

# Corporate Social Responsibility Policymaking in the EU countries – an overview

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## **Abstract**

*The social and political changes brought about by globalisation have raised new questions as well as expectations about governance and social responsibilities. More and more companies of all sizes and sectors are recognising the importance of their role in society and the real benefits of adopting a proactive approach to Corporate Social Responsibility (CSR).*

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

*The aim of this paper is to provide an overview of the CSR practices in the EU countries and illustrate the role of various policy making actors in setting guidelines. Therefore, in the first part of the paper we are going to set the general framework on the concept of social responsibility. In the second part, we will provide a short overview of the various practices of CSR within the EU. In the third section we are going to see the role of different key players in the area of CSR and how these interact. In the last section we will draw some concluding remarks on the issue.*

**Keywords:** corporate social responsibility, stakeholders, governmental actors

## **Introduction**

The social and political changes brought about by globalisation have raised new questions as well as expectations about governance and social responsibilities. More and more companies of all sizes and sectors are recognising the importance of their role in society and the real benefits of adopting a proactive approach to Corporate Social Responsibility (CSR).

An increasing number of European companies are promoting their corporate social responsibility strategies as a response to a variety of social, environmental and economic pressures. They aim to send a signal to the

various stakeholders with whom they interact: employees, shareholders, investors, consumers, public authorities and NGOs. In doing so, companies are investing in their future and they expect that the voluntary commitment they adopt will help to increase their profitability. The corporate social responsibility concept is mainly driven by large companies, even though socially responsible practices exist in all types of enterprises, public and private, including SMEs and co-operatives.

Nowadays, the guiding line is ensuring a sustainable development in the context of globalisation and a knowledge based society. We know that information is not power but the way you use information means power. At the business level, it is very important how the information is used and disseminated.

The European Union is concerned with corporate social responsibility as it can be a positive contribution to the strategic goal decided in Lisbon: "to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion".

The actors and the policies related to corporate social responsibility differ from country to country, from region to region but most of them are guided by the multinational corporations which are the promoters of this concept. The multinational corporations can provide faster social change at a local level rather than the local government or other local institutions.

### **Conceptual framework of Corporate Social Responsibility**

The social and political changes brought about by globalisation have raised new questions as well as expectations about governance and social responsibilities. More and more companies of all sizes and sectors are recognising the importance of their role in society and the real benefits of adopting a proactive approach to Corporate Social Responsibility (CSR).

#### **The CSR concept and evolving viewpoints**

For the past three decades, business has been undergoing the most intense scrutiny it has ever received from the public. As a result of the many allegations being levelled at it - charges that it has little concern for the customer, cares nothing about the deteriorating social order, has no concept of acceptable ethical behaviour and is indifferent to the problems of minorities and the environment - concern is continuing to be expressed as to what responsibilities business has to society. These concerns have generated an unprecedented number of pleas for corporate social responsibility.

More recently CSR has been embraced in the broader term - corporate citizenship. Concepts that have evolved from CSR include corporate social responsiveness and corporate social performance. Today, many business executives prefer the term corporate citizenship as an inclusive reference to social responsibility issues. It continues to be a front burner issue within the business community and this is highlighted by the

formation and growth since 1992 of an organization called Business for Social Responsibility.

Related to the concept, several definitions have been given to this concept from a general to a more explicit framework. A rather simple definition of CSR would be "*CSR is seriously considering the impact of the company's actions on society*" (Carroll 2006, p 36) but which raises a lot of question marks due to its inherent ambiguities. Another definition that it is worth reading is the one given by Davis and Blomstrom (cited in Carroll 2006, p 37) who define SR as the obligation of decision makers to take actions which protect and improve the welfare of society as a whole along with their own interests. This perspective suggests two active aspects of social responsibility - protecting and improving.

To protect the welfare of the society implies the avoidance of negative impacts on society. To improve the welfare of society implies the creation of positive benefits for society. Another definition, still quite general is the one given by McGuire: the idea of SR supposes that the corporation has not only economic and legal obligations, but also certain responsibilities to society which extend beyond these obligations. This statement is attractive in the sense that it acknowledges the importance of economic and legal issues encompassing a broader conception of the firm's responsibilities.

The idea of social responsibility requires the individual to consider her acts in terms of a whole social system and holds her responsible for the effects of her acts anywhere in that system.

### **Historical perspective on CSR**

The concept of social responsibility that prevailed in the US during most of the history was fashioned after the traditional or classical economic model. The classical view held that a society could best determine its needs and wants through the marketplace. If the business is awarded on this ability to respond to the demands of the market the self interested pursuit of that reward would result in society getting what it wants. Thus, the invisible hand of the market transforms self-interested into societal interest.

The emergence of large corporations during the late 1800's played a major role in hastening movement away from the classical economic view. As society grew from the economic structure of small, powerless firms governed primarily by the marketplace to large corporations in which power was more concentrated questions of responsibility of business to society surfaced.

Neil J Mitchell in his book, "*The generous Corporation*" presents an interesting thesis regarding how CSR evolved. His view is that the ideology of CSR particularly philanthropy was developed by the American business leaders as a strategic response to anti-business fervour that was beginning in the late 1800's and early 1900's. The anti-business reaction was the result of specific business actions such as railroad price gouging and public resentment of the emerging gigantic fortunes

being made by late nineteenth century moguls such as Andrew Carnegie and John D Rockefeller.

The business leaders realized that the government had the power to intervene in the economy and there was a need for a philosophy that promoted large corporations as a force for social good. Therefore, they attempted to persuade those affected by business power that such power was used appropriately. Therefore, philanthropy became the most efficient means of using corporate wealth for public benefit.

The period from the 1950's to the present may be considered the modern era in which the concept of corporate social responsibility gained considerable acceptance and broadening of meaning. During this time, the emphasis has moved from little more than a general awareness of social and moral concerns to a period in which specific issues such as product safety, honesty in advertising, employee rights, affirmative action, environmental sustainability, ethical behaviour and global CSR have been emphasized.

CSR refers to the corporation's effort to make positive social change; actually, CSR has the role of an NGO in the society. The main goal of a business is to obtain profit but, more than that, the company is searching for ways of survival, trying to stay in business.

#### **The stakeholder model**

Each from the definitions presented above is valuable. A very interesting definition provided by Carroll focuses on the types of social responsibilities it might be argued that a business has: "the social responsibility of business encompasses the economic, legal, ethical and discretionary (philanthropic) expectations that society has of organizations at a given point in time." (Carroll 2006, p 37)

There are economic responsibilities. It may seem odd to call a social responsibility an economic responsibility but that is what it is in fact. In USA, for example, the social system calls for business to be an economic institution. It should be an institution whose orientation is to produce goods and services that society wants and to sell them at fair prices.

Legal responsibilities reflect society's view of "codified ethics" (idem, p 38) - basic notions of fair practices as established by lawmakers. It is business's responsibility to comply with the laws. Because laws are important but not adequate, ethical responsibilities embrace those activities and practices that are expected or prohibited by societal members even though they are not codified into law. These embody the full scope of norms, standards and expectations that reflect what consumers, employees, shareholders, and the community regard as fair, just and in keeping with the respect for or protection of stakeholders' moral rights.

The philanthropic responsibilities are business's voluntary responsibilities. These reflect the current expectations of business by the public. These activities are voluntary guided only by business's

desire to engage in social activities that are not mandated not required by law and not generally expects of business in an ethical sense.

The public has an expectation that the business will engage in philanthropy and thus this category has become part of the social contract between business and society. Such activities might include corporate giving, product and service donations, volunteerism, partnerships with local government and other organization, and any other kind of voluntary involvement of the organization and its employees with the community or other stakeholders.

A helpful way of graphically depicting the four part definition of CSR is envisioning a pyramid composed of four layers. The pyramid begins with the basic building block of economic reflect the performance at the base. At the same time, the business is expected to obey the law, as it is society's codification of acceptable and unacceptable practices. In addition, there is business's responsibility to be ethical. At its most basic level, this is the obligation to do what is right, just and fair and to avoid or minimize harm to stakeholders. The business is expected to be a good corporate citizen(see Box 1 in Appendix) - to fulfil its philanthropic responsibility to contribute financial and human resources to the community and to improve the quality of life. The pyramid of CSR (figure 1) is intended to illustrate that the total social responsibility is composed of distinct components that, when taken together, make up a whole. They are not mutually exclusive. It is important to note that this pyramid and definition represent a stakeholder model (Carroll 2006, p 41). Each of the four components of responsibility addresses different stakeholders in terms of varying priorities in which the stakeholders are affected.

In 1991, Wood revisited the model and introduced important refinements by going beyond an identification of the different types of responsibilities to examine issues relating to the principles motivating responsible behavior, the processes of responsiveness and the outcomes of performance.

Her refined postulation therefore, placed CSR into a broader context than just a stand-alone definition, and conceptualized CSP as the product of a business firm's particular configuration of principles of social responsibility, processes of social responsiveness, as well as observable outcomes as they relate to the firm's societal relationships(Jamali 2006).

Principles of corporate social responsibility(Jamali 2006):

- Institutional principle: legitimacy
- Organizational principle: public responsibility
- Individual principle: managerial discretion

Processes of corporate social responsiveness

- Environmental assessment
- Stakeholder management
- Issues management

Outcomes of corporate behavior

- Social impacts
- Social programs
- Social policies

Corporate social responsibility can be distinguished as "internal" or "external" depending on the beneficiaries and the involved parties in a corporate social activity (Philip Morris Institute 2000). The internal corporate social responsibility refers to the corporations' human resources and it constitutes a prerequisite and a proof of honesty for its extension in the external environment. The field of its implementation includes the respect of employees' rights (e.g. respecting working-hours), the caring for their health and security, their training and the open communication within the corporation.

It is expected from corporations to undertake more initiatives for the viable management of the physical environment. They are also invited to invest in social areas that are neglected until today: health, education, social minorities and people with special needs, good working conditions.

CSR is fast becoming a global expectation that requires a comprehensive strategic response. In the 21<sup>st</sup> century, companies are expected to demonstrate their commitment to society's values and their contribution to society's social, environmental and economic goals through actions, share the benefits of company activities with key stakeholders as well as with the shareholders.

### **CSR in the EU - evolving points**

In recent years, businesses, policy makers and the media have begun to employ the term CSR to describe a broad range of corporate activities which do not directly relate to the pursuit of profit. Businesses use CSR to explain - and sometimes justify - voluntary practices including philanthropic donations the development of equal opportunities policies or efforts to reduce environmental damage (Dorr 2007, p 4). Meanwhile, pressure groups and some politicians insist that CSR is not a matter for businesses alone and that governments must ensure companies are legally and politically accountable for their social and environmental policies.

#### **A timeline approach**

The origins of the EU's approach to CSR stem from the Commission's White Paper (1993) on growth and employment. In the following years, the concept of CSR has gained in importance in the EU policy debate, manifested, for example, by the establishment of a joint declaration against social exclusion (1995) or the launch of the European Business Network for Social Cohesion (EBNSC) in 1996 (to become CSR Europe in 2000).

In March 2000, the Presidency Conclusions of the European Council made for the first time "a special appeal to companies' corporate sense of social responsibility". In 2001, the European Commission published a Green Paper on "Promoting a European Framework for Corporate Social Responsibility" on the basis of which a Communication was proposed in

2002, focusing on increasing knowledge about the positive impact of CSR on business and societies in Europe and abroad, in particular in developing countries and on the development of the exchange of experience and Good Practice on CSR between enterprises. In 2002, a Multi-Stakeholder Forum consisting of companies, business organisations and networks, trade unions and civil society representatives was established to elaborate an European strategy for CSR and to encourage greater awareness raising about its implications (Austrian Strategy for Sustainable Development)

Furthermore, the first sustainable development strategy was launched in 2001, based on the idea that in the long run economic growth, social inclusion and environmental protection should go hand in hand. The latest EU Strategy for Sustainable Development (SDS) of 2006 takes into account the situation of an enlarged European Union and pinpoints the importance of creating sustainable communities able to efficiently manage and use resources and to tap the ecological and social innovation potential of the economy, ensuring prosperity, environmental protection and social cohesion to improve present and future quality of life (EC 2006).

In relation to this emphasis, the CSR concept is based on a "Triple Bottom Line" approach (Dorr 2007, p 6) -also known as People, Planet, Profit- pinpointing the necessity that for reaching sustainability an organization must be financially secure, minimise its negative environmental impacts and act in conformity with societal expectations (EC, 2002).

In March 2006, the Commission published a new communication on CSR entitled "Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence on CSR". One of the main elements emerging from this communication is the creation of a European Alliance for CSR that acts as a political umbrella for CSR initiatives of companies and their stakeholders. As to this regard, the Commission will further emphasise the promotion of CSR in eight areas: awareness raising and best practice exchange, support of multi-stakeholder initiatives, cooperation with Member States, consumer information and transparency, research, education, small and medium-sized enterprises as well as considering the international dimension of CSR (EC 2002).

The approach to CSR of the European Union is also integrated in the broader context of various international initiatives related to trade and development co-operation, e. g. the UN Global Compact (2000), the ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy or the OECD Guidelines for Multinational Enterprises (2000).

#### **CSR at the member state level**

Following the European approach, also at individual Member State level the issue of CSR has been gaining importance in public and policy debate during the last years or even decades.

However, the time of introducing the idea of Corporate Social Responsibility considerably varies among the analysed Member States.

While it is, for example, a relatively new concept in Poland where it was introduced in 2000 by the Responsible Business Forum, the origins of CSR in Spain stem from the 1990s when the concept of Social Responsible Investment (SRI) was introduced by organisations in the area of collective investment and pension funds (i.e. INVERCO). In Finland, the first publications dealing with ethical issues in business activities even date back to 1959. However up to the 1990s "ethical business management" was more prevalent than the concept CSR. Environmental management and CSR have had mutual interrelations and currently they can even be considered to have been merged in one-"responsible business" (EC 2007)

Also in Norway issues relating to health, safety and environment at the workplace have been discussed since the 1960s and issues relating to the external environment have been high on the agenda during the 1970s and 1980s. The CSR concept as such became subject of discussion in the mid 1990s. A similar development may also be observed in Germany. In Austria, the discussion of "sustainable development" started in the 1970s or 1980s, focussing, however, at least in the beginning solely on the business sector's protection of ecological fundamentals. Social and economic dimensions (e.g. quality of life, innovation, networking) are considered only since the implementation of the Austrian Strategy for Sustainable Development in 2002.

Generally, a growing involvement of European businesses in CSR is observable. This is not at least attributed to the fact that companies increasingly realise the necessity of improving business' image by showing commitment to social issues and/or the introduction of business ethics rules and, therefore, include CSR activities in the daily business routines. So, the raised awareness of consumers increasingly appreciating CSR practices is an important incentive for further development of respective corporate activities which may then be used for gaining a competitive advantage compared to other market players. This widespread recognition of CSR by the general public, but also the scientific community, is also reflected by an augmenting number of CSR related publications (e.g. annual company reports on CSR, scientific research studies) or articles in mass media or business journals. As to this regard, particularly the topics of community involvement activities of large enterprises and the employment of persons disadvantaged at the labour market are covered.

A specific initiative of the European Union in the field of CSR already mentioned was the European Multi-stakeholder Forum on CSR, being active between 2002 and 2004. It was chaired by the European Commission and consisted of European representative organisations of employers, business networks, trade unions and NGOs. The Forum aimed to foster CSR and promote innovation, convergence as well as transparency of CSR practices and tools through improving knowledge and exploring possibilities for establishing common guiding principles at EU level.

Next to this forum, there is a wide range of supra-national networks in the field of CSR:



- The European Alliance on CSR initiated in 2006 is a political umbrella organisation for new or existing CSR initiatives by large companies, SMEs and their stakeholders aiming to give a new impulse to make Europe a pole of excellence on CSR. It should lead to new partnerships and new opportunities for all stakeholders in their efforts to promote CSR. The Alliance is supported by the Union of Industrial and Employers' Confederations of Europe (UNICE), the European Association of Craft, Small and Medium-sized Enterprises (UEAPME) and CSR Europe (EC 2002).
- CSR Europe is a business network consisting of more than 60 leading multinational corporations as direct members and of further 1,400 companies through 18 National Partner Organisations. Since its launch (under the name of "European Business Network for Social Cohesion") in 1995 the network aims to help companies to achieve profitability, sustainable growth and human progress by placing corporate social responsibility in the mainstream of business practice (CSR Europe)
- The European Environment and Sustainable Development Advisory Councils (EEAC) are a unique collaboration between the advisory councils for environmental policy and sustainable development. It was set up by European governments in 1993 aiming to provide independent, scientifically based consultancy regarding the environmental and sustainable development. In 2006, more than 30 councils from 16 European countries participated in that network.
- Various networks (e.g. the European Business Ethics Network, Social Venture Network, Europe or the European Social Investment Forum) devote themselves to promote business ethics, including social and environmental engagement.

The focus and objectives of European-wide initiatives are different. First of all, there exists a rich portfolio of initiatives targeting at raising the general awareness on CSR. Below, you can see the list of public players and their main activities of CSR (Figure 2 in the Appendix)

An example for a national body facilitating the process of adoption of CSR by the private business sector is the Finnish Ministry of Trade and Industry which has launched a project (co-financed by the European Social Fund) aiming at defining possible fields of action for CSR activities in SMEs, at bringing CSR thinking and CSR practices to the everyday actions of SMEs, and at activating the use of different kinds of ethical business management tools introduced specifically to SMEs. Also the Polish Ministry of Labour and Social Policy provides seminars and conferences on the issue, initiates discussion among various stakeholders and integrates CSR rules into national strategies and government programmes (e.g. the National Development Plan 2007 - 2013). In Romania, the majority of ministries (e.g. Ministry of Labour, Social Solidarity and Family, Ministry of Economy and Commerce, Ministry of Agriculture, Forests and Rural Development, Ministry of Education and Research, Ministry of Culture and Religious Affairs, Ministry of Public Health, Ministry of Environment and Water Management) set up special departments to adopt CSR measures or promote initiatives for changing provisions of laws in accordance with the principles of social responsibility.

The Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management launched a special website ([www.nachhaltigkeit.at](http://www.nachhaltigkeit.at)) and a best practice database to disseminate relevant CSR information among interested companies, and the Federal Ministry of Social Security, Generations and Consumer Protection has, among other things, initiated an "Audit Family and Professional Career" supporting companies to define and implement goals and measures for a family-oriented personnel policy which may result in a certification of the enterprise. Also the Spanish Ministry of Social and Labour Affairs is involved in CSR. In 2003, it launched a Technical Advisors Committee of Experts on CSR being in charge of elaborating an official report on CSR, including recommendations for the adoption of respective activities by the business sector.

Some of the ministries also award prizes relating to their specific field of action (e.g. employment, environment) and aiming at the raising of awareness of responsible entrepreneurship. The Polish Ministry of Environment has, for example, been awarding the "Leader of Polish Ecology" prize to enterprises, specific products or communities since 1996. Over the years, the title of the "Leader of Polish Ecology" has become widely known in Poland and currently the initiative can be recognised as an effective measure of popularisation of business responsibility. In Austria, the Federal Ministry of Social Security, Generations and Consumer Protection awards a prize for women and family friendly enterprises, honouring them for providing equal opportunities and family friendly policies. Similar is done by the Spanish Ministry of Labour and Social Affairs supporting, among others, the "Flexible Company Award" fostering work-life balance. Another way of awareness raising refers to the launch of specific campaigns, such as the Norwegian initiative "Female Future", aiming at increasing the number of women in management and on boards of directors (Austrian Strategy for Sustainable Development)

Partly, CSR initiatives are also considered by governmental actors at regional level. An example is the Department of Trade, Industry and Commerce of the government of Aragon (Spain) which grants public funding to local companies (mainly SMEs) engaged in CSR and awards various activities such as annual sustainability reporting or standards certification. The Ministry was established in October 2005. Previously, its tasks were performed by the Ministry of Economy and Labour and the Ministry of Social Policy.

### **CSR Policy making and public strategies in EU countries**

CSR proponents have steadily gained ground within Europe. Many European countries -from Unilever, the households good groups, to energy giants such as BP and Shell - have embraced CSR as a key part of their businesses. Moreover, a number of EU member states most notably Britain, Denmark and the Netherlands have sought to encourage the business community to adopt CSR strategies. More recently, the European Union has begun to debate whether it should play a role in promoting CSR among European firms.

At the same time, globalization has increased competitive pressures on businesses and made multinationals more vulnerable to consumer boycotts

and campaigns - as Shell, Nestle and Gap have found out to their cost. CSR campaigners have learnt that they can often achieve results by pressuring a company to modify its behaviour, rather than appealing to governments to legislate. Some businesses, particularly those working in politically sensitive industries such as oil or pharmaceuticals, now prefer to anticipate the complaints of critics. For these companies, CSR is becoming a central element of their business strategies.

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

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

The EU appears to have accepted the argument that CSR is a voluntary, business-led practice. The European Commission has defined CSR as a "concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis." (EC 2002) However, a number of influential charities and pressure groups argue that business will never take their social and environmental responsibility seriously if CSR remains voluntary. They claim that from many companies, CSR is no more than a cosmetic exercise, designed to ward off the threat of new legislation.

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

The British and Dutch governments have promoted CSR as a means of tackling problems caused by multinational in developing countries. A strangely large number of European multinational companies, working in politically sensitive sectors such as oil and pharmaceuticals, are based in these two countries. Both countries are also home to powerful and vocal NGOs such as Oxfam and Novib. Indeed, Britain the first government to have appointed a minister with specific responsibility for overseeing

corporate social responsibility - a post held at the time of writing (June 2003) by Stephen Timms. First appointed in 1999, the minister is based in the Department of Trade and Industry. British businesses have mainly welcomed the new appointment (Murray 2003, p 17). The Dutch government has sought to foster fair trade initiatives. More ambitiously, the Dutch linked provision of export credit guarantees-used to underwrite orders abroad-with social responsibility.

Denmark is also actively developing a public policy approach to CSR. However, the Danish government has focused its efforts on tackling domestic issues such as labour market exclusion and local environmental problems. The Danish government has also developed a social index to help companies monitor their performance on social issues. Businesses are able to benchmark their performance against similar companies and can use the index in discussions with stakeholders. But companies are under no obligation to adopt the index and do not have to reveal the results to the public. Equally, the Danish government introduced a system of green accounting in 1995. The system made it compulsory for 1200 heavy polluting companies to publish details of their environmental performance, while a further 200 companies have chosen to follow the same system voluntary.

Not the all EU member-states have adopted CSR policies with enthusiasm. Germany, Austria and a lesser extent France, remain sceptical as to whether corporate social responsibility can help to tackle social and environmental problems. Indeed, in some European countries there is a lingering suspicion that CSR is unnecessary Anglo-American import which, with its emphasis on voluntarism, represents an attack on the traditional legally-based social model. Trade unions in these countries are especially unenthusiastic about the spread of CSR across Europe, fearing that it could actually lead to a dilution of their hard-won workplace rights. Businesses and politicians in Germany and Austria, for instance, argue that their domestic law already requires companies to act in a socially responsible manner. They point to the presence of employee and other stakeholder representatives on German two-tier boards, as an example of CSR policies in action. However, some German multinationals, especially those with large US or UK markets -such as BASF, DaimlerChrysler, Siemens and Volkswagen - have endorsed global CSR guidelines the UN global compact. Moreover, governments and businesses in the Mediterranean countries such as Italy and Spain have not yet widely embraced CSR. A high proportion of businesses remain in family ownership and companies have traditionally adopted a paternalistic approach to employees and the local community.

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

But it is only in the last few years that corporate social responsibility has become a key issue for the Union. EU heads of government made CSR a specific EU policy commitment at the Lisbon summit in March 2000, appealing to companies "corporate sense of social responsibility regarding best practices on lifelong learning, work organization, equal opportunities, social inclusion and sustainable development"(Murray 2003, p18). At the Gothenburg summit in June 2001, member-states called on the Commission to publish a paper detailing possible further policy steps. The Commission responded to this request by publishing a green paper on CSR in July 2001. After a further period of consultation, the Commission issued a communication in July 2002, detailing its next steps including the establishment of a CSR forum.

In order to draw some patterns at a European level, interesting is the contribution of Lozano who proposes in his last book four models that refer to groups of countries from the EU that have a similar pattern in terms of CSR(Lozano:2008, 42).

**The Partnership model** - brings together the countries of northern Europe (Denmark, Finland, the Netherlands and Sweden). These countries have a strong welfare state tradition, the governments have gone from acting as a protecting state, taking responsibility for social issues, to adopting a more facilitating role, sharing the rising costs of solving social issues through public and private partnerships. The main feature of this category resides in the relationship between government and enterprise which has a strong component of cooperation. Local government is intensely involved, channelling the creation of partnerships and thus fostering the concept of social co-responsibility among administrations, companies and social organizations.

**The Business in the Community model** - refers to the Anglo-Saxon countries: Ireland and the UK. The government has a facilitating or mediating element - supporting the private sector and facilitating sustainable economic development and the economic regeneration on which the collaboration of the private sector rests. These countries seek to solve social problems such as unemployment and social exclusion through CSR policies that involve businesses. This is a response to crises of social governance, whereby governments attempt to promote areas of co-responsibility. The governments have employed soft intervention policies to apply CSR measures.

#### **The Sustainability and Citizenship model**

This is the model that prevails in continental Europe - Austria, Belgium, France, Germany and Luxembourg. These are divided into two sub models: the Citizenship submodel, which comprises Austria, Belgium, Germany and Luxembourg, and the Regulating submodel, which consists of France. The governments of these countries took on CSR around the time of the publication of the Green Paper by the European Commission. Their initial vision of CSR focuses genetically on encouraging enterprise to play an active role in policies grouped under sustainable development strategies. The idea is to generate businesses that also work for a sustainable future in the countries where they operate. In this way, CSR also incorporates issues linked to enterprise as a creator of social capital: working

conditions and standards, worker participation in community issues, the contribution of business to the community and economic development, the solution of social problems and lack of jobs, international action by businesses, new technologies and equal opportunities. The countries that follow this model have a long tradition of social and workers' rights and a historical background of dialogue between trade unions and companies. Thus businesses act in a highly developed legal and tax framework with a very clear guarantee of social rights, as a driving force for the social and economic development of society. Businesses are expected to adopt the role of citizens, with the duties and rights that that entails.

### **The Agora model**

This model refers to the Mediterranean countries: Greece, Italy, Portugal and Spain. They are all countries that have taken on CSR recently. It was the action of the European Commission that drove the government development of CSR in these countries, as none of them took part in the debate opened by the European Commission, nor did they respond to the Green Paper.

Most of these governments are currently engaged in developing and designing public strategies and policies for CSR. They are still at an incipient stage. However, the process of drafting their national strategies is characterised by the creation of committees, a multi-stakeholder forum and working groups. There is a perspective of multi-stakeholder participation in public deliberation before and in parallel to the development of frameworks for government action. This deliberation is impelled by the government, although several social actors participate in it. We have called this the Agora model because in the Mediterranean countries the discussion on the political application of CSR arises from discussion processes in which the government invites companies and other social actors (business organizations, universities, trade unions, etc.) to debate on the action to be taken.

The models refer to the classification of the EU15. One should also consider the members that have joined the EU in 2004 and 2007. What would be the case for these countries? And we are talking about a considerable number of recent members, a little less than double of the countries considered for the model. However, it provides a good guidance in terms of classification of country patterns. However, getting the right approach to CSR public policies in the long run will be a fundamental element of the debate and definition of the welfare state.

The EU can and should play a major role in devising CSR policies. Moreover, EU laws often make it difficult for member-states to adopt CSR measures unilaterally. The EU needs to consider when government intervention to encourage CSR is permissible, especially in relation to the use of public procurement contracts or tax incentives.

### **Concluding Remarks**

The social and political changes brought about by globalisation have raised new questions as well as expectations about governance and social

responsibilities. More and more companies of all sizes and sectors are recognising the importance of their role in society and the real benefits of adopting a proactive approach to Corporate Social Responsibility (CSR).

The corporate social responsibility concept is mainly driven by large companies, even though socially responsible practices exist in all types of enterprises, public and private, including SMEs and co-operatives

The European Union is concerned with corporate social responsibility as it can be a positive contribution to the strategic goal decided in Lisbon: "to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion".

The actors and the policies related to corporate social responsibility differ from country to country, from region to region but most of them are guided by the multinational corporations which are the promoters of this concept. The multinational corporations can provide faster social change at a local level rather than the local government or other local institutions.

Not all the EU countries have adopted CSR policies with enthusiasm for different reasons. However, a common trend is facilitated by the legal framework.

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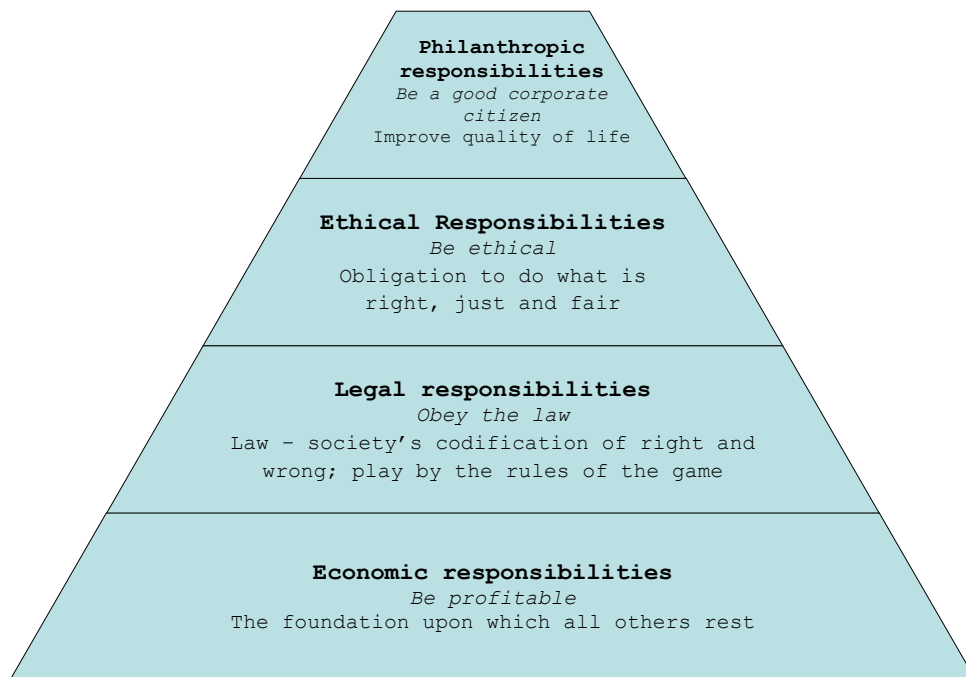
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## Appendix

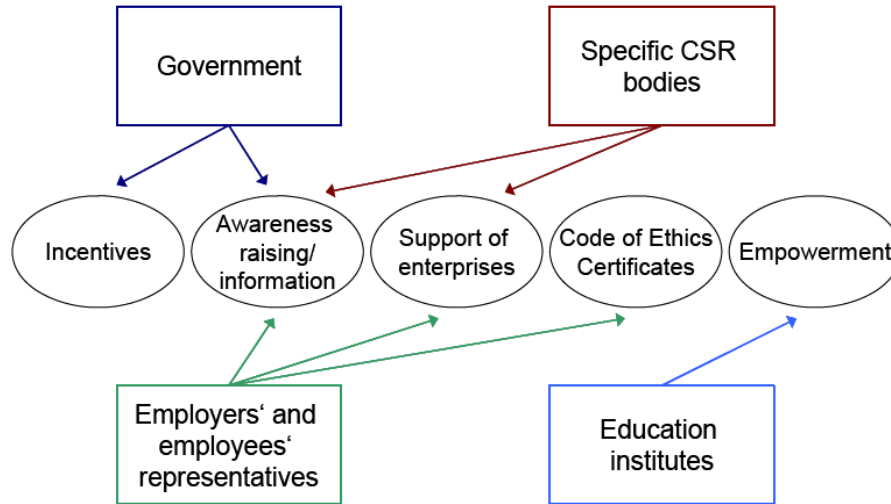
Figure 1: The pyramid of CSR



Source: Carroll 2006, p 18



**Figure 2: Overview on (Semi-) Public Players and their strategies in the field of CSR in the analysed European Countries**



Source: Austrian Institute for SME Research

Source: CSR and Competitiveness - European SMEs' Good Practice - Consolidated European Report, page 20

**Box 1: Typology of companies**

Regarding the typology of companies, we distinguish five types of companies, based on the way that they perceive and implement social responsibility programs.

- The "*non - sensitized*" company does not recognize willingly its social responsibilities and remains immobile and uninvolved. It considers that corporate social activities do not offer direct benefits; on the contrary, they demand capital, know-how and networking that the company does not have. In this typology we find the company that only adheres to the law in order not to be a burden to society.
- The "*philanthropist*" company acts based on the moral values and choices of its founder. Its charitable work is not part of the corporate strategy and most often it is not communicated to the public.
- The "*random sponsor*" aims at forming a good corporate reputation through its sponsorships. Activities are selected on the basis of proposals or the pressure placed by society, as well as the publicity opportunities offered, without any further connection to its broader strategy.
- The "*consistent sponsor*" aims at contributing to the improvement of the physical and the social environment. It selects projects that link with the corporate strategy and involves its employees.
- The active "*corporate citizen*" places corporate social responsibility into the heart of the corporate philosophy and restructures the decision-making process in order to serve it. In cooperation with other parties it seeks to contribute to the sustainable development without looking for short-term profits. The employees of this corporation are not just an internal audience but they take a rather active part in the development of socially responsible programs.