



Corporate responsibility towards society: A local perspective

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Introduction

This report brings into focus the responsibility of companies in regard to the local community and the environment.

The topics in focus are interesting insofar as they are among the 'oldest' elements on the CSR agenda and as such both have a history. 'Local community' initiatives have a history dating back several centuries, whereas the corporate environmental agenda has a more recent history dating back a couple of decades. As well as having different histories, they are also very different in nature. The development of the environmental agenda has been buttressed by legislative initiatives, guidelines, tools and standards, which have contributed to creating a framework and formalising the field. Contrary to the environmental field, responsibility towards the local community is relatively unregulated and open to a variety of different types of activities.

Exploring the initiatives adopted by companies today provides an interesting picture of current rationales, policies, practices and experiences. In the context of this report, 40 case studies have been carried out in 9 European countries: Ireland, UK, Denmark, Sweden, Germany, Belgium, France, Italy and Spain (see. annex I for a list of cases). The case studies reveal a multi-faceted picture of companies' involvement in the local community. The variety of initiatives taken and methods adopted contributes to understanding the scope and character of companies' responsibility in the locality.

Structure of the report

The structure of the report is formed as an 'hourglass':

A broad introduction 'setting the scene'

In order to position the topics within a broader framework, an introductory chapter sets the scene of CSR. After an initial introduction to CSR and related concepts, the chapter presents different perspectives on the development of the field of CSR: a European policy perspective, a corporate perspective and the perspective of the investment community respectively.

A main part focusing on the topics - local community and the environment

Due to the different nature of the topics in focus, activities related to companies' involvement in the local community and the environment are presented and analysed in two parts. A number of different case studies reveal a multifarious picture of motivations, activities and methods, effects and benefits, and ways of communication and reporting.

A concluding part taking a broader view on CSR in a European context

The third part provides a contextual perspective on the development of CSR more generally and the topics in focus more specifically. It points to a number of different explanatory factors for the diffusion and character of CSR in the different European countries such as business size structure, governmental or organisational initiatives, economic development, local business traditions etc. The conclusion, including recommendations, follows at the end.

CSR and related concepts

CSR or corporate citizenship

Increasingly during the past decade, companies have been encouraged to and faced with pressure for demonstrating a wider societal responsibility. Concepts such as 'corporate social responsibility' and 'corporate citizenship' have become well established, internationally used concepts. However, no common generally accepted definition of these concepts exists, and a clear consistency in the way in which they are used are often lacking. Some used the terms CSR and corporate citizenship more or less synonymously. This notwithstanding, some nuances in these concepts could be indicated.

Corporate citizenship has been defined as: 'understanding and managing a company's wider influences on society for the benefit of the company and society as a whole' (Andriof & McIntosh 2001) or 'business taking greater account of its social and environmental - as well as financial - footprints' (Zadek 2001a)

The term 'corporate citizenship' is based on the view that companies, as independent legal entities, are members of society and as such can be regarded as citizens with legal rights and duties. Companies have a number of legal rights but are also expected to carry out, not only their legal duties such as paying taxes. They are also expected - as good corporate citizens - to contribute to the well being of society more generally.

Corporate social responsibility (CSR) has been defined as 'companies integrating social and environmental concerns in their daily business operations and in their interaction with their stakeholders on a voluntary basis' (COM (2001) 366)

Taken literally, the term CSR is more 'biased' in its sole reference to corporate 'responsibility'. The word 'societal' instead of 'social' is sometimes preferred in order to avoid the more narrow interpretation of the term 'social' when translated and applied in a continental European context (referring to social welfare issues only).

Some authors point to the more narrow interpretation of the concept 'corporate citizenship'. Based on a review of scholarly work in the 1990's, Wood and Logsdon (2001) point to the lack of a clear connection between CSR and corporate citizenship. As stated 'in some cases it appeared that corporate social responsibility and corporate citizenship were simply synonyms. In other works it appeared that corporate citizenship was focused almost exclusively on corporate-community relations' (p.85).

Another perspective on the difference between the concepts is highlighted by Birch (2001), which point to the more holistic character of 'corporate citizenship'. Where CSR is primarily seen as being concerned with companies external affairs (social and environmental responsibility), good corporate citizenship is seen as something, which, in its ideal form, is penetrating the whole organisation. Corporate citizenship represents a change of focus from an external to an internal perspective in the sense that external activities should be seen as a reflection of and guided by internal structures. 'Being socially responsible is still very much a matter of external affairs in most companies. But being a good corporate citizen is more than external affairs - it needs to be intrinsic to every facet of a company's profile' (p.55). According to Birch, very few companies in the world have come this far.

In the context of this report, the term CSR will be used with reference to the definition adopted by the Commission in its Green Paper (cf. above). This definition is both specific (referring to the field of social and environmental responsibility together with stakeholder dialogue) and 'dynamic' in the sense that it embraces

both an evolutionary and strategic dimensions. In focus in this report are companies' responsible activities in regard to the environment and the local community. In some cases these activities might be managed in a more peripheral (or external) way, in others they might be a reflection of deeper held values penetrating the company culture. In this respect, the distinction made is rather between different levels of advancement of CSR.

Social cohesion, stakeholder and social capital

CSR has also become closely linked to other concepts such as social cohesion and social capital. The concept CSR has primarily been associated with companies' voluntary integration of social and environmental concerns (in addition to traditional economic questions) in their organisational policies and practices. However, with the increasing recognition by governments in Europe and by the European Union of the importance of involving business in the solution of societal problems, the concept has been related to a broader political agenda of social cohesion.

Through the stakeholder concept, which is essential to the understanding of CSR, the concept is also linked to the field of 'social capital'. In the Commissions' green paper, a stakeholder is defined as 'an individual, community or organisation that affects, or is affected by, the operations of a company. Stakeholders may be internal (e.g. employees) or external (e.g. customers, suppliers, shareholders, financiers, the local community'.

CSR can build upon, and the systematic adoption of stakeholder dialogue can build up, important intangible asset in the form of 'social capital'. For a conceptual clarification of these concepts see e.g. European Foundation (2002).

A new business agenda

Since the late 1990's, Corporate Social Responsibility has gained increasing attention in the business community, in the public sphere and in politics. A growing number of institutions and organisations engaged in the field have emerged, a large number of management systems, principles, standards and guidelines have been developed and a growing number of companies are adopting CSR policies and practices.

Several interlinked drivers have contributed to pushing the CSR agenda forward.

- *Globalisation*: One of the key drivers for CSR has been attributed to the scale of global operations of corporations. Recent years have seen many of these corporations grow exponentially through mergers, acquisitions together with market opportunities opened to them through national and international market liberalisation. It is said that 51 of 100 largest economies in the world are corporations and companies such as General Motors has sales equivalent to the GDP of Denmark (Zadek, 2001a). Deregulation and market liberalisation enabled by ICT have initiated what appears to be a shift in power, with corporations that were once perceived to act with certain impunity, now increasingly being held accountable for their operations.
- *Information and communication technology (ICT)*: ICT has lessened the importance of national boundaries and time zones in the provision of instant access and up-to-date information and opinions from official and

¹ Social capital has been defined as 'Networks together with shared norms, values and understandings that facilitate co-operation within or among groups' (OECD, 2001, p.41)

unofficial sources. The increased global transparency enabled by ICT has made it increasingly difficult for companies to hide the more controversial aspects of their business activities.

- *Fiscal pressure:* Growing fiscal pressure has forced governments in many European countries to pull out from or make reductions in the public provision of goods and services. This has brought into focus discussions about the division of roles between the state, market and the civil sector and paved the way for new forms for co-operation. The increasing awareness and adoption of social partnerships is a reflection of this development.
- *Growing importance of intangible values:* As highlighted by Zadek (2001a, p7), it would be foolish to assume that the growing importance of CSR has been underpinned by ‘a widespread moral ‘road to Damascus’ or evolution in human consciousness’. Rather it should be seen as an outcrop of the new economy. In the new economy, the importance of managing intangible assets has become vital. The ability to build up and nurture brands based on values shared with key groups in society has become essential to companies long-term competitiveness.

Different threads contribute to ‘weaving the CSR cloth’ together: the international agenda, the voluntary/regulatory balance, the topical universe, the stakeholder concept etc. These different ‘threads’ or perspectives on the development of CSR are presented below under three headlines: the policy -, the corporate - and the investment agenda.

The European policy agenda

Some governments in Europe have embraced the CSR concept and different initiatives have been taken in order to promote the CSR agenda. At the European level, the concept became closely related to the new strategic plan for Europe 2010, launched at the Council Summit in Lisbon. CSR is seen as an important contribution to achieving the strategic goal of becoming ‘the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater cohesion’. Business leaders in Europe subsequently took up this strategic plan in the form of a campaign that focuses on CSR: ‘European Business Campaign for Sustainable Growth and Human Progress’. CSR has been on the European political agenda at the subsequent European Council meetings. A European strategy for Sustainable Development was adopted in Gothenburg in May 2001, a Green paper ‘promoting a European framework for CSR’ was launched in July 2001 and was followed by a Communication from the Commission one year later.

The aims of the Green paper were to launch a debate about the concept of corporate social responsibility (CSR) and to identify how to build a partnership for the development of a European framework for the promotion of CSR. The European Commission received app. 250 responses from businesses, trade unions, non-governmental organisations and individuals to the green paper.

The response of the social partners differs both in focus and perspective. Employers’ organisations such as UNICE regards CSR as an essentially individual and business-driven concept, which should be voluntary. Employers’ federations generally regard regulation as an impediment to companies’ creativity, which will reduce motivation. They stress that flexibility is needed in order to allow firms to adapt practices to their specific circumstances and rules out a ‘one size fits all’ approach. Contrary to employers’ federations, trade unions generally view the concept CSR in terms of labour relations. They would rather see it developed in a regulatory framework that sets out minimum requirements. Furthermore, they also prefer a dialogue with employers to establish a clear definition of corporate social responsibility.

The Committee of the Regions, on their part, agrees with the principle of social partnerships underlying CSR and acknowledges the significant role to be played by local and regional authorities in the development of CSR practices. The Committee emphasises the voluntary nature of CSR and the importance of avoiding the substitution of regulation and legislation with voluntary initiatives. Furthermore, it points to the needs² to consider the potential for better integration of CSR principles into other EU policies and programmes.

The EU is committed to fully integrate economic, social and environmental considerations, as well as fundamental rights including core labour standards and gender equality, into its policies and actions. This is illustrated by the Gothenburg Summit of June 2001, and the Charter of Fundamental Rights of the European Union as proclaimed in Nice in December 2000.

Thinking small first

CSR has typically been adopted by large, multinational enterprises (MNEs). The Commission's Framework for Action paper similarly addresses these types of business. In line with its 'Think Small First' strategy however, it also recommends that the CSR concept, practices and instruments be adapted to suit the specific situation of SMEs. This is particularly important given that SMEs account for the vast majority of European enterprises. SMEs are defined as those enterprises with fewer than 250 employees.³

SMEs typically have less complex organisational structures and the owner managers are usually much closer to the functional operations. As a result SMEs often manage their societal impact in a more intuitive and informal way vis-à-vis large companies. As this report demonstrates, many are implementing socially and environmentally responsible practices. This is in spite of not necessarily being familiar with the CSR concept, and without communicating their activities via public reports. Community engagement by SMEs is often considered either as just 'business as usual' or as entrepreneurship by SMEs.

A recent survey of over 7,000 such companies in a report published by the Observatory of European SMEs indicated that 50% already carry out socially and environmentally responsible activities for the benefit of their external stakeholders. These activities were characterised as being local in scope, occasional in nature, and unrelated to business strategy - although some SMEs recognise the commercial benefits of improved relations with customers and the local community. A lack of awareness together with resource constraints is cited by SMEs to be the most significant barriers to social engagement (Observatory 2002). In particular, the recognition that in the future the most significant pressure on SMEs to adopt CSR practices is likely to come from their large business customers, which in turn could help SMEs cope with these changes through the provision of reward, training and mentoring schemes.

As SMEs are typically much closer to their communities than MNEs, the way they draw benefit and value from that engagement is also different. SMEs are often very dependent on their stakeholders and

² Responses to the consultation on the Green Paper on CSR
(http://europa.eu.int/comm/employment_social/soc-dial/csr/csr_responses.htm &
http://europa.eu.int/comm/enterprise/library/enterprise-europe/issue7/articles/en/enterprise07_en.htm)

³ For further details of a European definition of SMEs, see Commission Recommendation of 03 April 1996, OJ 107.

communities; lots of SMEs operate on a cluster basis (Porter, 1990). That is, groups of similar interdependent organisations operate in geographic locations.

The Commission concludes that to facilitate the wider adoption of responsible entrepreneurship practices by SMEs, there is a need to:

- Raise further awareness about their economic benefits and to promote them as a risk management tool;
- Work towards a better understanding of SMEs' current social and environmental engagement activities, including research into SME-specific aspects of CSR and the business case;
- Foster the exchange and dissemination of good practice case studies identified with the help of Member state and candidate countries experts, SME representative organisations, business support organisations and consumer organisations. For example through publications, and other online collection of good practices ;
- Facilitate the development and dissemination of user-friendly, tailor-made tools for those SMEs that wish to engage in or further develop socially responsible actions on a voluntary basis, i.e. information material, SME-toolkit etc ;
- Bring the attention of SME associations and business support organisations to CSR issues with a view to their integration into support provision for responsible entrepreneurship initiatives in SMEs;
- Facilitate co-operation between large companies and SMEs to manage their social and sustainability responsibilities (e.g. supply chain management, mentoring schemes as noted above), in accordance with national and EU competition rules;
- Raise awareness among SMEs with regard to the impact of their activities on developing countries, and promote SMEs proactive policies, in particular in the fields of core labour standards, eradication of child-labour, gender equality, education, training, healthcare assistance and assurance.

The case studies detailed within this report, provide further evidence both to support these findings and the Commission's approach.

Embedding CSR in all EU policies

Sustainable development policies are likely to be supplementing existing policy tools such as trade and development agreements. These policy areas include:

- *Employment and social affairs policy* - Within companies, overlap between EU policy and CSR occurs in quality employment, lifelong learning, equal opportunities, and worker consultation and participation. Social dialogue is a powerful instrument to address employment-related issues. Employment and social policy integrates the principles of CSR. Typically this occurs, through policies and initiatives such as the

⁴ E.g. see Innovation through Partnership, which is a US-EU project, including details of CSR activities of UK-based SMEs (<http://www.innovation-partnership.org>).

⁵ E.g. CSR Europe's dedicated business network for SMEs (<http://www.smekey.org>).

European Employment Strategy, an initiative on socially responsible restructuring, the European Social Inclusion Strategy, initiatives to promote diversity in the workplace, the EU Disability Strategy and the Health and Safety Strategy.

Other examples of where employment and social policy can integrate the principles of CSR, include the Commission's document '*Anticipating and managing change: a dynamic approach to the social aspects of corporate restructuring*', in which it has stressed that properly addressing the social impact of restructuring, contributes to its acceptance and enhances its positive potential. The Commission has called upon the social partners to provide their opinion in relation to the usefulness of establishing principles for action at Community level that would support good practice by business in such matters. It is also adopting a similar approach in its communication '*Adapting to change in work and society: a new Community strategy on health and safety at work 2002-2006*' (COM (2002) 118 final), in order to encourage the various parties to 'go one step further' in achieving the overall objectives of this strategy which are above and beyond the norm for employee health and safety.

In respect of diversity and equal opportunities, the Commission also states that societal changes such as increasing participation of women in the labour market should be reflected in CSR. Strategies, which acknowledge the valuable contribution of women, adapt to structural changes and change the work environment in order to create more balanced conditions for both genders, will benefit wider society as well as the enterprise itself. Also, it is the Commission's intention that the 2003 Year of People with Disabilities provides an opportunity for enterprises to exchange experience of CSR strategies and practices with a view to acting in a responsible manner towards people with disabilities in relation to promoting equal employment opportunities, developing designed-for-all products as well as improving accessibility to assistive technologies.⁶

- *Enterprise policy* - The Commission appreciates that only competitive and profitable enterprises are able to make a long-term contribution to sustainable development by generating wealth and jobs without compromising the social and environmental needs of society. Profitable firms are sustainable and have better chances to adopt/develop responsible practices. The role of enterprise policy is to help create a business environment, which supports the Lisbon goal of becoming the world's most dynamic knowledge-driven economy, which fosters entrepreneurship and sustainable economic growth. A special focus of policy is on SMEs, where projects are conducted with Member states to identify good practices in policy and support. Other action priorities include industry-specific aspects such as Information and Communication Technology (ICT), CSR and innovation, and the management of intangible assets of firms.

SMEs in particular are recognised as the engine-room of economic wealth generation in every EU Member State and other nations around the world. And so a focus on the responsibility of global corporations has raised the question as to what the implications are for SMEs. On the one hand, some are concerned that corporate responsibility primarily benefits larger corporations, at the competitive disadvantage of SMEs. It not only consolidates the reputation of major brands, but also 'business-to-business' SMEs may face additional costs due to pressure from corporate customers to adhere to new social and environmental guidelines in the supply chain. Others argue however, that SMEs' roots within communities makes them almost inherently responsible because of the mutual dependency that exists between them and the people

⁶ See e.g. the Employers' Forum on Disability (<http://www.employers-forum.co.uk>).

they serve (Swift & Zadek, July 2002). Further evidence supporting this latter hypothesis is provided by the case studies on SMEs detailed in this report. As noted above, recognising both sides of the argument, the Commission's communication acknowledges the need to encourage mentoring and partnering between corporates and SMEs in order to create the best possible environment to encourage CSR amongst SMEs.

- *Environmental policy* - Over the last 25 years, environmental requirements have developed to become of horizontal nature, applying to all Community policies, as is demonstrated by Article 6 EC Treaty. The role of business in fostering environmental sustainability is a central issue in the newly adopted 6th Environmental Action Programme. This builds on several Community actions which are intended to the various dimensions of business responsibility, and include:
 - The Eco-Management and Audit Scheme (EMAS), which promotes continuous improvements in environmental standards of industrial activities. It does so by committing individual firms to evaluate and improve their own environmental performance;
 - The Commission's support for the European Eco-Efficiency Initiative (EEEI), and programme of the World Business Council for Sustainable Development and the European Partners for the Environment. This aims to integrate eco-efficiency throughout European business, and in EU industrial and economic policies;
 - The Recommendation of the EC on the recognition, measurement and disclosure of environmental issues in the annual accounts and reports of companies has set Community standards in order to produce reliable, comparable and useful information on firms' environmental performance.
 - In its communication 'Environmental Technology for Sustainable Development' (COM (2002) 122), the Commission has emphasised the importance of environmental technologies and their ability to contribute both to the profitability of individual firms and to the competitiveness of the economy. In particular, the use of cleaner technologies is credited with improved process efficiency and reduced resource waste.

The Commission's communication invites enterprises to adopt the above principles and approaches as part of their CSR strategies, and in particular recommends EMAS as a tool to implement them.

- *Consumer policy* - Consumers increasingly use their purchasing power to demand and expect from businesses information and reassurance that wider social and environmental concerns are being taken into account. Enterprises are increasingly sensitive to these requests both to retain and recruit customers. Recognising that consumers and their representative organisations have an important role to play in the development of CSR, the Commission is in the process of consulting interested parties on the detail of a possible framework directive, which would harmonise national rules on the fairness of commercial practices. Areas that may be covered by this directive are advertising and aggressive marketing for example.
- *Public procurement policy* - In accordance with the sustainability requirement of Article 2 of EC Treaty, the interpretative communications of the Commission on the Community law applicable to public procurement and the possibilities for integrating social (COM (2001) 566 final) and environmental (COM (2001) 274 final) considerations into public procurement have clarified the possible options to public purchasers to integrate social and environmental considerations into their procedures. This takes the form of exclusion or inclusion criteria, whilst at the same time ensuring respect for the principles of value for money for taxpayers and equal access for all EU suppliers. In November 2001, the Commission issued guidelines on greening public procurement by using the European Eco-label criteria. Work is also underway to provide a practical handbook and a database offering information on environmental aspects of key products and services for public (and corporate) purchasers.

- *External relations policies (including development policy and trade)* - Given its unique set of agreements with third countries and regional groupings, the EU is well placed to make more effective the promotion of CSR at the international level. For example, since 1994 the Cotonou Agreement with the African, Caribbean and Pacific countries incorporated a clause defining human rights as a fundamental element, and in particular core labour standards, to serve as a basis for dialogue with a third country government. The Commission has a role in promoting dialogue between the EU and third country civil societies, including businesses, and can use this to further the spread of CSR as market opportunity (eg social labelling schemes) as opposed to protectionism.
- *Public administrations* - The Commission and other public administrations need to adopt a more integrated and systematic approach to managing social and environmental concerns in relation to their own stakeholders. As part of 'practicing what one preaches', the Commission has decided to register under EMAS, and will publish a report on its social and environmental performance in 2004.

A EU Action Framework for CSR

The 2002 Communication (COM (2002) 347) is addressed to the European institutions, Member States, Social Partners as well as business and consumer associations, individual enterprises and other concerned parties. The Commission proposes to build its strategy to promote CSR on a number of principles as follows:

1. Recognition of the voluntary nature of CSR⁷;
2. Need for credibility and transparency of CSR practices;
3. Focus on activities where Community involvement adds value;
4. Balanced and all-encompassing approach to CSR, including economic, social and environmental issues as well as consumer interests;
5. Attention to the needs and characteristics of SMEs;
6. Support and compatibility with existing international agreements and instruments (ILO core labour standards, OECD guidelines for multinational enterprises).

Components of the Action Framework will focus on seven key areas:

1. Increasing knowledge about the positive impact of CSR on business and societies in Europe and abroad, in particular in developing countries;
2. Developing the exchange of experience and good practice on CSR between enterprises;
3. Promoting the development of CSR management skills;
4. Fostering CSR among SMEs;

⁷ In June 2002, and prior to the European Commission's communication on CSR, the European Parliament passed a resolution calling for mandatory social and environmental reporting across Europe.

5. Facilitating convergence and transparency of CSR practices and tools;
6. Launching a Multi-Stakeholder Forum on CSR at the EU level;
7. Integrating CSR into Community policies.

The corporate agenda

Especially since the late 1990s, companies have been subject to a sharp increase in levels of public scrutiny concerning non-financial activities. This has played a pivotal role for the increasing popularity of CSR in the business community, as a means of demonstrating and communicating non-financial performance to a variety of stakeholders.

However, the idea of corporate social responsibility is not new. Business has through the ages demonstrated varying degrees of responsibility to society. However, new water has run into the river and the concept CSR today covers a wide spectrum of topics, issues, methodology, tools etc. What characterises the development is, on the one hand, that companies are increasingly expected to take into consideration other aspects of running a business than productivity and profits. Popularly speaking, 'the business of business is no longer just business'. On the other hand, the ways in which companies view their relations to society is changing. The growing importance of intangible assets implies that companies have an interest in being in accordance with the views and norms of key stakeholder groups. However, policy and practice within the field differs and it is important to adopt a critical approach in order to distinguish between the 'finish' and the 'substance', i.e. companies involved in CSR for reasons of PR in contrast to companies, which adopt a step-by-step approach in order to integration responsible policy and practice throughout the organisation.

Topics and issues

The history of CSR has been characterised by two development trends. Firstly, a growing number of topics and issues have been included under the CSR 'umbrella': Historically, the social agenda for business reaches back to the early controversies around slavery, child labour and working conditions (Elkington 2001). The environmental agenda attracted increasing attention as governments during the 1980's began to recognise that the level of environmental degradation of today's economic development could not be sustained without significant impacts upon future generations. Numerous examples bear witness to the fact that companies are held accountable not only by regulators but to an increasing extent by environmentalists, NGO's and the media. During the late 1990's and beginning of 2000's, a number of new topics have emerged in the debate - diversity, equal opportunities, employability, privacy in relation to ICT, genetic engineering and corporate governance to name some.

What characterises the development of the field is that new topics and issues do not replace old ones but are added to the CSR agenda. Furthermore, as topics and issues arise they are developed, expanded and also refined. Taking diversity as an example of expansion, the issue has primarily been related to companies' own employees (e.g. recruitment policy or the composition of board of directors). However, the discussion about diversity has been broadened out to include diversity in the community or in society more generally: e.g. how does the company adjust its products to a diverse society.

Secondly, corporations are increasingly adopting a broader and more integrated approach to CSR. From taking up separate aspects of CSR such as specific environmental or social issues, companies are increasingly integrating a broader range of issues. Some of the large companies are now concerned with their triple bottom line - economic profitability, social equity and respect for the environment.

Furthermore, companies are adopting a more integrated approach to CSR-topics in the sense that policies and practices are extended beyond the company itself. Responsible policies and practises are applied both throughout the whole organisation and extended to customers and clients. In some cases demands on responsible policy and practise involve the entire supply chain (i.e. environmental responsibility in a life cycle perspective - 'from cradle to grave').

Stakeholder dialogue - a dynamic perspective

The growing number of topics and issues should be viewed in both a more permanent and a dynamic perspective. On the one hand, the development of numerous international standards has provided a common frame of reference for central topics and issues as well as procedural guidelines. On the other hand, despite the development of this 'common frame of reference', the universe of topics and issues is dynamic and changing; new topics arise, develop, change and sometimes ebb away.

What companies are facing today is not a fixed universe of topics and issues to 'tick off' in order to be responsible. The universe of topics and issues is changing and companies are expected to 'keep the pace'. New issues are brought to the forefront such as e.g. the massive public criticism of the pharmaceutical industry for dealing with the issue of access to certain pharmaceutical products in South Africa from a narrow business point of view (protection of patents and prices). One of the key lessons learned by the industry was that, in dealing with emotive issues such as HIV/AIDS in developing countries, approaching the case from a business point of view is not enough. The industry took long to acknowledge public concern and the issue has remained high on the public agenda.

This and other cases have brought into focus the importance of the stakeholder concept.

Advocates of stakeholder engagement claim, that a company's long-term survival is dependent upon its relationship with key stakeholders.

The method of consulting with stakeholders has been used for decades. It has been undertaken by e.g. marketing departments developing focus groups with customers or personnel departments carrying out surveys with staff. The methodology practiced in this 'traditional' type of stakeholder engagement, is in some respects similar to the methods recommended in the 'modern' concept, stakeholder dialogue. However, stakeholder dialogue differs from the 'traditional' approach in a number of respects. Firstly, the number of stakeholders involved. 'Traditional' surveys have usually been limited to one or two stakeholder groups whereas the 'modern' counterpart involves all stakeholders. Secondly, the 'traditional' approach often has a more concrete and specific focus. Customer surveys are e.g. often conducted with regard to specific products rather than the broader values and performance of the company. Finally, the approach differs in regard to the requirement for disclosure. 'Traditional' surveys have seldom been disclosed, whereas disclosure is a central part and requirement of the stakeholder dialogue process.

Today's practice of stakeholder engagement has been informed by earlier practical experience. One of these was constituency accounting, developed by Grey in 1973 (Gonella, Pilling and Zadek, 1998). Grey noted that traditional financial accounting was insufficient in addressing areas of social and ethical accounting. Companies needed to report against the demand of key constituencies, either within or outside the company. Although there is limited evidence that this was taken up, this has recently become a core part in approaches to stakeholder consultation and dialogue.

One of the most developed methods of undertaking stakeholder dialogue, which has informed contemporary approaches, has been the ethical accounting statement. The professors Peter Pruzan and Ole Thyssen at the

Copenhagen Business School developed this in the late 1980s. The company or organisation needs to state a code of values, followed by statements explaining these values. A series of interviews with key stakeholders are undertaken to understand their position in relation to the organisation's values. These then form the Ethical Accounting Statements. This method was first applied in the corporate sector by the Danish regional bank Sparekassen Nordjylland (Sbn Bank) in 1989, before spreading to other commercial and non-profit organisations in Denmark and Scandinavia (Gonella, Pilling and Zadek, 1998).

Reporting and accounting

Today many companies, especially SMEs, are still in an early phase of CSR practice. Companies are struggling with considerations such as 'what issues to engage in' and 'how to develop responsible policies and practices within different areas of CSR'. The methodological development within the field has provided companies with useful guidelines and tools. However, the fragmented rather chaotic supply of codes of conduct, guidelines, charters etc has also complicated the picture and raises a number of concrete and operational questions such as: How to approach the field? Which products to pick? However, it also raises some more essential questions such as how much should companies cover? What is the level of ambition? These are essential questions, especially in regard to SMEs, which have limited time and resources.

Standards

The term standard is used to describe a written document that seeks to influence behaviour so that it is recognisable and reproducible in order to improve the social performance of the organisations to which it is applied. This includes both auditable standards as well as broad guidelines, codes of conduct, charters, investment screening mechanisms and benchmarks. Standards by which organisations can be measured make it possible to compare and contrast levels of performance. Initially, the function of standards is to establish minimum levels of performance. They also help organisations to manage the quality of their processes or systems designed to manage impacts and processes. Over the course of time, the use of standards encourages, facilitates and mandates best practice. Within the field of CSR, most standards are of a voluntary nature.

Included under the umbrella of CSR-related standards are:

- Simple statements of principles that an individual company might (whether or not in alliance with other companies) subscribe to;
- Industry-led initiatives in which groups of companies collectively implement agreed codes of practice;
- International Organization for Standardization (ISO) and ISO style standards which are voluntarily adopted by companies and regulated by a system of 3rd party accredited bodies;
- International Labour Organisation (ILO) conventions that establish minimum performance criteria in terms of labour; and
- Process frameworks that give guidance on demonstrating responsibility and accountability.

The various standards can broadly be grouped into four key ways of working:

- *Aspirational principles and codes of practice* - Guidelines, which provide broadly agreed methods of substantive performance for companies but which lack external audit mechanisms. Some may include a self-reporting element (for example companies which sign up to the UN Global Compact, the Ethical Trading Initiative and the Global Sullivan Principles), while others are subject to external oversight either informally (as with the public monitoring of the WHO/UNICEF code by NGOs) or formally (as with the

system of National Contact Points which try to resolve cases where breaches of the OECD guidelines are brought to their attention.)

- *Guidelines for management systems and certification schemes* - Auditable guidelines for implementing, reviewing and external certification compliance to the standard. Some standards of this type are organisation based (such as EMAS), some are site based (such as SA8000) and some are product based (Such as the FSC criteria). These standards enable business to enhance its internal processes for CSR-related activities as well as establishing credibility with consumers or other user groups through certification or verification.
- *Rating indices typically used by socially responsible investment agencies* - Sets of criteria used by ratings indices and social investment funds to identify companies considered acceptable for 'socially responsible investment'. Individual funds have their own screens, and individual investors are able to choose the fund whose screens cover their own concerns. However, a recent development has been the independent social investment indices developed by the FTSE and Dow Jones companies.
- *Accountability and reporting frameworks.* - Process guidelines which cover reporting and accountability mechanisms (such as AA1000S and GRI). These standards do not specify substantive levels of performance which must be met, but provide a framework for communicating and responding to stakeholder concerns in relation to social, environmental and economic performance.

Name of standard	Abbreviation	Further information
AccountAbility 1000 Series	AA1000S	www.accountability.org.uk
Amnesty International's Human Rights Guidelines for Companies	Amnesty	www.amnesty.org.uk/business/pubs/hrgc.shtml
Agence de Rating Social et Environmental sur les Enterprises	ASPI	http://www.arese-sa.com/
Dow Jones Sustainability Group Index	DJSGI	www.sustainability-index.com/
ECCR/ICCR Benchmarks for Global Corporate Responsibility	ECCR/ICCR	www.web.net/~tccr/benchmarks/
Eco-Management and Audit Scheme	EMAS	europa.eu.int/comm/environment/emas/
Ethical Trading Initiative Base Code	ETI	www.ethicaltrade.org
EU Eco-label criteria	Eco-label	europa.eu.int/comm/environment/ecolabel
Forest Stewardship Council's Principles and Criteria for Forest Management	FSC	www.fscoax.org
FTSE4Good Selection Criteria	FTSE4Good	www.ftse4good.com
Global Reporting Initiative Guidelines	GRI	www.globalreporting.org
IFOAM Basic Standards	IFOAM	www.ifoam.org
International Organization for Standardization ISO9000 & 14000	ISO9000/14001	www.iso.ch
Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises	OECD	www.oecd.org/daf/investment/guidelines/
Social Accountability 8000	SA8000	www.sai.org
SIGMA Guidelines	SIGMA	www.projectsigma.com
Global Sullivan Principles	Sullivan	www.revleonsullivan.com
UN Global Compact	UN GC	www.unglobalcompact.org
WHO/UNICEF International Code on Marketing of Breastmilk Substitutes	WHO / UNICEF	www.who.int/nut/documents/code_english.PDF

The table on the preceding page provides a list of key CSR-related standards, their abbreviations and reference to websites for further information.

CSR standards have a wide variety of organisational homes and governance structures. These range from old institutions initiating new standards (e.g. the EU Eco-label) to new institutions and multi-sector alliances being set up to develop CSR standards and codes of practice. Such alliances bring together individuals and organisations from across public, private and voluntary sectors to negotiate, implement, monitor and review emerging standards.

The investment agenda

CSR has entered the financial sector brought forward by, on the one hand, the increasing public awareness and concern about the role played by financial institutions in the global economy. On the other hand, Socially Responsible Investing (SRI) is becoming a growing area in the investment industry reflecting an increasing awareness about the risks and opportunities related to CSR.

Market growth

SRI investments have grown markedly during the 1990's. A recent mapping of the growth of SRI retail funds in Europe⁹ shows a growth from 4 funds in 1980-84 to 282 in 2000-2001. The leading countries in terms of number of SRI funds are UK, France, Sweden and Belgium, which together account for more than 66% of the SRI funds available in Europe. Regarding the size of the funds, the UK market is by far the largest, accounting for nearly 40% of the € 15,1 billion assets under management in European SRI retail funds in 2001 (SIRI Group 2002).

SRI has also gained increasing awareness among institutional investors. In the UK, the development of the market for institutional funds has been backed by recent legislation requiring fund managers to state what ethical and environmental criteria, if any, they use when managing their pension funds (July 2001). Other EU countries such as Holland, France and Germany are looking at how they could apply some form of legislation. The legislative incentive in the UK has had an effect. During the financial year 2001/2, over 50% of fund managers included in a survey, undertaken by Deloitte & Touche in the UK, have witnessed an increase in interest in SRI from their pension scheme (Deloitte & Touche 2002). A smaller percentage has experienced an increasing interest from mutual funds or private clients.

⁸ SRI has been defined as 'Investments where social, environmental or ethical considerations are taken into account in the selection, retention and realization of investment, and the responsible use of rights (such as voting rights) attaching to investments' (Mansley, 2000)

⁹ Private and institutional portfolios have not been included in this research.

¹⁰ UCITS (Undertaking for Collective Investment in Transferable Securities) is a collective investment fund that complies with the EU UCITS Directive no 85/611/EEC of 20 October 1985 (OJ L 375/3 of 31.12.1985) and consequently can be marketed in all EU countries.

The marked growth of SRI notwithstanding, the total assets of SRI funds are still very limited compared to the total assets managed in European funds. A comparison of UCITS funds¹⁰ in Europe shows that SRI assets under management only account for 0,43% of the total assets managed by UCITS funds. However, SRI funds have had a growth rate of app. 36% in the period 1999-2001 compared to a growth rate of app. 12% for all EU (UCITS) funds (SIRI Group 2002).

Methodology

SRI is essentially about investors taking social, ethical and environmental criteria into account when making investment decisions. Basically, three methodological approaches to SRI can be identified (Oxford Research 2000). Investors can use one or a combination of:

- *Negative screening*: companies are excluded from the investment universe based on selected social, ethical or environmental criteria. These criteria can be absolute such as the exclusion of industries producing weapons, nuclear power or companies using child labour. Screenings can also be based on 'thresholds' for companies involvement in activities deemed undesirable. Picking among several examples in a mapping of criteria used by SRI funds, company groups that 'derive more than 33% of their reported annual turnover from the provision of services to the fossil fuel industries' are excluded (EIRIS 1998 ed.). The extent of the market screened out varies depending on the extent and scope of the criteria used.
- *Positive screening*: companies are selected for their good performance on a number of selected social, ethical and environmental criteria. Different variants of positive screening can be observed. One is the so-called 'best-in-class' approach, which aims to identify the best performers on a given set of issues within a sector. Another is the selection of specific industries, which are supposed to be the industries of 'tomorrow' such as e.g. the windmill industry.
- *Shareholder activism*: Investor engagement in combination with SRI is becoming more widespread. Fund managers can engage with companies at AGMs. Increasingly individuals and organisations are using shareholder resolutions to pressure firms on companies' social and environmental impact. Resolutions filed for AGMs require a formal management response and can be embarrassing for executives. Shareholder activism can be used on a screened as well as a non-screened universe of shares.

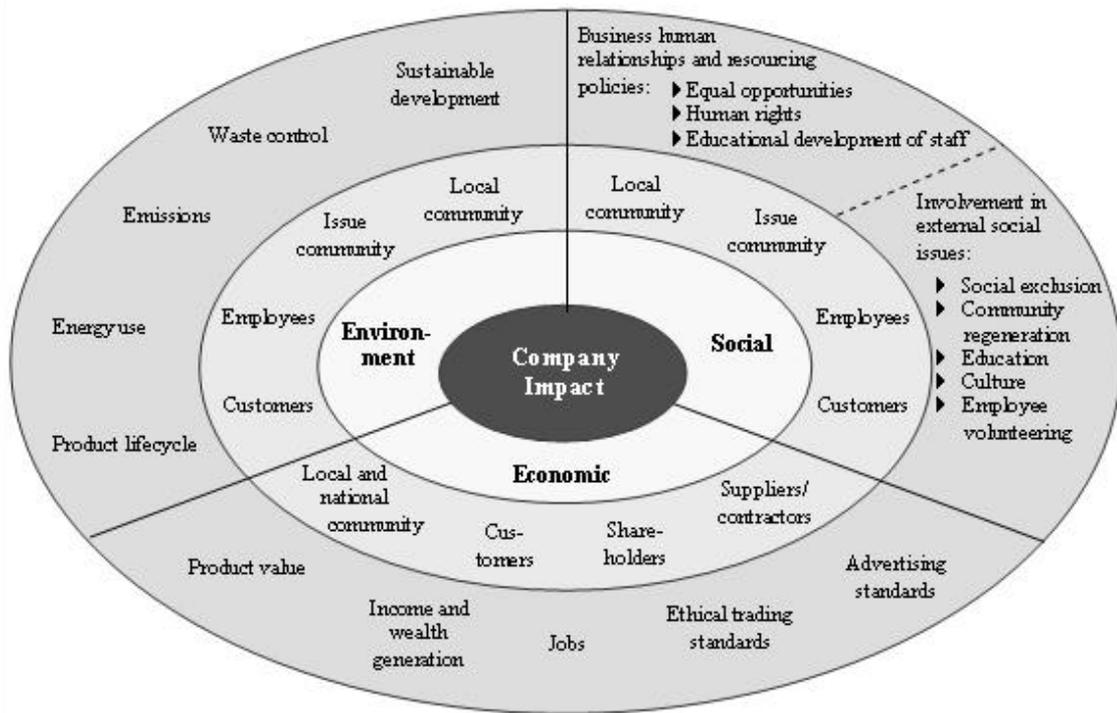
Share indexes

A number of share indexes have been developed tracking the development of SRI screened companies relative to benchmark. These indexes are the most persuading demonstrations of 'the business case' for CSR, i.e. demonstrating the link between social and environmental responsibility and financial performance. The most well known in the market is the relatively newly launched UK based FTSE4Good, the Swiss based Dow Jones Sustainability Group Index and the American Domini Social Index. The respective indexes are based on different methodological approaches.

Local community and the environment part of the CSR agenda

As described in the different perspectives on the field above, the concept, policy, practice, tools and methodology of CSR has developed rapidly. As illustrated in the figure below the local perspective runs across the three key impact areas of the company. In the context of this report, the social and environmental areas are in focus.

Figure 1: *Main areas of impact*



Source: *Andriof & McIntosh (2001)*

Defining the concepts

Local community

Companies are an integral part of the community in which they operate and as such have an interest in establishing a 'good relationship' with external stakeholders be it customers, employees, shareholders, business connections, authorities, the public or other groups, who can affect, or are affected by, the activities of a company.

The local community is one central sphere of interest of the company. However, the concept 'local community' is not well defined, nor is there a common understanding of the term. The word 'local' indicates a frame of reference, which is smaller than society at large - but how should the local community be separated from the community at large? How should the term 'local community' be delimited? Different perspectives can be used in the understanding and interpretation of the term:

The administrative perspective: The understanding and definition of the 'local community' could take its point of departure in administrative units. Using this frame of reference, local communities could be cities, municipalities, counties and nations or maybe even (with a very wide frame of reference) EU or other supra-national administrative structures. Such a definition could e.g. have its relevance in the case where enterprises enter into partnerships with municipalities around issues of common concern. This is e.g. the case of the voluntary partnership agreements set up between Danish municipalities and local companies around employability and inclusion.

The corporate perspective: The local community could also be understood and delimited as 'the communities where the enterprise operates'. Such a definition of local communities would follow the division of responsibility in the organisational structure of the corporation. For a multinational enterprise like e.g. IBM, the local community of IBM Europe would be wide encompassing all the European countries, whereas IBM Ireland would have another and relatively more narrow local community. Some of the corporations surveyed have corporate programmes, which are implemented locally, designed to the specific local circumstances.

The cluster perspective: The local community could also be viewed from a cluster perspective. With the introduction of the cluster concept, the importance of geographic proximity was highlighted. Clusters are local networks of firms and supporting infrastructure of institutions and organisations that interact thereby fostering innovative dynamism. The existence of dynamic clusters has been correlated with competitive advantage at both national and regional level (Porter, 1990). Some of the fundamental concepts underpinning cluster theory (trust, information sharing and the ability to network) can be used in the explanation of company initiatives arising in the local community. Some of the companies surveyed in this report invest money and resources into the establishment of local networks, partnerships or institutions with the aim of solving specific productive or social problems at the local level or promoting a common social agenda.

The definition of local community used in this report makes room for all the above-mentioned perspectives. A dynamic, but essentially geographic, approach to the identification of cases has been used: i.e. the geographic communities in which business has a presence. This methodological approach implies that in some cases the administrative perspective characterises and delimits local community activities, whereas in others, company activities are better understood and explained by using the corporate or cluster perspective.

The advantage of using this more dynamic approach is the possibility of embracing a wide spectrum of companies' local activities both regarding area in focus and method used. However, it is also difficult to determine, when one is approaching the 'local boarder' - i.e. where does the local community stop.

Environment

'Corporate interaction with the local community' has been the common denominator for the identification of cases in this report. The definition is equivalent to what has also been termed responsibility towards the 'external', as opposed to the 'internal', stakeholders (Observatory 2002).

This approach implies that environmental cases have been identified taking their local impact as point of departure (i.e. air, water, waste, flora and fauna, people etc.).

In focus are both environmental activities directly related to the impact of companies' own operations (such as e.g. the organisation of production with the aim of minimising the environmental impact of the activities carried out) and environmental activities not directly related to business activities but affecting the local community (such as companies' participation in local environmental projects, environmental education, awareness raising or the like).

The methodological approach

Historically, many companies and business leaders have been engaged in different forms of social activities thereby demonstrating a responsibility that lies beyond their commercial obligations. Many of these initiatives have now been included under the umbrella-term 'corporate social responsibility'. However, as some companies might not even be aware of the fact that what they do could be termed 'CSR', the researcher plays an important part in identifying, which activities should be included under the CSR umbrella.

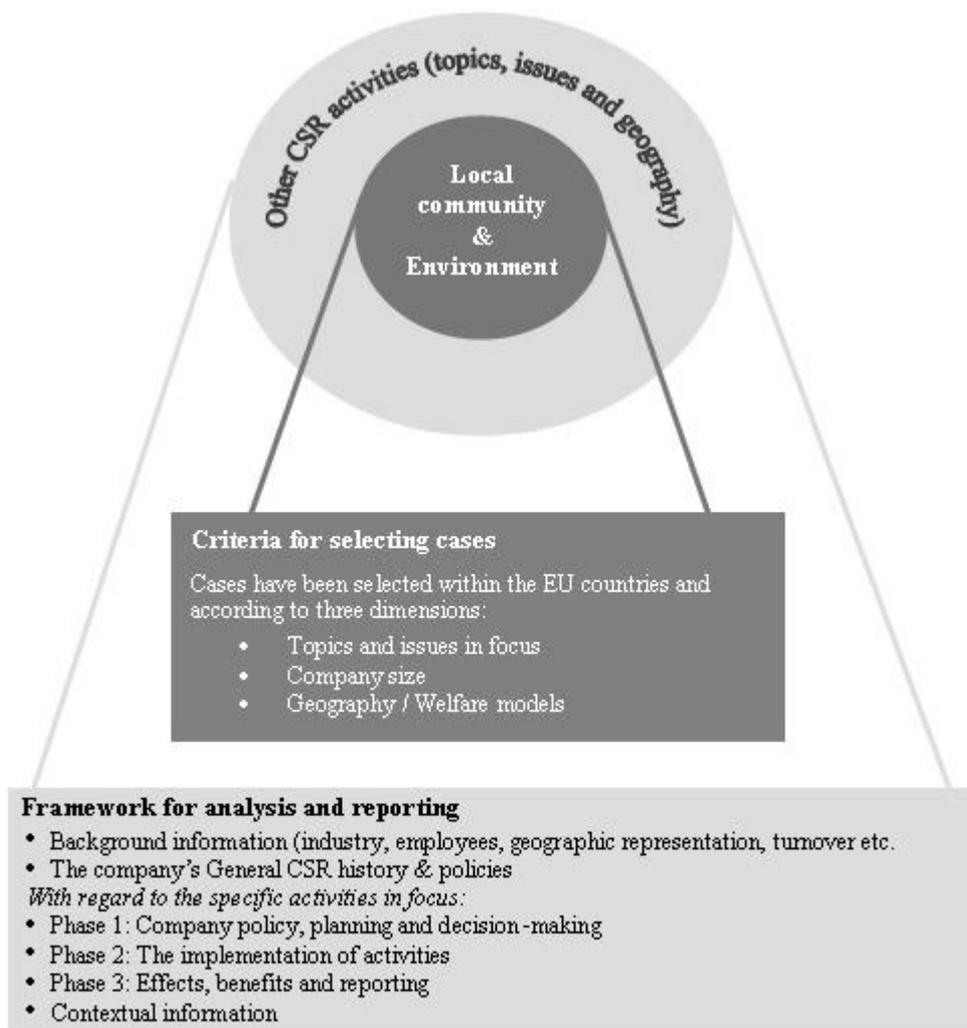
Taking the basic definition as point of departure: 'doing more than what is prescribed by law', implies that a variety of different activities could be termed CSR. However, one might question the extent and coverage of the CSR concept whether applied more generally or at the local level. A company donating spare products to a local school - is that CSR? Is it CSR when employees help out in a community centre one day a month? And how many disadvantaged people should be employed in a global company before you call it CSR? In the context of this report, the intention is not to aim for a definition of 'what is and what is not' CSR. However, it is important to bear in mind that CSR is many things, performed at different levels of advancement. Furthermore, it is important to be aware of the fact that researchers (as well as others engaged in the field of CSR, not least the companies themselves) play an important role in putting the CSR label on social and environmental activities carried out in the business sector.

The identification of cases has been based on a preliminary framework adopting a methodological issue-based approach, as regards 'local community' (i.e. engagement in the local community through activities such as philanthropy, product/service donations etc.), and a thematic issue-based approach as regards the environment (i.e. responsibility for air, water, waste, energy etc.). With point of departure in this framework, two interrelated approaches have been used in identifying local community cases:

- A top down approach: very basically, the vocabulary used by the companies
- A bottom-up approach: through the identification of company activities that lies within the pre-determined framework.

Approximately 200 European case studies have been identified¹¹, a database of case studies was established from which 40 cases has been selected for further analysis. The cases are listed in annex I indicating industry, location and company size. Three criteria have been used in the selection of the 40 cases: the topics and issues in focus, the size of the companies and their geographic location respectively (cf. figure 2). A framework for the analysis and reporting of cases has been developed in order to harmonise the case research. A critical approach to the research of cases has been adopted through the use of other sources than the companies themselves: desk research and interviews with community representatives being involved in, or affected by, the activities of the companies. Furthermore, the cases have been analysed with the aim of highlighting other types of motivations than ‘the wish to contribute to society’

Figure 2: Criteria for selection and guidelines for reporting of cases



Source: Oxford Research A/S., 2002

¹¹ Case studies have been identified through different sources: i/ Desk research ii/ E-mail survey to a number of organisations, networks etc. operating within the field of CSR iii/ Follow up telephone enquiries iv/ The 'local networks' of the consortium partners.

For each case, two interviews have been carried out with respectively a company representative and a representative from the local community.¹² Company interviews have been carried out with general managers or at managerial level (e.g. corporate affairs-, environmental -, communication -or CSR managers). The persons chosen for the local community interviews vary depending on the specific focus and character of the case (e.g. a community partner organisation, the local authorities or the main beneficiaries from the initiatives carried out).

The methodology used in the selection and research of cases is illustrated in the figure on the preceding page.

No general conclusions can be made based on 40 case studies. However, case studies provide the opportunity to explore the variety and specific characteristics of companies' activities in the local community. In this regard, it is important to emphasise that the cases have been used to illustrate different aspects of companies' activities within the field. I.e. a company brought forward with the aim of illustrating a particular motive, practical approach or the like, often contains a lot more. Considering the length of this report, the implication is that only a partial and illustrative picture of companies' activities can be drawn. Beyond the actual cases, surveys, reports, articles together with other forms of research and documentation material etc. has been included as a frame of reference for the cases researched.

¹² In a few cases, only one interview with the company has been carried out as no relevant community representative could be identified.

Local community involvement

A general frame of reference

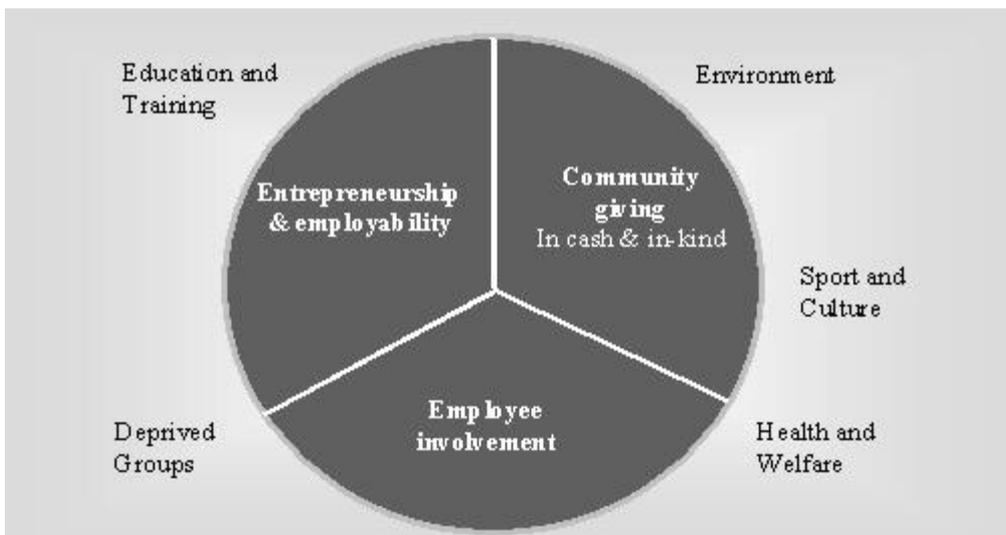
By virtue of their business activities, companies have an impact on the communities in which they operate. Basically through the employment of people and the production of goods and services, which might involve sourcing from local suppliers and selling to local customers. However, many companies interact with the communities in which they operate in a number of ways, which are not directly related to the traditional operational aspects of running a business.

A broad variety of activities and relationships can be identified such as sponsoring local sporting or cultural activities, giving spare equipment to community organisations, co-operating with local schools around educational activities (e.g. company visits, work experience placements etc.), using employees professional skills in voluntary work, participating in local business networks in order to exchange experiences or promote a common agenda etc. etc. What characterises these types of relationships is, that they are companies' voluntary involvement or investment in the local community. These activities might be short or long term, more isolated company initiatives or part of a more holistic approach to CSR. Companies might engage in arms length relationships or become part of embedded local networks.

Some people view companies' local community involvement as something business has practiced for years (i.e. a new label on old well-known activities). This is certainly true of e.g. philanthropic activities, which have been carried out for centuries by industrialists making significant contributions to their local communities. Others regard it as pure marketing or image creation and still others look at these activities as companies genuine commitment to and concern for their local communities. The aim of this chapter is to explore the motives, policies, activities and experiences of companies' involvement in the local community.

The figure below summarises the main types of companies' local community involvement, and the fields in which activities are being carried out.

Figure 3: *Local community: type of involvement and field of activity*



Source: *Oxford Research A/S, 2002*

Motivation

Companies engagement in the local community is usually motivated by a combination of factors, which will often be a mixture of the wish to obtain business benefits, on the one hand, and non-rational or value based reasons, on the other. The latter motivation is often termed the ethical or normative motivation, which is basically founded in the fact that business managers are people with personal values and attitudes like everybody else, rather than 'profit-driven machines'. In recent years, increasing focus is being attached to the business benefits, as a key motivational factor for companies' engagement in CSR more generally, but also in regard to activities carried out in the local community. However, in regard to the local community, the value-based rationale seems to carry substantial weight, at least among SMEs. A recent study of SMEs in Europe, found that the most frequently stated motive for engagement in 'external' social activities was 'ethical (mainly altruistic) reasons'¹³. This motive was stated by more than half of the SMEs (Observatory 2002).

When being asked the 'why?' question, the companies, surveyed in this report, refer to various different motivations for engaging in the local community. The motivation of some companies is very clear and deliberate, whereas the motivation of others is more nebulous. Below the different types of motivations found in the case research are categorised:

- Awareness of impact
- Decency and visibility in the local community
- Compensation for 'scarcity' in the local access to infrastructure and resources
- Building 'good will' in the local community
- Enhancing image
- Strengthening company culture and employee skills
- Appear as an attractive workplace
- Develop new products and markets through involvement

Some illustrative examples of these different types of motivations are presented below. These and other cases will be explored in the following.

Awareness of impact

Some of the companies participating in this study are well aware of the responsibilities that stem from their impact as a relatively large company in a relatively small community. This is e.g. the case of the Swedish electronic contract manufacturer, NOTE, which despite its size (262 employees) is one of the largest workplaces in the municipality of Norrtälje, which has 50.000 inhabitants.

¹³ It should be mentioned that, in these types of surveys, one should be cautious about the possibility of a bias in the reply pattern.

Decency and visibility in the local community

For Rosborg Denmark, an SME within the horticultural industry, community involvement is seen in a straightforward and self-evident way as being basically a question of decency and mutual respect. As stated by the founder and director: 'we simply have to behave well in order to be here. You meet people in the street and should be able to say hello'!

Compensation for scarcity in the local access to infrastructure or resources

Some companies have 'filled a gap' between needs and supply in the local community. This is e.g. the case of the German outdoor clothing and apparel producer VAUDE, which has established a childcare centre in connection with their facility in Tett nang. The child centre offers care for children from a younger age than the public kindergartens of the area thereby allowing parents, primarily women, a faster return to the labour market after having babies. Like other companies in the textile industry VAUDE employs many women (the company has 160 employees in Germany 63% of which are women) and furthermore operates in a region with very low unemployment rates. By providing the childcare centre, the company has increased the local pool of labour.

Building 'good will' in the local community

The need or wish to create good relationships with the local community in order to pave the way for smooth business operations and good will in the local community is mentioned in a number of the case studies surveyed. The Spanish company Ferrosset Catalana, working in the construction sector, was established as a result of the need start up production in an area in Central Catalonia with almost full employment. A surveyed carried out identified an untapped reserve of labour consisting of women. In order to overcome the initial resentment of the families of the workers, the company redesigned production and introduced flexitime and part-time contracts. Furthermore, assisted by the local authorities, the company also organised guided tours for the local residents. The aim of these tours was to make the locality aware of the fact that it was possible for women to have jobs, which did not have to interfere with their family commitments.

Enhancing image

The Spanish large-scale retail trade company, Grupo Eroski, provides an example of community involvement with the purpose of enhancing company reputation and image as well as positioning the company's products in the market. Since it's founding, the Eroski Group has been a consumer cooperative and, in the light of this, the defence and promotion of consumer rights constitutes the social objective of the company. The idea is that of responding to new consumer expectations, bringing together the needs of consumers and their interest in being active participants. The Group devotes 10% of its earnings to social and environmental activities which includes initiatives such as free training courses for consumers around issues related to environment, health and safety; information campaigns etc. Issues of interest to the communities in which the retailers are located are used as point of departure for the planning and designing of activities.

Strengthening company culture and employee skills

The German pharmaceutical company Betapharm has used the company's local community activities strategically as a means of building a strong company identity and culture. During stagnation in sales in 1997, internal analysis shed light on the fact that the sales force had difficulty in seeing the mission and purpose of the company. It was regarded as a company 'like all the others'. The community involvement initiated has among other aims been used to recreate a purpose and meaning with the *raison d'être* of the company.

Appear as an attractive workplace

An often-stated motivation for engaging in local community activities is the ability to appear as an attractive workplace. A positive company profile and image contributes to the attraction and maintenance of qualified and committed employees.

At the German conglomerate Siemens, the ‘war for talent’, i.e. the competition for qualified employees, is mentioned as a key driver behind the company’s local community involvement (and their involvement in CSR more generally). This is especially the case for knowledge intensive companies like Siemens, who invest considerable resources in education and training of personnel. Surveys carried out among all new employees show that the company’s environmental efforts and reputation in personnel and training policies are among the decisive factors for choosing a job in the company.

Develop new products and markets through innovation

Some companies have combined their involvement in the local community with the aim of developing and testing new products or markets. This approach has been equated with the ability to use community activities as a ‘learning laboratory’ for corporate innovation (Moss Kanter, 1999). This motivational approach is exemplified by the partnership created between IBM and the Irish Department of Education and Science. The so-called ‘Wired for Learning’ project, aimed at creating an IT collaboration and communications tool, designed to develop the use of ICT for the entire school community: teachers, students, parents and mentors. In effect, IBM provided funding and technology whilst the schools of Dublin provided knowledge and testing.

Local community involvement - activities and methods

Companies engagement in the local community can be categorised under three headlines:

- *Community giving*, which is based on companies engagement in the local community through in cash or in kind contributions;
- *Employee involvement*, which in the active involvement of company employees in community activities; and
- *Entrepreneurship and employability*, which is companies’ activities for the integration or inclusion of, often disadvantaged, members of the workforce.

The case research has revealed that behind each of these ‘doors’ a multi-faceted picture of initiatives and methods of involvement are emerging. With point of departure in the diversity of practices adopted by companies, a more structured presentation of companies’ activities within the field of community giving, employee volunteering and entrepreneurship/employability is presented below.

Community giving

The term community giving¹⁴ covers a large variety of activities the common denominator of which is that companies make a contribution to the local community either in cash or in-kind through product or service donations.

¹⁴ The terminology differs: more traditional terms like philanthropy, donations etc. are still widely used, but other terms such as e.g. ‘social investment’ ‘community investment’ ‘community involvement’ is become more widespread. The latter concepts are used as relatively broader ‘umbrella concepts’ for a number of different initiatives within the field.

As stated by Fogarty ‘There was a time when even in leading companies the ‘contribution function’ was a marginal activity only loosely connected to mainstream management: a case, as an IMB manager said ... of ‘chucking charity over the wall (quoting Fogarty 1992 in Hamil 1999)

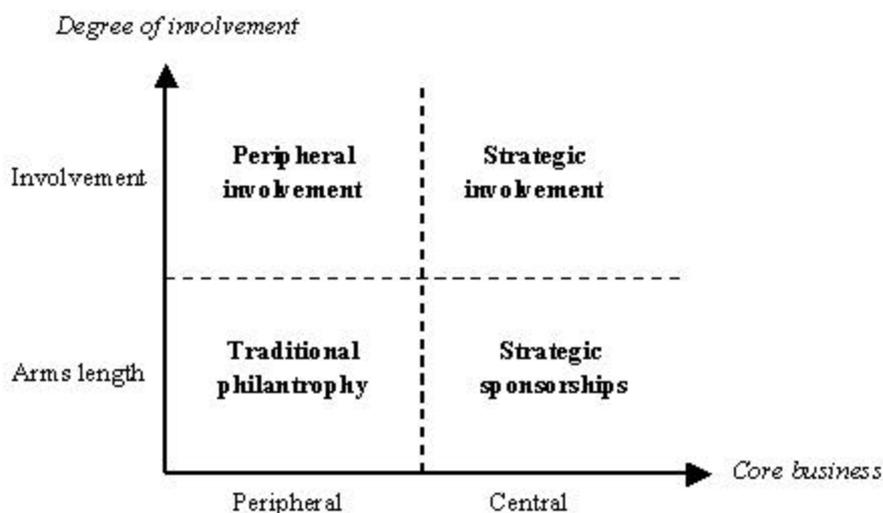
Nowadays, few companies ‘chuck charity over the wall’. According to BSR, companies are changing the way in which they conduct their community giving (be it cash donations, sponsorships or the like). These changes manifest themselves in the fact that:

- Companies increasingly adopt a more strategic approach to their community giving, in which they align their investments with long-term business objectives
- Companies have expanded the geographic focus of their giving to reflect the needs and expectations of a global workforce and customer base
- The development of measurement tools have enabled the evaluation of impact of companies’ activities
- Companies develop new and innovative ways of incorporating stakeholder participation in their giving activities, creating long-term relationships with non profit organisations, and organising their giving programmes (BSR 2001-2002/ID 734).

These more general findings and observations are to a varying extent reflected in the case studies researched in this project. Some companies have for example adopted a strategic approach to community giving, while others conduct these activities in a more peripheral manner. What characterises many of the cases research are that community giving in one form or another is often part of a broader diverse relationship with the local community. Cash donations are sometimes connected to, or form part of, a broader community involvement encompassing product or service donations, employee volunteering or other forms of activities and partnerships in the local community.

The figure below provides an illustrative framework for the different approaches to community giving found in the case research.

Figure 4: *Approaches to community giving*



Source: *Oxford Research A/S, 2002.*

Community giving can be either of more peripheral nature unrelated to the companies core business interests or, at the other end of the spectrum, of a more strategic nature closely related to core business interests and objectives (horizontal axis). Companies can choose to engage passively in the community forming arms-length relationships or, alternatively, choose a strategy based on the active involvement of the company in the local community (vertical axis). As illustrated in the figure, community giving can be viewed within the framework of four different approaches:

From traditional philanthropy to strategic involvement

1. *'Traditional' philanthropy*: Some companies donate money or equipment through community activities, which are relatively peripheral to the core business activities and interests of the company and which are conducted in a more arms length way. These types of activities could be equated with philanthropy in the 'traditional' sense.

Beyond their involvement in other aspects of CSR, some of the companies surveyed have also donated money to charities. This is e.g. the case of the Spanish real estate company, Grupo Lar, which funds a school in Africa or the Danish producer of sanitary appliances, Pressalit, which has supported a clothing campaign for recycled clothes collected and sold by an organisation under the Danish church.

2. *Peripheral involvement*: This approach is characterised by the fact that the activities carried out by the company, are relatively peripheral in regard to the core business interests of the company. However, the company demonstrates a high degree of involvement in the local community. This type of involvement includes active partnerships with local institutions linked around e.g. product and service donations etc.

This approach is characteristic of the law firm Palser Grossman, an SME headquartered in Wales. Palser Grossman has been engaged in CSR activities since its inception in 1992. The company made the conscious decision that rather than paying thousands of pounds for advertising or public relations, they would embark on a strategy of engaging with community partners, initially providing financial support to established and high profile organisations. Palser Grossman's CSR initiatives and programmes are not directly linked or integrated into their core business activities. Rather, they take the form of add-on duties carried out within office hours. The involvement of the company is characterised by a broad variety of activities from cash giving in the form of sponsorship of the Welsh National Opera, knowledge sharing through the development of a human resource strategy for a Welsh dance company (Diversions) and mentor ships through an ongoing participation in the Business in the Community education initiative in Wales.

3. *Strategic sponsorships/donations*: Companies, engaging in activities of central importance to their core business activities and interests, will often be more involved. However, some companies have activities, which are closely related to the core activities and interests, but which are conducted in a more passive way. Strategic sponsorships are an illustrative example of this type of community giving.

Pressalit, an SME based in Denmark in the municipality of Ry, have made a 4-year sponsorship contract with the Danish Union for Handicap Athletics. The company produces toilet seats and care products for the bathroom including sanitary appliances for physically handicapped persons. Through this strategic sponsorship, the company wishes to contribute to making cultural and leisure time activities available for handicapped persons. However, the company also draws commercial benefits from the initiative through brand promotion and awareness rising among potential users of their products.

B&Q, currently UK's biggest DIY retailer with over 310 stores nationwide, is an example of a company that is on its way to adopting a more strategically involved approach (moving from the 3rd to the 4th square cf. illustration). B&Q¹⁵ encourages its local stores to work with local community organisations such as Groundwork UK¹⁵ in donating gifts in kind. This is part of the company's philosophy of 'Being a Better Neighbour' to the local and global people it affects.

Involvement is learning

Since 1997, B&Q has offered help to over 2,500 community projects and over 1,200 of these have been supported by the B&Q 'Better Neighbour Grant'. The grant offers the opportunity for schools, community groups and charitable organisations to apply to their local store for funding in the form of product for a project that involves and benefits the local community. B&Q staff are encouraged to actively participate where possible. Levels of involvement can be as little as donating waste paint to a local school or store staff spending their spare time helping to refurbish a drop in centre for young people. Donations of end of range material are beneficial to B&Q because it helps reduce disposal costs.

The engagement of individual B&Q stores with local authorities and community partners such as Groundwork UK is dependent on the latter instigating the approach. However, both B&Q and Groundwork recognise that the relationships between the local stores and Groundwork trusts are still evolving. Several of the local Groundwork trusts expressed communication problems when making an approach to some local stores. In such instances head office have advised and supported the local stores in how to engage with their community partners.

B&Q has a Social Responsibility department at its headquarters, comprising six staff. This department is responsible for developing and embedding the company's social responsibility strategy into its operations. This includes administering the grant schemes.

4. Strategic involvement: represents the most comprehensive and advanced form of community giving. Companies adopting this strategy combine activities linked to core business operations with a high degree of company involvement in the activities being carried out.

Despite the differences in size and turnover, a 'strategic involvement' approach to community giving characterises the involvement of both Happy Computers', an SME based in London, and the Irish subsidiary of IBM. In both cases, community giving initiatives are closely linked to core business activities and interests of the companies and the companies are involved in the activities carried out. Both companies have provided IT training, donated computer equipment and carried out services in their respective local communities.

¹⁵ Groundwork UK is an environmental regeneration charity working with local communities, youth and business to 'build sustainable communities through joint environmental action.' Groundwork concentrates its work in deprived neighborhoods.

The local community as a learning laboratory

IBM

The global IT company IBM initiated a program in 1994 in the US, Reinventing Education. The program aimed to help support reform in the school educational system and raise student achievements by developing technology solutions for teachers and school management. As part of a worldwide expansion, a Reinventing Education partnership was agreed with the Department of Education and Science in Ireland, in 1998. IBM invested \$1m in the partnership, which implemented the 'Wired for Learning' (WFL) platform with schools in three different communities. WFL is a collaboration and communications tool designed to develop the use of ICT for the entire school community: teachers, students, parents and mentors. As it is a web-based program, users can log on anytime, anywhere. This program was initiated in North West Dublin, followed by Cork a year later. In 2000/1 IBM worked with the Dundalk Learning Network to implement the program in Dundalk, in Co Louth, Ireland. This is a medium sized urban area strategically located at the mid point between Dublin, the capital of Ireland and Belfast, in Northern Ireland. The project started with 8 schools in 2000, with an additional 9 in September 2001, so that the majority of schools across the town use the same Internet based platform for planning lessons and communication across all the communities in the schools.

The IBM 'Wired for Learning' partnership in Ireland was formalised in June 1998 with the signing of a Letter of Agreement between IBM and the Department of Education and Science. IBM's contribution was in consulting services and technology. The project was implemented through a steering committee, which included a representative from IBM, and the principals of the schools. Initially, the meetings were held on a monthly basis, but are currently quarterly. All decisions have been overseen by the Irish Department of Education.

There has been a good level of dialogue or stakeholder engagement and IBM has taken on board ideas suggested by the local schools. For example, it was noted that teachers lacked network management skills. Principals also needed training on team building. A number of training sessions were carried out for teachers and principals related to knowledge management at IBM's head office in Dublin. These activities have been partly funded by IBM, who has also provided the relevant technology that was needed to support the schools, such as PCs for local schools and the principals.

Happy Computers

Happy Computers is a computer training company, based in East London. It was established in 1991 to combine technical expertise and training skills in integrated communication technology (ICT) with an enjoyable learning environment for its clients. Happy Computers is a small-to-medium sized enterprise (SME) made up of 40 employees. Since 2001 Happy Computers have worked in partnership with Eastend Groundswell to train volunteers working with homeless people to coach them in ICT. Eastend Groundswell operates a rolling peer support programme as well as on-line learning. Its objective is to remove people from the streets, hostels and supported housing to help them rebuild their lives through training and employment. The organisation contributes to addressing this problem by providing the homeless with access to the web, their own email address and on-line learning.

The company provided free training to the volunteers from Eastend Groundswell working with the homeless. Eastend Groundswell was formed from a self-help partnership of homeless people and professionals in East London, who were seeking to find solutions to tackle homelessness. The volunteers were trained in IT themselves and in how to train other individuals. Through this training, the volunteers could then develop the IT skills of the homeless.

Both Happy computers and IBM have experienced that community involvement requires extra resources and sometimes brings unexpected outcomes.

Wired for Learning was a challenge for both IBM Ireland and the Dundalk Learning Network, partnering with organisations from different sectors. The use of IT in schools was new in Ireland, the implications of which IBM had not fully anticipated. The priority for IBM was to introduce the programme speedily and effectively. IBM was motivated to address key challenges and issues in education, but was limited by the one tool - IT - they were using to address them. Since the systems being implemented were new, it took longer to implement. IBM Ireland had to adapt to the fact that local schools did not work as efficiently as a business. Delivering a curriculum and enabling them to pass exams takes time.

As regards Happy computers, they initially experienced that the level of the homeless taking part in the course was over-estimated. The first operating system that the homeless were trained in, the mousse programme, proved too difficult and was not completed by most participants. Subsequently, the programme was changed to Windows 2000, which proved to be easier to grasp and had a positive effect on the number of people completing the course.

The product and service donations of both IBM and Happy computers can be seen in relation to the debate about 'the digital divide'¹⁶. Companies are approaching both under served groups in the educational system and increasing attention is being paid to people facing high levels of unemployment or underemployment (so-called 'under utilised workers', i.e. welfare recipients, disabled, youths at risk, homeless etc.). According to BSR, companies in the IT industry are increasingly linking efforts to narrow/bridge the digital divide on the one hand, with their own business development on the other. Underserved groups are seen as both future employees and consumers (BSR 2001-2002/ ID 444). The benefits obtained through 'giving something back to society' in the form of training and donations, contribute to increasing brand awareness, loyalty and to obtain goodwill in the local community.

Cause related marketing

Another example of a company adopting a strategic approach to community giving is Centrica's British Gas 'Help the Aged' partnership.¹⁷ Back in 1999 Centrica¹⁸ found that a centralised community initiative was needed. A review of the British Gas community programme identified, through customer research, that British Gas could focus more on core business areas in which it operated, such as heating and fuel supply. A community programme could actively assist in reinforcing the British Gas brand, following the newly deregulated gas and electricity markets.

¹⁶ The 'digital divide' basically refers to the gap between those who have access to and can effectively use new information and communication tools, such as the Internet, and those who have not.

¹⁷ Centrica's Cause Related Marketing partnership between British Gas and Help the Aged has been awarded the Business in the Community Cause Related Marketing Award for Excellence 2002.

¹⁸ Centrica has four main brands (British Gas, AA, Goldfish and One Tel)

Linking core business and partnership in CRM

Centrica was keen to develop a flagship community programme that would make a significant impact on the relevant social issue. In 1998, steps were taken to identify a cause, which would be appropriate to British Gas's core business and where the company could work with a chosen charity partner. Help the Aged was chosen as a partner based on its standing in the charity sector and effective delivery mechanisms. It is a charity that works on a national level, delivering services at a local level. The problems associated with older people and cold related deaths, was something that Help the Aged had campaigned on the previous year. The cause that was felt most appropriate for British Gas to support was chosen through a detailed customer focus group research. This was also researched with staff and key opinion formers. The British Gas Help the Aged partnership was formed in 1999 and, to date more than £4.5 million has been provided by British Gas.

Within Centrica, a team combining Community Affairs, Marketing and Operational staff were involved in delivering the project. British Gas communicated the project to their stakeholders ranging from customers and employers to government, regulators, NGO and suppliers. The project was developed within the framework of the Centrica Community Investment programme policy. Centrica agreed on clear objectives, targets, methods of delivery, stakeholder involvement, communications and funding as part of their agreed contract with Help the Aged. Both organisations worked as a partnership, sharing knowledge in their fields of expertise on new initiatives.

The partnership between British Gas and Help the Aged is an example of what has come to be known as Cause Related Marketing (CRM). CRM can be defined as a commercial activity by which businesses and charities or causes form a partnership with each other to market an image, product or service for mutual benefit. CRM differs from more traditional forms of corporate philanthropy or donations as the money involved are not outright gifts but linked to the promotion of a company's products and services. Increasing competition in the global market place and the need to develop brand loyalty, are central motivations for drawing corporations like Centrica to engage in CRM.

In the case of Centrica, the initiative coincided with an initiative by the UK government, which challenged the initial aim of the partnership. The government made significant stride to attempt to combat fuel poverty, cold related diseases and excess winter deaths. This made campaigning for change in government policy difficult. The campaign was consequently adapted to include issues such as isolation and safety for older people.

An increasing number of non-profit organisations have embraced CRM in their efforts to diversify and enhance their funding base. CRM can take a variety of forms, from the more simple arms length agreements to donate a percentage of the purchasing price for a particular item to a charity, to more complex arrangements or partnerships running for a longer period of time.

The partnership between the German company Bethpharm Arzneimittel and the non-profit organisation 'Der Bunte Kreis' (in English The United Colours of Family Care) is an example of an advanced type of CRM. The partnership between the organisations has developed from sponsoring into co-operation around a number of different activities.

Piloting and developing a holistic model for outpatients

Bethpharm is a generic medical company addressing their products to general practitioners in Germany. Betapharm's social engagement started in 1998 with classical sponsoring for the local after care project 'Der Bunte Kreis', a non-profit organisation in Augsburg, where the company is headquartered. Der Bunte Kreis provides so-called 'case management' for children with severe illnesses and their families.

Case management is founded in the belief that health is determined by more than physical factors related to a specific disease or diagnosis. Case management is based on the adoption of a holistic approach to treatment of young hospital patients. In the Bunte Kreis model, so-called case managers accompany children who suffer from chronic and severe diseases from being hospital patients to becoming out-patients. This includes the support of families in various respects, socially, financially, legally, mentally and emotionally. The idea is to provide the child and its family with a case manager who knows the health care sector and is sensitive to the specific needs of the 'case'. This type of social welfare takes care of the patients (the cases) in their social environment hence the name 'case Management' as opposed to the more narrow 'disease management'.

From sponsoring, Betapharm's contribution developed into a more knowledge based support. The company started helping Bunte Kreis with institutionalising their case management model in order to develop a model that could be used in other hospitals and regions and applied on other areas besides health care for children.

In order to anchor the cooperation between Bunte Kreis and Betapharm, the foundation, Betapharm Nachsorgestiftung ('after care foundation') was established. The foundation has founded the non-profit 'Beta Institute for Socio-medical Research and Development', which conducts research into patients' needs beyond medicine in order to cope with diseases.

The partnership between Bunte Kreis and Betapharm has fostered a number of other initiatives such as:

- Biannual Symposia on aftercare and case management.
- The BetaListe, a hand book and dictionary for families with children with illnesses which has been printed in more than 100.000 copies.
- Betafon, a hot line where families or others can call for advice and support in relation to children with illnesses.

The partnership between Betapharm and Bunte Kreis has experienced a number of barriers and problems that the project had to overcome. One of these was the general bad reputation that many people connect with the pharmaceutical industry. In the beginning of the partnership, this general reputation of a moneymaking industry with questionable ethics in relation to e.g. the environment and animal welfare, created a suspicion towards the very close cooperation between the NGO and the pharmaceutical company. Mostly the suspicion came from media, politicians and from employees of the health and social sectors, whereas this barrier has not been experienced in the business community. The same suspicion was also experienced inside Bunte Kreis. One answer to this has been to create clear guidelines and structures underlining the independence and autonomy of Bunte Kreis.

On the face of it and in much of the CSR literature, CRM is often presented as a typical win-win partnership: The company gets its products and services promoted and money is raised for the non-profit organisation. However, CRM is also a controversial activity in the sense that non-profit organisations, although not 'selling their soul', then at least lend their name and reputation to corporations. As can be sensed in the initial scepticism faced by Betapharm, there is also the fear that non-profit organisations change their own programmes and activities in order to attract money thus letting companies set the activity-agenda. CRM has also been criticised for undermining traditional philanthropy, canalising money only to well-established and non-controversial causes.

Foundations

Foundations are a small, not very well known but important part of the non-profit sector which is receiving increasing attention in political discussions throughout Europe. According to the European Foundation Centre (EFC)¹⁹, the wide variety of foundations existing in Europe reflects among other things cultural and legal differences between the European countries. Foundations support a wide variety of causes in a number of different fields such as education, employability, environment, culture etc. EFC pinpoints some common characteristics between the approximately 200,000 foundations existing in Europe:

'Foundations are independent, separately-constituted non-profit bodies with their own established and reliable sources of income, usually but not exclusively from an endowment, and their own governing board. They have been attributed goods, rights and resources for the performance of work and support for public benefit purposes, either by supporting associations, institutions or individuals etc., or by operating their own programmes'

(European Foundation Centre, 2001, p.1)

The French based global companies Schneider Electric and EDF together with Gaz de France have both established foundations.

Schneider Electric's community based CSR activities are based in and around the Schneider Electric Youth Opportunities Foundation, which was created in 1998. The Foundation is committed to getting young people off to a successful start by:

- Supporting non-profit organisations for disadvantaged youths in which company employees are actively involved,
- Sponsoring young entrepreneurs and
- Supporting community causes through national and international campaigns.

The planning and decision-making (as well as the implementation) of initiatives carried out by the Foundation are centred on employee initiative and involvement. The Foundation has a total budget of €4.2 million per year, which includes €0.7 million in employee contributions.

¹⁹

The European Foundation Centre (EFC) was set up in 1989 by a group of seven leading European foundations to underpin their work and collaboration at a European level and in other regions in the world. The EFC serves as a platform for exchange of expertise and the development of joint projects, as well as a key information resource center on the work of foundations in Europe. The Centre today has a core membership of over 200 foundations and corporate funders and serves a further 48,000 organizations linked through networking centers in 37 countries.

The Foundation acts locally in some 460 sites. Each site has a committed local representative - an employee known for his/her voluntary engagement - who is nominated for the position for a period of one year by respectively their manager and a union representative of the Foundation.

Private foundation aimed at young people

The process, benefits and results of one of many local initiatives undertaken can be found in Angouleme, where Schneider Electric is a co-founder of the local FACE Foundation. The aim of the project, initiated in 2000, was to bring youngsters closer to companies. The company provides, through the association, logistics and financial help to organise social and economic insertion of youngsters through sport. During tournaments and other informal sport events, the youngsters can informally meet the companies, which can present themselves to the youngsters. 30 youngsters have found jobs through the process. The local direction of Schneider shows its involvement, as the president of FACE Angouleme is the HR Manager of the plant.

In the case of Schneider, it is interesting to note that the value added, contributed by the company to the local community through its activities, is perceived as a bonus for the territory and has 'alleviated' the question of social acceptability of the high tech but also heavy industry settlement.

The foundation FAPE set up by EDF/Gaz de France is a bit different. The FAPE (Foundation Acting For Employment (Fondation Agir Pour l'Emploi) was established in 1995 by EDF and GDF, in collaboration with three French trade unions (CFDT, CFE-CGC and CFTC) and under the auspices of the community foundation 'Foundation of France' (cf. textbox: Community foundations in Europe). Its goal was and is to fight unemployment. The FAPE is unique in terms of its structure, which brings together companies and trade unions to work collaboratively on CSR issues and for the fact that it is financed by employees donations, which are in turn, doubled or triple-matched by EDF and GDF. In that sense, FAPE considers itself to be an employee-centred foundation rather than a corporate foundation.

Foundation based on employee donations

The FAPE strives to support projects that have a social (and if possible), an environmental dimension. Three main areas for intervention have been identified:

1. Creating jobs for chronically unemployed people;
2. Supporting other companies committed to the creation of employment for disadvantage people; and
3. Supporting the creation of local services

An executive committee made up of three company representatives, three trade union representatives, one Foundation de France representative and two external experts oversee the FAPE. The committee has final responsibility for project selection.

Since its creation in 1995, the FAPE has gathered 9 million € and supported 630 projects creating 2500 jobs. In 2001, 108 projects were supported and 700 jobs created.

Both the Schneider Electric Foundation and FAPE, forming the pivotal point for the companies' community involvement, are a private foundation characterised by the fact that most of its funds comes from the founder.

The Belgian Chimay-Wartoise foundation is different in the sense that it is set up to serve a specific community. A community foundation has a number of characteristics amongst others a defined service area (a town, city, region or country), is typically established by several donors, is economically as well as politically independent, continuously builds an endowment, meets a wide array of local needs and therefore has a broad charitable purpose. As is the case of the French Fondation de France, community foundations may co-ordinate a local network of non-profit organisations (German Federal Association of Foundations, 2000). Community foundations have been formed in a number of European countries.

Community foundations in Europe

Throughout Europe and other parts of the world the concept of community foundations is taking root. Community foundations are NGO's that grow out of a local context and that provides services with philanthropic and charitable goals to a local community.

However the local ownership and perspective in common, community foundations vary a lot in terms of organisation, operation goals and areas of focus. The single community foundation is often highly influenced by local culture, tax and regulatory laws, political dynamics and other local issues.

Community foundations are found in several European countries:

In the **UK** there are now 54 community foundations (year 2000) and their numbers are increasing rapidly. The British community foundations are based on a rich tradition of private and secular community philanthropy. Funds from governmental institutions play an important role in the British community foundations.

In **Belgium** the King Baudouin Foundation (KBF) stands out as the most important community foundation in the country. KBF was established in 1976 and is working to develop community foundation affiliates in different areas of Belgium. In Wallonia the Fond La Wartoise was set up in 1997 to serve a specific local area. KBF has several international activities, such as an exchange program for community foundation professionals in Europe and the USA.

In **France** the Fondation de France is an independent, nonprofit foundation that acts as an umbrella organisation for individuals who want to form their own personal foundations. The Fondation de France provides program expertise and fiscal management. The Fondation de France has set up seven regional bodies to provide their services on a local level.

In **Germany** community foundations are a relatively new phenomena. However, the number of community foundations is increasing rapidly. In 2000 ten community foundations were operating and another eight were under its way. The Bertelsmann Foundation stands out as a lead player in the community foundation movement in Germany and internationally. The Bertelsmann Foundation is promoting the community foundation concept within Germany and internationally, and the foundation is one of the main founders of the Transatlantic Community Foundation Network.

In **Ireland** the Irish Ministry for Social, Community and Family Affairs established in 1998 the Foundation for Investing in Communities. The new foundation incorporated a number of existing foundations and intends primarily to provide support for voluntary and community-based projects, local enterprise networks and disadvantaged children.

In **Italy** the Fondazione Cariplo, a Milan-based savings bank foundation, has pledged to help as many as 15 communities in the province of Lombardy to establish community foundations. The Fondazione Cariplo will provide the new community foundations with financial resources for endowment and regranting, technical assistance and investment services. The initiative has inspired other savings banks to work with similar projects in other regions of Italy.

Source: *The International Support Organisation Network: 'Growth of Community Foundations Around the World', 2000.*

The Belgian SME Chimay, producing beers and cheeses, is owned by the Chimay-Wartoise Foundation, which coordinates and runs all of Chimay's CSR related activities. These centre on two main activities: the Wartoise Fund, which primarily works with women and youth and other projects identified by the Foundation, which reinforce Chimay's three CSR themes (strengthening the local skills base, developing entrepreneurial spirit and creating full employment in the region). The Foundation has established a management team, which comprises all of its board members as well as one Chimay employee. The management team manages the CSR activities, chooses projects and administers the total €1 million budget. In addition, Chimay has trained two people to provide support to applicants to the Fund. Chimay's CSR activities focus on community and specifically on funding projects promoting local development for the 30.000 inhabitants of the Chimay region where the company is based. An example of a project implemented by Chimay is its funding of Intisef, a local association committed to integrating new forms of technologies (i.e. computers, printers and supplementary materials) into primary schools and to working in partnership with local SMEs to achieve this goal.

Employee community involvement

Volunteering has traditionally been part of civil society - individuals volunteer in social work, often in order to help marginalised groups in society. However, the last decades have seen an increasing growth of volunteering opportunities through the workplace, i.e. employee volunteering/community involvement organised by either the employer or the employees. Volunteering is often carried out in working hours and the employer finances the time used as part of the ordinary salary.

Companies are becoming aware of the fact that building bridges to the local community through employee volunteering can bring valuable benefits to both the community and the company. On the one hand, many companies have realised that transfer of advice, practical help and professional skills are often more effective than the simple transfer of finances (Halley, 1999). On the other hand, companies are starting to see community involvement as a powerful tool for developing the skills, confidence and teamwork of the employees, strengthening company culture and more generally contributing to improving the image of the company.

Employee volunteering has traditionally been most common in The United States but the approach is now spreading in many European countries. Where large companies might have led the way in the form of employee volunteering programmes, smaller companies also have activities within the field. Recent research shows that respectively 8 and 11 percent of the European SMEs are involved in employee - and employer volunteering activities (Observatory, 2002).

Employee community involvement takes several different forms the majority of which are exemplified in the cases surveyed:²⁰

- *Volunteering* where employees use their time and/or skills on a regular or occasional basis.
- *Team building* events in which a group of employees tackle a community problem and task together, while at the same time building team-working skills.
- *Development assignments*, which have a double objective: to complete a real project in a charity on the one hand, and to develop the individual skills of the employee, typically over a longer period of time, on the other.
- *Secondments for transition* can be used at times of major career change or in preparation for retirement. Full-time for a period of 3 to 24 months, the secondee joins the community organisation while still remaining an employee of his/her firm.
- *Mentoring* is based on a one-to-one relationship, used in all sectors of the community. It is particularly popular in education, but also growing fast in the voluntary sector, often at senior level.
- *Business on board* where business volunteers serve as trustees on the management committees of community organisations.

Volunteering

Several of the companies, highlighted in this report, have made room for employee volunteering. This is the case of e.g. the British computer training company, Happy Computers, who has trained charity employees in London to be effective IT trainers. Furthermore, every member of Happy Computers' staff can work one day a month, on full pay, with a specific charity project. The idea is that staff members work in a way that is new to them, to benefit themselves and the charity.

The French company Schneider Electric also encourages employee involvement. Schneider's community-based CSR activities are based in and around the Schneider Electric Youth Opportunities Foundation, which acts locally in some 460 sites. This enables it to contribute to these communities through such measures as guidance, skill development, voluntary work and financial contribution. Each site also has a committed local representative - an employee known for their voluntary engagements who is nominated for the position for a period of one year by both their manager and the union representative of the Foundation. The local representative's task is to provide a provisional list of local non-profit organisations (NGOs), which the Foundation can support, to head a small team of volunteer employees and to raise awareness among their colleagues. This year, a weeklong local and global mobilisation of all involved employees is being organised for June 2002.

Development assignments

Development assignments have a double objective: to complete a real project in a charity on the one hand, and to develop the individual skills of the employee, typically over a longer period of time, on the other.

²⁰ The categorization is taken from Cecilee: www.cecile.net. The Cecile Network is a network of partnership organisations and companies based in Great Britain. The aim of the network is to promote and expand employee community involvement throughout Europe.

This is exemplified by the project 'Switch - the other side', initiated as a partnership between the City of Munich and Siemens in Munich²¹. Siemens executives and managers volunteer for one week in voluntary social organisations targeting different social problems: homelessness, people with disability being trained for the labour market, young people with social or psychological problems and AIDS patients.

A central aim of the project is to develop the social skills and capabilities of managers working at Siemens. The approach is founded in the philosophy that by making managers aware of the society and surroundings in which they live and work, they developed valuable social skills in relation to their employees and customers. Also, new ideas and creativity might grow out of being placed in unusual situations.

To the City of Munich the benefits consist of increased awareness and increased responsibility towards the less fortunate in the community. Also there are benefits to the voluntary organisations in the knowledge and skills that the professional managers from Siemens, and the other companies participating, bring with them.

Project Switch - The other side

The project, 'Switch - the other side' is a partnership between the City of Munich and Siemens where Siemens executives and managers volunteer for one week in voluntary social organisations. The project is publicly funded by the City of Munich, however Siemens and other participating companies finances the working time that the Project Coordinators from the City of Munich use on supervising and training the managers from each company. Also Siemens finances the pay for its' managers in the voluntary week. The Project is institutionally anchored in the administration of the City of Munich. For this reason the project and the possibility for company managers to 'switch to the other side' is offered to all companies. So far 44 managers have been in the project in Munich.

The idea for the project, 'Switch - the other side' was originally developed by the City of Munich and Siemens HQ together. However, the project is operated as a partnership between The City of Munich and Information Communication Network Department (ICN). In 1999 Switch was for the first time launched with four managers from ICN as well as a handful of managers from the administration of the City of Munich. Since then Project Switch has grown and will this year include managers not only from Siemens and the City of Munich but also from the local department of Phillip Morris and German company COMTEAM.

To the City of Munich one of the most important criteria of success is the rate of participating managers who continue their engagement in voluntary social work after the course. Until now app. 50 pct. of the managers who have participated in Switch have engaged in voluntary social work afterwards.

Similar projects, also formed as public-private partnerships, have recently been started in the German cities of Erlangen, Fürth, Nürnberg and Berlin.

²¹ The HQ in Munich is the company's largest production site employing 16.000

Mentoring

Mentoring is based on a one-to-one relationship, used in all sectors of the community. It is particularly popular in education, but also growing fast in the voluntary sector, often at senior level.

La Redoute is a French Internet and mail order based retail company. The CSR activities of La Redoute focus on children, education and social integration. La Redoute has set down a committee of employees to select and manage the projects and activities to be supported and employees control and implement the activities. Once a project has been selected, La Redoute provides funding for it and endeavors to find employee volunteers, who will offer their time and skills to the projects. A tangible example of a project implemented by La Redoute is its partnership with the Alma Social Centre. With funding from La Redoute, 35 employees provided student mentoring and support for the children attending the Alma Social Centre.

Employability

Despite low unemployment rates in Europe, some groups in society remain at a significant disadvantage in the labour market.²² A variety of reasons can explain the difficulties for some groups of gaining a foothold in the labour market such as their background (e.g. ex-offenders), physical handicaps (disabled), their nationality (refugees and ethnic minorities), social problems (drug and alcohol abusers) or simply ordinary life circumstances (older workers or women with caring responsibilities). Mainstream labour market measures have often not been sufficiently effective in securing the employment of these groups.

Realising that public policies have not been able to solve these problems, the European Union in 1997 adopted the European Employment Guidelines (EEG) with the aim of encouraging member states to take a common action towards employment-related issues. The guidelines are built on the four pillars: improving employability, developing entrepreneurship, encouraging adaptability and strengthening equal opportunities. The participation of the corporate sector in working for these objectives is seen as crucial.

Furthermore, considering the fact that Europe is faced with low unemployment rates combined with the problems of an ageing population and workforce, employment related issues are becoming a key concern not only for society in general and the groups excluded from the labour market in particular, but also for the companies.

A number of the cases surveyed in this report are examples of companies, which have taken up specific initiatives within the field of employability, adaptability and equal opportunities.

Initiatives of individual companies

Some of the companies surveyed have taken initiatives within the field of employability. The examples below bring into focus initiatives aim at integration of refugees, of physically challenged individuals as well as a partnership initiative through which a new enterprise founded on the concept of employability has been formed.

²² There is no commonly accepted definition of the term 'employability'. It can apply to those in work as well as those out of work. In this context - companies' involvement in the local community - the term is primarily used for the employment/inclusion of people in the work force of the company.

Integration of refugees

Danish company Rosborg Denmark was founded in 1980 and is today Denmark's largest pot plant horticultural enterprise. Contrary to its environmental responsibility (Rosborg Denmark was the first horticultural enterprise in Europe to achieve EU certification to EMAS standards), Rosborg is not characterised by having a particularly systematic or planned approach in its social responsibility. The actual activities have a certain ad hoc character. Two key words characterise the social responsibility of the founder and managing director: a general attitude of openness and 'roominess'. This is also reflected in the attitude of the founder towards diversity. As stated 'diversity contributes to getting a sound and sensible attitude to your fellow human beings'.²³

A 'roomy' mind

The character of the work in the nurseries allows for a flexible work and appointment policy. CEO Lars Rosborg has made use of that among other things to employ refugees under the framework of a partnership with local authorities. In 1999, when the so-called Kosovo emergency law was passed in the Danish parliament, The Danish Emergency Management Agency approached the company and Rosborg immediately hired eight Kosovo-Albanian refugees. Today, three of them are still employed under normal conditions.

In relation to this project, the company participated in a joint educational project with other nurseries, organisations, and the municipality of Odense aiming at refugees and immigrants. The educational project was called 'The Green Course' and provided refugees and immigrants with Danish classes and classes in gardening and nursery. These classes were hosted and funded by Rosborg and the other participating institutions. The outcome of the project has been positive for all participating stakeholders.

There was some uncertainty and doubt as the project was initiated. As stated by the CEO: 'We are not social workers in the nursery, but ordinary people in a daily work life, a structure, and some healthy frames'. The refugees were employed under the same wage and employment conditions as everybody else in the company. It was important for the company that the refugees were offered equal conditions, rights, and opportunities. Consequently, the expectations of the refugees were the same as those of their Danish colleagues. Without special treatment, the refugees gained substantial self-confidence. The basic idea was - and still is - to build on the strong sides rather than make a problem out of the weak sides. As explained by the CEO: 'We give these people self-confidence and stability, but this is not a treatment centre - we expect them to contribute'. The employment of the refugees from the former Yugoslavia in the company has also had a positive cultural impact on the other employees. A lot of them have learned about the conditions and atrocities the refugees have been exposed to through the war in Ex-Yugoslavia.

Today 12 different nationalities and 10 different languages are represented among the employees in the nurseries. Danish is, however, the required job language. The multicultural composition of the work force does not seem to have created any appreciable problems.

²³ In 2000, the Danish Ministry of Social Affairs nominated the company the Network Prize for Social Responsibility. The nomination was solely given for the company's engagement of the Kosovo-Albanian refugees.

Integration of physically challenged employees

The French subsidiary of the Swiss-based Adecco SA, which provides staffing, human resource (HR) and business services to its clients, has made a special effort to integrate physically challenged persons into the workforce. This effort implies both ATT's own administrative staff, but more importantly also the endeavour to find temporary and permanent work positions for physically challenged persons with their clients. The company also trains its own employees on the relevant issues and raise awareness among ATT's clients of the possible challenges and benefits they can obtain by hiring physically challenged persons.

Setting targets for employability

For the 2002 financial year, ATT has set itself a number of targets with regard to its activities vis-à-vis physically challenged persons, including:

- 1% of the total number of working hours sold to its clients should be allocated to physically challenged staff (this is an increase from 2001 (0.92%) and 1999 (0.70%));
- An increase in the number of physically challenged employees involved in training sessions with Adecco;
- A decrease in the waiting period between working periods for physically challenged people;
- An increase in the percentage of physically challenged employees working permanently for Adecco; and
- Achieving better follow-up of the victims of work accidents, which occurred during temporary contracts.

ATT's activities have benefited a great number of physically challenged persons. For the 2000 financial year, a total of 5 000 physically challenged workers were placed by ATT in 7,300 companies (the equivalent of 1,340 full-time positions). ATT also had success in terms of its goal of integrating such workers on a longer-term basis.

ATT has set up specific targets for their community activities but has not yet attempted to quantify the benefits the company obtains from its CSR activities and its efforts with regard to physically challenged persons. However, the company remains wholly convinced that the benefits are altogether positive, including: i) a competitive business case for such activity; ii) positive image and reputation; iii) developing new sources of competencies; iv) increasing the motivation of its permanent staff; and v) developing positive partnerships with stakeholder organisations.

Employability and entrepreneurship

In 1995 Guinness introduced a variety of new 33cl bottle types as part of their marketing strategy and therefore had a requirement to contract out the collection, tracking and sorting for reuse of these new bottles from the wholesalers. The Dundalk Employment Partnership²⁴ was one of the organisations invited to tender and Pacsort was founded after the contract to manage and sort the returnable bottles for Guinness's new

²⁴ The Dundalk Employment Partnership, under its remit to encourage direct job creation, has set up wholly owned subsidiary companies that directly create jobs for the long-term unemployed and registered disabled people. The Partnership also provides comprehensive services to individuals and groups planning to set up their own business; this support includes the provision of subsidized workspace and business advice.

bottling plant in Dundalk, a small, depressed area in the county Down in Ireland. The company was initially a wholly owned subsidiary of the Dundalk Employment Partnership; in line with the Partnership's policy it was sold to the managing director in November 1996.

Employability as a founding concept

The SME Pacsort was founded with the intention of generating jobs for the long-term unemployed and the registered disabled. This was done through a commitment at the conception of the company to have an informal policy of positive discrimination in favour of the long-term unemployed and disabled applicants. The Dundalk Employment Partnership supported and funded the founding of the company for this very purpose.

The community development that Pacsort undertakes is fully integrated into the underlying ethos of the company. The Managing Director, Mr. Malachy Lynch, has demonstrated his personal commitment to sourcing staff from the long-term unemployed by maintaining this core principle since he became the owner of the company. The Dundalk Employment Partnership is no longer directly involved in the company; the initial contract ended eighteen months after the Partnership sold Pacsort to Mr Lynch. However, good links are maintained between the two, and Pacsort still draws upon the partnership for ad-hoc support and advice.

Pacsort has maintained its commitment to supporting the long-term unemployed throughout its seven-year existence. The company has also successfully recruited people from Rehab, a charity that works with people with learning disabilities. It underlines the company's commitment to actively supporting marginalised groups in society.

Pacsort is almost totally dependent on one client, Guinness, for its income. Given that the contract was originally awarded on a purely commercial basis, there is the potential risk that, like many other commercial businesses, Pacsort loses its contract with Guinness to its competition for one reason or another. It is stated that Guinness awarded the contract to Pacsort on a commercial basis only. Guinness had confidence in the Dundalk Employment Partnership, having worked with it in the past. The identification of a former Guinness manager as managing director furthermore added credibility and security to the new start-up.

Collective action for employability

While some companies have an 'individual' approach to employability, others have adopted a 'collective' approach. This is the case of three Danish companies - Pressalit, Trevira Neckelmann and Grundfos - which took the initiative to establish a regional network to promote employability, the so-called 'Central Jutland Network' established in 1997.

The initiative emerged from the National Network of Business Leaders, established in May 1996 in corporation between the Danish minister of social affairs and fifteen of Denmark's leading business managers, with the aim of reducing social exclusion and promoting integration into the labour market. The managing directors of the three companies were represented in the national network and took the initiative in establishing the first regional network in Denmark. The founding of the network can be seen as a protest against government regulation. When the Danish government in 1997 considered introducing company quotas for the number of employees with reduced working capacity, the three companies founded the network in order to demonstrate that 'they could do it themselves'. Subsequently, regional networks have been formed in other parts of the country and the Central Jutland Network is today one of six regional networks in Denmark.

Regional initiative for employability

The overall objective of the Central Jutland Network is to create 'roominess' in, and prevent exclusion from, the labour market because of age, diseases, reduced working capacity or personal problems. The vision is to 'create 'roominess' in the companies reflecting the diversity of people and resources in the surrounding society - and thereby contribute to the competitiveness of both the companies and the country'. Basically, there are three areas of activity: 'prevention, maintenance, and integration' respectively. These three areas of activities can be seen as a continuum for companies' activities regarding the creation of a more 'roomy' company. Examples of concrete activities in the network related to each of these headings are:

- Prevention: Reduction of absence
- Maintenance: Senior politics, politics related to long-term illness
- Integration: Integration of refugees and immigrants

The network has engaged a so-called 'inspirator': A person supporting, assisting and inspiring the companies in working with social responsibility and co-ordinating activities in the network. Like other costs of the network, the 'inspirator' is co-funded by the Ministry of Social Affairs and the three founding companies. The founding trio together with three other representatives constitute the so-called 'back group', which draws the guidelines for the future development of the network.

The Network has continuously been expanding. Today, it consists of 94 private and public companies in the region representing around 55.000 jobs. The companies in the network are approximately evenly represented between small, medium-sized and large companies. In addition, the network includes 55 dialogue partners (primarily organisations and public authorities) possessing specific expert knowledge within relevant areas.

Membership is not necessarily in itself a sign of actual commitment. However, according to the 'inspirator', the Central Jutland Network has discussed and decided not to make demands on the companies in order to obtain membership. This is, on the one hand, due to the fact that passive membership has not been a problem and, on the other, rooted in the basic attitude that 'it is better to inspire, than to exclude'.

The founding of the Central Jutland Network is an initiative that goes beyond the engagement of individual companies in social responsibility. While individual and voluntary corporate responsibility activities are both important and appreciated, the establishment of a regional network for mutual inspiration, exchange of experiences and concrete projects is valuable. The establishment of the network represents investment in social capital, i.e. in the dissemination of norms and values in order to promote a common agenda. Regional networks, based on common goals and values, can have a special impact in connection with the collective lifting of social (and environmental) problems in a region.

In the case of the 'Central Jutland Network', it contributes to 'pushing the reluctant' and bringing good practise into play. Beyond conferences, information and inspiration meetings, the network has established a wide variety of so called 'experience groups' and projects around issues like reduction of absence, psychological working environment, the relationship between companies and authorities, recruitment with a social dimension, senior politics, workforce maintenance, and integration of immigrants. These activities often result in the dissemination of knowledge both in the form of seminars, conferences or the like and/or

through newsletters or publications. Presently, the network is in the process of testing an intranet for the promotion of inspiration, knowledge, and experience diffusion and possibly for the creation of an internal job bank. Regarding the latter, the advantages of having a job bank would be to increase the possibilities of e.g. maintenance of employees with reduced working capacity by involving, not only the individual companies, but the whole network.

Adaptability and equal opportunities

The Spanish Ferroset Catalana and German company VAUDE have both taken initiatives with the aim of compensating for scarcity in the local supply of labour. Through the provision of new infrastructure and the re-organisation of productive facilities, the companies have increased the access to labour resources in their local community. The initiatives, aimed at female workers, have enabled women to (re)-enter the labour market sooner than would otherwise be possible.

Redesigning production

The Spanish company Ferroset Catalana, working in the construction sector, was established in 1999 as the result of a need to start up production in central Catalonia, an area with almost full employment. A survey was carried out, which identified an untapped reserve of labour consisting of women, who were willing to work on a part-time basis so that they could carry on looking after their families.

In order to attract the women, Ferroset needed to establish a number of structures as well as to alter their traditional production processes. Firstly, the work was automated so that the workers did not have to lift heavy objects. Secondly, flexitime and special conditions for women on maternity leave were introduced. In particular, four-hour shifts were set up so that women, with specific family requirements, could work at times that suited them best. Apart from facilitating these organisational and technical aspects, Ferroset also entered into negotiations with local trade unions to establish a new part-time contract, which at that time was not used in Spain in the form adopted by the company. These meetings with trade unions aimed at setting up a pressure group to persuade the government to accept an 'open-ended employment contract on a discontinuous time basis'. This kind of contract suits the construction industry, which is highly unstable, as it enables staff to maintain their contracts, benefits and social security in periods of reduced activity. Ferroset also involved local authorities, both municipal and provincial, in the discussions.

The project was implemented with the assistance of the local authorities, at least as far as information is concerned. This probably smoothed the way for adding a highly dynamic element to the local social structure, in which women often do unpaid jobs outside the family on a permanent basis. In order to overcome initial resentment from the workers' families, the company organised guided tours for local residents, who could thus see that it was possible for women to have jobs that didn't interfere with their family commitments. The company is currently investigating the possibility of setting up a crèche for workers' children, which would also be open during school holidays.

The introduction of technological, organisational and contractual innovations has allowed many local families to increase their income.

Establishing new infrastructure in the local community

The German company, VAUDE, has taken a similar initiative. The company's initiative is particularly aimed at improving the employability of young mothers. Hence, VAUDE has established a day care center in connection with the company's facility in the village of Obereisenbach, near Tettwang in Bavaria. The childcare centre offers care for children from a younger age than the public kindergartens of the area thereby

allowing parents, primarily mothers, a faster return to the labour market. The initiative should be seen in the context that VAUDE - like other companies in the textile industry - employ many women as well as the fact that unemployment rates of the region are record low. In providing the childcare centre, the company has increased not only its own, but also the local community's, pool of labour.²⁵

Establishing a childcare centre to attract female workers

VAUDE produces sporting gear and outdoor clothes. Coming from a family of many children, founder Albrecht von Dewitz has always emphasised 'family friendliness' in his own company. VAUDE has since the beginning in 1974 been engaged in CSR activities relating to families and children, particularly those of VAUDE's employees. In the beginning these activities mostly took the form of sponsoring family groups and local kindergartens etc.

Today, the most important and most comprehensive CSR initiative in relation to families and children is the opening of a childcare centre in connection with VAUDE's facility in Tettwang, Germany. The childcare centre admits children from one to ten years of age and is open from 7 a.m. to 5 p.m. all year-round. The funding of the centre is split between VAUDE, the City of Tettwang and the parents whose children attend, each of these paying approximately one third of the expenses for the social workers and other personnel employed in the centre. Besides this, start-up expenses plus running expenses for VAUDE should be added.

However, the company has experienced a number of barriers and problems in relation to the establishment of the centre:

- *Skepticism in the local population:* Initially, some people had difficulty in understanding why VAUDE was establishing the centre. The company also experienced a more general scepticism towards the initiative as social welfare services are normally taken care of by the authorities and not by the business community. These barriers required intensive communication and information on the reasons for the project.
- *The structure of funding:* Public funding of childcare only apply to children from three to six years. This necessitates that at least two thirds of the children in the centre are in this age group, even though the waiting list mostly consist of children less than three years. Furthermore public funding only applies to children living in the City of Tettwang, which makes the childcare centre more expensive to children of VAUDE employees living outside Tettwang.
- *The costs involved:* The high cost of the centre has in itself been a barrier. This should be seen in the light of the short term expenses compared to the long term benefits, which are harder to measure. Many companies have contacted VAUDE in order to learn more about the childcare centre but many of these companies have declined from establishing a centre of their own due to the costs involved.

The initiative of VAUDE is interesting from a welfare state point of view. This type of initiative would rarely be seen in Scandinavian countries, where public authorities provide day care centres allowing mothers to

²⁵ In December 2001, VAUDE was awarded the 'Liberty and Responsibility Award' by Germany's Federal President Johannes Rau for their social commitment. The award was given for the company's commitment to supporting family and career, as well as enabling women to more easily return to work after having children.

return to the labour market relatively quickly after giving birth. The initial scepticism faced by the company bear witness to the fact that such an initiative is also controversial in a German context. With the initiative, the company moved into the 'boarder zone' regarding the public opinion of the differences in responsibility between the responsibility of respectively the state and the business sector.

Effects and benefits

Quantitative, qualitative or just a 'sense of' effect

As illustrated in the previous chapter, companies' involvement in the local community is characterised by large variation in the initiatives taken, the issues addressed and methods used. Measuring or demonstrating a relationship between 'input and output' or 'cause and effect' in standard business terms is difficult and seldom practiced. The case research points to the fact that the companies are very aware of the fact that their activities bring a number of benefits of both internal (increased employee motivation, development of skills, company culture etc.) and external character ('license to operate', better employee recruit etc.). However, only some companies can actually demonstrate an effect.

'European Corporate leaders are convinced that responsible business practise leads to greater innovation, competitiveness and profitability. Yet...few have measured the impact of environmental, social and economic issues on their business.'

(Source: Financial Times, 18 June 2002)

The quote from Financial Times is illustrative. The statement refers to a research reporting the views of 200 chief executives, chairmen and directors in 10 European countries. The research, published by Business in the Community (BITC), points to the fact that business leaders believe in a strong link between the integration of responsible practices on the one hand, and competitiveness and profitability on the other. However, only a third of the companies have assessed the impact of their economic, social and environmental activities on any aspect of their business, and almost half have no specific targets for their performance in these areas.²⁶

These findings are illustrative of the general difficulties in demonstrating a connection between companies' social performance and the effect on financial returns. For years, studies of both specific and broader character have been conducted with the aim of exploring this relationship. However, as concluded by the Boston College Centre for Corporate Community Relations 'at this point, neither side can definitively state whether or not social performance creates [financial] value'. This notwithstanding, the Boston College Centre, based on a review of studies carried out since 1994, does point to an emerging foundation of evidence in support of a 'business case' (Boston College Centre for Corporate Community Relations, 2000).

Local community involvement - a business case perspective

A number of business benefits have been reported from the cases researched regarding companies' involvement in the local community such as better relations to or 'good will' in the local community, enhanced reputation or image, increased ability to recruit and retain staff, loyalty from local customers, improved capacity to learn and innovate etc. etc. At a very general level, building a business case for CSR activities implies:

- First of all, *that companies view their involvement in the local community as an asset to be managed.*

²⁶

Reference to the research, which was presented 18 June: www.bitc.co.uk

Companies need to see their engagement as an investment, which can bring business benefits. There are two dimensions in this: on the one hand, the light in which the actual activities are viewed and on the other, the vocabulary used.

CSR is not only a question of vocabulary but also the way you see your involvement. Recent research points to the fact that many - around half - of European SMEs are involved in 'external' community causes such as sponsorships, donations, CRM, employee or employer involvement or other types of community involvement (Observatory 2002). However, far from all SMEs regard their local involvement as something extraordinary or special - as an asset to be managed strategically. Rather, CSR involvement is sometimes regarded with a certain sense of obviousness. Such an attitude is exemplified by a case referred to previously (cf. the employment of Kosovo-Alban refugees). The social activities carried out by the Danish SME, Rosborg Denmark, are of relatively unsystematic and ad hoc character. E.g. a school for deaf youngsters contacted the company, which subsequently hired six deaf people in a training position. One person in the nursery new a little sign language, but as stated by the CEO 'we can all gesticulate and these people were quite good at lip-reading'. Another example was a former employee who developed sclerosis. In order to maintain contact with the labour market, the person is now employed 6 hours per week by the company. A boy from a local school for maladjusted was also taken in and is now employed on ordinary terms. The founder/manager has a very unimpressed and straightforward stance regarding social responsibility in the locality, which could also be translated into 'a roomy mind'.

Recent research has pointed to the fact that especially SMEs might not even be aware of the fact that what they do can be embellished with the term CSR. A study among 200 SMEs in Britain, thus pointed to the fact that many company activities lies within the framework of CSR. However, an important conclusion from the research was that 'a lot of companies are doing it, and do not know they are doing it' (BITC et al., 2002). Immediately, one is tempted to ask - does it matter that you don't know, that what you do is termed CSR? With the increasing importance of being able to demonstrate good practice within the social and environmental field, companies might not be able to draw the business benefits from their activities unless they adopt the vocabulary being increasingly used. Regarding vocabulary, the increasing debate about CSR in society and the increasing number of consultants, accountants, awards etc. within the field, is a flood, which in itself contributes to spreading the terminology and understanding of the concept like rings in water.

- Secondly, in order to clearly demonstrate a business case, companies need to measure the effect of their activities.

When asked about the specific effects of their engagement in the local community. Many of the companies interviewed in this report say their involvement has brought benefits. However, these statements are more a question of a 'sense' of effect rather than the actual measurement and knowledge of a concrete effect. This is also the case of the French subsidiary Adecco, referred to previously. The company has set up specific targets, but has not attempted to quantify the business benefits obtained from their activities.

Benefits might not be easily measured. In some cases they might be more tangible (e.g. in some cases regarding employability). In other cases the benefits are more long-term, indirect and/or intangible. Few of the 40 companies involved in this study have worked systematically with building a business case for their involvement. However, a number of business benefits have been reported. What characterises the benefits reported by the companies surveyed is that, behind the headings, they are individual and context specific, closely linked to factors such as the location, product, industry, and/or service of the companies in question. The benefits found in the cases are listed below. Each item will be elaborated:

- Improved financial performance
- Competitiveness and market positioning
- Building intangible assets
 - Internal benefits
 - Employee recruitment
 - A social 'license to operate'

Improved financial performance

Breaking the curve - an innovative way to improved performance

A local branch of Swedbank was set up in Rosengården in 1993, an area in Malmö characterised by having a very high percentage of residents of foreign ethnic background. The bank started out as a traditional bank, with traditional counters and Swedish staff employed. In the beginning the bank used interpreters in order to serve none English-speaking customers. A normal day was often characterised by confrontations, yelling and screaming over the counters, between the customers of foreign ethnic background and the Swedish staff. The Swedish employees felt uncomfortable because of the problems due to language and cultural barriers and the local customers did not have confidence, neither in the bank nor in the Swedish personnel. The bank also had a high level of turnover of staff.

At some point the managers pulled up and reflect on the problems and possible solutions to the problems. They decided to hire staff with a foreign ethnic background, initially one from Kosovo and one from Somalia. Later a number of people with foreign ethnic background have been hired.

In November 2000 they established what came to be known as 'the new bank': They made a test corner in the bank without counters. In this test corner the employees with foreign ethnic background was guiding and serving customers with special needs: e.g. in how to use a Swedish bank. At this point in time, the rest of the bank was still build in the traditional way with counters and Swedish staff. However, the effect of the test corner was appreciable. They experienced a far safer and calmer environment in the bank, because the customers were 'escorted' to the right counter/person they needed. As Jan Calner, manager of Swedbank's integration work, describes it: 'Everyone found their right dancing partner'. The staffs of foreign ethnic background was offered supplementary training in order to manage a broader spectrum of tasks in the bank.

When the bank moved to new locations, it used this opportunity to rebuild the whole bank after the so-called 'Rinkeby model'²⁷. The idea of building the bank in an untraditional manner came, when they tried to find a common solution for all the different nationalities in the bank. They discovered that the customers were more motivated to learn, when the bank was re-designed and when they employed people with foreign ethnic background. Today, the bank in Rosengården has semi oval desks placed on the floor, where one can get guidance and counselling. Also, the bank has withdrawal machines and access to computers for net banking.

²⁷ The multicultural bank in Rinkeby outside Stockholm had made great progress by among other things redesigning the physical arrangement of the bank creating an open work environment without counters and employing people with foreign ethnic background. The experiences gathered in Rinkeby were transferred to the new location in Rosengården.

The structural and cultural changes, carried out in the bank, have born fruit. The bank has experienced a considerable decrease in the number of 'unprofitable' customers. Previously the number of customer savings has been very fragile. However, this picture has changed. Savings accounts are increasing and customers show an increasing interest in products that have not previously been a part of the banks portfolio, such as individual pension schemes. Furthermore, the Rosengård branch often wins internal competitions within Swedbank. They have, among other things, the highest number of internet-banking customers compared to other divisions in the bank. This is explained by the fact that customers are often very good at using the internet as this is the primary way of communicating with their families in the home countries.

Competitiveness and market positioning

For companies operating in sectors with high price competition, CSR activities can contribute to differentiate the product on the market. This, amongst other types of business benefits, have been reported by the German producer of generic medicine - Bethpharm - who, through their partnership with the non-profit organisation 'Der Bunte Kreis', has associated their company name with a 'good cause'.

Competitiveness and market positioning

The German pharmaceutical company Bethpharm, who has entered into partnership with a non-profit organisation with the aim of developing a holistic model for after-care treatment of families with children suffering from chronic or severe illnesses, has obtained a number of business benefits from their local involvement:

- Low marketing and PR budgets besides their CSR activities
- Differentiation. The CSR activities have helped differentiate the company from competitors in a sector (generic drugs), which is characterised by increasing price competition
- Easy recruitment. Within the last year Betapharm has doubled it's sales force. Among the new employees 50% have stated that they wanted to work for Betapharm because of the engagement in CSR.
- Improved company culture. During stagnation in sales in 1997 internal analysis showed that one problem was that the sales force had difficulty in seeing the mission and purpose of Betapharm. The company had become 'like all the others'. CSR has been used to recreate a purpose and meaning in the work.

However, as the benefits of the project are long term, it has been necessary for Betapharm's management to constantly work on convincing everybody - also internally in the company - that this is the right strategy. The initiative has amongst other factors required education of the sales force, as the employees were not used to communicating the more 'soft' values to the customers. Also, the sales force has received education on health care sector understanding in the broad sense that is embedded in the concept of case management.

Building intangible assets

Intangible assets such as people, brands and stakeholder relations are assuming increasing importance. These assets - whether internal or external in nature - can bring valuable business benefits: Building up a good relationship with key actors in the local community can pave the way for acceptance and support of company activities and in some cases many lower transaction costs; It can also provide valuable benefits through the build up of social capital locally; Involving employees in various ways in companies local CSR activities can bring new competences and impact on the internal culture of the company; and finally involvement in various CSR activities can help build the company brand.

Internal benefits

Several internal effects from companies involvement in CSR activities have been reported such as the strengthening of company culture around common values, development of skills and competences among employees and bringing new ideas and innovation in the company.

The implementation procedures can vary substantially. Usually, after the Committee has approved a project one member of the Group is made responsible for its implementation, according to criteria such as competence, project type, and so on.

Company culture, employee skills and motivation

Grupo Lar is a real-estate company working mainly in residential, commercial and third-sector building. The company does not implement directly construction projects, but it promotes them throughout their phases (land acquisition, planning, implementation, and sale).

Grupo Lar assigns 0.7 % of its income to its own social activities. Its involvement in this kind of activities is promoted by part of the company's management. The action criteria are outlined in a company plan of social action that was drafted following an in-house survey.

The Grupo Lar social action is pivoted on the idea of 'supporting social assistance, training and the employment of people in distress as well as of carrying out activities connected with community construction and development'. The method adopted by Grupo Lar in applying this principle is that social activities are carried out with the same modalities as those followed in any other company activity.

Choosing the themes on which social activities are developed is a participatory process that involves the whole staff. An in-house Committee collects the proposals and analyses them also in order to verify their viability and compliance with the principles of the company's social action. Ideas can come both from employees and from organisations outside the Group.

The implementation procedures can vary substantially. Usually, after the Committee has approved a project one member of the Group is made responsible for its implementation, according to criteria such as competence, project type, and so on.

The company managers believe that the pattern of activity selection and implementation can be improved, e.g. as far as project evaluation, or staff involvement are concerned. The importance of a thorough evaluation of the requests submitted by the different stakeholders is given special attention. In this regard the people interviewed declared that a process of learning the modalities of social project implementation is under way. In fact, the company carried out a few programmes successfully but also recorded a few failures.

The assessment of the benefits coming from the projects is not conducted by way of quantitative indicators to measure the financial gain for the company. However, various effects have been reported among others internal effects in the form of support to the values that make up the company culture, to employees' motivation, and to communication among them.

Another example of internal benefits is the German conglomerate Siemens, which has used employee volunteering as a method to develop employee skills and build company culture (cf. the Switch-project). According to the Project Coordinator in Siemens, the motivation for the company to participate in a project like Switch is two-sided. On the one hand, the company 'feels a responsibility to society and the community'. However, the aim is also to develop the social skills and capabilities of the staff. As explained by the coordinator: 'we want to make our managers aware of the society and surroundings, we live in. Also, they develop skills in relation to their own employees and customers. They develop a readiness in uncommon situations and they pay more attention to their employees as individual persons in individual situations. New ideas and creativity often arise from unusual situations and unusual problems'.

Employee recruitment

The reputation of a company influences its ability to attract and retain employees. This benefit has been highlighted in a number of research studies and has also been emphasised as an important benefit in many of the case studies researched in this project.

The Danish company Pressalit has had a longstanding co-operation with the municipality regarding prevention of loss from, maintenance and inclusion of employees in the labour market. The awareness of the company about the importance of social responsibility has increased. Whereas in the past social responsibility has simply been a question of decency and not something the management of the company thought about, today the company has chosen to, and finds it important to, tell their surroundings what they stand for and what they do. They have experienced that a general openness and communication about their core values and social responsibility can be used as an asset both in regard to the image/reputation of the company, and the attraction, retention and motivation of employees. For example, the company has not had any difficulties in attracting employees and has not advertised for salaried staff since 1973.

A social 'license to operate'

The perception of local external stakeholders of the operations of a company can be of significant importance for the company's licence to operate. Acknowledging this, some companies use their CSR activities as a way of obtaining good relations with the communities in which they operate. Good relations can bring a number of benefits, which metaphorically speaking can be viewed in an 'impact balance' perspective. A company such as e.g. the French leading specialist in 'power and control' Schneider Electric has, through the establishment

of their Youth Opportunities Foundation, managed to 'add value' to the community in which it operates. This has resulted in the fact that the settlement of Schneider and its high tech but heavy industry is not questioned any more and the presence of the company is perceived as a (net) bonus for the community.

Likewise, the set up of so-called CREPI's (Club Régional d'Entreprises Pépinières pour l'Insertion) by the French construction company Eiffage has contributed to the social integration and acceptance of the company in the local communities in which it operates.

Building relations with the local community

The local community involvement of the French construction company Eiffage is founded in the creation of the local CREPI's (Club Régional d'Entreprises Pépinières pour l'Insertion). CREPI are not-for-profit associations, which are created in different communities when the requisite social conditions exist and both the local government and other corporations are willing to join together with Eiffage to fight unemployment. In 2002, CREPI has 350 companies as members of which 10% is very small (<20 employees), 70% are SMEs and larger companies (20 -1000 employees) and 20% large companies (> 1000 employees).

Eiffage believes that its community CSR activities have brought it tangible qualitative results. The company believes that it has more successfully integrated itself socially into the local communities where it operates.

For the company itself, the results in terms of youngsters qualification and recruitment is not as high as expected as youngsters often leave the construction sector after their training. However, at the local level, the cooperation between companies and with the local authorities have contributed to the reinsertion of marginalised people.

Despite some difficulties, stakeholders in the local communities where Eiffage operates have benefited greatly. Over the ten years that CREPI has been in operation, some 3000 youth have been trained and found a job through the CREPI network (including 1000 from 1996 to 1999). From a cost-benefit perspective, some 20 CREPI have been created and each CREPI has a total budget of €100,000 with an average of some 1,000 jobs being created each year. The number of CREPI is expanding every year, showing the rising interest of stakeholders in the structure. As mentioned by Vincent Rousse, CREPI Tarbes, the budget after two years is only 25% financed by the companies. And there is a need of local partnerships with local or national agencies.

A Community case perspective

'Many studies fail to ask the critical question of whether corporate social performance creates sustainable benefits for the communities and stakeholders. This is an area of research in need of extensive development'

(Boston College Centre 2000, p.12)

Within the framework of this report, it is not possible to assess whether the activities carried out create sustainable benefits for the local communities, i.e. more long-term benefits for the communities. Regarding the immediate or short-term benefits, community benefits have been reported from several cases. In some cases the community activities are very concrete and specific in nature such as e.g. the establishment of a child

care centre or the employment or training of X number of people. The case studies point to some indicators being recorded such as how many unemployed have got a job as a consequence of the activities being carried out etc. However, only few of the large companies surveyed e.g. the French Schneider Electric have made any attempt to keep track of the concrete effects to the community of their activities.

Generally, the local community representatives interviewed have been very satisfied with the company initiatives taken.

One obvious explanation for this is the fact that companies' contribution to the community, be it donations, employee volunteering or the like, is extra money or extra hands, which will often be welcomed. This could also be seen as a reflection of the fact that in most cases, communities do not expect contributions or engagement from companies. In a few cases, company initiatives might even be met with scepticism as experienced by the German company Vaude, which established a day care centre in connection to their facility. General satisfaction (or low expectations) and sometimes even scepticism regarding companies' activities in their local community is linked to a broader debate about the welfare state - the distribution of roles and responsibilities between the state, the market and civil society - and the gradual transition towards a welfare society (cf. chapter on diffusion and character of CSR - a contextual perspective).

Another explanation for the general satisfaction expressed by the local community representatives involved in or affected by the activities, is the character of the activities. The community does not necessarily regard activities such as stakeholder dialogue in concrete benefit terms.

Communication and reporting

A recent survey among 45 large companies in Europe (all members of CSR Europe)²⁸ has shed light on policies and practices regarding CSR communication and reporting (CSR Europe, 2000). The report throws light on the many areas being reported on as well as the high degree of diversity in the methods used. With regard to companies' involvement in their local community, more than 90% of the companies surveyed have reported about their activities covering aspects such as community giving and partnerships, employee involvement, entrepreneurship and employability. Regarding CSR in general, the report points to a high degree of diversity in communication methods. Regarding CSR activities in general, almost 90% of the companies used 7 out of 10 of the different methods listed below:

- Thematic report
- Social report
- Web information
- Standards & labels

²⁸ The report forms part of CSR Europe's Programme on 'CSR Communication and Reporting'. On the initiative of the European Commission, CSR Europe's member companies launched this programme in 1998. CSR Europe has developed a matrix, the so-called 'CSR Matrix on communication and reporting', which is an on-line tool aimed at assisting companies in the process and provide informing about companies policies, practices and performance with regards to communication and reporting.

- Codes of conduct
- Cause Related Marketing (CRM)
- Awards & events
- Internal communication
- Web press release
- Stakeholder consultation

CSR Europe is driven by the mission to 'help companies achieve profitability, sustainable growth and human progress by placing Corporate Social Responsibility (CSR) in the mainstream of business practice' (www.csreurope.org). Being a business-driven network, member companies are supposed to be at the forefront of CSR. However, the generally very high level of corporate communication and reporting found in the CSR Europe survey is not recognised when looking at a broader universe of companies.

A survey carried out in the SIRI Group, a network of research organisations providing services to the financial community regarding companies' social, environmental and corporate governance policies and practices, shows a rather different picture. The SIRI Group researches the largest 500 global companies comprising the FTSE Eurotop 300 index, the Standard & Poors 100 in the US and 100 Canadian and Japanese corporations. The aim of the survey was to give an approximation on trends in the area of corporate disclosure comparing, on the one hand, what research analysts require and, on the other, what companies offer in terms of corporate disclosure. The survey pointed to the fact that while companies generally disclose information about corporate governance and environmental issues, research analysts find that the disclosure of information on issues under the heading 'community' is very limited. Despite a broader definition of community²⁹, the survey points to the fact that only few of the largest global companies report on community issues. Furthermore, both in regard to this and other issues under the CSR umbrella, companies are generally more likely to disclose qualitative rather than quantitative information (Sydstrand, 2001).

Very few of the companies surveyed in this project have officially reported on their engagement in the local community. Some of the larger companies such as Siemens, Swedbank and Schneider Electric have reported on their activities in their annual or sustainability reports. However, formal reporting seems to be limited to the very large companies surveyed. Hardly any of the SMEs have made any written report of their activities. With reference to the different methods of communication and reporting listed above, especially SMEs, but also larger companies, have made use of a number of other communication and reporting methods to inform about their community involvement e.g. web-sites, stakeholder consultation etc.

Regarding SMEs, the lack of resources and time has been highlighted as an important barrier for a more formal approach to communication and reporting. This is exemplified in the case of the British IT training company Happy Computers, which produced one of the first social audits by an SME. The Social Statement

²⁹ The issues in focus under the term 'community' are relatively broader compared to the definition adopted in this report. Apart from donations and community engagement, engagement in dictatorial countries and other issues have also been included.

was produced to find out if the company was putting their principles into practice. At one level, the company viewed it as a comprehensive organisational review of every part of the business. At another level, from the point of view of the stakeholder, it showed how the company positively affected those it comes into contact with. It also fulfilled a core company belief in transparency. However, the production of a social statement has not been repeated since it was first undertaken as part of a social audit in 1995. The main reason for this is because it was a very resource intensive and time costly exercise.

Available tools and standards

Some standards and measurement tools have been developed to help companies' evaluate their community involvement. Some of these are listed in the textbox below. All standards are voluntary, developed with the aim of facilitating companies that adhere to a set of management practices in corporate community involvement.

Local Community Involvement - Standards and Tools

The LBG Model: The London Benchmarking Group (LBG) is an association of six UK based international companies. The LBG is run by its members but managed by The Corporate Citizenship Company. The LBG has developed a model for assessing companies' community involvement programmes. The model provides the definitions necessary to put a monetary value on the 'input' costs of a company's community involvement programmes, whether the contributions are made in cash, time or in-kind. Combining this with the programme management costs, covering the salaries, benefits and overheads of staff involved in community relations, enables a total cost of community involvement to be calculated. The LBG model then goes further to assess what the programmes actually achieve. In brief, this approach assesses the 'input' cost of the contribution and then considers the 'output' effect of what it achieves for the company and the community. (www.lbg-online.net)

Nine Principles of Corporate Community Investment: Business in the Community has, in partnership with Ashridge and with the support of the British Quality Foundation, developed these principles as a benchmarking model. Companies of any size can use the principles to evaluate their current performance, measure their performance against best practices, identify strengths and areas for development, and set targets for improvement. Furthermore, Business in the Community presents the Community Investment Award to a best business practice company the criteria for the award is based on the principles. (www.theprinciples.org.uk)

Standards of Excellence in Community Relations: Introduced by Boston College's Centre for Corporate Citizenship in 1993, the standards of excellence are seven management practices, processes, and policies that set a global standard for excellence in corporate citizenship. The standards include a Self Assessment and Planning Tool (SAPT) for companies to evaluate their performance and identify areas where improvement is needed. They also include a Standards Endorsement program for CEOs who wish to publicly acknowledge their support of its principles. The Diagnostic Tool is an interactive version of the Standards of Excellence. It is designed to help companies link their corporation's community activities to core business goals. It is an assessment and planning instrument that provides indicators for implementing and meeting the Standards of Excellence. It is a benchmarking tool and it helps companies evaluate their performance and develop a strategic approach to citizenship. (www.bc.edu/bc_org/avp/csom/ccc/Pages/soe_tool.html)

Principles for Global Corporate Responsibility: Published by the Interfaith Centre on Corporate Responsibility (ICCR), this is not a standard but a 'collective characterisation of the issues of concern' to spiritual institutional investors. It includes a section on 'The Wider Community,' covering 'national communities,' 'local communities,' and 'indigenous communities.' ICCR comprises more than 275 spiritual institutions that use their investments to promote social change. The principles cover the entire spectrum of corporate social responsibility issues, including community issues. (www.bsr.org)

A number of the cases researched bring into focus the environmental activities of companies. Corporate environmental responsibility essentially takes its point of departure in the companies, i.e. in the locality, through the concrete policies and practices adopted. However, the local aspect of environmental responsibility is not only related to elements closely connected to production processes such as use of natural resources, polluting emissions etc. It also concerns companies' involvement of and dialogue with the local community around their activities. Furthermore, some companies have extended their environmental consciousness and responsibility to the local community in the form of activities such as awareness raising, environmental education or involvement in local environmental projects. The latter types of activities provide a bridge between the concepts in focus, as stakeholder dialogue and environmental activities carried out in the local community are in their nature 'external' and not directly originating from or implications of ordinary business operations.

The corporate environmental agenda

Whereas responsibility in regard to the local community has a history dating back several decades, the corporate environmental agenda has a much more recent history. During the past two decades, we have witnessed an increasing awareness and concern about the environmental impact/consequences of economic growth and development. In 1987 the Brundtland report - Our Common Future³⁰ - pointed to the urgency of linking economic progress to environmental responsibility in order to avoid the depletion of natural resources and the harming of the environment. Half a decade later, the Earth Summit in Rio in 1992 brought the sustainability agenda forward through international agreements on climate change, forests and biodiversity. The Earth Summit also fostered the Agenda 21 initiative - a blueprint for sustainability in the 21st century. Countries committed to Agenda 21 have committed themselves to develop national strategies for sustainable development and to encourage the promotion of sustainability at the local and regional level within their countries. Agenda 21 is an all-encompassing strategy, which encourages governments, industry, non-governmental organisations (NGOs) and the general public to become involved and promote sustainability.

Through their business operations, companies have an important impact on the natural environment. The corporate sector has been drawn into the media spotlight for environmentally problematic activities. Exxon Valdez back in 1989 and Shell Brent Spar in 1995 is some of the well-known examples of controversial company activities that went around the world. These and other incidents are evidence of the fact that environmental expectations of companies have changed. Companies are increasingly expected to be accountable for the environmental impact of their business activities and to demonstrate and communicate responsible behaviour. 'Compliance with regulation' is no longer enough. As highlighted by John Elkington, the Brent Spar incident in many ways crystallised the new agenda. According to Elkington, three conclusions could be drawn from the Brent Spar controversy (Elkington, 2001):

- Dealing with government policymakers and regulators alone is not enough to ensure broader societal approval for environmentally controversial decisions.
- Industrial products - whatever their nature - must be subject to a life cycle assessment at an early stage in their development and their results must be made public.

³⁰ Sustainable development was defined as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'.

- Companies taking difficult decisions can no longer count on each other to stay silent if their conscience dictate a stand.

These expectations are mainly facing large companies. However, research points to the fact that SMEs are also facing pressure to adopt environmentally responsible practices from their larger customers (BITC et al, 2002).

This section looks into the motivation, policies, practices and experiences of companies' responsibility towards the environment. Taking the local community perspective as point of departure, this chapter focus on both environmental activities directly related to the impact of companies' own operations and environmental activities not directly related but affecting the local community.

Motivation...from 'need to' towards strategic approach

A variety of different factors can motivate companies to enter a road of environmental responsibility. The rationale behind companies' involvement can be polarised into two approaches: a more reactive or defensive approach at the one end of the spectrum, and a more pro-active and strategic approach at the other. Where the former could be characterised by the fact that companies are being pressured (by regulatory initiatives, requirements from customers or other external stakeholders) to take action regarding the environmental impact of their activities, the latter approach is characterised by the wish to make a difference, to demonstrate a responsible policy and practice for personal or strategic reasons.

Both motivational points of departure can be found in the companies surveyed in this report and has also been confirmed in other research projects (European Foundation, 1998 and 2001). However, as companies have been chosen for their good practice within the field, companies, initially having a more reactive rationale for engagement, have in most cases subsequently adopted a more pro-active approach to environmental responsibility. The research has thrown light on a number of different rationales for engagement in the environments:

- Responding to regulatory initiatives
- Responding to community concerns
- A wish to be ahead of legislation
- A dedicated owner/manager
- Awareness of importance to and impact on the local community
- Image and/or competitive advantage

Each of these points will be exemplified below.

Responding to regulatory initiatives

According to recent research among SMEs, adoption to existing legislation and regulation is one of the key factors driving European SMEs - irrespective of size and nationality - to adopt environmentally responsible production policies and practices (Observatory 2002).

For the small Italian cooperative Concave, regulatory initiatives have pushed the company towards a change in environmental policy and practice. Concave extracts raw materials from its own quarries and produces building materials. The company was created in 1961 and began its production of concrete in 1972. At that time, the context in which the company worked was characterised by the fact that extractive activities were considered dangerous according to public opinion. Furthermore, during the 1970's in Italy, environmental laws were passed, which among other things required that abandoned quarries be rehabilitated.

In this context, Concave adopted a new strategy. Initially, all efforts aimed at correctly applying the rehabilitation of exhausted quarries, as prescribed by law. This approach subsequently became a philosophy based on the principle of 'reutilising' the area used for extraction, making it suitable for activities aiming to continuously improve the quality of life. Today, this has been taken one step further, since right from the initial phase excavation work is planned bearing in mind the environmental compatibility and the final use of the area. The idea is to return the sites to the community in better condition than they were found.

Responding to community concerns

The French Cement producer Ciments Calcia became engaged in environmentally responsible activities as a consequence of resistance from the local community to the company's plan of extending a quarry. The awareness of the necessity of having an environmental policy became apparent in 1992-93 following a conflict with local communities in Gargenville over a quarry extension which would encroach on a regional park (Parc Naturel Régional du Vexin). The incident made the company aware of the need to improve territorial integration of its plants in the surrounding communities.

This appeared even more necessary when the cement factories halved their workforce in the 80's. There was a need for better stakeholder relationships with communities as they became aware of the inconvenience of neighbouring cement plants rather than the advantages in terms of employment and economic development.

A wish to be ahead of legislation

Operating in the textile sector, the Spanish SME Flotats, which produces textiles for the home and undergarments, has a strong sensibility towards environmental issues. The management of Flotats is aware that it is operating in a sector with a 'bad reputation' from this standpoint, as it is also aware that public opinion is paying more and more attention to environmental and employee health issues.

Flotats' environmental policy is founded on the principle of anticipating legislation. Behind this choice is the intention of moving up the introduction of limits, which the company believes will most likely be introduced in the future in Catalonia or in Spain. A renovation of the production processes was initiated around 7 years ago and it coincided with the introduction in the company's direction of a group of young managers.

The dedicated owner/manager

The owner and/or managing director of the company has an important role to play in leading companies towards environmental responsibility. In some of the companies surveyed, the owner or managing director - through his or her personal conviction - has been an important driver for embarking on a road of environmental responsibility. One could distinguish between a 'first generation' company, being founded on environmentally responsible principles, and a 'second-generation' company, which at some point in the company's history has decided to embark on road of environmental responsibility.

The German company HiPP, is an example of a first generation company. HiPP produces ecological baby food and has been a family owned company through three generations. In the middle of the last century the

company founder, Georg Hipp embarked on growing and producing organically, converting the Hipp family farm and company to organic principles. As early as 1956, organic production processes were formalised in the company. Today, HiPP remains the largest processor of organic raw materials in the world. The motivation behind the progressive attitude toward sustainable production has been normative from the very beginning. Georg Hipp reacted against, what he regarded as, 'the frightening, too intensive and far too chemical methods of industrial agriculture'. The present owner, Claus Hipp has a similar normative approach to agricultural production, and his son, Stefan Hipp, today takes personal charge of the organic production. The so-called HiPP philosophy is based on a guarantee 'to produce healthy and tasty baby foods of the highest quality in harmony with nature'. One of the main drivers behind the organic effort has been a deep-rooted Catholic faith in the Hipp family.

Awareness of importance to and impact on the local community

With reference to the 'generation perspective' above, the Swedish contract manufacturer of electronics, NOTE, is a so-called second generation company, which at some point in history has embarked on a road of environmental responsibility. The company is also very aware of the fact that it is a relatively big company operating in relatively small communities. The above-mentioned NOTE Norrtelje is situated in the small municipality. NOTE is one of the biggest workplaces in the municipality of Norrtelje, which has approximately 50.000 inhabitants. According to the company, this implies both an obligation and an opportunity, i.e. both the need for environmental responsibility due to the obvious and direct impact of being a relatively big company working in a small community. However, as emphasised by the environmental manager 'the unique thing about local communities is the fact that you can also draw others - both suppliers and other companies - with you, in your environmental engagement'.

Image and/or competitive advantage

The Swedish course- and conference centre Sånge-Säby, is an SME situated outside Stockholm. The company is characterised by an impressive and comprehensive environmental engagement, which has primarily been proactive. In 1993 the company changed its attitude toward sustainability entirely. At that time, Sånge-Säby was in the midst of a serious financial crisis and a change of course was needed. The company set out the ambition to 'become the most environmentally responsible conference centre in Sweden'.

This change of course was not a result of explicit external stakeholder pressure. The customers did not at that time demand an increased social and environmental responsibility from their hotel and conference provider. The hypothesis at that time, in the beginning of the 1990s, was that in the coming years the customers would demand an environmental effort from their conference plant.

The decision to become 'the most environmentally responsible conference centre in Sweden' was a strategic decision to become an environmental market leader and thereby strengthen the long-term image of the company and attract customers. Environmental responsibility has later turned out to be an important competitive asset for the company. The bad economic conditions slowly changed into progress. As explained by the environmental manager: 'Our objective was initially to set an environmental standard for the whole industry. But the result was in addition substantial economic advantages and increasing occupancy rates'.

Environmental initiatives affecting the local community

Adopting and building environmental responsibility

What characterises many of the environmental cases surveyed is that whatever the point of departure, once 'the environmental road' has been chosen, companies develop and build their environmental responsibility

step by step towards still more advanced levels. Contrary to the field of social responsibility, the environmental field is both far more regulated and also offers a number of more established and commonly recognised management tools such as the ISO 14000 and EMAS (See also European Foundation, 1998).

Some companies - like the Danish SME Gabriel or the Swedish hotel- and conference centre SÅnga-Såby - have climbed up the certification ladder. Others are gradually building their environmental responsibility through what could be termed as the 'household model', defining and developing their own approach or management system.

Climbing up the certification ladder

Environmental issues as well as the working environment have gained increasing attention in the Danish SME Gabriel since the second half of the 1980's. Gabriel's environmental policy is today anchored in 'good green arguments': 'The company's production and distribution must strive to attain an ongoing reduction in any resource consumption, which has an environmental impact'.

During the late 1980's the company started to build up their quality management systems and became ISO 9001 certified in 1991. Through co-operation with four other Danish companies in the M.I.R.T.-project (Employee Influence on the Introduction of Cleaner Technology), the company started its way towards environmental certification. In the M.I.R.T.-project, the employees from the respective companies learned from one another's experience in gathering environmental data and reducing environmental pollution. According to the quality and environmental manager, this 'bottom up' approach gave a really good implementation. Gabriel has subsequently climbed up the environmental ladder through first a BS7750/ISO 14001 certification in 1996, subsequently an EMAS certification in 1998 and finally and most recently a complete life cycle analysis according to the ISO 14040 standard in 1999. Today, Gabriel controls the entire processing beginning with the raw wool to the finished furniture fabric. The company has experienced that management is 'sound business' in the sense that it contributes to minimising waste and the use of resources. It also gives both a stronger brand and a better protection on the market.

Scandinavian companies such as Gabriel have in some cases participated in public programmes promoting or aiding companies in embarking on a road of environmental responsibility. Other Scandinavian companies surveyed also mention participation in public³¹ programmes as contributing to taking the full step towards different types of environmental certification.

³¹ Steger, Schindel & Krapf (2002) has conducted an interesting study concerning the background for differences in the number of certified companies. The authors explore why EMAS has been accepted with varying success in three European countries, Germany, France and Spain respectively. They find that Porter's economic competitiveness framework can provide a useful explanatory framework for the understanding of differences in the acceptance of EMAS in the three countries.

Corporate responsibility towards society

Looking at the statistics, a difference can be observed in the percentages of certified companies in Austria, Germany and the Scandinavian countries compared to a number of central and southern European countries. Table 1 below shows both the total number of EMAS certified companies and the number of certified SMEs per million inhabitants.

Table 1: *Number of EMAS certified organisation and SMEs per million inhabitants by country (2002)*

	Population	Registered organisations in all	Registered organisations per 1 million Inhabitants	Registered SMEs	Reg. SMEs per 1 million Inhabitants
Austria	8054000	369	45,82	299	37,12
Belgium	10143000	15	1,48	1	0,10
Denmark	5251000	152	28,95	74	14,09
Finland	5116000	42	8,21	17	3,32
France	58255000	32	0,55	1	0,02
Germany	81814000	2533	30,96	n.a.	n.a.
Greece	10442000	10	0,96	n.a.	n.a.
Ireland	3615000	8	2,21	5	1,38
Italy	57332000	94	1,64	39	0,68
Luxembourg	412000	1	2,43	n.a.	n.a.
Netherlands	15492000	27	1,74	1	0,06
Norway	4369000	64	14,65	n.a.	n.a.
Portugal	9912000	2	0,20	1	0,10
Spain	39177000	225	5,74	136	3,47
Sweden	8837000	212	23,99	139	15,73
UK	58683000	83	1,41	1	0,10
TOTAL	376904000	3869	10,27	n.a.	n.a.

Source: *EMAS Statistics 06/08/02.*

Environmental responsibility in a local community perspective

The case research showed several examples of companies adopting activities with the aim of facilitating ordinary business operations or raising the environmental awareness. Regarding the former, companies having activities that are perceived as environmentally problematic, will often be engaged in or enter into dialogue with groups in the community in which they operate. Engagement can take a variety of forms. Some companies might invite local community groups to visit the company in order to meet possible environmental concerns with openness and willingness to inform and debate. Other companies encourage their employees to participate in local environmental activities from visiting schools to assisting in specific local environmental projects (BSR, 2001-2002/ID 252).

Stakeholder dialogue around company operations

Some of the manufacturing companies, researched in this report, have entered into dialogue with the local community in order to inform about and discuss environmental concerns over business operations.

Both the Italian SME Concave and the larger French Ciments-Calcia have seen the necessity and opportunity of entering into dialogue with the local community in order to build acceptance for their business operations. In the case of Ciment-Calcia, the company has developed a model formalising their stakeholder dialogue.

Formalised stakeholder dialogue

A stakeholder dialogue policy dealing with the environmental impacts of the company's activities was set up in the French cement producer Ciment-Calcia in 1995. It is based on a specific voluntary based structure, the CCSE (Commissions de Concertation et de Suivi de l'Environnement). The mandatory concertation structure in France, the CLIS (Commission Locale d'Information et de Suivi), is available for high-risk plants. However, these mandatory structures were not relevant to Ciments Calcias' plants until 1998 when they started burning dangerous waste. The mandatory CLIS-structure is managed by the national administration in a very Jacobin and institutional tradition (one meeting a year with 100 guests, with only formal presentations and no discussions). The voluntary CCSE concertation policy has been set up in order to enable discussion in a smaller forum (a restricted number of participants max. 20) and meetings are held more frequently (at least two a year). The participants are:

- the manager and the environmental engineer of the plant,
- the employee representatives
- the neighbouring local administration
- the national environmental administration
- all local community associations

The role of the CCSE is the presentation and discussion of future investments in the plant. This includes everything from the addition of technical devices to the cement kiln to quarry rejuvenation processes. The debates remain confidential and the press is excluded to enable everyone to freely express their arguments and in order to avoid stereotype discourses. First implemented in the Vexin site in 1995, the process has been set up in all the cement factories in 1998.

Presenting and discussing its own projects enables Ciments-Calcia to know the projects of the local community. A survey among stakeholders and participants of CCSE, points to a very positive attitude towards the CCSE model. This notwithstanding the fact that voluntary CLIS model is characterised by the fact that it focuses more on adapting strategic decisions of the company rather than changing or preventing these decisions. However, this positive view is not shared by the vice-president of 'France Nature Environment' (a national organisation of 800 environmental NGO's in France). This NGO would prefer the CLIS model due based on the arguments that it is organised by the regional administration and decided by the 'préfet'. Furthermore, as the agenda is provided by the administration and the company has to answer these questions, the information is considered to be 'safer' as it is checked by the national administration.

The establishment of waste disposal areas - like the establishment of quarries - will, through their impact on the environment, often give rise to concern among local residents. Some companies within these industries have anticipated local concern and possible opposition towards their business operations through the integration of environmental considerations at an early stage.

This is the case of the French waste recycling company Séché Environnement formerly being a construction company. In 1992, the company decided to change their business to the waste industry. In France the number of waste sites has been historically low compared to its European Neighbours. The company faced the challenge of getting acceptance by the neighbours of the transformation of the Changé quarry into a waste disposal area. The Changé site is located in an agricultural area and the company has endeavoured to overcome potential stakeholder dissatisfaction with its presence by doing its utmost to limit its impacts and promote the environment.

Stakeholder dialogue through openness and transparency

In 1993, Séché employed an ecological specialist charged with ensuring an eco-friendly balance between the company's industrial activities and the preservation and promotion of its surrounding environment (i.e. its 250 hectare Changé site and the surrounding area). The site was the first in the sector in France to be certified ISO 14001.

Furthermore, the company is committed to working with local stakeholders and works with local community inhabitants around its site, the local tourist authority, ramblers associations and local environmental preservation NGOs. One group of 250 local farmers has been regularly consulted on flora and fauna and environmental issues which affect both parties.

The company's efforts with regard to local stakeholders are based on creating a culture of openness and transparency. One employee's main task is to encourage and maintain communication with them. Transparency is also enabled through site visits organised by Séché. Over 4,000 local students and others visit the Séché site in order to gain awareness of its activities and the environment in general. They have access to the main working facilities and a specific room for visitors has been set up with explanation panels retracing the activities of the company's ecology specialist over the past 9 years. The main interest is to explain from a technical point of view, little known facts about waste management. The company also passes on its experiences through partnerships with academic authorities and environmental associations.

Those who have benefited the most from Séché's activities are the local stakeholder inhabitants around its site who have generally been pleased with its efforts to minimise impacts and promote flora and fauna. In addition, the company's dialogue with local stakeholders has allowed the two parties to have a better understanding of each other's interests and needs.

Promoting environmental awareness in the local community

Some companies are seeking to promote awareness about environmental responsibility in their local community. The methods adopted are often similar to the methods used in other types of local community involvement.

Geofor is a mixed-capital company operating in the waste management sector (the company collects and disposes of non-toxic urban refuse). The company interprets this vocation in two ways: minimising the environmental impact of its activities (the presence of dumps and/or incinerators will always create problems), in part by adopting higher standards than those set by law; and, secondly, by informing and educating citizens, communicating that the production of refuse can be reduced, just as the impact on the environment and community can be reduced. The environmentally conscious approach combined with the communication

activities conducted in the local community has resulted in the establishment of good relations with the local community.

An environmental 'license to operate'

The Italian company Geofor has invested considerable resources in public awareness campaigns. In the field of communications there are three lines of activity. Firstly, there is the relationship with schools (beginning with elementary schools until arriving next year with activities in high schools as well). Relationships are built up with teachers and school visits to the plants are promoted, scholarship competitions are pointed out and parties, shows and theatrical events are organised. Secondly, there is the relationship with clients (all complaints receive a response within 4 days). Finally, communications with the institutions, aimed at familiarising the population with the presence of the dumps. For the past three years there have been dirt bike competitions organised in the dumps (the initiative has become part of the international circuit). The company is also preparing a service charter.

The company's policies regarding public communication seem to have given positive results. The company has indeed reached high levels of differentiated refuse collection and observed, in places where it has carried out training and communication activities, as in the schools, an increase in both the degree and extent of public awareness of problems related to waste management. The strategy adopted has provided positive economic results (no losses ever) and the enthusiasm of the company's personnel in pursuing high environmental standards has been identified as an important factor.

In the case of the Italian co-operative Agrobiologica, community involvement has helped the company develop its activities and brought business benefits in the form of 'faithful' local customers.

Obtaining local support for ecological production

The small Italian cooperative Agrobiologica is a company in the agribusiness sector using ecological production methods (organic farming). The partners of the Cooperative include companies who operate according to organic criteria.

The Cooperative was among the first companies in Italy to produce organic products industrially. Environmental and social responsibility is therefore an integral part of the company itself, which was a pioneer in the sector. The greatest difficulties encountered in the start-up phase of industrial activity were related to access to credit (made even more difficult due to the innovative character of the activity) and to the absence of norms that favoured organic production (the first laws were issued in 1993). A further difficulty was that of the higher cost of organic products and their seasonal limitations. This difficulty was overcome, at least in part, thanks to the positive attitude of certain local figures, such as the individuals in charge of the local school cafeterias.

Disseminating information on organic farming at the local level has been an essential factor. The Cooperative has a tradition of being involved in educational activities in schools and families in the community where it is located. There are evening meetings with families where information is given regarding organic farming and nutrition. Visits to the agricultural company are also organised for school groups. The campaign to spread information in the schools was begun in concurrence with the start of activities by the Cooperative. Since 1986, schools in the area have been supplied with organic products. The positive support of the local school system for this type of initiative was considered by many to be an important factor in the success of the cooperative.

Information activities are aimed not only at consumers, particularly locally, but also at the producers themselves, who gradually have understood the opportunities to be gained from 'clean' agricultural production, and who have allowed for the expansion of the cooperative's activities.

The promotion of environmental awareness or assistance in the local community can also take the form of business-to-business support. This type of community involvement is exemplified by the Swedish company NOTE, which has both acted as a local mentor for the hospital in the town and participated in the establishment of a local environmental network formed by all the environmentally certified companies in the small Swedish town Norrtälje.

A local mentor

The Swedish contract manufacturer of electronics NOTE Norrtelje is one of seven companies in a newly established environmental local network in Norrtälje. The aim of the network is to share experiences, to gain inspiration and work for steady improvements in the environmental field. The 7 companies in the network are the only environmentally certified companies in the municipality and include among others a local newspaper, a bank and a hospital. The network partners visit each other. These study visits include special environmental themes and critical and constructive questions and discussions.

Prior to the establishment of the local environmental network, NOTE Norrtelje has been a so-called mentor for the environmental work at the hospital. It is a political strategy for the Stockholm area that all hospitals should be environmentally certified. Norrtelje Hospital was ISO14001 certified in 2000 as the second Swedish hospital. In this effort NOTE Norrtelje was chosen as the hospital's environmental mentor. They shared experiences and arranged study visits at each other's plants. According to environmental manager at Norrtelje Hospital, NOTE Norrtelje has inspired the hospital in the organising of the environmental work and has been especially helpful in regard to preparing the documents for the ISO14001 certification.

Effects and benefits

Due to the development of indicators and tools to measure the environmental impact of company activities, the business case for environmental responsibility is stronger. The adoption of environmental management systems implies a mapping of the environmental impact of production processes. This provides an overview on the basis of which current improvements can be made. Several companies thus report that they have obtained operational cost savings through environmental efficiency measures. Furthermore, companies managed to obtain valuable business benefits through the development of intangible assets.

Financial benefits - market positioning and reduced costs

The companies surveyed that have introduced environmental management systems and have worked systematically with reducing the environmental impact of their activities have experienced operational cost savings. This is exemplified in the case of the Belgian SME Ecover Products. Founded as an eco-friendly business, Ecover has managed to move out of the niche market of health food shops and into the mainstream.

An ecological approach

Ecover has established itself as a pioneer in the field of eco-products. The company has an environmental policy in place, which outlines its commitment to sustainability issues, demonstrated through:

- An ecological factory, which means that all production facilities use ecological, recyclable or recoverable materials with a low energy content;
- The production of ecological products, which means using applications and raw materials with minimum impacts (i.e. maximum biodegradability, low toxicity, fast restoration of natural surface water and high skin tolerance); and
- Production with integration of environmental care, which implied the establishment of an environmental management system.

The policy further reiterates Ecover's commitment to training for employees, encouragement of key business partners, treating waste (through prevention, re-use, recycling, dumping or destruction), communication to stakeholders, review and continuous improvement.

Ecover has benefited from its CSR activities in a number of ways including reduced consumption and emissions and the improvement of working conditions for its employees. After some years of zero return, the combination of Ecover's higher production efficiencies and successful marketing have resulted in a steady and increasing profit for the company over the last three to four years (including during the last financial year, which was accompanied by a general economic downturn).

The leading credit card business in Europe, Barclaycard, has experienced lower operational costs as a result of their environmentally friendly building of new office facilities.

Lower operational costs through environmental building

Barclaycard's headquarters on the outskirts of Northampton a town in England, was built as a low energy, naturally ventilated building designed to have CO₂ emissions well below average for a commercial office development, reduce environmental impact and have low running and maintenance costs, whilst simultaneously increasing occupant's comfort. The company worked with Troup Bywaters + Anders, a consulting building services engineering partnership, in developing the new building to be at the forefront of low energy and environmentally sensitive design.

According to Barclaycard, compared with the old buildings the new location has very low emissions per sq ft. The savings in utility bills have been dramatic, with reductions of 40% on the gas bill, 23% for electricity and 15% on water.

Intangible assets

The role of employees

Several of the companies surveyed point to the fact that the engagement and enthusiasm of employees is crucial not only for the adoption but also the current development of environmental responsibility. Some companies, which have embarked on a road of environmental responsibility, have faced some initial resistance among workers due to for example changes in the daily working routines (e.g. pre-sorting of waste). However, communication and awareness rising have in several cases contributed to overcoming specific problems and raising the environmental consciousness of the staff. Also, the employees are an invaluable source in the current environmental improvements of processes. The Swedish company, Note, point to the fact that the support of the employees in the environmental work is and has been of crucial importance to obtain the current improvements. The employees have been involved in the company's environmental work since the beginning in 1996. They have participated actively in the initial comprehensive environmental mapping of the production processes, and they still continuously suggest and contribute to environmental improvements and changes. However, as emphasised by the environmental manager in NOTE, obtaining an appropriate balance between the systems and the will of the employees is important. Systems need to support the will among the employees to do an effort.

Employees as a central asset in the development of responsible practice

The Spanish textile manufacturer Flotats is also very aware of the importance of building the environmental skills of the employees. The company initiated a renovation of the production processes some years ago coinciding with the introduction of a group of younger managers in the management of the company. Flotats has been awarded a quality certification for the renovation of its productive process and it intends to pursue an environmental quality certification.

Flotats renovation process involved a complete 're-engineering' of the productive processes, utilising, specifically, the environmental standards used in Germany. The renovation process arose from ideas developed within the company and during implementation, there were exchanges of information with local community members such as public authorities, union officials, etc. According to the management of the company, the company's environmental commitment has brought economic benefits through the lowering of production costs. Flotats considers the maintaining of good relations with workers to be of utmost importance since they are responsible for all of the innovations implemented.

Innovation

If companies manage to harness their environmental commitment to produce innovations, it can bring substantial benefits both financially to companies and to the environment in general. This is the case of the Italian paper producer Gruppo Favini, which throughout its history has carried out activities based on a strong environmental awareness. Several innovations have been introduced in the production of paper.

Environmentally based innovations

The company's first action for the environment dates back to 1968, when an autonomous energy-saving power generator was installed. Back in 1974, before the 1976 law was passed introducing certain pollution-limiting policies, Favini had already started using certain machinery for reducing water pollution. Furthermore, the production processes used tended to use increasingly less water. Over time - and increasingly over the last twenty years - various innovations were introduced in the process to cut the use of polluting or scarcely replicable raw materials. Increasingly greater attention was given to using recycled raw materials. The most famous innovation concerns the use of algae from the Venice Lagoon.

In the 1980's the Group developed paper colouring technologies, which got rid of dangerous materials. Paper is produced with neutral PH and with Acid Free and Chlorine Free methods. In 1997, paper was produced using citrus fruit, beetroot and grape residues. Furthermore, industrial waste has been used to produce the so-called 'smog paper'.

Image and better relations to local community

Finally, some companies have engaged in environmentally related activities in the local community. In the case of Renay David Baker, a UK based SME manufacturing and producing furniture and furnishings to the health care market, through the engagement in a school-business scheme.

Renay David Baker has a history of supporting CSR initiatives. The company is working in partnership on a school-business link scheme initiated and led by Groundwork, a non-profit organisation. Through the initiative, the company has become known in the local community.

Name recognition in the local community

The aims of the programme devised by Groundwork were to:

- Link five businesses and five schools in order to establish closer links between the schools and business
- Undertake a 'cradle-to-grave' life cycle study on the waste produced/used in the businesses.
- Offer pupils an insight as to how businesses are trying to 'go green'
- Encourage pupils to think about personal responsibilities by allowing them to realise how much of what manufacturers do is governed by public demand
- Allow schoolchildren visiting local business to study the company's manufacturing, packaging and distribution processes as part of a classroom project they can 'own'.

The company has not formally assessed the effectiveness, nor measured the benefits of its involvement in the school-business link programme. However, the company identifies the principal benefit as being 'name recognition in the local community'. Groundwork suggest that the benefit to businesses and their employees such as public recognition for their CSR work in the local community could be made more explicit and further enhanced through the introduction of a business award scheme.

Communication, accounting and reporting

Some but far from all the companies have formally communicated or reported on their environmental engagement to an external audience. Some companies - as is e.g. the case of the Italian companies Geofor and Concave (cf.) above - uses public communication as an operating tool instead of systematically releasing public reports.

This is also the case of the French waste recycling company Séché, which has not, to date, publicly reported on its activities beyond general information on its web site and in its annual report where it has emphasised the need for respect of the environment. However, due to the new French economic regulations, Seché is anticipating the publication of an environment report in order to demonstrate the advancements of the company in terms of environmental and social policy and activities. Like many of the other companies surveyed, its main communication axis remains the contact with the local communities.

As is somewhat expected, most of the certified companies are producing formal reports. This is not only the case of the EMAS certified companies, which, according to the EMAS guidelines, are requested to make a public report. The Swedish Hotel- and conference Centre Sångå-Säby has for a number of years reported according to the guidelines developed by the non-profit organisation The Natural Step.

The Natural Step

In 1993 Sångå-Säby launched their new environmentally oriented strategy in co-operation with The Natural Step³². The environmental goals take their point of departure in four fundamental system conditions, developed by The Natural Step:

In the sustainable society, nature is not subject to systematically increasing:

- Concentrations of substances extracted from the earth's crust
- Concentrations of substances produced by society
- Degradation by physical means
-and, in that society,
- Human needs are met worldwide.

These four system conditions have been guiding for all environmental activities and reporting at Sångå-Säby. As the Sångå-Säby, as the first company in the Nordic countries, adopted the Swan label, their environmental reports were revised in order to follow the seven areas covered by the Swan.

³² The Natural Step (TNS), founded in 1989, is a non-profit advisory organization and think tank that helps businesses and governments to integrate sustainability into core strategy and operations. It is a global organization with offices in 9 countries.

From a specific towards a broader perspective

The preceding chapters have showed companies' multifarious approaches in their activities carried out in, and impacting on, the local community. Through the case approach, the underlying motives, rationales, decision-making processes, experiences etc. has been explored and common features in the initiatives taken and the methodology adopted, have been identified.

Some activities of companies are of very context specific nature such as a need to enter into dialogue with the local community in order to facilitate ordinary business operations. Others reflect a more general interest of the company in obtaining a good image or attracting and retaining employees. The importance of the specific context, i.e. the specific geographic locality varies. The connection between companies CSR activities, and the context in which they are being carried out, will be explored in the following chapter.

The movement of corporate social responsibility does not evolve in a vacuum. The phenomenon is rather conditioned by a wide range of national and international characteristics, trends and developments. The topics in focus in this report are part of a broader CSR agenda. The aim of this chapter is to look at the cases in the light of the character of the development of CSR in the European countries. Up until recently, CSR has mainly been driven by MNC. However, other elements influence the diffusion and character of CSR in different parts of Europe. The research has pointed to a number of different elements influencing the dissemination and character of CSR in the European countries:

- Welfare models
- Company size and industry
- Governmental and organisational initiatives
- National economic developments
- Market regulation
- Local business traditions
- Publicly exposed business and consumer cases

Beyond the case studies, this chapter is based on telephone interviews with key CSR organisations in Europe (cf. annex II for a list of persons interviewed) and desk research.

Welfare models in Europe

It is obvious to suggest that the development and character of CSR activities in different parts of Europe are affected by the national welfare systems. The assumption is that the scope and content of for example local community involvement by European enterprises, at least to some extent, reflect the different welfare models and socio-political structures across Europe.

The link between welfare models and the development and character of CSR is a relatively unexplored area. The picture emerging from the individual cases studied in this report is fragmented and does not constitute a basis for making more general conclusions. However, individual and handpicked case studies carried out in different parts of Europe can, in some cases, point to some interesting differences in the character of the initiatives taken.

This is for example the case of the German company Vaude, which has set up a childcare centre providing caring opportunities for crèche children (younger than 3-4 years), which are not generally offered public care in Germany. Another is the initiative set up by the Spanish Ferrosset Catalana, which has redesigned production in order to attract and offer employment on flexible conditions to women, who in Spain still traditionally bear the caring responsibilities within the household.

In his analysis of different welfare regimes³³, Gøsta Esping-Andersen (2000) look at the diffusion of public child care (day care for children less than three years) as one among several welfare state indicators. In an analysis of the de-familialisation through the welfare state (i.e. the extent to which policies lessen individuals' reliance on the family), he points to some significant differences between European welfare models. At one end of the spectrum, the Nordic welfare states, which have the relatively highest level of public spending on family services and provision of day care coverage and, at the other, continental and southern European countries with a relatively low level of public spending on family services and public provision of day care. Among the continental and southern European countries, Germany and Spain figure in the group with the lowest levels of public day care coverage (both 3%) whereas countries such as France and Belgium stand out with a relatively high level of public day care coverage (both 20%).

Company size and industry

The size and industry structure in the different European countries contribute to determining the development and character of CSR activities in Europe. In some countries, such as for instance UK, Holland and France, the existence of a significant number of multinationals has been important in regard to promoting and defining the CSR agenda. In other countries like for example Ireland and Denmark, a business sector dominated by SMEs has impacted on the development of their national CSR agenda. Also, in some countries the existence of a large population of enterprises in an industry exposed to certain delicate problems can be an important factor in the development of CSR (e.g. the timber industry in Finland).

MNCs play an important role with regard to the diffusion of CSR practices and their presence impact on the development of the national agendas. Employee volunteering is one of the issues on the CSR agenda, which has been diffused through the international networks of MNCs. With deep roots in the American business community, employee (or corporate) volunteering has spread to Great Britain and more recently to continental Europe (Schöffmann 2001). According to Marion Stoler, Fundación Empresa y Sociedad, employee volunteering is for instance a relatively new and 'imported' concept in Spain. It has only been taken up by the large companies, which already have employee volunteering programmes in place in other countries. However, it is increasingly something that the large Spanish companies are beginning to consider.

The more program-oriented approach adopted by MNCs, where initiatives established in one place are set up in other places in which the company has its presence, is also exemplified in the case of IBM's programme, Reinventing Education.

Piloted in the US, the programme has spread internationally. As stated by IBM 'The Reinventing Education grant program forms the centerpiece of IBM's global commitment to education. Through Reinventing Education, IBM is working with school partners throughout the world to develop and implement innovative technology solutions designed to solve some of education's toughest problems' (www.ibm.com). In Europe, partnership agreements have been set up in UK, Ireland and Italy.

³³ According to Esping-Andersen 2000 'regimes' refers to the ways in which welfare production is allocated between state, market, and households'. Esping-Andersen distinguishes between three different welfare regimes: The liberal, the social-democratic and the conservative. Some theorists have added a fourth southern European model (e.g. Leibfried 1992).

Governmental and organisational initiatives

The existence and activities of specific national CSR initiatives carried out by public or private organisations should be highlighted as another explanatory factor. The structure, composition and influence of such organisations, whether public or private, are important for the diffusion and character of CSR in the European countries. In Spain, strong initiatives have been taken in specific areas such as the employment of handicapped people. This initiative has been led by the Spanish fundación ONCE (a national organisation of handicapped), which is a strong organisation in Spain.³⁴ Employment of physically challenged individuals forms a central part of the CSR agenda in Spain.

In Denmark, the government has played a pivotal role with regard to the development and character of the Danish CSR agenda. With the launch of the campaign in 1994 'Our Common Concern - the social responsibility of the corporate sector', the Danish government invited business to join forces in a national campaign on CSR. The particular Danish agenda has been centred on the formation of partnerships around employability and inclusion covered in the concept 'the roomy labour market'. The campaign reflected the idea that social welfare is not the sole responsibility of the public sector. As such the appeal to business to form social partnerships have been a strategic way for the government to oppose a three-fold pressure of increasing social problems, increasing public welfare expectations, and increasing financial constraints on investments in new social programs. As part of this national agenda, the Danish government has launched several campaigns, initiated a national business network and spurred the establishment of regional business networks. Also, an institution specialised in the field of partnerships - The Copenhagen Centre - has been set up.

National economic developments

A fourth important factor for the diffusion and character of CSR throughout Europe is the current economic situations and development both locally and nationally.

The importance of the present economic stage for the development of CSR is illustrated in the case of Belgium. According to Arianne Molderez, Business and Society Belgium, there is a difference regarding CSR between the French and Flemish speaking communities in Belgium. Due to a stronger economic situation in the Flemish communities compared to the French regions, CSR in the Flemish communities is much more focused on CSR in general and stakeholder dialogue in particular,³⁵ while the French regions concentrate on the 'more basic' issues of social cohesion and employment.

In Ireland, new issues have entered the agenda as a consequence of the economic prosperity of the country. Ireland has experienced rapid economic growth during the past five years, and companies are becoming stronger, thus having a wider capacity for a broader social involvement. The unemployment rate has fallen from 17% in the early 1990s to app. 4,5% in 2001 and the country also benefits from a very mobile workforce. This development has contributed to making 'work life balance' and 'childcare' central issues on the CSR agenda in Ireland.³⁶

³⁴ Interview Marion Stoler, Fundación Empresa y Sociedad. The law in Spain prescribes that companies with > 50 employees are required to employ 2% disabled staff. The legislation has recently been reformed, so that companies, which for some reason cannot live up to this, are required by law to buy products and services from special employment centers (companies with at least 70% of employees being disabled).

³⁵ Interview Adrianne Molderez, Business & Society, Belgium

³⁶ Interview chief executive Tina Roche, Business in the Community, Ireland. CSR Europe (Jan. 2001)

In France the opposite seems to be the case. An economic crisis in the 1990s has apparently paved the way for more corporate engagement. According to Anne Pardigon, Institute Mécénat de Solidarité, there is an important tradition for philanthropy in France. Humanistic minded managers have been involved in humanitarian initiatives. However, in the 1990s, a major economic crisis in France resulted in renewed interest in employment and educational issues: in local partnerships, rather than in³⁷ donations. The development of the agenda in France is reflecting these economic changes and adaptations.

Market regulation

As corporate social responsibility is mostly understood as activities beyond or in relation to national legislation, national market regulation is another crucial factor in determining the development and character of CSR in the EU countries.

While strict corporate legislation in practice usually leads to higher social and environmental performance by companies, on a conceptual level the CSR activities (being essentially voluntary) might be less significant. According to Maria Alexiou from the Greek organisation Fanco, the environmental regulatory framework in Greece is tough and complicated. Simply in order to be in compliance with legal obligations, companies need to make substantial investments. As a consequence,³⁸ in the business culture, environmental responsibility is being equated with being in compliance with law.

The importance of market regulation is also reflected in the motivations of the companies studied in this project. Several of the Italian and Spanish companies have stated the wish to be ahead of legislation as a key motivational factor for adopting environmentally responsible practices.

Local business traditions

Local business traditions also impacts on the diffusion and character of CSR. Local business traditions can be an important explanatory factor for the development of CSR in different national contexts.

Since the late 1980's, prior to the mainstreaming of CSR in Belgium, a persistent group of smaller Belgian companies have operated their business according to principles, which regard financial profit only as a means to create social, human or ecological value. They are called 'Human and Environmentally Friendly Companies' (Mens en Milieuvriendelijk Ondernemen), social economy or solidarity-based businesses. These companies arose as a reaction against some of the social and environmental consequences of mainstream economy (such as environmentally irresponsible behaviour, social exclusion or unemployment). A variety of different approaches were taken: 'Some focused on doing business in a more democratic way, others were concerned about the environment or the production of food in a biological way, still others were trying to do something about the exclusion of people from the economic system and some were trying to set up a fair trade between North and South. Frequently, they combine several of these values and objectives'. These companies are still regarded as important innovators and pioneers on CSR (www.csreurope.org).

In Italy there has been a similar tradition for engagement, although on other premises. Up until Second World War, social investments and corporate activities aimed at enhancing the quality of life of the employees in the communities where the companies operated, was a widespread practice. This type of involvement - also

³⁷ Interview Anne Pardigon, Institute Mécénat de Solidarité

³⁸ Interview Maria Alexiou, Fanco

termed *Paternalismo* -accompanied industrial development in Italy but was gradually reduced as a consequence of the growth of the welfare state, rising prosperity and political involvement. However, Italian enterprises, especially the family owned ones and those with strong local roots are still very committed to their local communities and are taking positive initiatives even if these are not actively marketed nor backed by elaborate CSR theories. Furthermore, the mutual and cooperative movement, and those explicitly³⁹ inspired by the Church's social doctrine, have traditionally been very aware of their social responsibilities.

Finally, in several European countries there have been important traditions of business philanthropy influencing corporate social responsibility initiatives. The tradition of corporate philanthropy is strong in the UK, originating in Victorian times. The Netherlands also has a strong heritage of charitable giving (www.csreurope.org).

Publicly exposed business and consumer cases

Finally, the emergence of certain concrete and well-exposed examples of business or industrial behaviour in the different European countries has contributed to promoting the national (and international) agenda. Such examples can be both negative and positive. The criticism of Shell's activities in Nigeria and the dumping of Brent Spar are examples of high-profiled cases that have had an enormous impact on discussions of business behaviour and CSR in the Netherlands (and in other European countries).

The progressive social and environmental engagement of the Danish pharmaceutical company Novo Nordisk has, on the other hand, positively inspired and influenced the Danish debate on CSR. However, these important cases are not necessarily limited to examples of famous or infamous enterprises. The 'dioxin crisis', which hit Belgium in 1999, has initiated a wide public debate on product responsibility, food safety, quality, control and transparency in Belgium. It has also reinforced the already increasing consumer interest in organic food (www.csreurope.com). Also, campaigns like The Clean Clothes Campaign have brought the ethical debate on human rights and the labour conditions of Southern suppliers of companies to the fore in several European countries.

From welfare state to welfare society

The diffusion and character of corporate social responsibility in the European countries are influenced by a number of different factors: differences in welfare models, the size and industry structure of the business sector, the existence of leading public and private CSR players/organisations, current economic trends, the regulatory framework, local business traditions, role models, and exposed cases of corporate behaviour. These all have an important impact on the development of the national CSR agendas.

Rather than reflecting certain welfare state models, CSR expresses the exceeding of the classical welfare state. Corporate social responsibility takes its point of departure in the idea that social welfare is not solely the concern of the public sector, but also the responsibility of business and civil society. As such CSR represents a transformation from welfare states towards a welfare society, in which other societal players than the state have co-responsibility for welfare development.

This development is reflected in different ways in the European countries. In Italy, the growth of the welfare state gradually reduced the more traditional ways of expressing CSR - private social investments and involvement in the community. However, as explained in the national CSR profile for Italy 'The welfare State

³⁹ http://europe.eu.int/comm/employment_social/soc-dial/csr/country/italy

model appears no longer sustainable and might evolve towards a Welfare Society, with more actors involved'. A survey carried out by Explorer-Ipsos in the late 1990's among a representative sample of the Italian population points to the fact that Italians have relatively high expectations regarding companies' contribution to solving social problems. This is seen as indicative of the emergence of new attitudes, demands and expectations.⁴⁰

In the Netherlands, the gradual transition from welfare state towards a welfare society is explained by the changing role of government. From shouldering social responsibility (adopting the role of a 'mother'), the government is increasingly adopting the role as 'facilitator'. Companies are increasingly becoming active through governmentally initiated projects. As explained: 'Both CSR and a culture of cooperation are being developed and stimulated as a result of these partnerships. Building on the 'consultative culture', of Dutch society, the awareness is growing that companies, government, both local and national, and social organisations should, and can work together to promote themes such as the integration of excluded groups and the regeneration of urban areas'(www.csreurope.com).

The initiatives, referred to above, adopted by the Danish government is also a reflection of a development in which social welfare is not solely regarded as the responsibility of the public sector but increasingly the co-responsibility of different societal players.

The welfare state originally developed in order to reduce the need for corporations and civil society to take a broader social responsibility. However, intense fiscal and user demand pressure has put the welfare state under increasing pressure and other societal players are taking on a broader responsibility. The gradual shift does emphasise the complex relationship between the welfare state and corporate social responsibility. However, it is worth bearing in mind that this movement is not neutral in a political sense and that the transition from welfare state to welfare society implies several political challenges. Above all is the problem of democratic control and legitimacy when private companies take an important part in public and democratic responsibilities and policies.

⁴⁰ http://europe.eu.int/comm/employment_social/soc-dial/csr/country/italy

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Conclusions and recommendations

The aim and focus of this report has been to explore CSR activities adopted by companies within the field of the environment and the local community respectively. As mentioned initially in the report, these are 'older' topics on the CSR agenda having a history, which in the case of local community activities, goes back several centuries. Compared to the local community, corporate responsibility within the field of the environment has a more recent history, dating back a couple of decades. The fact that these topics are among the oldest on the CSR agenda makes them suitable for analysis.

Today the environment has become a key part of the CSR agenda, adopting the place of one of three bottom lines. The environmental field has its own development dynamics and is characterised by a high degree of both regulation and standardisation (ISO 14000, EMAS etc.). The opposite is characterising the field of local community initiatives. Local community is not a well-established concept on the CSR agenda. It runs across the traditional division of the field in three main 'umbrellas' of social, environmental and economic responsibility. However, the topics - local community and the environment - are united in the external stakeholder perspective: the perspective of the local community.

This research is based upon a series of independent case studies, and as such, does not constitute a basis for making more general conclusions. However, it provides the opportunity to explore the variety and specific characteristics of companies' activities within the field. The case research carried out in this report has revealed a mosaic picture of company activities within the field. The many different initiatives adopted vary both in their rationale, the method used, the context in which they are carried out and in their degree of advancement.

At one end of the spectrum, you find companies being engaged in the local community because they 'need' something. The *'need oriented' approach* has a number of different expressions. What characterises this approach is that the involvement of the company contributes to facilitating ordinary business operations.

This is for example the case of the French cement producer Ciments Calcia, which was faced with local resistance in connection with the extension of a quarry. The incident made the company aware of the need to improve territorial integration of its plants. The small Italian co-operative Concave (extractive industry), is another example of a company, which has taken initiatives in order to facilitate their excavation work by returning the sites to the community in a better condition than the company initially received them.

The need oriented approach can also be found in the case where companies have taken initiatives in order to 'fill a gap' between the needs of the company on the one hand, and scarcity in the local supply, on the other. This is for instance the case of the Spanish company Ferrosset Catalana, starting production in an area with almost full employment. In order to increase the access to labour resources, the company made some technical, organisational and contractual changes in order to be able to employ women. The German retail company Vaude, also operating in an area with very low unemployment rates, has taken a similar initiative. Vaude established a childcare centre in connection with its facility in order to allow mothers a faster return to the labour market.

At the other end of the spectrum, you find companies being engaged in local community issues with the aim of exploiting the opportunities arising from the activities. What characterises the *'opportunity related' approach* is that companies are using their activities strategically as a means of developing products, markets or their business in general.

This is for example the case of a company such as IBM Ireland, which through the 'Wired for Learning' initiative obtained valuable knowledge. The piloting of the scheme in Ireland has been used to inform the development of the programme onto the market.

Another example of the opportunity related approach is found in the case of the Swedish based, Swedbank, which has established multicultural banks in areas with a high percentage of residents/customers of foreign ethnic background. This has provided the bank with valuable knowledge about how to approach and understand this group both as customers and employees.

This opportunity is not only restricted to very large companies such as IBM and Swedbank. The German company Bethapharm has managed to differentiate its product through their partnership with Der Bunte Kreis around the development of a holistic case-management model for after-care treatment. This has been important for a producer of generic medicine like Bethapharm, operating on a market characterised by high price competition.

In between the need and the opportunity related approaches, a variety of different approaches can be identified. A number of initiatives have been taken with the aim of improving the image of the company, attract and retain employees, improve company culture etc.

Some companies have a more unstructured and ad hoc based approach such as the social initiatives carried out by the Danish horticultural company, Rosborg Denmark.

Others have formalised their local community activities adopting either a targeted or a broader approach. A targeted approach is characterised by the fact that the initiatives adopted are aimed at a particular group in the local community whereas the broader approach has a more general community focus.

A targeted approach is exemplified in cases such as:

- Youth: The French company Schneider Electric, which has established the Schneider Electric Youth Foundation aimed at getting young people off to a successful start.
- Homelessness: The British IT training company, Happy computers, which has trained volunteers to work with homeless people coaching them in ICT.
- Old people: The partnership between British Gas and Help the Aged aimed at addressing problems related to excess winter deaths and isolation affecting older people in the UK.
- Schools: The involvement of the British SME Renay David Baker in the school-business link scheme; the Italian waste management company Geofor, which carries out communication activities in the local schools; and the Italian Cooperative Agrobiologica, which initiated a campaign in order to spread information about organic farming in the local schools, which also became an important customer of the company's products.
- Employment: the EDF/Gaz de France, which has set up the FAPE foundation aimed at fighting unemployment.

Other companies have adopted a *broader approach* to the local community, exemplified in cases such as e.g.:

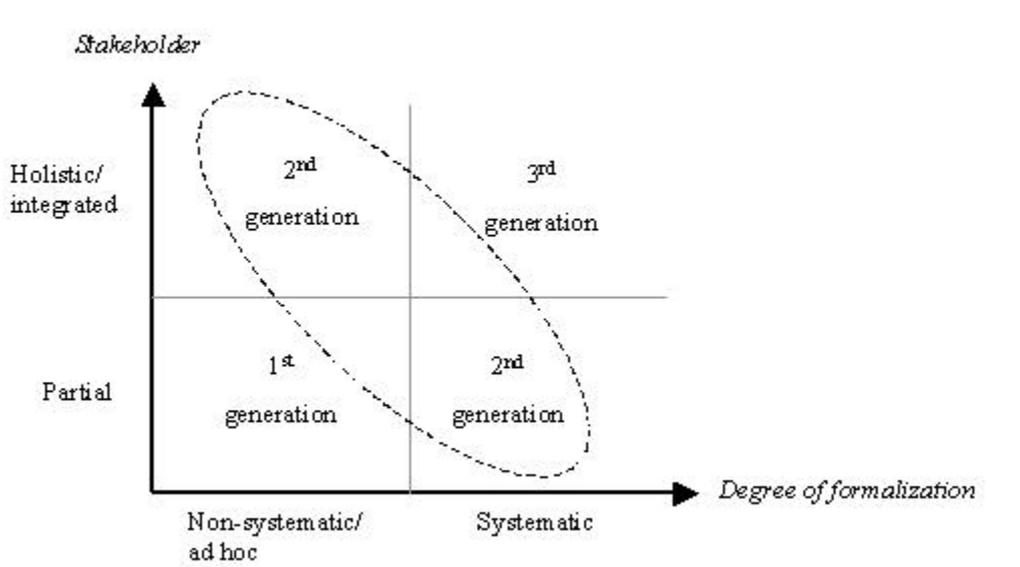
- The Belgian Chimay-Warsoise foundation, which is set up to serve a specific community
- The large British retailer B&Q, which through their 'better neighbour grant' offers the opportunity for schools, community groups and charitable organisations to apply to their local store for funding of a project that involves and benefits the local community.
- The German Siemens, which let their executives and managers volunteer for one week in voluntary social organisations targeting a variety of social problems
- The Spanish SME Grupo Lar, which are involved in a variety of different social activities based on ideas coming from the employees or from organisations outside the group.

In some cases, the social partners have played an active part in the activities carried out. This is e.g. the case of the FAPE foundation set up by EDF/Gaz de France in collaboration with three French trade unions. Another example is the Schneider Electric Youth Opportunities Foundation, which has a union representative who together with the management elects the local representatives. In other cases, the unions have been involved as facilitators for the activities carried out. This is e.g. the case in the initiative taken by the Spanish company, Ferrosat Catalana, where the company entered into negotiations with the local trade unions with the aim of establishing a new part time contract, which at that time was not used in Spain. However, in the majority of cases, trade unions have not been active participants in the activities set up. This could be due to the nature of the activities, which might not be the primary interest of trade unions.

As demonstrated in this report, companies adopt social and environmentally responsible practices for a variety of reasons. Although these activities arise in different welfare models, and in some cases reflect specific characteristics in for example the provision of welfare services in a country, many CSR activities are of a trans national character: they could be found in Spain, Netherlands and Sweden. Instead of reflecting welfare models, CSR activities could be seen as a reflection of a move away from the traditional welfare states towards a welfare society. This development has been seen in a three generation perspective elsewhere (Simon Zadek 2001c).

However, in the context of this report, one could distinguish between three steps or generations characterising companies' engagement in CSR, illustrated in the figure below.

Figure 5: *The CSR ladder - a three generation perspective*



Source: *Oxford Research A/S, 2002.*

1st generation companies are characterised by the fact that their engagement in CSR is of partial and relative unsystematic character. They might be involved in a variety of different community activities. However, they have a certain ad hoc character. This is exemplified by an SME like Renray David Baker, the initiatives of which is based on the informal personal commitment of the CEO to the CSR agenda.

2nd generation companies are characterised by the fact that they have adopted a partial approach in the sense that they have worked systematically with some aspects of the CSR agenda such as e.g. their environmental responsibility. The Danish SME, Rosborg Denmark, exemplified the second generation approach. The company has formalised their environmental work but has a more adhoc based, holistic approach in their social engagement, which could be translated into 'a roomy' mind.

3rd generation companies are characterised by the fact that they have a more strategic, systematic, formalised and 'all round' approach in their CSR activities. They view their activities as a necessary investment in order to nurture their competitiveness in the long term. The systematic approach provides insight into and overview over social and environmental aspects of their business operations. Third generation companies will deepen their relations with key stakeholder groups in order to respond to the social, ethical and environmental values. Based on this approach, business build an insight, will and capacity to learn and respond through the innovation of their processes and products in ways that are likely to enhance their longer-term business strategy and performance. Some of the large companies surveyed in this report could be characterised as being of third generation type: adopting a more systematic and 'holistic' approach to the field of CSR.

Recommendations

In recent years, growing awareness has centred on the clarification and definition of corporate social responsibility. However, this increasing focus on CSR is not just a question of the development of methods, tools, reporting and accounting procedures. It is part of a much broader discussion of the role to be played by

companies' in the broader communities in which they operate. Increasing attention is being paid to partnerships as new forms of governance structures. New social partnerships has been defines as:

'People and organisations from some form of public, business, and civil constituencies who engage in voluntary, mutually beneficial, innovative relationships to address common social aims through combining their resources and competencies'
(The Copenhagen Centre 1999)

Many of the company initiatives analysed in this report are characterised by being companies' individual contributions or engagement in the local community. The cases point to the expediency in encouraging local dialogue both in order to encourage and facilitate the adoption of socially responsible practices among companies in the local community, and in order to promote collective initiatives centred on local issues of common concern.

Facilitate the adoption of CSR policies and practices

The promotion of companies' engagement in societal responsibility should build on the encouragement and facilitation around the adoption of the CSR agenda. Research has pointed to the barriers especially faced by SMEs due to the limited awareness, time and resources characterising these companies (Observatory 2002). Recently, the perspective of SMEs has gained increasing attention reflecting the recognition of the need to finding alternative ways of approaching SMEs and the need to develop tools specifically designed for SMEs (such as e.g. the EMAS toolkit for SME). In recognising the need for a different approach to SMEs, it is important that initiatives are aimed at facilitating the process of adopting CSR policies and practices. Adopting CSR policies and practices is a conscious step-by-step development. Such initiatives could for instance focus on exploring, defining and not least prioritising between where to concentrate the effort. Some of the cases researched in this report could be used as procedural inspiration such as e.g. the establishment of regional networks for the promotion of social or environmentally responsible policies and practices or the use of mentors.

Promote local dialogue

The promotion of collective initiatives around issues of common concern is another area, which could be a platform for local dialogue. Regional initiatives such as the establishment of regional networks for employability and inclusion in Denmark, or the set up of a community foundation addressing local problems in Belgium, are initiatives addressing specific problems in the regions. The local and regional authorities could (and in many places already does) play an active role in the promotion of dialogue and initiatives based on a common agenda. A wide range of initiatives could be adopted such as: exploring and defining which areas or issues could be targeted by business (e.g. employability, equal opportunities, diversity, education and training etc.); promoting the development of social partnerships around a common agenda (understanding and defining the roles to be played by different actors); and basically raising the awareness of the connection between development of the community and economic development and thereby the indirect benefits to be obtained through involvement in the local community.

Embark on a joint agenda

At a European level, there has been a growing awareness of the need to involve a wide range of stakeholders in the discussion and development of the CSR agenda. The recent launch of the European Multi-stakeholder Forum is a reflection of this, inviting the social partners, business networks, civil society, consumers and investors to exchange best practices, establish principles for codes of conduct and seek consensus on objective evaluation methods and validation tools. The recognition of the benefits of involving social partners, companies and others in the dialogue and development of the CSR agenda is not very developed at the local level. Finding innovative ways of addressing the local CSR agenda is an area to be explored and developed.

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Annex 1: Case studies

Company	Sector	Country	No. of employees (2001)
Rosborg Ltd.	Horticulture	Denmark	250
Gabriel Ltd.	Textiles	Denmark	131
Pressalit Ltd.	Plastic industry	Denmark	400
Sånga-Säby	Hotel/Conference	Sweden	55
FöreningsSparbanken	Banking	Sweden	9,531
NOTE Norrtälje AB	Electronics	Sweden	262
Betapharm Arzneimittel GmbH	Pharmaceuticals	Germany	300
Vaude Sport	Retail (sport)	Germany	160
HIPP	Production (baby food)	Germany	900
Siemens AG	Machinery	Germany	484,000
Happy Computers	IT training	UK	40
Palser Grossman	Legal services	UK	120
Barclaycard HQ	Financial services	UK	5,200
Renray David Baker	Furniture	UK	160
B&Q	Retail	UK	30,000
Centrica	Energy, road etc. services	UK	31,555
Bovince	Printing	UK	58
Packsort	Returnable Package	Ireland	25
Janssen pharmaceuticals	Chemical	Ireland	200
IBM	IT	Ireland	319,876
Addeco	Staffing	France	4,700
EDF Electricité de France	Energy	France	115,000
Eiffage	Materials & construction	France	42,300
Pinault Printemps Redoute	Retail	France	6,000
Schneider Electric	Electricity distribution & equipment	France	71,900
Séche Environnement	Waste management	France	996
Ciments-Calcia	Cement production	France	1,500
L'Atelier d'Ana	Mechanical repair	France	4
Ecover Products	Detergents	Belgium	45
Chimay	Food and beverages	Belgium	150
Geofor SPA	Services	Italy	265
Cassa Rurale Bolzano	Banking	Italy	100
Gruppo Favini	Paper	Italy	1160
Cooperativa Agrobiologica	Food production	Italy	34
Concave	Construction/ Extracting activities	Italy	29
Lecco Lavoro SPA	Training and services	Italy	6
Pont-Tech	Training and services	Italy	8
Flotats	Textile	Spain	78
Grupo Lar	Real Estate	Spain	190
Ferrosset Catalana	Factory	Spain	850
Grupo Eroski	Distribution	Spain	27,000

Annex 2: Organisations contributing to the research

Organisations which gave suggestions for cases, supplementary material, etc.

Avanzi, Italy

Business and Society, Belgium

CaringCompany AB, Sweden

Ethibel, Belgium

Ethnic Diversity, Malmö (The project Mångfald i Malmö), Sweden

European Centre for Social Welfare Policy & Research, Austria

Finnish Business & Society (Stakes), Finland

Fundación Ecología y Desarrollo, Spain

Fundacion Empresa y Sociedad, Spain

Imug, Germany

Business in the Community, Ireland

PEC - Parcenrias Empresariais e Consultadoria, Greece

Scoris GmbH, Germany

Talentum - Sociedade de Consultoria de Gestão, SA, Portugal

The Natural Step, Sweden

Triodos Research BV, Netherlands

Persons interviewed by telephone regarding the development and character of CSR in the European countries

Harry Goldman, Swedish Jobs & Society (Sweden)

Sirpa Juutinen, Finnish Business and Society (Stakes) (Finland)

Tina Roche, Business in the Community (Ireland)

Andre Janssens, Community & Business (Netherlands)

Arianne Molderez, Business and Society (Belgium)

Christa Schwing, Austrian Economic Chamber (Austria)

Anne Pardigon, Insitute Mécénat de Solidarité (France)

Gonçalo Pernas, Talentum (Portugal)

Ruggero Bodo, Sodalitas (Italy)

Marion Stoler, Fundación Empresa y Sociedad (Spain)

Maria Alexiou, Hellenic Business Network for Social Cohesion (Greece)

Annex 3: Abbreviations

AA1000	AccountAbility 1000
CCSE	Commissions de Concertation et de Suivi de l'Environnement
CLIS	Commission Locale d'Information et de Suivi
CRM	Cause Related Marketing
CSR	Corporate Social Responsibility
DJSGI	Dow Jones Sustainability Group Index
EEEI	European Eco-Efficiency Initiative
EMAS	Environmental Management and Audit Scheme
ETI	Ethical Trading Initiative
GRI	Global Reporting Initiative
FTSE4Good	Financial Times Stock Exchange Index Series for socially responsible investment
GRI	Global Reporting Initiative
ICT	Information and Communication Technology
ILO	International Labour Organisation
ISO	International Standards Organisation
LCA	Life Cycle Analysis
NGO	Non-Governmental Organisation
SA8000	Social Accountability 8000
SIRI	Sustainable Investment Research International
SME	Small and Medium Sized Enterprise
SRI	Socially Responsible Investment
UCITS	Undertaking for Collective Investment in Transferable Securities

Annex 4: Glossary

Note: *Main sources used: Bennett and James (2001), EU Commission: Green Paper (2001), Gray et al. (2001, p. 166), Observatory (2002/No.4)*

Accountability	Simply stated, accountability is the duty to provide an account of the actions for which one is held responsible. Hence, accountability is concerned with the relationships between groups, individuals, organisations and the rights to information that such relationships entail.
Adaptability	Initiatives of companies aimed at modernising work organisation in order to support employability
Audit	The systematic evaluation of an organisation's (social or environmental) impact in relation to standards and expectations. This can be undertaken internally or externally.
Cash donations	Companies donating cash to charitable causes. In some countries the government encourages companies and their employees to give through incentives in the tax system. In addition to making their own donations, companies sometimes also match donations given by their employees.
Cause Related Marketing (CRM)	A commercial activity by which businesses and charities or causes form a partnership with each other to market an image, product or service for mutual benefit. CRM partnerships can involve one or more partners.
Community foundations	Community Foundations limit their work to a specific geographical region, encouraging local philanthropy through managing donations for local individuals, trusts or companies and making grants to local voluntary and community groups and services.
Corporate community investment (CI)	The term refers broadly to investments made by business in community organisations. Community investment may include philanthropy, sponsorship, in-kind contributions and resource investments. Community investment embraces the application of fundamental business principles (i.e., strategy, measurement, return on investment) towards corporate donations and community involvement.
Corporate community involvement (CCI)	Corporate community involvement refers to a wide range of actions taken by companies to impact their donated money, time, products, services, influence, management knowledge and other resources in the communities and markets that they serve. In the report, this concept covers community giving and employee volunteering.
Corporate citizenship	Corporate citizenship is the management of the totality of relationships between a company and its host communities, locally, nationally and globally.
Corporate social responsibility (CSR)	CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.
Employability	The term can apply to those in work as well as those out of work. The concept covers initiatives aimed at expanding and upgrading the qualifications of a companies' own staff, including transitory initiatives (e.g. companies mitigating the results of downsizing by preparing redundant staff to find other jobs). It also covers companies 'external' activities aimed at providing training and work opportunities to unemployed or disadvantaged groups. In this report, the latter 'external' perspective is in focus.

Employee community involvement (ECI)	The active and practical involvement of company employees with their local communities encouraged and supported by their employers.
Environmental Impact Assessment	An analysis of the impact of a business project or operation on the environment.
Environmental Sustainability	The ability of an activity to continue indefinitely, at current and projected levels, without depleting natural resources required to meet present and future needs.
Screening	Inclusion or exclusion of stocks and shares in investment portfolios on social, ethical or environmental grounds.
Life-cycle assessment	A holistic approach to identify the environmental consequences of a product or service through its entire life cycle as well as highlighting identifying opportunities for achieving environmental improvements.
Management system	<p>Management system refers to what the organisation does to manage its processes or activities. In a very small organisation, there is probably no 'system' as such, just 'our way of doing things', and 'our way' is probably not written down, but all in the manager's or owner's head. The larger the organisation, and the more people involved, the more the likely it is to have some written procedures, instructions, forms or records. These help ensure that there is a minimum of order in the way the organisation goes about its business, so that time, money and other resources are utilised efficiently.</p> <p>To maximise efficiency and effectiveness, the organisation can manage its way of doing things by systemising it. This ensures that nothing important is left out and that everyone is clear about who is responsible for doing what, when, how, why and where.</p>
Monitoring	The process of regularly collecting information to check performance against certain criteria.
Socially responsible investment (SRI)	The term refers to investment decisions that incorporate ethical, environmental and social criteria as well as traditional financial considerations in measuring a company's performance or desirability to place investments in.
Social capital	Networks together with shared norms, values and understandings that facilitate co-operation within or among groups
Social impact assessment	Systematic analysis of the impact of a business project or operation on the social and cultural situation of affected communities.
Social report	A document communicating the findings of a social impact assessment.
Stakeholder	An individual, community or organisation that affects, or is affected by, the operations of a company. Stakeholders may be internal (e.g. employees) or external (e.g. customers, suppliers, shareholders, financiers, the local community).

Standard	The term standard is used to describe a written document that seeks to influence behaviour so that it is recognisable and reproducible in order to improve the social performance of the organisations to which it is applied. This includes both auditable standards as well as broad guidelines, codes of conduct, charters, investment screening mechanisms and benchmarks.
Sustainable development	The concept of sustainable development was first popularised in the 1980's by the Brundtland Commission report 'Our Common Future', which proposes that for development to be sustainable it should 'meet the needs of the present without compromising the ability of future generations to meet their own needs'.
Triple Bottom Line	The idea that the overall performance of a company should be measured based on its combined contribution to economic prosperity, environmental quality and social capital. The Triple bottom line is also referred to as the three P's – People, Planet and Profit.
Verification	Certification by an external auditor, of the validity, meaningfulness and completeness of an organisation's records, reports or statements.

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