, 2003). Therefore, maintaining harmonious relationships with stakeholders should be of high strategic importance to the firm as this determines its success (Donaldson & Preston, 1995). Management has the responsibility of aligning the diverging interests of stakeholders by effectively adopting appropriate strategies (Freeman, 1984).

18.4 Research Design and Methodology

Data for the study was collected through the use of a face-to-face questionnaire survey of 371 SME owner/managers in Nigeria. The questionnaire uses a combination of closed-ended and Likert scale questions. Closed-ended questions were adopted in relation to the demographic characteristics of the SME owner/managers. A five point Likert scale was used to capture data in relation to SME awareness of CSR and CSR strategies currently adopted by the SME. The advantage of these types of questions rests on the fact that they are easier and relatively quicker to administer. Questions can be answered within a short time, and the respondents can perform with greater reliability the task of answering the questions. The questionnaire is divided into five main sections. Section 18.1 contains demographic information of the SME male and female owner/managers. The questions in Sects. 18.2–18.5 were designed based on sound CSR theoretical principles. Section 18.2 of the questionnaire sought to measure the SME owner/manager's awareness of CSR initiatives. In particular the questions in this section were designed to assess the SME owner/managers adoption of CSR related practices and readiness to adopt CSR initiatives. Section 18.3 sought to elicit information on CSR environmental protection initiatives such as waste management, pollution prevention, water use efficiency, energy use optimization, recycling, refuse collection and disposal. Employee welfare measures such as health and safety at work, medical care, contract transparency, anti-discrimination policies, women rights, training and development activities. Section 18.3 also sought to measure the SME owner/managers' engagement in charity activities, NGO and religious group involvement and community engagement. Section 18.4 sought to explore the SME owner/managers perception of the primary driver which hinder or determine the adoption of socially responsible practices within the firm and institutional factors which have an impact on their firm's engagement in socially responsible practices. The final section of the questionnaire sought to explore the SME owner/managers perception on the importance of socially responsible practices and ethical behaviour towards its employees, the environment and local community, extent to which socially responsible activities are implemented within the firm, reporting structure of CSR initiatives and any public support received. The section also sought to assess the SME owner/managers' perception on the role of Nigerian SME's in promoting CSR within the Nigerian context due to their familiarity with the local community.

The sample target was set in Lagos state as Lagos is the commercial nerve centre of the country and is the most populated and diverse state in the country. As a result of a lack of records from which meaningful random sampling could be drawn, convenient sampling was used to identify the SME owner/managers who participated in the study. The questionnaire was piloted to unearth potential weaknesses so that appropriate corrections were made before the main data collection carried out in September 2013. In order to ensure reliability, the questionnaire was based on sound theoretical underpinnings derived from the CSR and governance literature. Data obtained from the questionnaire was analysed using the Statistical Package for

Social Sciences (SPSS 20.0 for Windows). Descriptive and inferential statistical methods such as factor analysis and Mann–Whitney test were employed. Descriptive statistics such as percentages and mean scores were used to analyse demographic information of the SME owner/managers. Exploratory factor analysis was used as a data reduction tool to identify the most important CSR factors. A non-parametric inferential statistics in the form of Mann–Whitney test was then used to identify statistically significant items. The non-parametric inferential statistics was adopted in light of the fact that a significant portion of the questions posed in the questionnaire are ordinal measurements and also data obtained is not from a specified probability distribution. The Mann–Whitney Test was also used in ascertaining if there are specific differences between male and female SME owners in our sample. The Cronbach's Alpha test was also used to statistically test the internal consistency of various parts of the questionnaire (Bryman & Bell, 2011). The Cronbach Alpha coefficient in the questionnaire is 0.90. As the internal reliability value is above 0.80, the study has a satisfactory level of internal consistency.

18.5 Demographic Characteristics of the SME Owner/ Managers

Table 18.1 below presents the demographic profile of the male and female entrepreneurs who took part in the study. The mean and median value in relation to gender shows that there were more male entrepreneurs with an average score of 1.49 and a median value of 1.00. The percentage value also shows that there were more male entrepreneurs than female entrepreneurs as 51.2 % of the entrepreneurs were male and 48.8 % were female. The mean score in relation to the age of the entrepreneurs was 3.01 and the median value was 3.00, consequently the finding shows that the average male and female entrepreneurs are between 31 and 40 years of age. Many of the SME owner/managers were educated above secondary level. The finding shows that 46.4 % of the entrepreneurs had obtained diplomas, 27.2 % had obtained a postgraduate/professional qualification and 16.7 % obtained degrees. The mean score in relation to the level of educational attainment also confirms that the average entrepreneur was educated to diploma level with an average mean score of 2.61. The median score shows that majority of the entrepreneurs had indicated that they had obtained a diploma with a median value of 2.00. Findings in relation to motivation for business set-up show that many of the entrepreneurs were motivated to set up their business by a variety of factors ranging from unemployment, finance, desire to be independent, self-fulfillment and an attractive life style. Entrepreneurs motived to set up their business by 'financial motives' represented 48.5 %, followed by those motivated to set up their business as a result of the 'desire to be independent' representing 35.6 %. 5.7 % were motivated to set-up their business as a result of the need for 'self-fulfillment, while 5.4 % were motivated by 'unemployment'. 4.9 % of the entrepreneurs were motivated by an 'attractive lifestyle'. The mean score in relation to motivation for business start-up was 1.99 and the median value was 2.00 respectively. This finding confirms that many of the entrepreneurs involved in the study were motivated to set-up their business by 'financial motives' and 'the desire to be independent'. The finding in relation to business structures shows that 56.9 % of the entrepreneurs stated that they were sole proprietorship businesses, 32.3 % stated that they were Limited Liability companies. Only 5.9 % of the entrepreneurs stated that they were partnership firms. The mean value in relation to business structures is 1.71 and the median value is 1.00, this reveals that majority of the businesses operated as sole proprietorship businesses. Many of the businesses were between 11 and 20 years old representing 48.8 %. In addition, the mean score in relation to firm age shows an average of 2.39. The median value shows that many of the firms indicated that they were between 11 and 20 years of age with a median value of 3.00. Findings in relation to firm size show that many of the businesses are small. 41.0 % had between 1 and 5 employees. 27.2 % had between 11–20 employees and 21.8 % employed above 21 employees. The finding also shows that 10.0 % employed between 6 and 10 employees. Many of the businesses operated in the service sector representing 29.9 %, commerce/retail representing 22.4 and agriculture 20.8 %. The mean score in relation to firm sector shows an average score of 2.85 and a higher representation of entrepreneurs in the service sector with a median value of 3.00.

18.5.1 Factor Analysis

Exploratory factor analysis was used to establish composite variables representing primary drivers that determine the adoption of socially responsible practices among SME owner/managers in Nigeria and institutional impact on the SME engagement with CSR. All the assumptions for exploratory factor analysis were met (see Table 18.2 below). The Bartlett's Test of Sphericity and the Kaiser-Meyer-Olkin value suggests that the data can be used appropriately for factor analysis.

Principal axis of extraction was conducted in order to determine construct validity. The exploratory factor analysis yielded a 2-factor solution accounting for 60 % of the variance with eigenvalues greater than 1. The scree plot in Fig. 18.1 below also shows a clear inflection at three factors. The initial eigenvalue total score for Factor 1 is 41.815 and Factor 2 is 18.875. Due to the fact that Factor 1 and 2 generated the highest eigenvalue and a combined value of 60& of the variance, the analysis will focus solely on Factors 1 and 2. Table 18.3 below shows the final rotated factors. Many of the variables loaded mainly on one factor each, as such are distinguishable when considering the specific variables. Factor 1 loaded more items compared to factor 2. The items retained for each factor shows that 16 items measuring generic factors which hinder the adoption of socially responsible practices and institutional impact on SME's ability to engage in CSR.

Table 18.1 Demographic characteristics of male and female owner/managers

Demographic characteristics	Percentages	Median	Mean
Gender			
Male	51.2	1.00	1.49
Female	48.8		
Age			
Below 20	4.9	3.00	3.01
21–30	15.4		
31–40	53.6		
Above 41	26.1		
Academic qualifications			
Secondary/primary school qualifications	9.7	2.00	2.61
Diploma	46.4		
Bachelor's degree	16.7		
Postgraduate degree/Professional	27.2		
Business structures			
Sole trader	61.7	1.00	1.71
Partnership	5.9		
Company	32.3		
Firm sector			
Agriculture	20.8	3.00	2.85
Manufacturing	16.4		
Service	29.9		
Commerce and retail	22.4		
Construction	10.5		
Firm age			
1–5	30.5	3.00	2.39
6–10	10.5		
11–20	48.8		
Above 20	10.2		
Number of employees			
1–5	41.0	2.00	2.30
6–10	10.0		
11–20	27.2		
Above 21	21.8		
Motivation for firm set-up			
Financial motivation	48.5	2.00	1.99
Desire to be independent	35.6		
Self-fulfilment	5.7		
Attractive lifestyle	4.9		
Unemployment	5.4		

Table 18.2 KMO and Bartlett's test

Kaiser-Meyer-Olkin measure of sampling adequacy		0.751
Bartlett's test of sphericity	Approx. Chi-square	2541.096
	Df	91
	Sig.	0.000

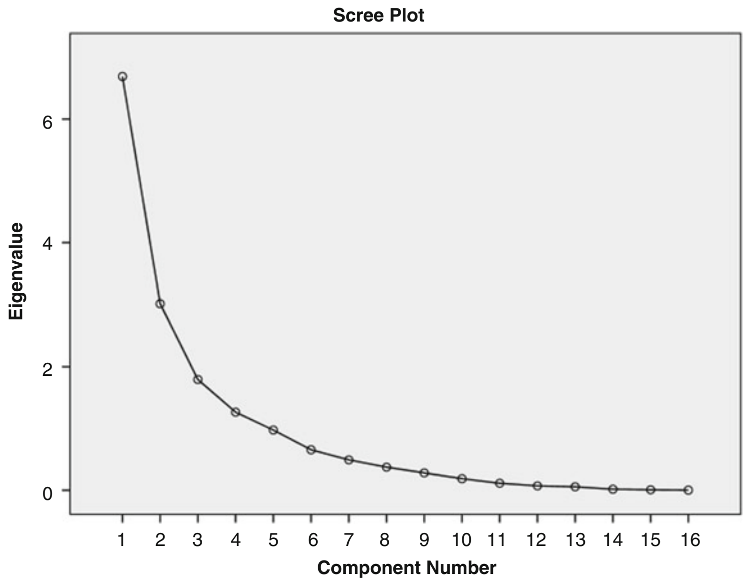

Fig. 18.1 Scree plot

Table 18.3 Factor loading

CSR	Component 1	Component 2
Societal values	0.921	
Religious beliefs	0.912	
Monitoring and auditing costs	0.872	
Lack of efficient government and NGO institutions	0.862	
Cultural traditions	0.851	
Low return on investment	0.778	
Complex procedures and measurement and reporting	0.722	
Lack of financial resources	0.602	
No visible gain		0.806
Lack of know-how and expertise		0.755
Lack of understanding of the issue and its benefits		0.746

18.6 Descriptive and Inferential Analysis

The items in Factor 1 relate to primary barriers that hinder the adoption of socially responsible practices as well as institutional factors which have an impact on the firm's ability to engage in CSR related activities. The finding obtained from the Mann–Whitney (M-W) test shows that there are gender differences. Items 2, 3 and 4 in factor 1 are very significant at (0.02). The M-W results indicate that there was no significant difference in the responses provided by the male and female SME owner/managers in relation to items 1, 5, 6, 7 and 8. A close examination of the mean rank shows that female SME owner/manager agreed more that religious beliefs has a greater impact on their firm's engagement in CSR related activities. The mean rank also reveals that female SME owner/managers agreed that complex monitoring and auditing costs as well as lack of efficient government and NGO institutions were primary barriers that hinder the adoption of socially responsible practices. The finding is supported by previous research for example Coppa and Siramesh (2013) in their survey of CSR among Italian SME found that NGO's were not considered strong drivers of CSR in SMEs. Furthermore research work carried out by Amaeshi et al. (2006)) reports similar findings in relation to religion as a driver of CSR activities among Nigerian.

The items in Factor 2 relate to primary barriers that hinder Nigerian SME adoption of socially responsible practices. Table 18.5 below reveals remarkable differences and similarities between the male and female SME owner/managers. The M-W results indicate that there is no statistically significant difference between male and female SME owner/managers in relation to item 2 of Factor 2. However, the M-W test shows significant differences in relation to items 1 and 3. Items 1 and 3 are very significant at (0.00). The result of the mean rank shows that female SME owner/managers had a higher mean rank than male SME owner/managers in relation to both items 1 and 3, indicating that the female owner/managers agreed more that the perception that there is no visible gain in engaging with CSR related activities is a primary barrier hindering the adoption of socially responsible practices. In addition the female SME owner/managers agreed more than male owner/managers with the fact that a lack of understanding of CSR issues and benefits is a primary barrier which hinders the adoption of CSR practices in Nigeria. Our results find support in previous research which posits that SME's lack knowledge and know-how in relation to CSR issues act as a barrier to their ability to effectively engage in CSR related activities (Murillo & Lozano, 2006).

An overall female advantage can be seen in relation to many of the items in both Factor 1 and 2 as shown in Tables 18.4 and 18.5. The result of the M-W test shows statistically significant differences in the responses provided by the male and female SME owner/manager in relation to item 2, 3 and 4 (0.02) of Factor 1 and item 1 and 3 (0.00) of Factor 2. The mean rank shows that female SME owner/managers scored higher than their male counterparts in all the statistically significant items.

Table 18.4 Mean score of responses obtained from the male and female SME owner/managers in relation to factor 1

CSR issues 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree	M-W asymp. Sig. (2-tailed)	Gender	N	Group mean	Std.	Mean rank
Societal values	0.47	Male	190	4.67	0.47	185.98
		Female	181	4.40	1.20	186.02
Religious beliefs	0.02	Male	190	4.56	0.49	176.97
		Female	181	4.40	1.20	195.48
Monitoring and auditing costs	0.02	Male	190	4.55	0.49	177.04
		Female	181	4.40	1.20	195.41
Lack of efficient government and NGO institutions	0.02	Male	190	4.56	0.49	176.97
		Female	181	4.40	1.20	195.48
Cultural traditions	0.45	Male	190	4.55	0.49	185.54
		Female	181	4.30	1.18	186.48
Low return on investment	0.34	Male	190	4.11	0.87	184.25
		Female	181	3.99	1.26	187.84
Complex procedures and reporting	0.24	Male	190	4.21	0.78	189.52
		Female	181	3.80	1.53	182.31
Lack of financial resources	0.30	Male	190	4.12	1.28	183.59
		Female	181	4.09	1.38	188.52

Table 18.5 Mean Score of Responses Obtained from the Male and Female SME Owner/managers in relation to Factor 2

CSR Issues 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree	M-W Asymp. sig. (2-tailed)	Gender	N	Group mean	Std.	Mean rank
No Visible gain in engaging with CSR related activities	0.00	Male	190	2.54	1.18	170.72
		Female	181	2.99	1.61	202.04
Lack of expertise and know-how on CSR issues	0.27	Male	190	2.99	1.34	182.93
		Female	181	3.00	1.73	189.22
Lack of understanding of CSR issues and benefits	0.00	Male	190	2.77	1.56	169.91
		Female	181	3.29	1.79	202.90

18.7 Discussion of Findings

The discussion in this section focuses on a review of the descriptive results (percentage value) obtained from the remaining items in our questionnaire survey with the SME owner/managers. The discussion below is presented in light of the four research questions which guided the study identified in the introductory section.

18.7.1 Are SME's in Nigeria Aware of CSR Initiative, if so, What Motivates SME's in Nigeria to Engage in CSR Related Activities?

The finding shows that 85.4 % of SME's in Nigeria was aware of the concept of corporate social responsibility. This finding supports research finding by Amaeshi et al. (2006)). The finding shows that more male SME owner/managers representing 59.9 % were aware of CSR practices compared to 40.1 % of the female owner/managers. Our findings here do not support previous research which posits that SME's lack awareness of CSR (Jenkins, 2006; Murillo & Lozano, 2006). All of the owner/managers who took part in the survey unanimously agreed that a business has to behave responsibly and ethically towards stakeholders and in particular its employees, environment and community in order to ensure long-term prosperity thus further highlighting the importance attached to CSR. This finding is supported by research conducted by Murillo and Lozano (2006) and Perrini et al. (2009) who found that SME's are more likely to embrace programs which involve their employees and the local communities in which the SME operates. When asked their perception about the meaning of CSR as a concept, 38.5 % stated that CSR involves guidelines for responsible governance, environment and social issues; 30.5 % stated that CSR means involvement with local community welfare; 20.5 % stated that CSR represents a set of Western-Style standards transposed into the Nigerian socio-cultural milieu while 10.5 % stated that CSR represents monitoring system imposed from foreign companies. An overwhelming majority representing 95.1 % stated that they were involved in CSR related activities through religious/church groups and youth and community welfare programs. The result finds support in previous research which suggests that SME actively engage in philanthropic activities for example through religion/church (Giovanna et al., 2012). The results show that CSR practices in Nigeria is primarily driven by three key factors namely ties and integration with local community (representing 95.1 %); ethical, moral and personal values (representing 87.7 %); religious and cultural beliefs (representing 83.6 %). The result is not surprising, for example the finding in relation to religion as a driver of CSR is to be expected as many Nigerians openly profess some type of religion and religious associations are very dominant in many aspects of people's lives. Amaeshi et al. (2006) suggest that CSR as philanthropy in the Nigerian context could be connected to religious influences. In light of the importance attached to gifts and sacrifices within certain religion, such practice could be easily transposed into business understanding and practices. Furthermore the high responses received from the SME owner/managers in relation to ethical, moral and personal values as key drivers of CSR finds support in the seminal article by Quinn (1997).

18.7.2 What Strategy Do SME's Adopt in Promoting CSR Initiatives in Nigeria and What Is the SME Owner/Managers Intention for CSR Activities in the Future?

Majority of the SME owner/managers stated that their firm's socially responsible and ethical behaviour towards the environment and local community was very important. 78.0 % of the SME owner/managers adopt informal code of ethics/policy statements which measure social and environmental CSR related activities. This finds support in the research work carried out by various authors who found that CSR activities of SME's tend to be informal in nature and often times fragmented (Maitland, 2002; Perrini et al., 2009; Jamali et al., 2009). Of the 371 SME owner/managers who took part in the study, 82 stated that they adopted formal strategies which measure social and environmental related activities. Of the 82 SME owner/managers, 42 were educated to degree level, 22 had postgraduate and professional level qualifications and 18 were educated to diploma level. The finding is compelling that the educational attainment of the SME owner/manager has an impact on CSR strategies adopted. This result is supported by research work carried out by Hsu and Cheng (2012) who found that the impact of CSR initiatives is greater among SME owner/managers with graduate level degrees.

The finding also show that many of the male and female SME owner/managers engage in CSR practices such as environmental protection, labour welfare measures and charity activities. More male SME owner/managers representing 60.6 % compared to 39.4 % of female SME owner/managers stated that they engage in environmental protection such as waste management, pollution prevention, water and energy use efficiency, recycling, refuse collection and disposal. Our findings do not support previous research which posits that SME's are not interested in formalizing CSR practices (Tanzler, Keese, & Hauer, 2010). To the contrary the SME owner/managers involved in the study exhibit a keenness for CSR. When asked in relation to the firms future intention for external social and environmental activities, 57.1 % stated that they intend to continue with the current level while 42.9 % of the SME owner/managers stated that they would like to increase their CSR participation.

18.7.3 Are NGO's Effective in Promoting CSR Amongst Nigerian SME's?

The findings show that majority of the SME owner/managers stated that they were not aware of external organisations or NGO's who deal with CSR issues. The result show that on 61 of the 371 SME owner/managers who took part in the study were aware of NGO's, 43 of whom were educated to graduate level. The finding shows that the SME owner/managers who were aware of external organisations or NGO's were better educated. Coppa and Sriramesh in their study of CSR among SME's in

Italy suggest that NGO's are weak drivers of CSR activities among SME's due to their limited resources and the need to focus attention on larger corporations. In addition the findings show poor government initiatives towards CSR related activities. Majority of the SME owner/managers representing 94.3 % stated that they had not received any public support, incentives or subsidy for CSR.

18.7.4 What Are the Challenges of CSR Amongst SME's in Nigeria?

In-spite of encouraging findings in relation to Nigerian SME awareness of CSR and their willingness to engage in CSR related activities, the finding shows that majority of the SME's representing 83.6 % fail to publish any report on socially responsible practices. Our finding finds support in the work of Murillo and Lozano (2006) who state that SME do not have formalized reporting structures to communicate or disclose CSR activities, nevertheless the findings show that the SME owner/managers in the survey were actively involved with CSR. There was unanimous agreement among the SME owner/managers that adopting effective CSR practices is more challenging in a country like Nigeria due to a variety of factors ranging from weak government incentives, lack of media coverage, weak NGO presence, weak state regulations and ineffective legal regulatory system. The SME owner/managers were asked their perception in relation to whether SME's were being better suited to CSR on a local level compared to MNC's or larger corporations due to their familiarity with local community. Majority of the owner/managers representing 57.7 % did not agree with this statement. They stated that Nigerian SME's were not better suited when compared to MNC's or other larger corporations due to SME's lack of understanding of the issues and its benefits, lack of SME expertise and know-how and lack of time and financial resources in order to effectively engage in CSR related activities. The perception echoed by the SME owner/managers in relation to lack of SME expertise and know-how on CSR as a barrier is support by past research which asserts that SMEs lack the resources needed for CSR and are prevented from active CSR engagement due to various factors ranging from their size, lack of financial resources and expertise on CSR issues (Lepoutre & Heene, 2006; Ortiz & Kuhne, 2008; Blomback & Wigren, 2009).

18.8 Conclusion

In light of the often contested nature of CSR, it is clear to see why it is becoming increasingly important to study CSR practices and initiatives (Amaeshi & Adi, 2007; Gond, Kang, & Moon, 2011). The impact of such studies is of significant importance to countries such as Nigeria where lack of credible research makes any meaningful comparison challenging. There is evidence to suggest that CSR practices tends to be rooted in existing institutions, societal and cultural practices which exists within the country (Amaeshi et al., 2006). Consequently, caution needs to be exercised when devising and implementing strategies as there is no one-size fits all approach. The burgeoning body of academic literature on CSR is rooted in the Anglo-American perspective, Western models may not be relevant to emerging or developing countries such as Nigeria, thus there is a need that the cultural, legal, economic, social and political differences between countries is taken into account when considering the implementation of a common, global framework. Furthermore, there is a need to ensure that a balance is maintained between strategies and competitive advantage so as not to impede on SME productivity or prevent SME owner/managers from achieving and maintaining their first responsibility of ensuring wealth maximisation and enhancing the long-term prosperity of their business, while also ensure that they are able to fulfill their corporate social responsibility towards stakeholders and the wider community. The findings obtained from this study suggest a strong link between the SME owner/managers personal values and the SME's inculcation to the local socio-economic environment. Consequently, more concerted effort from government institutions and NGO's is needed in order ensure devise strategies which encourage CSR awareness among SME owner/managers. The strategies should include the creation of local centers and business associations which promote CSR best practices, CSR networking, educating and training SME owner/managers on key CSR issues, promoting better understanding of CSR issues and associated benefits in order to foster more formal SME engagement with CSR related activities. The evidence is compelling that there is a need for CSR strategies if adopted in Nigeria to be continually shaped by prevalent legal, institutional and regulatory frameworks as well as socio-cultural norms and practices, political and economic climate within the Nigerian environment as well as universally accepted ethical ideology.

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Chapter 19
Sticks in a Bundle Are Unbreakable: The Creation of a Kenyan CSR Knowledge Centre and Business Network

Lars Moratis and Anne-Marie Slaa

Abstract With a growing economy and being an increasingly popular investment destination, both domestic and foreign business activity in Kenya has surged over the past years. In addition, the country has a relatively young population and many of the country's economic sectors offer business opportunities. Despite these developments, the country has faced challenges on various dimensions of social-economic development. Against this background, corporate social responsibility (CSR), defined as firms' roles and responsibilities in contributing to a more inclusive and sustainable economy, may play an important role in combating social and ecological challenges and strengthening Kenyan business at the same time.

Dutch and Kenyan governments and businesses have taken the initiative to develop a knowledge centre for sustainable and inclusive business in Kenya (KSIB-K). This initiative sprung from a Dutch trade mission to Kenya in 2013. The Dutch CSR knowledge centre, MVO Nederland, was invited to contribute in this trade mission with the objective to disseminate knowledge and expertise on CSR and participate in a multi-stakeholder dialogue on CSR in the Kenyan flower sector. After a series of roundtables talks on CSR and sustainability in which Kenyan and Dutch organizations participated, the plan was conceived to develop KSIB-K and, as an integral part of it, build a local CSR business network. Among the goals of the KSIB-K are building CSR skills in Kenyan firms, propagating a holistic view of CSR that goes beyond philanthropic conceptions of the subject, CSR best practice and knowledge sharing, and stimulating doing responsible business both within Kenya and between Kenya and its business partners, including the Netherlands. While individual Kenyan companies may lack the resources, skills, willingness and experience to engage in responsible business, a CSR business network could bundle these and existing initiatives to create a movement of inclusive and sustainable business that benefits companies and society alike.

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This chapter will focus on the short history of the initiative to develop KSIB-K and the Kenyan CSR business network, place it within the current 'state of CSR thinking and practice' in Kenya and its role in international business and sketch its roadmap for the years to come. This chapter will also pay attention to the role of governments in encouraging responsible business, activities that will be deployed to stimulate Kenyan business to develop CSR knowledge and skills, and possible risks associated with developing such a new CSR business network.

19.1 Introduction

Governments have an important role to play in encouraging responsible business behavior. However, in developing country contexts where governments lack the capacity to effectively address the challenges of stimulating and aligning economic, social and ecological development, the role of the public sector in corporate social responsibility (CSR) is to a large extent absent. This is not to say that CSR is of little importance to developing countries. On the contrary: business has a crucial role to play in realizing sustainable development on the economic, ecological and social dimensions and the involvement of business in this sustainability agenda may be a crucial task for governments of developing countries.

This chapter reports on the development of a CSR knowledge centre and business network in Kenya through a project financed by the Dutch Ministry of Foreign Affairs. This project, which aims to have the knowledge centre operational in 2016, is led by MVO Nederland (CSR Netherlands), the primary CSR business network in the Netherlands which aims to strengthen the CSR infrastructure in Kenya by promoting a collaborative, multi-stakeholder approach to CSR. The establishment of this knowledge centre may serve as an illustration of the roles governments of both developing countries and their developed country counterparts can play in CSR.

To position this chapter and provide context with the topic at hand, we first briefly focus on the role of governments in CSR, distinguishing between several government roles and public policy perspectives in stimulating CSR. While academic literature has particularly focused on *within-country* government roles in CSR, we contribute to this literature by adding a *between-country* perspective on government roles in CSR. In particular, we zoom in on the role of the government in developing a CSR learning network infrastructure and present the case of CSR Netherlands as an example. Second, we explore conceptions of CSR in Kenya, describe the current national CSR infrastructure and identify several challenges for the further development of CSR in Kenya. We then turn to the development of a Kenyan CSR business network by elaborating on the aforementioned project. The origins, expected results and drivers and barriers of establishing this CSR business network are addressed and we set out a roadmap for the development of the network for the years to come. We end this chapter with several conclusions that can be drawn from reflecting on the experiences with setting up the Kenyan CSR business network so far and the roles of both the Dutch and Kenyan governments in it.

19.2 The Role of Governments in CSR

Several scholars have interpreted CSR as an alternative to governments, "*filling gaps in governance that have arisen with the acceleration of liberal economic globalisation*" (Blowfield & Frynas, 2005, p. 508; cf. Moon & Vogel, 2008). As such, CSR, defined as firms' roles and responsibilities in contributing to a more inclusive and sustainable economy, can be seen as both complementing and substituting, including preventing and reducing, government policy (Steurer, 2010; Fleming & Jones, 2013). CSR, in this sense, represents a private form of societal governance next to and perhaps even beyond government policy. Although private and hybrid modes of governance have gained a lot of attention in recent years, governments still have an important role to play in shaping responsible business behavior (Jones, 2010). As the focus of CSR is essentially about firm behavior and its effects on stakeholders and society, state actors are both well-positioned and mandated to discipline firm behavior (e.g., Hamman et al., 2005; Blowfield & Frynas, 2005) and governments hence play a central role in building institutional CSR infrastructures including public policies and regulations in the context of responsible business behavior, voluntary business initiatives, CSR principles, standards and codes, reporting and verification systems, CSR-oriented multi-stakeholder initiatives, and CSR business networks (Waddock, 2008).

Based on a literature review, Steurer (2010) argues that governments are interested in CSR for several reasons. First, as CSR is concerned with the redistribution of corporate resources to public causes (Liston-Heyes & Ceton, 2007); companies can help governments to meet policy objectives in the social and environmental realm on a voluntary basis. Second, in cases where new laws and regulations are undesirable or unfeasible, CSR policies and stimulating corporate engagement in non-binding initiatives related to sustainable development may serve as complementary instruments. Third, Steurer (2010, p. 1) argues that "*CSR policies coincide with a broader transition of public governance altogether*, *which leads away from hierarchical regulation towards more network-like and partnering modes of self- and co-regulation*." Fourth, in addition to changing management routines, CSR reshapes the responsibilities of and relations between the corporate sector, governments and civil society. As such, CSR has to do with redefining roles of actors in various public spheres in societal change. Liu & Vredenburg (2014) recently wrote in the Latin American and European context that government-induced CSR initiatives can contribute to the creation of national competitiveness.

19.2.1 Typology of Government Roles

Literature and research on government roles in CSR has distinguished various roles for governments. Fox et al. (2002) developed a taxonomy consisting of four government roles in CSR: a mandating role (defining minimum standards for business performance within a legal framework), a facilitating role (enabling or incentivizing firms to actively engage in CSR), a partnering role (participating in, convening or facilitating collaboration between business, civil society and government) and an endorsing role (demonstrating, recognizing and rewarding CSR performance). It should be noted that government roles are not as clear-cut and mutually distinguishable in practice as this taxonomy suggests. Next to the fact that these roles overlap to a certain extent, government roles (and how these are manifested in public policy in the CSR domain), are usually hybrid, taking the form of varying constellations of the aforementioned. Moon (2004) has also suggested that governments can act as an important driver or catalyst of CSR through various roles and activities, including encouraging CSR through ministerial leadership, stimulating new and existing business associations to adopt CSR, subsidising CSR activities and organizations, and the development of soft-law. Comparing CSR initiatives and public policies in Italy, Norway and the United Kingdom, Albareda et al. (2008) have identified several governmental strategies in the European CSR domain, ranging from a more directional to a more relational approach. The authors explain differences in CSR public policies through diverging cultural and political frameworks (e.g., the type of welfare state model adopted), organizational structures of governments and the social and cultural background of business and society relations. In the Italian context, CSR is shaped by an extensive, multi-stakeholder approach, involving both businesses and regional and local governments. Norwegian governments have coordinated a business-driven CSR strategy through related public policies and programs. While in Italy CSR is seen as the business contribution to sustainable development, in Norway CSR policy is viewed as separate from sustainable development policy. In the United Kingdom CSR is integrated in sustainable development policy and government policy is focused on more traditional legislative strategies.

Steurer et al. (2008) identify four thematic fields of action or CSR policy themes, including raising awareness for CSR, improving transparency of corporate environmental and social performance, fostering socially responsible investment, and leading by example. Specifically for developing countries, Fox et al. (2002) add that governments can work on capacity building to shape the CSR agenda, building a stable and transparent environment for pro-CSR investments, engaging the private sector in public policy processes and the development of frameworks for assessing local and national priorities in relation to CSR (cf. Idemudia, 2011). Ward (2004) in this respect notes that "*evidence is increasingly emerging that the effectiveness of the existing body of CSR tools—such as codes of conduct, labels, or certification schemes—can be improved only with the help and direct engagement of public sector agencies in developing countries*" (p. 8). As one of five priorities for governments in developing countries she points at the importance of public sector leadership able to help achieve appropriate linkages between the CSR practices of foreign companies and the development of local enterprises. Although the legislative role of governments in CSR has been subject to fierce academic and political debates (Visser, 2011), in various developing countries and emerging economies, government involvement in CSR seems to be focussing exactly on this role with 'CSR laws' in India, Indonesia, Nigeria and Malaysia as notable examples. Visser (2013), for instance, has argued on the content of India's CSR legislation that it locks companies in a philanthropic rather than a strategic CSR mindset and points at the weak or even absent monitoring and enforcing capacity that is typical for corrupt governments. Visser however does admit that "*governments should focus on effective regulation of the issues that sustainable business is trying to address* (*biodiversity loss*, *labor conditions*, *climate change*, *transparency*, *etc*.) *rather than regulating sustainable business activities per se*."

19.3 CSR in the Netherlands: A Collaborative Approach Towards CSR

In the Netherlands, the Dutch 'Sociaal- Economische Raad' (Social Economic Council, SEC), an important advisory council for the Dutch administration, acknowledged and explored the various governmental roles in its vision on the development of CSR in the Netherlands already in the early twentieth century. The SEC (2000) argued that in order to encourage CSR in the Netherlands, Dutch governments should preferably develop a facilitative rather than a legislative strategy, primarily based on the enabling function of the government. While this facilitative strategy has manifested itself in various initiatives in the Netherlands, such as financial and fiscal arrangement for companies and informing businesses on CSR, the most visible initiative taken based on the advice of the SEC has been the development of a CSR knowledge and network centre, called MVO Nederland (CSR Netherlands).

19.3.1 CSR Netherlands

CSR Netherlands was based on the SEC's plea for encouraging responsible behavior through "*bringing parties together*, *developing and disseminating know-how and above all*, *promoting transparency so that stakeholders can form a clear opinion of CSR*" (Sociaal Economische Raad, 2000, p. 99). Since its inception in 2004, CSR Netherlands has developed itself into the primary CSR business network in the Netherlands. While the organization started out as a government-funded organization under the auspice of the Dutch Ministry of Economic Affairs, it is now being financed through revenues stemming from activities that are paid for by governments and businesses alike. Taking a collaborative, multi-stakeholder approach to developing CSR, the main objective of CSR Netherlands is to support companies, sectors and supply chains in realizing sustainability opportunities, improve their CSR performance and comply with sustainability standards. It does so by inspiring, connecting and strengthening organizations and their CSR activities (MVO Nederland, 2013). As such, CSR the Netherlands takes a central role in both the creation of the national CSR infrastructure and helping companies in navigating it (cf. Waddock, 2008).

With currently over 2000 member organizations, one of the main goals of CSR the Netherlands is getting members actively involved in networks to enable businesses to engage in learning processes (cf. Von Weltzien Hoivik, 2011; Von Weltzien Hoivik & Shankar, 2011), sharing knowledge and experience on CSR implementation and encourage peer-to-peer exchange. Bearing in mind the categorization of government roles by Steurer (2010), CSR Netherlands has primarily taken a facilitating role and has blended this role with a partnering orientation through convening collaboration between businesses, civil society organizations and governments. In addition, CSR Netherlands has taken an informal endorsing role, highlighting CSR best practice. CSR Netherlands has experienced that facilitating this peer-to-peer exchange and organizing learning networks is crucial for the future of CSR within business as it creates commitment, encourages a deep involvement of its members in its activities and enables its members to collaborate with each other on topics of mutual interest. This collaborative approach is reflected in its current slogan 'Changing Together', adopted in 2011.

19.3.2 A Model for CSR Business Networks Worldwide?

Over the past few years, CSR Netherlands has become active in what has been labelled in the Netherlands as 'international CSR' (ICSR). Although many sustainability issues have an international dimension and thus are integral to the CSR concept (cf. Dahlsrud, 2008; Kolk & Van Tulder, 2010), the theme of ICSR has become especially relevant over the past few years. A landmark moment in this regard was the publication of a follow-up report of the Dutch SEC which specifically addressed sustainability issues such as child labour and corruption in international supply chains of companies. CSR Netherlands has been carrying out a policy program for the Dutch Ministry of Foreign Affairs, stimulating Dutch entrepreneurs to do business in emerging economies in a responsible manner. One of the instruments to do this is the creation of ICSR vouchers which allows companies to acquire information and advice through consulting firms about, for instance, developing countries which they consider to expand their activities in.

As a spin-off of its activities in the context of this ICSR agenda, CSR Netherlands has recently become active itself in developing countries as it was invited by Dutch embassies to share its knowledge and experiences on CSR and the development of local CSR business networks. While this is a recognition of the importance of the role of that CSR plays in developing countries by the Dutch government (see Box 19.1), it also represents a new policy agenda that blends traditional aims of development cooperation with the economic agenda of a country that is dependent on international trade (cf. Stiglitz, 2000). CSR Netherlands is now active in various countries, including Albania, Ukraine, Sri Lanka, and Kenya, where it is involved in the creation and development of local CSR business networks. While the role of CSR Netherlands still has a facilitation and convening focus, this new branch of CSR activity reflects a *between-country* governmental role rather than a traditional *within-country* role of governments in CSR.

The set-up of a local CSR business network in Kenya is progressing most rapidly among these international examples and this chapter reports on, among other things, the origins, objectives, activities, and lessons learned so far in the development of this network. Before elaborating on these topics, the next section of this chapter turns the attention to CSR in Kenya in order to provide the necessary context in which this development takes place.

Box 19.1—Why CSR in Developing Countries Is Important
Developing countries:

1. Represent the most rapidly expanding economies, and hence the most lucrative growth markets for business;
2. Are where the social and environmental crises are usually most acutely felt in the world;
3. Are where globalization, economic growth, investment, and business activity are likely to have the most dramatic social and environmental impacts (both positive and negative);
4. Present a distinctive set of CSR agenda challenges which are collectively quite different to those faced in the developed world.

Source: Visser (2008)

19.4 CSR in Kenya[1]

CSR can take many guises and may have varying interpretations, not only within one particular country or within a business sector, but also in an international context (Moon, 2002; Okoye 2009). Van Marrewijk (2003) has argued that multiple versions of CSR exist that develop subsequently, depending on evolving value patterns and levels of human development. Cultural and religious aspects as well as

[1] See for a detailed exposé on CSR in Kenya the recent work of Cheruiyot & Tarus (2015).

economic development levels hence also influence interpretations of CSR that exist worldwide (cf. Burton et al., 2000). In a similar manner, challenges in developing a CSR infrastructure differ depending on institutional aspects within countries and geographic regions. In order to provide an understanding of the context in which the development of a CSR business network in Kenya takes place, the next sections subsequently address Kenyan interpretations of CSR, challenges in developing CSR in Kenya and the fragmented institutional CSR environment in Kenya.

19.4.1 Kenyan Interpretations of CSR

CSR discourse has been dominated by Western interpretations of what constitutes responsible business, particularly focussing on Europe and North America (Chapple & Moon, 2005). More recently, CSR scholars have started to focus on emerging economies, such as Brazil, China and India (cf. Moon & Shen, 2010; Liu & Vredenburg, 2014). Interestingly, CSR research that zooms in on developing countries is still relatively scarce (Muthuri & Gilbert, 2011), while it may be easily assumed that neither Western-style CSR or CSR as it is manifested in emerging economies is not simply mimicked by developing countries and indigenous factors play a role (cf. Amaeshi et al., 2006). This holds true for CSR research in Africa in general and for individual countries such as Kenya as well. Studies on CSR in Africa tend to focus on sectors, thereby not taking into account country-specific CSR aspects and interpretations (Cheruiyot & Tarus, 2015). As Ward et al. (2007, p. 1) note, "*National CSR agendas in middle and low-income countries have been less visible internationally*, *and have often not been labelled* '*CSR*'".

A well-known framework for understanding CSR is Carroll's 'pyramid of CSR', consisting of economic, legal, ethical and philanthropic responsibilities (Carroll, 1991). Various authors have argued that Carroll's model particularly applies to the US context, but does not hold well from a European perspective (Crane & Matten, 2007) or from the perspective of developing countries (Visser et al., 2006). In developing countries, Visser (2008) argues that "*economic responsibilities still get the most emphasis. However*, *philanthropy is given second highest priority*, *followed by legal and then ethical responsibilities*" (p. 489). The specific interpretation, relevance and applicability of CSR varies across countries because there is always a context-specific relevance to CSR (Muthuri & Gilbert, 2011). Government action and public policies, especially in cases where governments of Western countries aim to support the development of a CSR infrastructure in a developing country or emerging economy, should hence reckon with local interpretations of CSR (Ward et al., 2007).

In the case of Kenya, several characteristics pertaining to CSR stand out. On the one hand, Kenya has made strong economic progress in the last decades: it is the largest economy in Eastern Africa and functions as a regional trade and finance hub. On the other, the country still faces major challenges including an unequal distribution of wealth, high unemployment and poverty rates, inflation and high food prices. Kenya is rated only 147th of the world's countries on the Human Development Index 2014, making it a country in the category 'low human development' (UNDP, 2014). From this perspective, it is no surprise that CSR in Kenya is often linked with huge challenges in the domains of poverty reduction, socio-economic development and community development (Cheruiyot & Tarus, 2015). Traditionally, the philanthropic responsibilities of businesses get a lot of emphasis in Kenya (Kivuitu et al., 2005; GIZ, 2012). Only since recently a move from the philanthropic perspective towards a more strategic CSR approach can be observed. CSR activities are getting increasingly connected with companies' visions and missions and various multinational companies in Kenya have been successful in integrating CSR within their core business (GIZ, 2012). Empirical research also reveals that international companies operating in Kenya, more often than domestic companies, address community, environmental, workplace and marketplace aspects of CSR. The emphasis of local companies often lies on community issues (e.g. HIV/AIDS, health, education) and to a lesser extent on the environment (Muthuri & Gilbert, 2011). While Kenyan companies are making progress in the transition towards strategic CSR as foreign trade markets pressure them companies to adhere to international social and environmental standards, many companies still tend to excel in certain aspects of CSR while neglecting other important issues. This represents a major challenge for the strategic integration of CSR (GIZ, 2012).

19.4.2 Fragmented Institutional CSR Environment

In general, CSR is less formalized and institutionalized in developing countries than it is in developed countries (Visser, 2008; Cheruiyot & Tarus, 2015). Muthuri & Gilbert (2011) conducted an institutional analysis of CSR in Kenya, investigating regulatory, social and cultural pillars that together shape the Kenyan CSR landscape. The regulatory and legal framework regarding CSR is still hardly developed in Kenya—it does not encourage companies to implement CSR through incentives or rewards nor does it constrain irresponsible business behaviour through legislation. The Kenyan government has been hesitant in imposing restrictions on companies as it might create an unfavourable investment climate for international companies. Any (soft) regulatory pressure on companies with regard to CSR comes from international codes and standards (Muthuri & Gilbert, 2011; cf. Vogel, 2010). More recently, some CSR-related reforms have emerged from the public sector, however. For instance, a 'New Companies Bill' demands community interest and recognition of social responsibilities from companies. Also, articles in the country's new constitution may have an impact on CSR, particularly in the domain of discrimination, freedom of association, labour relations and a clean and healthy environment (GIZ, 2012). Despite these developments, the implementation and enforcement of such reforms can be expected to remain problematic as a result of corruption and weak governance. As an illustration, Kenya ranks 136th out of 177 countries in the International Corruption Perceptions Index 2013 (Transparency International, 2013).

As drivers of an emerging CSR infrastructure, the social and cultural domain in Kenya seems to have a bigger impact on CSR: normative pressures from various stakeholders influence corporate behaviour. For example, (international) NGOs have addressed issues regarding labour and human rights abuses, for example in the cut flower industry. Also, the African values of social responsibility and community spirit may strengthen stakeholders' needs and expectations when it comes to responsible business behaviour. Muthuri & Gilbert (2011) conclude that the language of CSR has increasingly become institutionalized in Kenya as many companies respond to the normative pressure for more socially responsible business behaviour. In addition, there are few well-developed CSR institutions in Kenya, including the UN Global Compact Network Kenya that currently has 98 member organizations. In addition, various independent CSR-oriented organizations and initiatives exist in Kenya, among which are the Centre for Corporate Governance, the Horticultural Ethical Business Initiative, Ufadhili Trust, the Floriculture Sustainability Initiative and ISO 26000 initiatives.

In conclusion, while a CSR infrastructure is only beginning to emerge, normative and cultural pressures predominantly shape the way CSR is manifested in Kenya. This explains the fragmented nature of the CSR infrastructure and philanthropic and values-led approaches towards CSR. The companies in Kenya that are engaged in a more strategic CSR approach are mainly larger foreign companies as these businesses experience international pressure from NGOs, home governments and industry associations to take responsibility for their activities. Regulatory pressures from the Kenyan government are generally lacking, failing to create a stimulating environment for the uptake of CSR. Especially with prospective economic developments and an increased role for businesses in the country's economy, there is a clear need for the government to act as a driver of CSR and for the strengthening and development of CSR institutions in Kenya to create more awareness of the opportunities that CSR may offer (ibid., 2011).

19.4.3 Challenges for the Development of CSR in Kenya

There are two different stories to tell about the development and current state of development of Kenya. On the one hand, Kenya's economy is booming. The country's economy is the largest economy in East Africa and it functions as a regional financial, trade and transportation hub. The most important sectors of the Kenyan economy include agriculture, tourism, trade and finance. More particularly, tea, fresh horticulture, floriculture and tourism are big income earners (GIZ, 2012). On the other hand, the country still faces major development problems including persistent poverty, high rates of unemployment, political polarization, gender inequality, weak governance and the effects of climate change. The development of the private sector, specifically the SME sector, is a priority for its government.

Kenya's infrastructure has long been neglected and the current administration is heavily investing in its infrastructure in order to further stimulate the market economy (ibid., 2012). Given this situation, CSR can make a real difference. As Visser (2008) has argued, developing countries such as Kenya represent rapidly expanding economies and thus lucrative growth markets for business. Also, in developing countries business activity, economic growth, investment and globalization are likely to have the most dramatic social and environment impacts, both positive and negative.

There are however various challenges for the widespread development of CSR in Kenya and the Kenyan government has a key role to play in it. As mentioned before, the lack of government regulations on CSR and government's capacity and commitment to enforce regulation, can be seen as a big obstacle for strengthening CSR. The establishment of functional CSR institutions and a vibrant civil society that advance civil regulation needs to be encouraged to promote responsile business behavior (Muthuri & Gilbert, 2011). The Kenyan government has adopted a long-term development plan called 'Vision 2030' that aims to transform the country into a newly industrialized, middle-income country. However, the Kenyan government, responsible for the implementation of the action plan, needs to take further steps to make the vision reality (GIZ, 2012).

Another challenge for the widespread development of CSR is the disparity between SMEs. Although SMEs are the backbone of the Kenyan economy, it is the multinationals that are taking the lead in implementing CSR practices. The majority of SMEs often lack the financial resources to implement CSR. In addition, small local enterprises are not able to make their CSR efforts as visible as their large counterparts through marketing and communication activity. Thus the challenge here lies in making CSR attractive and profitable for SMEs, too, so that SMEs complement efforts of multinationals and their supply chains (Cheruiyot & Tarus, 2015).

Next to these challenges, Cheruiyot & Tarus (2015) have identified various other challenges for the further development of CSR in Kenya. They state that the concept and definition of CSR is not clear, and therefore underdeveloped in the Kenyan context. Moreover, CSR is generally interpreted in too narrow a way in Kenya (with a focus on philanthropy as we have illustrated earlier), while strategic CSR, meaning embedding CSR in the core of the business in order to make the business truly sustainable (cf. Porter & Kramer, 2011), creates much more enduring value than a philanthropic approach. Another challenge lies in the lack of a clear and well-defined CSR framework. There are no uniform or coherent CSR policies and standards across sectors and industries in Kenya. All these challenges limit the full understanding and implementation of CSR, which are factors that contribute further to the concept's underdevelopment. A key aspect in defining and broadening the agenda of CSR can be a national dialogue between governments, businesses, civil society and donors on the role of the private sector in economic and sustainable development and the role of CSR in it. Such a dialogue can help to focus the country's CSR agenda and built trust and mutual understanding in the context of the potential of businesses' contribution to the country's development (Kivuitu et al., 2005; Cheruiyot & Tarus, 2015).

19.5 The Development of a Kenyan CSR Business Network

19.5.1 Inception of an Idea

The CEO of CSR Netherlands, Willem Lageweg, has been a regular visitor of Kenya for many years. He has close ties with some rural communities in the Samburu region as well as with businesses in Kenya that originated in the Netherlands. This was the initial reason for Mr Lageweg to suggest the idea of exploring the development for CSR, its opportunities and business needs on this topic in Kenya. This resulted in various roundtable talks and meetings on the development and opportunities of sustainable development and CSR in Kenya. Around that same time, Mr Lageweg was invited by the Dutch government to join the Dutch trade mission to Kenya and share his knowledge and expertise in the field of CSR and participate in an important multi-stakeholder dialogue on CSR in the Kenyan flower industry. Both the trade mission and the roundtable talks were a success: among the participants were representatives of Dutch businesses, the Dutch embassy, Kenyan businesses, Kenyan organizations such as the chamber of commerce and the Kenyan flower council, and NGOs such as Hivos and WWF. In this process it was strongly felt that the dynamic and upcoming market of Kenya could improve significantly if there is greater awareness about CSR knowledge and practices that help to create innovative business solutions contributing to both sustainability and human progress for Kenyan and Dutch businesses alike. Also, a fast-growing support among Dutch and Kenyan businesses and other organizations involved in these meetings for an integral People, Planet, Profit approach to CSR became apparent. Participants of the roundtable talks stressed the need for developing skills and sharing knowledge and best practices in the field of CSR. In order to engage a wide range of Kenyan companies in CSR practices, participants believed that the benefits of engaging in CSR needed to be exhibited and communicated by knowledge sharing and best practice sharing of Kenyan frontrunners.

Despite the fact that various CSR-related organizations have been active and initiatives have been taken in Kenya, there is a call for an independent forum where companies can share best practices, knowledge and experiences and from which independent information can be distributed and companies and stakeholders can get advice. The CSR agenda should be locally owned and relevant to Kenyan companies, both large and small. Such a 'learning network' does not yet exist in Kenya and CSR Netherlands has, encouraged by the Dutch Ministry of Economic Affairs, outlined a plan for setting up a local Knowledge Centre for Sustainable and Inclusive Business in Kenya (working title). The aim of this knowledge centre is to make knowledge, good practices, tools and experiences in the field of CSR available for the Kenyan business community through a learning network. CSR Netherlands has found the Dutch embassy willing to support the start-up of such a knowledge centre.

19.5.2 Expected Results

Through this CSR knowledge centre existing Kenyan organizations, networks and companies can be assisted in understanding, implementing and promoting sustainability and inclusiveness. The preliminary vision and mission statement of the centre is depicted in Box 19.2.

Box 19.2—Vision and Mission Statement of the CSR Knowledge Centre

Vision statement:

> We believe companies can make the world a better place to live in and can strengthen their business at the same time by integrating people, planet and profit into the core of their business. A healthy, vibrant, fair and responsible business sector is key for both the future of the planet and human progress.

Mission statement:

> Creating more awareness and knowledge about the importance and chances of CSR, sustainability and inclusiveness amongst both SMEs and big corporates, so these concepts become self-evident parts of doing business in Kenya and in business relations between Kenyan and international companies.

The centre will be positioned as a collective initiative of Kenyan private sector organizations such as the Kenyan Private Sector Alliance (KEPSA) and the Kenyan Association of Manufacturers (KAM), the United Nations Development Programme (UNDP) and CSR Netherlands. This ensures both the infusion of relevant CSR content as well as the potential to involve mainstream Kenyan business in the development and implementation of CSR. The centre should become an active and easy accessible network and gathering point for knowledge, initiatives and practices related to sustainable and inclusive business. The desirable outputs include the involvement of at least two leading Kenyan business organizations as founding members of the centre, a database and website that will be easily accessible and visited by thousands of Kenyan companies, a significant growth in awareness and knowledge sharing activities, capacity building through train-the-trainer programmes and partnerships with Dutch organizations that are active in Kenya and other existing and new CSR-related initiatives.

19.5.3 Drivers and Barriers

There are several drivers and barriers in setting up a successful knowledge centre for sustainable and inclusive business in Kenya. Many drivers and barriers coincide with the opportunities and challenges in developing CSR in Kenya in general, but a few of these challenges stand out and are addressed here.

A main driver for the CSR knowledge centre is the potential of Kenya as a growing economy with its hub function within East Africa in terms of finance, transportation and trade. For the Dutch embassy this knowledge centre is a way of implementing the 'trade and aid' policy of the Dutch Ministry of Foreign Affairs. Through encouraging responsible business in Kenya, both among local companies and Dutch companies, a positive (socio-economic) impact can be achieved locally and at the same time trade relations can be strengthened between Kenya and the Netherlands. This is an important objective as the economic ties between Kenya and the Netherlands are strong: many Dutch businesses have well-established investments in Kenya and/or strong trade relations with Kenyan companies. The Netherlands is the third most important export partner of Kenya, only outranked by Kenya's neighbouring countries Tanzania and Uganda. In 2012, 7.1 % of all Kenyan exports went to the Netherlands. There is growing Dutch investment in the country focussing on renewable energy, water and sanitation, the dairy sector, infrastructure, logistics, IT and financial services. Also, the agro-food technology sector is seen as a promising sector in which Dutch involvement is already growing (Betsema, 2013; CIA, 2013). The CSR agenda thus may contribute to improving social and environmental conditions as well as the competitiveness and strength of the business sector. This is beneficial for both Kenyan and Dutch businesses and their stakeholders.

More importantly to address are the barriers for a successful CSR knowledge centre in Kenya. First, the confusion on the CSR concept and the various interpretations of CSR that exist in Kenya can form a real barrier to success. As CSR is still predominantly associated with charity and community involvement, the more strategic and integral approach to CSR that combines People, Planet and Profit in the core of the business is fairly new. It will be a challenge to make especially SMEs in Kenya aware of the (business) opportunities of this integral and strategic approach to CSR. This shift in mindset is crucial in achieving impact and making the centre a success. At the same time, local values and interpretations should not be neglected: after all, there is no blueprint of CSR that can be implemented in every country and it is important to involve companies also on their own terms. Balancing between local values and interpretations on the hand and the emerging strategic integral approach towards CSR which is also promoted in the Netherlands will be a challenge.

Second, another important issue is the role of the government. As we have seen earlier in this chapter, the active involvement of governments in shaping a viable and vibrant CSR infrastructure is crucial. At the same time, it is a difficult endeavour due to weak governance, corruption and lack of stability. A key factor for success is to find a way of involving, encouraging and cooperating with the Kenyan government so that the vision and mission of the CSR knowledge centre will be strengthened and the government will become increasingly aware of both the urgency and potential of CSR and its own responsibility in creating the right environment for it, including defining the proper roles for itself.

Third, in order to create impact and become a success, the CSR knowledge centre needs to be locally supported and embedded. In order to achieve this, key Kenyan parties such as KAM, KEPSA, UNDP, a wide range of companies, including large multinationals and SMEs, and other stakeholders need to become involved, supportive and active in further developing the country's CSR infrastructure. There has to be a willingness to cooperate, share experiences and knowledge, and learn from each other. The knowledge centre wants to function as an independent hub where business gets aware and inspired, encouraged to undertake steps and interact with each other, learn from best practices, and share their beliefs and experiences themselves. Therefore broad-based support is crucial. It may even be the case that organizations that are already engaged in supporting the CSR agenda may fear for competition from the CSR knowledge centre, but the key is to overcome this fear and cooperate in a way that strengthens the CSR infrastructure and serves, challenges and inspires every stakeholder involved.

19.5.4 Roadmap for the Years to Come

While the knowledge for sustainable and inclusive business has been initiated only in 2014, the underlying ambitions stretch well into the future. In the years to come, it is to be seen how the knowledge centre functions, what the support and engagement of business actors will be and what progress will be made. In the CSR centre's business plan the following outputs are mentioned for the period 2014–2016:

- Involve at least two leading Kenyan business organizations as founding member of the knowledge centre
- Develop a website and online database which are easily accessible for all companies in Kenya with around 10,000 visitors in Q1 2016
- Strengthen and support existing and new CSR initiatives in Kenya
- Achieve a significant growth in awareness raising and knowledge sharing activities
- Organize a train-the-trainer program to transfer relevant knowledge CSR knowledge to businesses
- Establish a link between the centre's activities and international standards such as ISO 26000, the UN Ruggie Framework for Human Rights, ILO standards and the UN Sustainability Development Goals
- Partner with current Dutch CSR- and sustainability-related initiatives and organizations that already operate in Kenya, such as IDH/The Sustainable Trade Initiative, BoP Inc/Base of the Pyramid centre, Solidaridad, Netherlands Water

Partnership, The Netherlands-African Business Council, and companies committed to CSR
- Partner with other current foreign CSR initiatives from countries like UK, Sweden, Denmark and others in order to share knowledge and experience with CSR and encourage responsible trade.

The aim is to become locally embedded and future proof in a way that the CSR knowledge centre can sustain itself in a few years' time, possibly through a corporate membership system, new forms of cooperation (including public-private partnerships), strong support and engagement of local (founding) members, the involvement of universities and other educational institutions, governments, and NGOs. The main goal for 2014–2016 is to create a strong and fruitful base for the centre.

19.6 Conclusion

In this chapter, we explored and identified what roles national governments can have in encouraging responsible business practices within their countries. The example of establishing a new Kenyan CSR knowledge centre and business network by CSR Netherlands serves as an illustration not only of the manifestation of different government roles in encouraging CSR, but also of a new role national governments can play in encouraging responsible business behavior *abroad*. In a way, this can be seen as a development towards the networking of CSR infrastructures against the background of a globalizing economy beyond the dominant company-centric involvement (e.g., through their supply chains) in international CSR and sustainability challenges. The newly established CSR knowledge centre in Kenya hence reflects not only a collaborative learning approach towards CSR between companies (cf. Von Weltzien Hoivik & Shankar, 2011), but between national governments and between CSR infrastructures as well. Typologies of government roles in CSR may be enriched by distinguishing between within-country and between-country government roles. While the establishment of a Kenyan CSR knowledge centre may be one of the few examples within the category of between-country government roles, it may prove a viable and promising approach towards stimulating CSR as it ties together national economic and business interests of the involved countries with the importance of building a CSR infrastructure that encourages responsible business practices.

One of the interesting aspects of the establishment of a Kenyan CSR knowledge centre is the challenging environment in which this development takes place. While there are numerous good reasons for building a CSR infrastructure in a developing country context (see e.g., Visser, 2008), there are several barriers that need to be addressed in such an endeavour. Among these barriers we identified the interpretations of CSR that are philanthropy-oriented rather than strategic conceptions of CSR, a fragmented institutional CSR environment that lacks structure and institutions (including lacking of government regulations and enforcement in the field of CSR and the absence of uniform or coherent CSR policies and standards across sectors and industries), and the disparity between SMEs and multinational enterprises. While Kenya still faces some major societal problems as a developing country, its booming economy and SME involvement in economic activity may be indications that it is a good time to start institutionalizing CSR. The CSR knowledge centre may also have an important function in defining, broadening and accelerating the realization of the Kenyan CSR agenda by being part of a national dialogue between governments, businesses, civil society and donors on the role of the private sector in economic and sustainable development and the role of CSR in it.

Given both these challenges and prospects, we expect and hope that the collaborative approach that underlies the CSR knowledge centre will play an important role in further developing the country's emerging economic and CSR infrastructure and contribute to its national competitiveness (cf. Liu & Vredenburg, 2014). It holds the promise of laying the foundation for an economically prosperous, ecologically sustainable and socially equitable Kenya and which may serve as an example for other developing countries' ambitions in encouraging business taking a co-operative role in sustainable development. It is only through such a collaborative multi-stakeholder approach that we think the widespread adoption of CSR practices may become truly successful. Through such an approach, which should lead to a vibrant learning network that enables interaction to develop and share knowledge and good practices, apply CSR tools and learn from experiences in the field of CSR, firms have the opportunity to get better equipped and engage in the creation of a future where they support each other and develop the CSR infrastructure in Kenya. As the Kenyan saying goes, "*Sticks in a bundle are unbreakable*".

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Chapter 20
Corporate Social Responsibility in the Ghanaian Context

Seth Oppong

Abstract Globally, corporate social responsibility (CSR) is perceived as an important vehicle for building a brand or reputation. Given the link between profitability and reputation, it is expected that CSR will drive profitability up. It is within this context that firms operating in Ghana carry out their CSR initiatives. In Ghana, CSR initiatives are essentially viewed as the strategic decisions taken by organizations to voluntarily tackle the social conditions which have the potential of hampering the accomplishment of their corporate goals. Thus, CSR constitutes non-governmental interventions for addressing some of the developmental challenges that the country faces. Principally, most CSR initiatives, in terms of frequency and magnitude of social investments, are performed by the telecommunication companies, banking institutions, and companies in the extractive industries such as mining and oil and gas. Firms that engage in CSR initiatives in Ghana tend to be foreign-owned. Owing to the current developmental issues, CSR initiatives tend to focus on education, health, environment, social entrepreneurship, and sports development. Thus, visible CSR initiatives can be found in education, mining communities, sports, and coastal communities near the offshore oil and gas production facilities. However, there is paucity of empirical evidence on the relationship between CSR and corporate financial performance in the Ghanaian context.

20.1 Introduction

A number of terms have been used to refer to corporate social responsibility (CSR). These terms include sustainability, business ethics, stakeholder management, corporate responsibility, corporate social performance, corporate conscience, corporate citizenship, social performance, or sustainable responsible business (Carroll & Shabana, 2011). CSR is considered as the duty of an organisation to create wealth in

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ways that avoid harm to, protect, or enhance societal assets (Steiner & Steiner, 2006). CSR should, therefore, be thought of as the process by which organisations align their practices with the needs of their stakeholders such as their customers and investors as well as their employees, suppliers, communities, regulators, special interest groups and society as a whole (Oppong, 2014a). Thus, CSR constitutes non-governmental interventions for addressing some of the developmental challenges that the country faces.

After careful examination of a number of definitions of CSR, Amponsah-Tawiah and Dartey-Baah (2011, p. 108) define the concept as: "the strategic decision of an organisation to voluntarily act upon the social factors that have the potential of militating against the fulfillment of corporate goals." This definition suggests that CSR is being advocated as having only an indirect impact on financial performance on corporation. Ofori and Hinson (2007) reported that firms in Ghana concentrate on a few areas such as education, safety, environmental damage, health care, consumer protection and philanthropy and that only the subsidiaries of multinationals are strategic, moral, and ethical in their approach to CSR.

The Ghanaian corporate environment is diverse. There are limited liability companies, companies limited by guarantee, non-Ghanaian companies registered in Ghana as external companies, as well as state-owned enterprises. In addition this, there are also a number of organizations in the form of partnerships and co-operatives as well as a number of un-incorporated businesses, such as sole proprietorships, that act more or less like corporations. Even though there is no single document or law on CSR, there are a range of policies, laws, practices and initiatives that collectively provide a framework for managing CSR in Ghana (Ofori, 2008; Ofori & Hinson, 2007). However, large scale manufacturing, telecommunication and mining companies such as MTN, Valco, Goldfields, and AngloGold have been instrumental in the social development of the country. In the absence of a single CSR framework, voluntary organizations such as Corporate Social Responsibility Movement (CSRM) and CSR Foundation both argue that profit maximization should not be the single objective of Ghanaian companies. Despite such belief, there are of a number of social and environmental issues, such as environmental pollution, work related human rights abuses, and the production of faulty and unsafe goods which in many cases lead to customer inconveniences or strain on the public health services. All these are social problems are constantly highlighted by the Ghanaian media.

Though some studies have focused on the banking industry (Ofori, Nyuur, & S-Darko, 2014) and across a number of industries (Oppong, 2014a), most of the empirical research carried out thus far have been carried out in the construction and mining sectors (Owusu-Manu, Badu, & Otu-Nyarko, 2010; Boon & Ababio, 2009). Oppong's study (2014a) focused on banking, brewery, insurance, pharmaceuticals, aluminum manufacturing, and hospitality. Regarding the mining sector, Anaman (2008, cited in Boon & Ababio, 2009) reported that Goldfields Ghana established a foundation in 2002 and derives CSR funding from its production and profitability situation which is based on a yearly contribution of US$ 1.00 of every ounce produced plus 0.5 % of pre-tax profits. This represents over US$ 1 million a year for financing social investment projects. Anglogold Ashanti has also been instrumental in the fight against malaria through its Obuasi Malaria Control Programme.

Dartey-Baah and Amponsah-Tawiah (2011) have argued that western theories on CSR have limits in their application in developing countries like Ghana. This, they argue, is as a result of the differences in drivers or causes of CSR in the West and in Africa, as well as cultural and managerial traits in Africa. This could be due the fact that western societies where there is emphasis on values such as self-expression, subjective well-being, and quality of life as opposed to the developing societies where there is emphasis on economic and physical security (Gelfand, Leslie, & Fehr, 2008). As a result, there is little societal pressure on policy makers and corporations to be socially responsible as is often expressed in formulation of stringent laws in the developed societies. Thus, people of the emerging economies may be preoccupied with meeting “bread and butter” needs than quality of life issues.

In relations to Ghana, it has been reported that Ghanaian managers seem to have positive attitudes towards CSR and these attitudes are largely influenced by both individual and societal ethical values (Ofori, 2008). However, managers and executives in Ghana engage in CSR activities primarily to enhance their corporate image among their customers and second, for the wellbeing of the society. Ofori (2008) further reported that Ghanaian managers place societal needs over organizational benefits as the most important determinants of CSR considerations. He further reported that 61 % of managers in his study reported that improvement in the image of their companies was the most important benefit they derive from CSR activities compared with only 15 % and 4 % who indicated that increase in sales of goods and financial rewards were the benefits derived from CSR activities. Further analysis showed that company reputation was ranked the most driving factor while company benefit was ranked the fourth important driving factor. This seems to suggest that improved financial performance is not considered the principal reason for undertaking CSR.

Most CSR initiatives, in terms of frequency and magnitude of social investments, are performed by the telecommunication companies, banking institutions, and companies in the extractive industries such as mining and oil and gas. Firms that engage in CSR initiatives in Ghana tend to be foreign-owned (Dartey-Baah & Amponsah-Tawiah, 2011). Indeed, many of the foreign-owned firms operating in Ghana originated from countries such as Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. These companies, therefore, originate from countries which are member of the Organisation for Economic Co-Operation and Development (OECD). Adhering to the OECD guidelines for multinational enterprises (OECD, 2008, p. 14, 19), these foreign-owned companies are generally required to “Contribute to economic, social and environmental progress with a view to achieving sustainable development” and specifically to:

> Establish and maintain a system of environmental management appropriate to the enterprise, including: (a) collection and evaluation of adequate and timely information regarding the environmental, health, and safety impacts of their activities; (b) establishment of measurable objectives and, where appropriate, targets for improved environmental performance, including periodically reviewing the continuing relevance of these objectives; and (c) regular monitoring and verification of progress toward environmental, health, and safety objectives or targets.

Thus, the foreign-owned firms operating in Ghana may be largely driven by the OECD guidelines to engage in CSR; in contrast, there are no such guidelines for Ghanaian-owned firms which either legally or morally compel them to institutionalize CSR.

Owing to the current developmental issues (Songsore, 2011; Killick, 2010), CSR initiatives tend to focus on education, health, environment, social entrepreneurship, and sports development. Thus, visible CSR initiatives can be found in education and human capital development, mining communities, sports, and coastal communities near the offshore oil and gas production facilities. However, there is paucity of empirical evidence on the relationship between CSR and corporate financial performance in the Ghanaian context.

Nonetheless, the limited empirical evidence seems to suggest that no relationship exists between CSR and corporate financial performance (Oppong, 2014a; Ofori et al., 2014). One explanation provided is that it is perhaps prior financial performance that determines the willingness and magnitude of CSR initiatives in the Ghanaian context (Oppong, 2014a). It also, perhaps, explains why Ghanaian SMEs, of which majority has lower capital base and profitability, hardly engage in CSR initiatives relative to the international organizations. In the rest of the paper, key CSR initiatives in the extractive, banking, and telecommunications will be explored. In addition, CSR initiatives undertaken by Ghanaian small-and-medium sized enterprises (SMEs) as well as some empirical evidence on CSR in the Ghanaian context will be explored.

20.2 Corporate Social Responsibility in Ghana's Extractive Industry

The extractive industry of relevance in this paper comprises the mining and oil and gas sectors. This is because the players in these industries have not only the resources to engage in CSR initiatives but they have also participated in the development of the communities in which they operate through their CSR initiatives. For instance, Anaman (2008, cited in Boon & Ababio, 2009) reported that Goldfields Ghana, a mining company, established a foundation in 2002 for CSR initiatives with annual contribution of US$ 1.00 of every ounce produced plus 0.5 % of pre-tax profits or over US$ 1 million annually. Similarly, Anglogold Ashanti, another mining company, has also been instrumental in the fight against malaria through its Obuasi Malaria Control Programme in the Ashanti Region of Ghana.

In 2007, Ghana Chamber of Mines (2007) reported that its producing members made the following investments towards socio-economic transformation of the communities in which they operate: Education: US$1,010,246; Health: US $565,596; Electricity: US$458,797; Roads: US$609,146; Water: US$220,876; Housing: US$618,531; Agro-Industry: US$386,668; Agriculture: US$743,937; Sanitation: US$262,863; Resettlement Action Plans US$4,503,381. In 2012 alone, mining companies committed US$26 million to community sustainable development projects in various communities in Ghana (Ghana Extractive Industries Transparency Initiative, 2015). Similarly, KOSMOS Energy, an offshore oil company operating in the Western Region of Ghana with a financial position of $575 million in cash and borrowing capacity of $600 million by the end of 2012 had social investment spending of $ 373,418.00 (KOSMOS Energy, 2012). This social investment spending excludes expenditure on anti-corruption efforts, investment in employees, health, safety and environment. In the rest of this section, our focus will be on the CSR initiatives of the players or companies in the extractive industry in the areas of education and human capital development, health, environment, entrepreneurship, and sports development.

Many of the companies that engage in CSR in developing economies generally tend to invest in education and human capital development by way of renovating existing school buildings, construction of new school building, scholarships, provision of library books, and a host of others. Thus, there is very little funding of higher education for the creation of endowed chairs, laboratories, and scholarship. In the case of Ghana, the nature of the CSR initiatives is not very different. For instance, Tullow Oil PLC (2013), another offshore oil company operating in the Western Region of Ghana, reported that:

> In 2013, Tullow and the Jubilee Partners invested $5 million in creating the Jubilee Technical Training Centre (JTTC) [at Takoradi Polytechnic] in Takoradi, Ghana, which opened in June [2013]. The JTTC is the first vocational training institute in West Africa offering National Vocational Qualification (NVQ) accredited courses. In 2013, 32 students took part in the pilot programme. So far in 2014, 16 students have enrolled in courses. The centre aims to promote and encourage capacity development of local talent in order to build Ghana's skill base and further promote local participation in the country's Oil & Gas sector (p. 32).

In addition, other educational investments made by Tullow Oil PLC include the Amenano Sustainable Kindergarten Complex, which provides early childhood development education and the 'Science in Schools' project, which provides senior high schools with standard laboratory equipment, training and capacity building for teachers and laboratory assistants within the region of its operations (Tullow Oil, 2015a). It is worth noting that early childhood education has received greater attention than higher level education, which is currently being invested in through the Tullow Group Scholarship Scheme.

In the same way, the mining companies have also invested heavily in education and human capital development. For instance, The Ghana Manganese companies Ltd contributed US$200,000 to the University of Mines and Technology at Tarkwa (UMaT) to establish hostels while Sandvic mining also spent US$590,000 for training of technicians at the UMaT as well as spending a little over US$62,000 between 2009 and 2011 to renovate the dormitory block of the Tarkwa Midwifery Training School. In 2013, Newmont Ghana also distributed 1250 solar lamps at the cost of US$ 25,000 to basic school children living around its water storage facility and resettlement communities in the Asutifi North District of Brong Ahafo Region of Ghana (Ghana Extractive Industries Transparency Initiative, 2015).

Again, Golden Star Development Foundation (GSDF), an establishment of Golden Star Resources Limited, created a Community Youth Apprenticeship Programme (CYAP) at Wassa in the Wassa West District, Western Region of Ghana which offers Wassa residents a 1-year attachment within the company. At its initial stage, the project enrolled 44 young people (34 male and 10 female) from 15 catchment communities in occupational categories ranging from welding and drill rig maintenance, to fixed plant, heavy equipment, and pump operations (Golden Star Resources Limited, 2013). Like the $5-million Jubilee Technical Training Centre (JTTC) established by Tallow Oil and its Jubilee oil field partners at Takoradi Polytechnic—also in the Western Region of Ghana, the primary objective of CYAP, local graduates will be better positioned to fill skilled employment vacancies within the company to further boost local hiring. GSDF sources its funding from US$1 for every ounce of gold produced plus 0.1 % of pre-tax profit. Indeed, it needs emphasizing that Ghana Chamber of Mines has adopted the policy that member companies should set aside a minimum of US$1 out of every earning per ounce of Gold and also one percent (1 %) of the their net profit to develop the communities in which they operate (Ghana Extractive Industries Transparency Initiative, 2015).

Major investments have also been made by the players in the extractive industry to promote quality health care delivery. These investments include such initiatives as periodic health screens, rehabilitation of existing hospitals and health centres, construction of new health posts, payment of health bills of defaulters retained at the hospitals, and donations to the hospitals and health centres. For example, In late 2012, Golden Star Resources Ltd (2013) with the support of its medical services provider, International SOS, improved malaria management (a common health problem in the tropics) by being able to conduct rapid testing at any time, and making available full blood screening for strain diagnosis coupled with strain-targeted treatment. The results of the programme have been exceptionally promising.

Again, in 2013, Golden Star Resources Ltd (2013) together with Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ), and Ghana Health Service (GHS) launched a health stewardship initiative for the Bogoso stakeholder communities. Fundamental to the project is the strengthening of partnerships and coordination between public, profit-oriented organizations, and civil society at the community, district, regional, and national levels with the objective of improving health and wellbeing. Golden Star Resources Ltd contributed to the project by way of constructing a rural health clinic in the Bogoso area in the Prestea-Huni Valley District of the Western Region of Ghana.

Again, Chirano Gold Mine has launched a US$ 5.5 million 4 year malaria control programme to help eradicate the disease in its operational area consisting of 13 communities in its catchment area. The same can be said about AngloGold Ashanti which has also launched a malaria eradication programme covering 40 districts across Ghana. Five districts including Ahanta West, Tarkwa Nsuem, Prestea-Huni Valley, Ellembelle and Axim have been solely financed by AngloGold Ashanti at a tune of US$ 9 million. Newmont Ghana, another mining company operating in Ghana, also constructed a two-unit nurses' quarters to the people of Yawusukrom as part of its CSR initiatives. In addition, Gold Fields Ghana has also constructed bore holes in communities within its catchment area which has consequently improved access to portable drinking water (Ghana Extractive Industries Transparency Initiative, 2015).

Similarly, in 2011, Tullow Ghana and its Jubilee Partners began to support the Ghana Health Service (GHS) in its efforts to combat malaria, a preventable and treatable disease that kills around one million people every year. The Jubilee Partners—Tullow, Kosmos Energy, Anadarko Petroleum, Ghana National Petroleum, Sabre and EO Group—have pledged $4.6 m over 5 years to improve the level of care provided at community clinics in Ghana's Western Region (Tullow Oil, 2015b).

In the area of commitment to protecting the environment, some key investments have been made by the actors in the extractive industry. In particular, attempts are being made by the various actors to minimize the impact of their operations on the environment as far as it is technologically possible. In the mining sector, this means preventing chemical spillage into rivers and streams, reforestation as part of land reclaiming, and filling up the top soil where surface mining is carried out. In the oil and gas sector, the environmental initiatives aim at preventing possible environmental impact of upstream oil production; these environmental problems include but not limited to deforestation and disturbance of aquatic ecosystem, environmental degradation, physical fouling (such as reduced air quality from flaring of gas and soil contamination), habitat disruption, livestock destruction, and oil spills (Oppong, 2014b).

Regardless of whether it is an oil and gas company one is talking about or a mining company, their investment in environmental protection is not visible and that less environmental disasters resulting from their operations do not imply effective environmental control initiatives. This could also imply mere the chance that their poor operations have not resulted in an environmental catastrophe. In this regard, Tullow Oil PLC (2013) has indicated its inability to minimize carbon dioxide (CO_2) emissions from the Jubilee offshore field in Ghana representing 83 % of its Group-wide CO_2 emissions. Tullow Oil PLC has indicated its effort at reducing greenhouse gas emissions associated with its operations in Ghana. However, as a result of the delays in the completion of Ghana gas export facility and the limited gas re-injection capacity at the Jubilee Field, Tullow Oil PLC and its Jubilee partners have flaring to maintain their current production levels.

Again, the invisibility of the environmental protection initiatives may also be due to the fact that the mechanism put in place are in the form of policies and standard operating procedures. For example, Newmont Ghana Operations are certified to ISO 14001 for Environmental Management. In 2013, all Newmont-operated sites in Ghana maintained ISO 14001 certification of in terms of their environmental management systems (Newmont, 2014). In this regard, Newmont Ghana has worked towards ensuring that all their 10 Environmental Management System Procedures (i.e., Hydrocarbon, Chemical, Cyanide, Mercury, Tailings, Waste Rock, Waste, Water, Air Quality, Closure and Reclamation Planning) have been ISO 14001 certified.

CSR initiatives in the area of entrepreneurial development have taken varied forms in the extractive industry. But largely, the investments have been in the form of capacity building rather than provision of access to credit. Golden Star Resources Ltd, through its Golden Star Oil Palm Plantation (GOSPP) foundation, has invested in the development of agri-businesses in order to contribute towards efforts at reducing poverty and creating wealth in rural Ghana. Currently, the GOSPP is reported to comprise over 200 small-holder farmers and 242 part time contract workers. This is a way of securing alternative livelihood for the residents in the localities in which it operates its mines. Besides, Newmont Ghana in partnership with International Financial Consortium (IFC) has invested in micro, small, and medium sized enterprise development (Brakoh, G. (May, 2009). For instance, pilot study on its Ahafo project conducted in partnership with IFC and World Business Council for Sustainable Development (WBCSD) from May 2008 to October 2008 provides interesting findings. Newmont Ghana provided training to 21 SMEs in the following areas: record keeping, profit and loss statement preparation, budgeting, taxation, tendering, proposal writing, and financial management. As a result of this training, Brakoh (May, 2009, p. 4) reports that:

- There has been an increase in average revenue by over 409 %
- Average operating cost has decreased by about 11.5 %.
- Average monthly income has increased by over 224 % from the figure recorded during the period before the . . .programme (sic).
- About 40% more businesses than the figure recorded during the period before the . . . programme (sic) are now honoring their tax obligation.
- The number of businesses undertaking investment activities is about 81 % with an average investment value of GHC 9394.

In the Ghana, the Jubilee Partners (Tullow, Kosmos Energy, Anadarko Petroleum, Ghana National Petroleum, Sabre and EO Group) in Ghana's upstream offshore oil production together invested $600,000.00 in 2013 and committed $5 million in total to the Government-led Enterprise Development Centre (EDC) in Takoradi which was launched in May 2013. The centre supports small and medium-sized Ghanaian enterprises to better position themselves to take advantage of business opportunities within the Oil & Gas industry (Tullow Oil PLC, 2013). The EDC will a range of services including business training, advisory services and access to information about local markets.

In the area of sports development, some visible investments have been by few organizations in Ghana's extractive industry. Prior to its merger with AngloGold, Ashanti Goldfields Company invested in the construction of the Len Clay Stadium based in Obuasi, Ashanti Region, Ghana (Dzomeku, 2010). This is a multi-purpose, 20,000-seater capacity, world-class stadium. Again, Ashanti Gold Sporting Club received generous support from the management of Ashanti Goldfields Company and later AngloGold Ashanti. In 2009, AngloGold Ashanti pledged two million US dollars to the Ministry of Youth and Sports of Ghana towards the development and construction of 20 multi- purpose sports courts throughout the country (Ghana News Agency, 2009). In 2012, the multi-purpose sports court funded by AngloGold Ashanti's donation of $2million was handed over to Ghana's Ministry of Youth and Sports (Aduonum, K. O., August, 2012). In the oil and gas sector, the most committed investor in sports development is Ghana National Petroleum Corporation (GNPC). GNPC is the major sponsor for Ghana Black Stars, the national football team of Ghana in most of the tournaments of the team has participated; GPNC pays the bonuses of the players as well as the team officials (Adam, 2014).

From the ongoing discussion, it can be concluded that the key CSR initiatives undertaken by organizations in Ghana's extractive industry, particularly oil and gas and mining companies have been in the areas of education and health with entrepreneurship, environmental protection and sports development trailing. Indeed, sports development attracts the least commitment both in terms of the financial commitment and the number of companies which invest in it. Again, another observation is that fact that collaborative CSR initiatives are undertaken by the many of the actors in the oil and gas sector. However, the story is different as far as the mining sector is concerned. There is little collaboration among the mining companies even in areas where they all operate as well as cross-industry collaboration between the mining sector and the oil and gas sector. This collaboration may be important given that most of the players in the extractive industry in Ghana are located in the Western Region of Ghana.

20.3 Corporate Social Responsibility in Ghana's Banking Sector

The banking and non-banking financial institutions in Ghana have equally contributed to the socio-economic development of Ghana through their CSR initiatives. Unlike the extractive industry, their major CSR commitments have been directed towards education, health, and sports development. Their CSR initiatives in environmental protection and entrepreneurial development have come in the form of periodic clean-up exercises to clean major drains in the regional capitals and major urban centres in Ghana and providing business advisory services to the clients. It is expected that such business advisory services aim at helping their clients to improve upon their financial performance so as not to default on loan repayment and not necessarily CSR in its true sense. Again, the banks do not undertake CSR initiatives on regular basis as CSR policy is not a requirement for the granting banking license relative to their counterparts in the extractive industry which are required to have CSR plan prior to being granted mining permit or exploration and production permit.

In the area of education, CSR investments by the banks are no different from those engaged in by their counterparts in the extractive industry, namely: renovation of existing school buildings, construction of new school buildings, scholarships to brilliant but needy students, provision of library books, and the like. For instance, on October 25, 2013 ("Ecobank Day"), Ecobank Ghana Ltd (2013) donated various items worth GHS 319,000.00 to 25 schools across the country. Similarly, in collaboration with Wisewater Foundation, Bank of Africa Ghana Limited (BOA, 2012) also donated 10 whiteboards and 10 packets of whiteboard markers to the Dansoman Cluster of Schools. Similarly, in April 2013, Agricultural Development Bank (ADB, 2014) donated an amount of Five Thousand Ghana Cedis (GHS 5000) to support this year's Otumfuo Teachers Award, an award scheme established by Otumfuo Osei Tutu II Charity Foundation.

It is worth noting that Otumfuo Osei Tutu II is the King of the Asanteman or Asante Kingdom located within Ghana. Barclays Ghana Barclays Bank Ghana Limited (2015) has embarked on Ghana Education Project (GEP) with the purpose of providing vocational skills training to children in rural areas. The GEP requires the targeted children to provide a certain number of hours towards community service in return for the free training and educational trips undertaken and other benefits they derive by being part of the project. It costs £13,000 and 500 children are expected to be on the programme in the first year. In 2014, First Capital Plus (2014a) also supported four undergraduate students including three medical students at the University of Ghana Medical School at the cost of $7000; the bank also donated a GHS 52,000, multi-purpose ICT Centre to Brofoyedur District Assembly Basic School in the Ajumako-Enyan-Essiam District of the Central Region of Ghana. The bank reports that the ICT Centre is the first of the 10 to be constructed across the country as part of the Bank's ICT Community Development Model.

Health has also attracted CSR commitments from the banks operating in Ghana. For example, Ecobank Ghana Ltd (2013) contributed to towards the Leukemia Project Foundation in support of the fight against cancer, Korle-Bu Teaching Hospital Children's Ward, the Sweden Ghana Cancer foundation, Larteh Water Project. Bank of Africa Ghana Limited (BOA), in collaboration with Raphal Medical Centre and Adom FM organized a health walk in Tema, the industrial city and capital of Tema Metropolitan Assembly in the Greater Accra Region of Ghana. As part of the events that took place, free screening on prostate cancer, cholesterol, diabetes, body mass index and blood pressure checks were undertaken. In March 2013, UT Bank Limited, a wholly Ghanaian-owned financial institution, donated GHS 14,000.00 to the National Cardiothorcic Centre (established by Ghana's foremost cardio-surgeon, Prof. Frimpong Boateng and wholly manned by Ghanaian surgeons) located at Korle-Bu Teaching Hospital, one of the four main teaching hospitals in Ghana. It is expected that the number of the teaching hospitals will rise to five after the completion of the University of Ghana Medical Centre.

In 2011, Fidelity Ghana Fidelity Bank Ghana Limited (2011), another wholly Ghanaian-owned bank, also supported the Civil and Local Government Association Ladies Club in a cervical cancer screening and vaccination exercise in response to the health needs of women and help prevent cervical cancer among 300 women. Again, Fidelity Ghana Fidelity Bank Ghana Limited (2011) actively participated in Adom FM's blood donation exercise in December 2011 to restock Ghana's National Blood Bank. In addition, First Capital Plus Bank (2014a), in collaboration with Nii Okai Ministries in the Mokobe @ 10 project has been paying for the heart surgeries for selected individuals at a cost of GHS15,000.00 per person. Again, First Capital Plus Bank (2014a) supported the Centre of Awareness to introduce an anti-HIV/AIDS drug dubbed the "COA drug" which has proved highly potent against HIV/AIDS in in-vitro tests based on laboratory investigations undertaken by the Noguchi Memorial Institute for Medical Research of the University of Ghana, Legon.

Like in the extractive industry, sports development has attracted some investments but the commitment is not comparable to the investments in education and health. To date, only First Capital Plus has shown greater interest in sports development with their sponsorship of Ghana's football premier league; the bank has signed a 5-year sponsorship deal worth $10,000,000.00 with the Ghana Football Association (First Capital Plus Limited, 2014b). It is reported that First National Savings & Loans (now Ghana National Bank) has also indicated its intention to sponsor Ghana's second-tier National Division One League for the 2014/2015 season (Kennedy, 2015). This will make Ghana National (GN) Bank the second bank in Ghana to make such substantial contribution to sports development. GN Bank also provided part sponsorship for the Black Stars of Ghana towards the 2015 African Cup of Nations (Baber, 2015).

Cal Bank has since 2011 been sponsoring Ghana's domestic beach soccer league and in 2014, also announced its sponsorship for Ghana's beach soccer national team, the Black Sharks (Torkornoo, 2014). Since 2011, Cal Bank has been providing a sponsorship of GHS44,000.00 ($13,836.00) a season for Ghana's national beach soccer league. In 2013, CAL Bank bailed out Ghana's Black Shark by sponsoring their flight to Morocco for the African Championship in El Jadida (Torkornoo, 2014). Cal Bank also provided sponsorship valued at GHC 44,000.00 ($18,000.00) to support the national beach soccer league (MyJoyOnline, 2014a). Societe Generale Ghana (2015) presented a cheque for GHS5,000.00 to Ghana Rugby Association at a ceremony and also sponsored the Confederation of African Rugby U18 Tournament hosted in Ghana.

The ongoing discussion highlights the key CSR initiatives that are usually undertaken by banks operating in Ghana. As indicated earlier, the most visible CSR initiatives have been in the areas of education, health, and sports development. Despite the fact that several separate initiatives are undertaken in the areas of education and health, their quantum is lower compared to the few CSR initiatives that are undertaken in support of sports development in Ghana. Though there are fewer sports development initiatives, they cost more than the total financial commitments made by the banks in education and health. The sports development initiatives also target mostly the national leagues and the national teams. Though sponsorships for national leagues and national teams are vital, these sponsorship packages fall short of growing the sports as they fail to target the early stages of sports development.

20.4 Corporate Social Responsibility in Telecommunication

Currently, there are six telecommunication companies operating in Ghana, namely Vodafone, Globacom, Tigo, Expresso, MTN, and Airtel. These telecommunication operators have also substantial financial commitments to various communities in Ghana as part of their corporate social responsibility. Of the six telecommunication companies operating in Ghana, only two operators have established foundations to carry out their corporate social responsibility initiatives. These are the MTN Foundation and Vodafone Ghana Foundation. Though this paper limits itself to the discussion of CSR initiatives in the areas of education, health, environmental protection, entrepreneurial development, and sports development, it is worth noting that most of the initiatives undertaken by these telecom operators tend to focus more on education, health, entrepreneurial development, and sports development.

CSR initiatives in education abound. Vodafone Ghana Foundation indicates that it has undertaken education initiatives including reading clinics, catering and vocational training for both the physically challenged, sign language education, refurbishment of an Early Childhood Development Centre, ICT training in deprived communities, Science Education, and alternative livelihood skills training. For instance, Vodafone Ghana Foundation (2015) in partnership with Joy FM, built an ultra-modern library for the Asofan Cluster of Schools, near Ofankor in the Ga West Municipality of the Greater Accra Region of Ghana. The library was built as part of the on the Read 100 project with the aim of inculcating reading habits into pupils between the ages of eight and fourteen. Again, in 2011, Vodafone Ghana provided ten female engineering students from Kwame Nkrumah University of Science and Technology (KNUST) and Ghana Telecom University scholarships to complete their final year of their engineering degree (MyJoyOnline, 2011).

Similarly, in 2013, 10 female undergraduate students pursuing science-based programmes received the ***Vodafone-UEW Educational Fund for Future Women Leaders in Science & Technology Scholarships*** **at value of** One Thousand Three Hundred and Forty Eight Ghana cedis (GHS1348.00) per student per academic year tenable for 3 years (University of Education, 2015). In addition, about 30 male employees of Vodafone Ghana embarked on a day's mentorship programme for 400 boys drawn from 8 Junior High Schools in Accra, Ghana as part of Vodafone's CSR; the 400 boys were drawn from Prince of Peace International School, Kaneshie 1 Junior High School, Winston Salem Junior High School, Rev. Thomas Clegg

Memorial School, Osu Salem School, Sunflower School, Crown Prince Academy and God's Grace International School (Quaicoe, 2014).

Indeed, all the other telecom operators have invested in education as part of their corporate social responsibility. For example, MTN Ghana built a GH¢128,000 Information and Communication Technology (ICT) centre for the St. Charles Basic Schools in Bolgatanga, in the Upper East Region of Ghana (Wedam, 2014). Again, Old Ningo Prampram Senior High School in the Greater Accra Region benefited from MTN's e-library project which provides teachers and students access to over 40,000 e-books from around the world and on a wide range of subjects (BiztechAfrica, 2014). In 2012, Tigo Ghana also launched its "Tigo Reach for Change" to support social entrepreneurs with potential to change children's lives particularly in providing them with education (Ghana News Agency, 2012). Expresso Ghana financed the training the first Ghanaian female pilot to obtain her Rotax Aircraft Engines Certificate and her efforts at building her own aircraft as well as providing part sponsorship for the Spelling Bee competition (Expresso, 2011). Similarly, Airtel Ghana donated chairs to teachers and pupils of the Nkotompo AME Zion Basic School in the Shama Ahanta East Metropolis in the Western Region; the chairs were donated as complementary furniture for their ICT Centre (eNewsGhana, 2014). Airtel Ghana, through its CSR programme on television dubbed "Airtel Touching Lives" supported the Dubila Primary School (MyJoyOnline, 2014b).

Corporate social responsibility investments in health represent another important CSR commitment by the Telecom operators in Ghana. Like the CSR initiatives in Ghana's extractive industry, CSR investments in health include such initiatives as periodic health screens, rehabilitation of existing hospitals and health centres, construction of new health posts, payment of health bills of defaulters retained at the hospitals, and donations to the hospitals and health centres. For instance, Vodafone Ghana (2015) has undertaken the following health initiatives:

- Donation of 10 incubators to the Tamale Teaching Hospital.
- Renovation of the Children and Adult Cancer Wards at the Korle-Bu Teaching Hospital into one of the leading cancer treatment facilities in West Africa.
- Introduction of Healthline 255 which seeks to provide accurate medical advice to Vodafone customers in Ghana and empowers Ghanaians in relation to their health, encourages early diagnosis and works towards reducing self-medication and by giving health information and expert medical advice. Vodafone Ghana is using this platform to provide health information relating to the Ebola Virus Disease.

On the part of MTN Ghana, MTN Ghana Foundation paid for the full renovation of the Zuarungu Health centre and provided an incubator for the Zebilla District Hospital, all in the Upper East Region of Ghana (Wadem, 2014). MTN Ghana is expected to inaugurate a CHPS compound at Azuribisi and a three-room health facility at the Ayamfooya Memorial Clinic in Kongo in the Ashanti Region of Ghana on 26th November, 2015 (Wadem, 2014). Again, MTN Ghana (2010) renovated Kpedze Health Centre in the Volta Region of Ghana at GHS

160,000.00. Tigo Ghana, on its part, also renovated the Maternity Unit of the New Tafo Government Hospital in the East Akim District of the Eastern Region (Ghana News Agency, 2015).

The commitment of the Telecom operators in the area of entrepreneurial development has been encouraging. MTN Ghana Foundation is collaborating with Ghana Multimedia Incubation Centre (GMIC) to sponsor a business incubation project that targets final year university and polytechnic students in Ghana; this 2-year ICT Business Incubation and Entrepreneurship Project cost GHS 308,000.00 (Agblevor, 2014). Again, in 2013, MTN Foundation organized entrepreneurial boot camp in Tamale in the Northern Region of Ghana with the purpose of assisting the participants to become self-employed; it supported the project with GHS 30,000.00 and other accessories (Ghana News Agency, 2013). Similarly, MTN Ghana Foundation in partnership with Media Foundation organized Digital Youth Expo in 2014 to support youth entrepreneurial development (Ghana News Agency, 2014). On its part, Vodafone Ghana supported two Ghanaian entrepreneurs with GHS 15,000.00 as seed funding (PeaceFmOnline, 2011). On the other hand, through its flagship CSR TV series dubbed “Aritel Touching Lives”, Airtel Ghana has supported a number of social entrepreneurs in Ghana (MyJoyOnline, 2014b).

Sports development has also attracted significant investments from the Telecom operators in Ghana. Unlike the sports development investments by the banks, mining companies and the oil and gas companies, the telecom operators have also shown interest in community football which grooms talents for the national teams and leagues. Thus, not only do the telecom operators focus on national teams and leagues but there is also concentration on the community sports which serves as the bedrock of the former.

In this regard, Tigo Ghana has made significant investment in community football development in the form of its “Tigo Community Football” (Tigo Ghana,2013). Neighbourhood teams in identified communities across the country participate in this football festival. The 2012 edition kicked off at the Bukom Park in Accra with participating teams from Dansoman, Madina and Tema (Greater Accra Region), Ho (Volta Region) Koforidua (Eastern Region), Sekondi-Takoradi and Tarkwa (Western Region) Cape Coast (Central Region), Kumasi, Konongo, Obuasi, and Mampong (Ashanti Region) and Techiman and Sunyani Brong-Ahafo Region). Globacom and MTN Ghana are two bigger sponsors of football leagues in Ghana. For instance, between 2008 and 2014, Globacom committed over $23 million to the sponsorship of Ghana national teams and the Ghana Premier League (Globacom, 2014). On the other hand, MTN Ghana is the sponsor of the Football Association (FA) cup organized in Ghana (Owusu, 2015).

An emerging pattern is that sports development belongs largely to MTN, Globacom and Tigo while Vodafone Ghana Foundation as well as MTN Foundation has made significant investments in education and health. Despite this, Airtlel Ghana was awarded the CSR Company of the year for 2014. This has made possible through its CSR TV series named, “Airtel Touching Lives”, which seeks to support social entrepreneurship. Another trend is that the Telecom operators tend to provide their CSR in partnership with non-governmental organizations (NGOs).

20.5 Corporate Social Responsibility and Ghanaian Small and Medium-Sized Enterprises

Small and Medium-Sized Enterprises (SMEs) are classified in terms of the number of employees and/or asset base. European Commission (EC) coined the term "Small and Medium Enterprises (SME)" and conceptualized the SME sector as made up of three components, namely: (i) firms with 0–9 employees—micro enterprises, (ii) 10–99 employees—small enterprises, and (iii) 100–499 employees—medium enterprises (Kayanula & Quartey, P. (May, 2000). However, Kozak (2007) and Boeh-Ocansey and Cudjoe (2005) have reported that in Ghana organizations are classified as small when the number of employees ranged between five (5) and twenty-nine (29) while those with employees between 30 and 99 are considered medium enterprises. By extension, organizations with less than five employees are considered micro-enterprises in Ghana. However, Ghana's National Board for Small Scale Industries (NBSSI) applies both "fixed asset and number of employees" criteria (Kayanula & Quartey, 2000; Abor & Quartey, 2010). Mensah (2004) reported that NBSSI defines SMES as follows: (i) Micro enterprises—Those employing up to five employees with fixed assets (excluding realty) not exceeding the value of $10,000, (ii) Small enterprises: Employ between 6 and 29 employees with fixed assets of $100,000, and (iii) Medium enterprises: Employ between 30 and 99 employees with fixed assets of up to $1 million.

Indeed, SMEs have been touted as the engineer of growth for emerging economies. This is because it is estimated that SMEs employ 22 % of the adult population in developing countries (Daniels & Ngwira, 1993; Kayanula & Quartey, P. (May, 2000). However, there are a number of constraints that impinge on the growth of SMEs. For instance, Kayanula & Quartey, P. (May, 2000) also examined the constraints on the development of SMEs in Ghana and Malawi. They identified input constraints, finance constraint, labour market constraints, technology constraints, domestic demand constraints, international market constraints, regulatory constraints, institutional constraints as well as managerial constraints.

Giving the financial constraint that SMEs encounter, it is highly implausible to expect Ghanaian SMEs to institutionalize and commit substantial resources to corporate social responsibility initiatives. In addition, the limited empirical evidence on CSR in Ghana seems to suggest that no relationship exists between CSR and corporate financial performance (Oppong, 2014a; Ofori et al., 2014). One explanation provided is that it is perhaps prior financial performance that determines the willingness and magnitude of CSR initiatives in the Ghanaian context (Oppong, 2014a). This also accounts for why Ghanaian SMEs, of which majority has lower capital base and profitability, hardly engage in CSR initiatives relative to the international organizations. Indeed, the three sectors considered in this paper (extractive, banking, and telecommunication industries) are largely foreign-owned.

However, Ghanaian SMEs do engage in CSR but on a lower scale largely due to the their understanding of what CSR entails. For instance, in a qualitative study by

Nkrumah (2013), she found that the management of the SMEs which participated in her study considered CSR to be a philanthropic act. She quoted two of the participants as describing CSR as follows (Nkrumah, 2013, pp. 42–43):

> To my understanding CSR is trying to assist the community, assisting needy children, those who cannot feed themselves, and paying of school fees of students in need (Participant 1).
>
> CSR means that an organization should be responsible in its activities and should help the society by making donations and sponsoring programs and things like that. We live in a society and so whatever we do impacts on it in one way or the other. This means that we as an organization have a duty to strive to help the society where we operate (Participant 4).

Indeed, the CSR activities engaged in by these SMEs reflected their CSR orientation. Nkrumah (2013, pp. 44–45) further reported the following:

> I quite remember that we supported a government school which is located about 25 m away from here, during their speech and prize giving day. They came to us for help and we were able to print their invitation for them for free. We also bought some pure water and refreshment for them. Then also during the "homowo" festival, the chief came here for some token to help the celebration. You know, we don't have much. In terms of the school, we spent about one thousand cedis (Gh ₵ 1000) on them. For the festival, we gave out about hundred cedis (Gh ₵ 100.00) because they were going round to other organizations for funds. So we added our share. And then also, some time ago when business was good, we helped a village in the central region called Abanko to get access to electricity and also paid school fees for a lot of people (Participant 1).
>
> We have given several natural skincare products out to people for free. We have also made some donations to a hospital before and this is part of our plans so we try to set some money aside for that (Participant 4).

Another characteristic of the nature of CSR initiatives undertaken by the SMEs is their lack of emphasis or preference for a particular type of CSR initiatives. Indeed, Nkrumah (2013) reported that the participants she interviewed did not indicate any specific area of interest. They all indicated that they allocate little money for such philanthropic acts; as a result, the CSR initiatives that they will carry out at any given point in time is determined by the financial resources they have set aside for the general purpose of corporate social responsibility.

20.6 Impact Assessment of Key CSR Initiatives in Ghana

A number of the medium and large organizations operating in Ghana have invested in CSR to a large extent. However, the question that remains unanswered is: Have the CSR initiatives undertaken in Ghana resulted in any real change in the livelihood of the local community or the people of Ghana? It is quite difficult to estimate the actual effect of the CSR initiatives as little or no impact assessment or outcome evaluation has been carried out by the companies themselves. However, it is possible to argue that with the exception of few initiatives such as Airtel Touching Lives which offered assistance to NGOs already engaged in community development, majority of the initiatives has failed to have any long-term impact. This is because the various initiatives focused largely on the supply of physical infrastructure to the communities with little concern for building capacity among the communities to ensure long-term sustainable development. Thus, to a large a degree, the initiatives have not had any significant impact on the livelihood of the communities purposed to be beneficiaries of the support.

The little impact the CSR initiatives have had on the targeted communities in Ghana may be due to the fact the companies tend to conduct their own community needs assessment largely by themselves without the involvement of the local government structures. This implies that their partnership for the socio-economic transformation of the localities may not necessarily be congruent with the local authority's development plan. Thus, their nongovernmental interventions for meeting some of the developmental challenges that the communities face may not be their developmental priorities within the grand scheme of things. It is equally possible that the developmental challenges facing a given community may not fit the CSR priorities of a given company and as such their development needs will not be met with the interventions by the company. Owing to this, there is a need for companies to work closely with the local government structures in the communities they intend to assist in order that the former's CSR initiatives will meet the developmental challenges of the localities.

Related to the above is the fact that the CSR initiatives undertaken by the companies tend to be informed by a philosophy of basic needs approach to development as opposed to basic means approach. The former tends to identify the developmental challenges of the communities and attempts to provide the communities with those material needs whereas latter tends to focus on identifying why the communities are unable to provide for themselves basic social services require for the realization of human dignity (Adjei, Segbefia, & Kyei, 2014). Within the philosophy of basic needs approach, CSR initiatives as nongovernmental development interventions appear to be short-term focus on material needs of a community at a time rather than building their capacity to transform their own lives. In this respect, CSR initiatives in the area of enterprise development are relevant element of such basic means approach. Thus, there is a need for a paradigm shift from a total focus on the basic means approach to CSR initiatives informed by both the basic needs and basic means approaches. This is because the basic needs approach tends to satisfy immediate material needs while the basic means approach tends to build capacity for sustainable development.

A corollary of the basic needs approach is the nature of the monitoring and evaluation (M&E) system and performance indicators used by these companies; they tend to focus on inputs (how much money has been spent?), activities carried out and outputs (services rendered and number of facilities built). Thus, this leaves out outcome level evaluation. This implies that their focus appears not to be on really making a difference with long-term impact. It is understandable to argue that they may lack the capacity for M&E of developmental projects but it does mean that they should acquire the required capacity if they are to completely fulfill the desire of facilitating the development of the communities in which they operate. It means that there is a need for them to acquire this capacity either through training or recruitment. Either option requires that they should institutionalize CSR by establishing a foundation with an M&E units. In this regard, those companies with foundations should either establish M&E units or strengthen the existing ones. Again, there is a need for these companies to either demand or design project plans based on logical framework or log framework approach. The log framework will compel corporate bodies to focus on the long-term impact of their CSR initiatives as well as the inputs, outputs, and activities undertaken to deliver the outputs.

The logical framework approach (LFA) presents a more complete mode of evaluating projects and therefore the CSR initiatives. Essentially, LFA is based on results-based monitoring and evaluation which makes M&E personnel to not simply focus on assessing inputs and activities but also the output (expected results) and outcomes/impact (Bond for International Development, 2003; Jensen, 2010). Bond for International Development (2003, p. 1) reports that:

A log frame summarises, in a standard format:

- What the project is going to achieve?
- What activities will be carried out to achieve its outputs and purpose?
- What resources (inputs) are required?
- What are the potential problems which could affect the success of the project?
- How the progress and ultimate success of the project will be measured and verified?

An illustration shall suffice. If CSR commitment is made in the construction of a health centre, the board of directors of the sponsoring entity ought to demand of the management accountability as to whether the CSR commitment achieved the purpose for which the investments were made. In such as a case, it is expected that the company communicates to its board the activities, resources, outputs and outcome/impact as shown in Fig. 20.1 below.

Unfortunately, most of the companies only report at the input, activity and output levels which fail to inform us of the actual impact of the projects they undertake in the communities. If classroom blocks are built but are unable to help improve academic performance for which the company invested money then the project failed. Thus, if boards of directors of companies are demanding accountability in the use of the funds devoted to CSR, they should demand evidence about the impact of the facility they have provided in the community.

Similarly, the collaborative efforts within the extractive industry is worthy of emulation by the banking and telecommunication industries. This is especially important for the SMEs given that they, as individual enterprises, have limited resources to engage in any significant CSR initiatives. In the case of the large companies, this will imply that they can specially target a particular development challenge and through their concerted efforts achieve a more long-lasting impact rather than a short-term one.

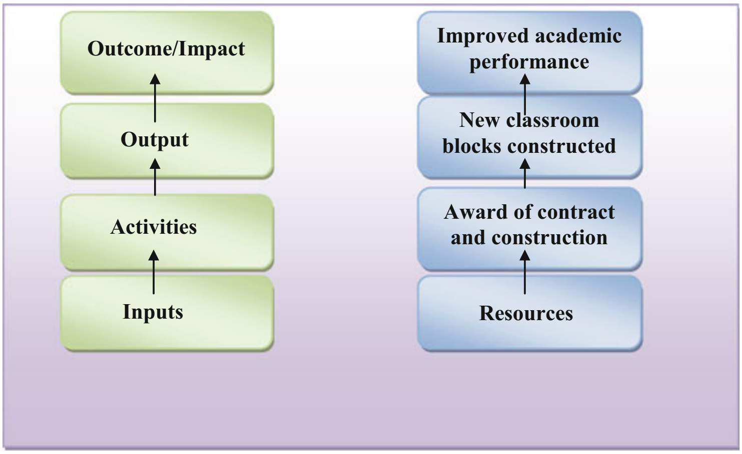

Fig. 20.1 Communicating the input-output-impact linkages of CSR activities: A simplified logical framework for a school project

20.7 Conclusion

In this chapter, an attempt has been made to explore the key corporate social responsibility initiatives undertaken within corporate Ghana. Most of the CSR initiatives in their Ghanaian context, in terms of frequency and magnitude of investments, are performed by the telecommunication companies, banking institutions, and companies in the extractive industries such as mining and oil and gas. Firms that engage in CSR initiatives in Ghana tend to be foreign-owned while the CSR initiatives tend to focus on education, health, environment, social entrepreneurship, and sports development.

Based on the literature exploration, it can be concluded that the key CSR initiatives undertaken in Ghana's extractive industry, particularly oil and gas and mining companies, have been in the areas of education and health with entrepreneurship, environmental protection and sports development trailing. Again, sports development attracts the least commitment both in terms of the financial commitment and the number of companies which invest in it. There is collaboration among the oil and gas companies in their delivery of their CSR commitments whereas the same cannot be said about the mining companies. This implies that there may be a need for collaboration given that most of the players in the extractive industry in Ghana are located in the Western Region of Ghana.

In the Ghana's banking sector, the most visible CSR initiatives have been in the areas of education, health, and sports development. Despite the fact that several separate initiatives are undertaken in the areas of education and health, their quantum is lower compared to the few CSR initiatives that are undertaken in support of sports development which target mostly the national leagues and teams.

In respect of the telecommunication operators in Ghana, it can be argued that sports development belongs largely to MTN, Globacom and Tigo while Vodafone Ghana Foundation as well as MTN Foundation has made significant investments in education and health. However, Airtel Ghana's CSR TV series named, "Airtel Touching Lives" is outstanding achievement within the telecommunication industry.

Regarding the SMEs, it was found that they tend to conceptualise CSR as a philanthropic act without having institutionalized CSR and therefore without any focused interest with regards to the type of CSR initiatives they engage in. As a result of their financial constraint, they tend to commit little resources to corporate social responsibility. This is understandable given that prior financial performance is expected to determine the willingness and magnitude of CSR initiatives undertaken by a firm within the Ghanaian context. Indeed, this accounts for why most of the major CSR initiatives in corporate Ghana are undertaken by foreign-owned companies.

In effect, it can be concluded that the education and health tend to attract more CSR initiatives regardless of the sector in question. However, sports development tends to attract the highest total financial investments at any given point in time, though it receives the fewer initiatives. The banks and the telecom companies tend to execute their CSR initiatives through partnerships with NGOs while the extractive industry tends to operate on a principle of "Design-Build-Transfer" or "Design-Build-Transfer-Maintain".

Though enough resources have been devoted to CSR in Ghana, there is very little to show in terms of their actual impact on the livelihood of the communities in which the companies operate. In order to ensure that the CSR initiatives achieve their intended impact, companies should demand of the NGOs through which they implement the CSR initiatives M&E systems based on logical framework approach (LFA) whereas the boards of directors must request for M&E that tracks the projects from input to its impact. This implies that the scope of corporate governance in Ghana can be expanded to include detailed and LFA-based reporting by the management in the annual reports. This detailed and LFA-based reporting by management to their boards may have universal application as it will help shareholders to exact accountability within the agency theory of corporate governance (Bonazzi & Islam, 2007).

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