1 Corporate Social Responsibility and sustainability impact: opening up the arena

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1.1 INTRODUCTION

In the past years, the concept of Corporate Social Responsibility (CSR) has gained much attention, both academic and political. While the idea that companies contribute to societal welfare beyond their legal obligations has a longer tradition in the Anglo-Saxon countries and especially in the US, it is less practiced in continental Europe. There, many social and environmental responsibilities of corporations are defined legally which are voluntary elsewhere. In the context of the sustainability debate, the CSR concept has become more prevalent globally: the enormous challenge of 'satisf[ying] the needs of the present generation without compromising the chance for future generations to satisfy theirs' (Brundtland Commission 1987) cannot be dealt with by governments alone. It requires all possible contributions by all societal players.

Against this backdrop, the acid test of CSR is the degree to which companies' voluntary social and environmental efforts are in fact effective in contributing to sustainable development. This is the subject of the book at hand: What sustainability impact is achieved through CSR? Is it rhetoric or reality? Do companies that acknowledge social and environmental responsibility sufficiently change their operations and daily practices? And do these changes in corporate practice lead to substantive social and environmental benefits outside the company? To what extent do voluntary business activities hence contribute to the achievement of sustainability goals set by policy makers? These are the questions that we have discussed for a number of European business sectors and for selected sustainability issues. The focus is on CSR impacts created within Europe and aiming at EU policy goals. We shall draw from the results of a European research project, which was carried out by seven research institutions from 2004 to 2007 with funding from the European Union's Sixth Framework Programme.[1]

In this chapter we shall set forth our understanding of CSR as the overarching framework that spans the whole book. We follow the understanding that CSR is essentially a voluntary business contribution to sustainable development and is based on the integration of social and environmental concerns into business operations. However, in addition to a business tool, we understand CSR also as a societal and political (that is to say, public policy) mode of sustainability governance. We shall conceptualize how CSR processes within companies lead to effects both within companies and outside companies, namely on society and the environment. We shall also show why such sustainability impact in our view is the acid test of CSR. In Section 3 of this introduction, we shall then explain the structure of the book and the main findings presented in its chapters. The individual contributions are self-standing but interrelated and all of a piece, due to the common framework of the mentioned research project. The chapters following this introduction describe our frameworks for assessing and for explaining the sustainability impact of CSR. Chapters 5 to 9 present and synthesize four empirical surveys that map CSR perceptions and activities in European CSR leadership companies. We take a critical look at the oil industry, the banking sector, the fish processing sector and at small and medium-size enterprises (SMEs) in the automotive sector. Thematically, the focus is on a selected number of CSR issue areas: the mitigation of climate change and chemical risk, resource management in marine fisheries, promotion of gender equality and countering of bribery. Chapters 10 to 14 include in-depth case studies of ten companies in which we assess and explain sustainability effects of CSR in one of each of the issue areas. Chapters 15 to 17 finally deal with CSR and public policy – what is the contribution of CSR to achieving EU sustainability goals? How do CSR practices and EU integration in new EU Member States interrelate? And finally, what are the policy implications of the book's findings?

1.2 OUR UNDERSTANDING OF CORPORATE SOCIAL RESPONSIBILITY

Despite – or probably because of – the abundant literature on CSR and related concepts, there is not one agreed on definition or concept of CSR. This has to do with a number of factors. Firstly, the very practice of CSR is multifaceted and substantial differences exist between approaches to CSR management. Non-financial reporting, supply chain management, sustainable R&D, cultural sponsorship and stakeholder management, labour rights, pollution reduction and local sports events – the range

of CSR instruments, activities and issues is vast. Secondly, there are parallel and overlapping concepts that co-exist with the notion of CSR. Early examples include 'Social Responsibility' (Bowen 1953), 'Corporate Social Responsiveness' (Ackermann and Bauer 1976; Frederick 1978) and 'Corporate Social Performance' (Carroll 1979; Sethi 1975; Swanson 1995; Wood 1991). The 1970s and 1980s also saw the coining of the 'stakeholder' paradigm (Freeman and Reed 1983) and the emergence of 'business ethics' (Behrman 1988; Solomon and Hanson 1983). The concepts of 'environmental management' (Steger 1990; Welford 1998), 'corporate sustainability' (Roome 1998; Atkinson 2000; Sharma and Starik 2002) and the 'triple bottom line' (Elkington 1997) witness the 1990s influence of the environmental and sustainability debate. More recent conceptual contenders are 'corporate accountability' (Gray 1992; Zadek et al. 1997), 'corporate citizenship' (Marsden and Andriof 1998; Warhurst 2000) and 'corporate responsibility' (Wulfson 2001; Zadek 2004). While each of these concepts deals with business-society relations, their focus and emphasis varies and definitions are hard to delimit. Finally, the third reason why there is no single agreed on understanding of CSR is the cultural-institutional differences in national business systems. These imply that what companies do as CSR in some countries corresponds to the fulfilment of legal requirements in others (Matten and Moon 2005).

Still, some 'mainstream' definition of CSR has emerged in Europe. It is summarized by the European Commission (2001, p. 6) as 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance . . .'. Throughout this book we shall apply this definition. In the following sections we discuss its core dimensions: 'beyond compliance' voluntariness and sustainability integration. To begin with, however, we place the definition within a wider conceptualization of corporate action as socially and ecologically embedded. Against this backdrop, CSR is presented as a mode of sustainability governance both for corporate, societal and public policy actors.

1.2.1 Corporate Action in a Societal and Ecological Context

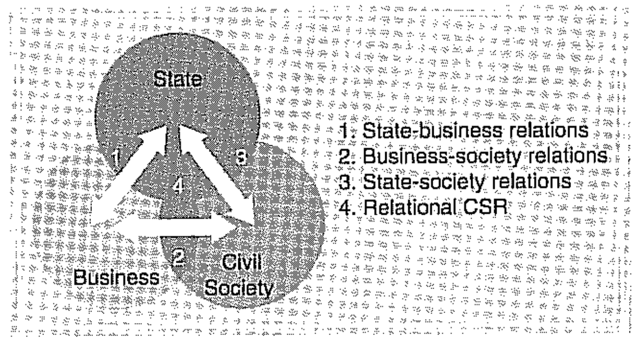
The starting point of our reflections is that companies act in complex social and natural environments. They trigger and take part in processes of economic and social exchange. Thereby, they draw on people (as workforce and consumers), on society as a collective (as carriers of social norms and providers of public goods) and make use of the natural environment (as scarce resource base, energy source and waste sink) (Costanza 1991;

Hoffman 2001; Midttun 2005). In return, companies create economic and social assets, contribute to the provision of public goods, provide work and livelihoods for people, and offer opportunities for people's social inclusion and self-realization. Companies not only compete for resources and customers, but also for political power, societal recognition and institutional legitimacy (Aldrich 1979; DiMaggio and Powell 1983). From a macro perspective, corporate practices can be seen as being formed by, and embedded within, particular economic, social, cultural and institutional structures and belief systems. At the same time, they constitute order and change the nature of these encompassing structures. This interplay between agency and structure is generally described as a process of 'structuration' (Giddens 1984).

Companies are part of a world that faces massive challenges, a number of which relate to 'sustainable development'. Sustainable development in the famous Brundtland Report in 1987 is defined as 'Meeting the needs of the present generation without compromising the ability of future generations to meet their needs.' The concept resulted from an attempt to integrate environmental protection into strategies of economic development. In its most common form, sustainability means the balancing of economic, ecological and social development. Established as a guiding principle for societal development at the UN Earth Summit in Rio de Janeiro in 1992, it was taken up in business concepts in the mid-1990s. The role and responsibilities of the private sector concerning sustainable development are threefold: firstly, companies contribute to sustainability problems and hence are casually co-responsible for them. For example, they (over-) use natural capital, producing waste and emissions that strain nature's carrying capacity, and interfere with ecosystem interactions. Socially, they impact on the health and lives of their workforce, possibly exploit child labour and abuse power. Due to globalization, these impacts occur increasingly internationally and often indirectly, that is, through suppliers. Secondly, companies are perceived to possess the means to contribute to the solution of sustainability problems. They have the means to reduce their own negative impacts; they create economic and social assets, provide work and livelihoods and opportunities for people's social inclusion. Finally, society attaches duties to their role of companies in the economy and society. Following Hart's (1968) work on the responsibility of individuals, this may be termed 'role responsibility'.

1.2.2 CSR as a Business, Societal and Political Mode of Sustainability Governance

Within the described setting, we understand CSR to be a mode of sustainability governance that actually integrates three dimensions: a business,



Source: Based on Albareda et al. (2007, p. 395).

Figure 1.1 Relational model of CSR

a societal and a political (in the sense of public policy) dimension. This integrated view links up with the 'relational model' of CSR which stresses the triangular relations between companies, civil society and public administration (Albareda et al. 2007; Figure 1.1).

The relational model draws attention to the diversity and reciprocity of actor relations in CSR processes. Note that, unlike in earlier models of social relations, the state is not the hub around which all social relations revolve. Where all three actor spheres overlap, truly 'relational' CSR is practiced. Overlaps also indicate areas of 'co-responsibility' or 'complex responsibility' between different actors that are not fully responsible for a problem – and that cannot fully solve it on their own (Lozano 2000). The latter reflection is the starting point of our thinking: we underscore that in CSR the capacities of (sustainability) governance are actually distributed among business and non-business actors. We define 'sustainability governance' as institutional arrangements or mechanisms to promote sustainability. 'Governance capacity' means the formal and factual capability of actors to define and implement measures that contribute to such arrangements and mechanisms (cf. Knill and Lehmkuhl 2002).

We stated above that CSR is a mode of sustainability governance with a business, societal and political dimension. The business dimension refers to the corporate rules and practices by which companies strive to become more socially and environmentally friendly. CSR is a means for businesses to respond to sustainability challenges and to cope with the uncertainties that result from these. Companies assess whether such challenges might turn into a risk or represent an opportunity for them (for more detail, see Section 1.2.5.1). They can define and implement measures to adjust their processes or products. Outside their immediate sphere of influence, for example in supply chain management, companies' governance capacity is more indirect. It relies on obligatory clauses in supplier contracts, incentives and moral suasion. CSR instruments provide the business sector with 'templates' for the required changes of rules and practices. At the same time, the use of well established CSR instruments signals that a company engages in recognized and legitimate business practices rather than in 'heretical' missteps (Fineman 2001; Hoffman 2001; DiMaggio and Powell 1983).

CSR, however, is more than a business affair. Because consumers, civil society organizations and even social movements contribute to shaping and pushing CSR, it is also a societal mode of sustainability governance. It provides a channel through which stakeholders can assert to companies their norms and expectations regarding sustainable development. While traditionally, these demands have been directed towards the state, economic globalization prompted societal pressure groups to increasingly target companies. The governance capacity of societal actors in CSR lies in granting or refusing buying power, legitimacy and knowledge. This depends on the actors' concrete, either antagonistic or cooperative initiatives: boycotts, legal action, participation in stakeholder dialogues, development or even implementation of CSR instruments.

Finally, governments stimulate and to some extent even regulate CSR (see Chapter 15 as well as Aaronson and Reeves 2002; Buckland et al. 2006; European Commission 2004b and 2006b; Fox et al. 2002). In such cases, CSR becomes a means of political governance. Governments may stimulate CSR, for example, through the provision of legal and institutional frameworks for voluntary instruments (for instance, the EU's Environmental Management and Auditing Scheme, EMAS), through capacity building, the greening of public procurement, financial incentives or CSR related networking. Governments have also started to regulate formerly voluntary activities, such as non-financial company reporting. Such forms of indirect regulation increasingly complement direct sustainability regulation by which governments, endowed with a legitimate monopoly of force, have traditionally determined the social and environmental responsibilities of companies (so-called 'implicit' CSR, Matten and Moon 2005).

We shall now exemplify how the described modes of sustainability governance intertwine in the use of CSR instruments (Table 1.1).[2] By 'CSR instruments' we mean governance tools that systematically cause or facilitate the incorporation of sustainability concerns into a company's operations. They may be applicable across many companies (standardized instruments) and in this case are often established by third parties, such as UNEP, multi-stakeholder bodies or sector associations. Alternatively, they may be tailor-made to meet the demands of an individual firm

Table 1.1 CSR instruments and distributed governance capacities

CSR area	CSR instrument	Examples	Governance capacity
Management	Codes of conduct	Ethical Trading Initiative base code, Global Compact, ILO Tripartite Declaration, OECD Guidelines on Multinational Enterprises and so on	• Company • Stakeholders: sponsor of instrument
	Management system	EMAS, ISO 14000, ISO 26000, OHSAS 18000, SA 8000 and so on	• Company • Stakeholders: sponsor of instrument
	Accounting and reporting	Global Reporting Initiative (GRI), Greenhouse Gas Protocol Initiative, AA 1000, ISEA 3000 and so on	• Company • Stakeholders: sponsor of instrument
	Stakeholder cooperation	Clean Clothes Campaign, European Multi-Stakeholder Forum, stakeholder engagement in CSR reporting and so on	• Company • Stakeholders: civil society organizations, governments
	Corporate citizenship activities	Donating, sponsoring, foundations, CRM, volunteering and so on	• Company • Stakeholders: civil society organizations
	Non-standardized instruments	Company's tailor-made tools, for example Unilever's Traffic Light System for assessing the sustainability of fisheries	• Company • Stakeholders: no generalization possible
Consumption	Social and ecological labelling	Energy Star, EU organic label, European eco-label ('Flower'), Fairtrade Mark, FSC, MSC and so on	• Stakeholders: sponsor of instrument (labelling organizations), consumers • Company
Investment	SRI funds and indexes	Institutional SRI, consumer SRI; FTSE4Good, Dow Jones Sustainability Index and so on	• Stakeholders: shareholders, fund managers, screening organizations, index providers • Company

Source: Authors.

(non-standardized instruments).[3] To show how the capacities of sustainability governance are distributed among different actors in CSR, we shall differentiate between instruments of responsible management, responsible consumption and responsible investment (European Commission 2004a).

Instruments of responsible management help companies to put their CSR approaches into concrete terms. They include codes of conduct, management systems, accounting practices, stakeholder engagement and cooperation, Corporate Citizenship activities and non-standardized instruments.

Codes of conduct are formal statements of principles that define standards for specific company behaviour, and in some cases for the behaviour of subsidiaries, contractors and suppliers. The governance capacity is distributed between companies that implement the codes and those actors that design them (their 'sponsors'). Sponsors may be the companies themselves or their associations, like the chemical industry's Responsible Care Global Charter on Product Responsibility. Typically, however, non-business stakeholders are included in or even spearhead an instrument's design. The ILO Tripartite Declaration, for example, was developed by governments, employers and workers represented in the International Labour Organisation. In some cases, such as the UN Global Compact review mechanism and learning forum, the sponsors of a code require specific follow-up mechanisms. They may also tighten the codes' standards over the years.

Management systems are tools that provide procedures and specifications for integration into a company's everyday practices. The obligations inherent in management systems either relate to corporate processes or to performance. Management systems can be deployed across the whole organization, as in the case of ISO 14000, or may be exclusively site-based, such as the Social Accountability 8000 standard. Governance capacities are split up between companies and their stakeholders in the same way as described for codes of conduct.

Social and environmental accounting is the voluntary process of assessing and communicating organizational activities and impact on sustainability. Accounting includes both 'auditing' (the measurement and checking of data) and 'reporting' (the communication of data). Guidelines on the content and methods of accounting have been developed, most notably by the Global Reporting Initiative (GRI). As regards governance capacities, external stakeholders can play a more comprehensive role than in the case of codes or management systems: they are not only potential instrument sponsors, but are sometimes directly involved in the accounting processes to verify data or provide assurance on the reports' materiality.

Another instrument of responsible management is stakeholder engagement and cooperation. It includes various – bilateral or multilateral, formal or informal, issue-specific or more comprehensive – types of interaction between companies and their societal stakeholders. These may be driven by companies and industry associations (such as the Common Code for the Coffee Community Association), by civil society (such as the Clean Clothes Campaign) or by governments (such as the former European Multi-Stakeholder Forum). Influence of the stakeholders over the definition and implementation of sustainability measures varies strongly between more consultative and more cooperative forms of interaction. Where the say of stakeholders ('voice') is low, their influence is limited to the threat of stopping the cooperation ('exit').

Corporate Citizenship activities finally encompass a variety of specific community measures, such as donations, sponsorship, the establishment of foundations, cause-related marketing (CRM) or employee volunteering. As regards governance capacities, the social or ecological projects in Corporate Citizenship initiatives are typically designed and implemented jointly with or exclusively by civil society stakeholders.

Apart from the above standardized instruments, a host of non-standardized CSR instruments exist. These are company-specific, tailor-made tools by which businesses strive to increase their social responsibility. In terms of issues and governance mechanism, the instruments can vary widely, ranging from a firm's principles for ethical trading to action plans on its carbon footprint. Some of them derive from standardized instruments, simplifying these or adapting them to specific contexts. Regularly, companies use standardized and non-standardized instruments in parallel. Being designed to account for a company's individual demands, non-standardized instruments may actually play a greater role than standardized ones in changing corporate practices. However, since each differs from the other, no generalization can be made on how governance capacities are shared between companies and other actors.

Let us now turn to instruments of responsible consumption. These include above all social and ecological labelling. Labels are market-based CSR instruments that aim to influence purchasing decisions of customers,' retailers, traders and end consumers in favour of more sustainable products. The award of a certificate that may be used for the marketing of a product is linked to a company's compliance with sustainability criteria. These relate to a product's characteristics (such as energy efficiency), its production (for example, respecting labour standards) or trading (fair producer prices). With instruments of sustainable consumption, governance capacities are distributed among labelling organizations[4] that define the label criteria; companies that implement the criteria; and buyers that prefer the labelled product to a less sustainable one, hence causing a sustainability impact.

Finally, the prime instrument in the area of responsible investment is socially responsible investment (SRI). It links the access to capital of publicly listed companies not only to the financial targets of investors but also to their social, environmental and ethical considerations. SRI works through two channels: shareholder activism or 'screening'. In the first approach shareholders directly influence a company's orientation towards socially responsible behaviour. This happens through dialogue, pressure on management and voting in shareholder meetings. In the second approach investors influence companies' preferences indirectly by selecting the assets for their portfolios on social and environmental grounds. Social or ethical screening can be done either by including companies that are rated to have a good sustainability performance or by excluding companies that produce specific adverse products, such as alcohol or weapons. Governance capacities here lie with (institutional and retail) investors. They are being informed by research, screening and rating agencies which supply SRI data; index providers such as FTSE4Good or the Dow Jones Sustainability Index which set criteria and create transparency on SRI markets; and finally companies which react to shareholder activism and may take into account in their policies SRI screening criteria.

1.2.3 Specifying the 'Voluntary' and 'Beyond Compliance' Nature of CSR

As mentioned above, the mainstream definition of CSR is based on the premise that CSR is voluntary and 'beyond compliance'. While 'voluntary' describes the motivation of corporate behaviour, 'beyond compliance' specifies the relative level of implementation. The latter refers to whether only the legal standards or additional measures are implemented. There is a lack of clarity with regard to this mainstream definition, however. For example, according to this designation, is CSR possible in such areas as countering bribery? Bribery is defined as a crime by basically all legal systems and may not be tolerated in companies and their counterparts. Why then should we describe corporate measures to prevent bribery as CSR, as something voluntary? And is legislation pertaining to CSR, such as transparency obligations, a contradiction in terms? In order to answer these questions, we shall scrutinize the elements of the above definition and refine them.

In our view, 'compliance' can relate to both goals and measures. Goals may be quantitative or qualitative, mandatory or voluntary; they set targets or define the illegality of actions. Measures are activities by which goal attainment may be increased (performance measures) or ensured (implementation measures). Going 'beyond compliance' in relation to a goal means to overachieve a given target or to set a target for the company where policy makers have not formulated one. Going 'beyond compliance' in relation to measures, on the other hand, means that a company carries out activities and adopts rules or practices which are not prescribed by regulation. Still these may serve to systematically approach or implement a legally prescribed goal.

The reduction of environmentally harmful emissions shall exemplify the above. We assume there is a legally defined threshold for emitting a substance. In addition, several implementation measures are prescribed regarding verification and reporting of the emissions. In a case like this, a company can go beyond compliance, both with regard to the goal and further measures. Concerning the goal, a CSR commitment could mean that the company decides to reduce its emissions by a further 5 per cent. Concerning measures, the firm might decide to verify and report more frequently and extensively than required, or to report publicly and with independent verification even if this is not stipulated.

Although there will be instances where the line between the two ways of going 'beyond compliance' are blurred, this distinction is helpful. This is the case when legal goals do not leave room for a company to go beyond compliance, as in countering bribery. Due to the total ban for bribery, it is impossible for companies to overachieve this goal. It is nevertheless possible to carry out measures which companies are not legally obliged to follow. Even a company that has a record of bribery – and thus is below compliance regarding the overall goal – can adopt the voluntary Business Principles Countering Bribery and subsequently implement organizational changes to prevent the occurrence of bribery. In such cases, CSR means undertaking voluntary measures to help the company to become compliant with obligatory goals.

Another special case regarding the relation between voluntariness and 'beyond compliance' is the (so far rather sparse) law governing CSR itself. A case in point is the EU's EMAS legislation. Companies desiring to use the EMAS logo have to submit to legally defined procedures and obligations. Implementing EMAS nevertheless is CSR, as an EMAS certification itself is voluntary.

1.2.4 Specifying the Integration of Sustainability Concerns into Business Operations: 'Built-in' and 'Bolt-on'

The integration of social and environmental concerns in business operations and in the interaction of businesses with their stakeholders is part of the definition of CSR that has become widely accepted within Europe (European Commission 2001, p. 6). We suggest distinguishing different

Source: Authors.

Figure 1.2 *'Built-in' and 'bolt-on' CSR*

degrees of integrating social and environmental concerns into management. When less integrated, CSR encompasses societal commitment that lies outside – and hence is 'bolt-on' to – a firm's immediate business activities. This type of CSR is often referred to as corporate citizenship (CC).[5] When more integrated, CSR is about building social and environmental concerns into a company's operations, the process and product decisions directly relating to its business activities (Figure 1.2).

In 'bolt-on' CSR companies engage in individual initiatives and extra-activities beyond their core business operations. Although such Corporate Citizenship activities are often regular and routine measures that may even be strategically linked to the core business,[6] they do not intervene with the company's business operations. Activities include donations, sponsorship, company charitable trusts or foundations, employee volunteering and cause-related marketing.[7] These reflect the companies' commitment in the local, national or international communities in which they operate. By definition, external parties profit directly or indirectly from such measures.

We can distinguish four ways of 'building in' CSR (Belz and Pobisch 2004). Stakeholders may in principle be integrated into all four options. The first way is to make corporate processes more sustainable. CSR here may encompass sustainable resource management in raw material extraction; the greening of sourcing decisions, of production and distribution processes; fair trade practices; efforts to increase female representation in top management as well as compliance to ILO's labour standards. This is where standardized instruments of responsible management are used most often. The second way to build in CSR is by improving the ecological and social properties of the products or services themselves. A firm's production and business operations hence become immediate objects of its responsibility. CSR then also extends to research and development, the product portfolio, the setting up of distribution channels and market development. Thirdly, 'built-in' CSR may include the sphere of sustainable consumption. Apart from providing consumer information, companies can promote the consumption of sustainable products, among others, by means of pricing and marketing. Finally, in the broadest sense, CSR extends to the shaping of social-ecological framework conditions that govern production and consumption. In this case, companies use their influence in legislative processes, industry norm-setting and public discourses[8] to promote rather than obstruct ambitious sustainability standards.

As Figure 1.2 indicates, CSR can be more or less 'bolt-on' or 'built-in', and many intermediate forms exist between the poles. In principle, standardized CSR instruments can be used in all cases. However, the deeper social and environmental responsibilities are integrated into business activities, the more instruments will need to be supplemented by changes in corporate processes, products and stakeholder relations. Finally, both forms of CSR have the potential to produce sustainability impact, though in the first case this impact is likely to lie outside a company's business activities.

1.2.5 Specifying CSR Processes and Effects

In the following sections we turn our attention to the concrete processes through which companies integrate social and environmental concerns into their operations and stakeholder relations, and to the resulting effects. These effects we shall call CSR 'output', 'outcome' and 'impact'. We provide a systematic model which describes CSR process steps and CSR effects as two sides of the same coin.

1.2.5.1 CSR process steps

Within companies we assume that the CSR processes preceding the creation of sustainability impact can roughly be categorized into three phases: commitment, strategy formulation and implementation (cf. Wheelen and Hunger 2004, pp. 9–16). Before the commitment phase, and thus the actual CSR process, companies scan their environment. In this step the firm recognizes the existence of sustainability challenges like climate change, poverty reduction and equal opportunities. These sustainability challenges for companies translate into a range of more specific 'issues', such as transport emissions, micro lending or equal pay for men and women. Issues represent areas of current or expected future stakeholder interest, for which responsible corporate behaviour is or might be requested. Sustainability issues can take the form of (intentional or unintentional) direct consequences of company actions, such as greenhouse gas emissions, workers' accidents, overfishing and so on. Or they may be broader societal problems which exist quite independently of company action (Schmitt 2004). The latter include, for example, poverty, starvation or AIDS. Having screened the sustainability issues, businesses assess – in the light of internal and external factors – whether they represent a risk or opportunity for them.

Risks include, for instance, damages to reputation, forfeit of licence to operate or the missing of business opportunities, while opportunities involve increased resource productivity and employee motivation, a positive corporate and brand identity as well as premium prices for products produced in a socially or ecologically friendly way (Salzmann et al. 2005; Willard 2002).[9] Companies then review CSR as an adequate response to this risk or opportunity.

In the commitment phase the company acknowledges responsibility by deciding to address one or more sustainability challenges. It sets overarching objectives which are to be integrated into its vision and values. In the phase of strategy formulation the commitment is put into more concrete terms: medium to long-range plans are developed which specify targets and policies for the effective management of sustainability issues. This can include formulation of an overarching CSR or sustainability strategy, and of single-issue strategies (for example, on climate change) respectively. Furthermore, CSR concerns can be integrated into other strategies, such as business, functional, growth, competitive, sourcing and R&D strategies. In the process of strategy formulation managers may also decide to adopt specific CSR instruments. From the adaptation of existing and development of new strategies, the company moves on to the stage of implementation. During this phase the strategies and policies are put into action by way of programmes, resources and procedures. This includes the concrete implementation of CSR instruments, among others, through carrying out specific activities (for example, change to a less CO_2 intense production method). Implementation in a more encompassing sense also covers the establishment of wider organizational structures through which responsibilities are assigned, and verification and control are ensured. Note that it is difficult to draw clear dividing lines between the different phases, and that a strictly chronological and linear accession of the process steps is not necessary.

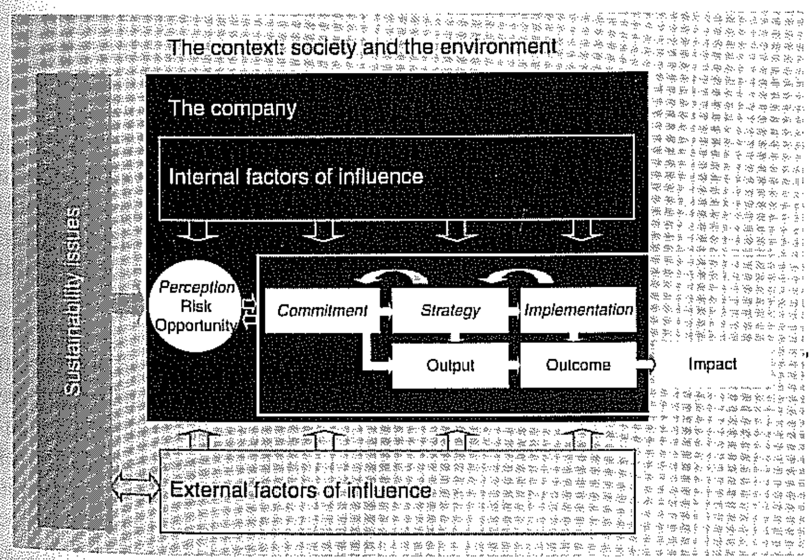
1.2.5.2 CSR effects

The above process steps can create different types of effects within and outside companies. In this section we distinguish these CSR effects into 'output', 'outcome' and 'impact'. We have transferred these concepts from public policy analysis to CSR research. Public policy scholars (Dunn 1994; Oberthür and Gehring 2006; Prittwitz 2003; Underdal 2004) originally developed the terms to describe the effects of governmental policies, but we found the typology fertile for analysing the effects of corporate policies as well.

CSR outputs are changes both in corporate commitment and strategies with regard to a company's social and environmental performance. They

may include, for example, the development of an environmental or diversity policy with targets and timeframes as well as a decision to adopt the Global Compact or other CSR instruments. CSR outcomes are changes in companies' concrete practices resulting from the implementation of CSR outputs. For instance, a company operationalizes and implements a management system to counter bribery, greens its supply chain or 'gendermainstreams' its vocational training. Both output and outcome are crucial preconditions for achieving impact and thus for the success of CSR. CSR impact finally describes the substantive consequences in the social or environmental realm (outside the company) caused by the changes in corporate practices. It encompasses direct and indirect sustainability benefits, such as pollution reduction and the diffusion of solutions for pollution reduction. The typology of CSR outcome, output and impact will be described in more detail in Chapter 2.

As can be seen from Figure 1.3, we link CSR process steps and CSR effects as follows: CSR commitment causes changes in corporate strategy, and thus 'output'. Implementation of the altered strategy yields changes in corporate practice, and thus 'outcome'. Outcome leads to substantive effects in the social and environmental realm, in other words, to 'impact'.



Source: Authors.

Figure 1.3 *A framework for analysing the creation of sustainability impact through CSR*

Figure 1.3 illustrates the described context of environmental influences and in-company CSR processes that ideally lead to a beneficial impact on society and the environment. Sustainability challenges are part of companies' natural environment, but also their social context within which the societal and environmental problems become interpreted and turned into societal demands on the private sector. How sustainability issues are perceived and further 'processed' within the company depends on a range of factors internal and external to companies that will be elaborated in Chapter 3. These factors influence, among others, how CSR commitment becomes specified and implemented, thus yielding output and outcome. Sustainability impact accrues outside the company, in its societal and natural environment.

1.2.6 Rhetoric and Reality: Sustainability Impact as Acid Test of CSR

The title of this book refers to the 'rhetoric and realities' of CSR. Rhetoric (from the Greek ῥήτωρ, rhêtôr, orator or teacher) classically describes the art or technique of persuasion through the use of language. In its everyday use the term often suggests a somewhat skeptical opposition to 'reality' in the sense of 'action' or 'facts'. In organizational and management theory the term 'rhetoric' has become linked to the analysis of management fashions or fads (Abrahamson 1991; Collins 2001; Kieser 1997). More recently, the concept of CSR and components of it, such as environmental management, have been subjected to critical reviews along these lines (Crane 1995; Fineman 2001; Guthey et al. 2006; Roberts 2003; Windell 2005). Our interest in this book is less with the construction or diffusion of CSR as a potential 'fad', but with the sustainability impact created through it. In this sense, the slightly simplistic formulation of 'rhetoric and realities' refers to varying levels of substance and effects of social responsibility within and outside firms.

Although they are highly illustrative, we shall, however, not employ the categories of 'rhetoric' and 'reality' for our analysis proper. Rather, in the analysis we shall stick to the terms 'output', 'outcome' and 'impact' as elaborated above, which are more differentiated and established in social scientific research. We shall also refrain from an immediate translation of output into 'rhetoric' and outcome into 'reality'. In our view, output is more than 'rhetoric', while outcome is less than what we understand to be bottom-line 'reality'. As regards the first point, CSR output, among others, includes sustainability changes in corporate strategies and adoption of instruments. This goes beyond mere corporate rhetoric, defined by Rhee and Lee as 'a company's environmental [or social] intention declared externally or internally in formal arguments, including written and published symbolic statements, declarations and slogans about environmental [or social] management' (Rhee and Lee 2003, p. 177, own brackets). As regards the second argument, we feel that CSR outcome, while certainly going beyond 'rhetoric', cannot be equated with 'reality' either. This is because socially and environmentally motivated changes in corporate practices do not necessarily (albeit in many cases they do) affect society and the environment – our ultimate benchmark of 'reality'.

Why is it important to understand the impact that CSR has on society and the environment? Knowledge of the impact of CSR on society and the environment is potentially relevant for various stakeholders. For academia, insights into the sustainability impact of CSR can partly fill an existing research gap: up to now, scant research has been carried out addressing this topic. Whilst research into CSR has mainly focused on CSR management within companies and the impact of such commitment on corporate organization, strategies and financial performance (for an overview see Chapter 3), policy studies have concentrated on public rather than corporate policies to date. We attempt to bridge the resulting gap by enquiring into how the private sector can contribute to sustainable development, and in particular to achieving politically set sustainability goals. For businesses, learning more about the effectiveness of their voluntary activities in terms of sustainability is decisive. With additional insights into how to really make a difference businesses can also counter criticism on CSR being a mere 'greenwash'. From the point of view of public policy makers, knowing more about the sustainability potential and limits of CSR helps them to differentiate between a policy fashion and a potentially effective means of governance. In this spirit, the European Parliament announced in a 2007 resolution 'that the EU debate on CSR has approached the point where emphasis should be shifted from "processes" to "outcomes", leading to a measurable and transparent contribution from business in combating social exclusion and environmental degradation in Europe and around the world.'[10] These insights can help to create the most effective policy mixes for sustainable development. For societal stakeholders, such as civil society organizations, it is important to learn about possible positive or negative effects of CSR in relation to their concerns and to appreciate how the creation of sustainability impact through CSR can potentially be promoted.

1.3 THE STRUCTURE OF THE BOOK

The book is divided into four parts. Part I, which contains Chapters 1 to 3, elaborates the methodological framework of the book. While in this chapter we have developed our understanding of CSR, Skjærseth and

Wettestad in Chapter 2 tackle the methodological challenges of assessing the sustainability impact of CSR. They discuss the criteria for differentiating compliance from beyond-compliance activities in order to establish a baseline for the impact of CSR. Based on this, Skjærseth and Wettestad outline two approaches for assessing CSR impact, a 'relative improvement' and a 'goal attainment' strategy. The authors highlight the need to disentangle by process tracing the causal links between the different levels of CSR effects, namely CSR 'output' (changes in strategy), 'outcome' (changes in practices) and 'impact' (sustainability gains). Finally, they place their approach – which is the basis of empirical work presented in subsequent chapters – in relation with existing research.

In Chapter 3 Viganò et al. develop a framework for explaining the sustainability impact of CSR. In a first step, they break down the question about sustainability effects into more specific operational research questions. Drawing on both institutional and management literature, they then work out a set of factors that influence the achievement of CSR effects, and above all of CSR impact. These factors are: design of the CSR instruments employed, corporate strategy and organization, corporate culture, the business environment, civil society and the political-institutional setting. Linking the factors to the operational research questions, a number of propositions are formulated that will be empirically discussed in Part III of the book.

Part II presents a first set of empirical studies by which we map CSR in different European industries, with a focus on selected social and environmental issues. These include the mitigation of climate change and of chemical risk, sustainable resource management, the promotion of gender equality and countering bribery. We consider these issues as highly relevant for sustainable development in its social, environmental and economic dimensions. In terms of sectors, the oil industry, the fish processing sector and the banking business were chosen since they also have a high impact on and potential for sustainability. Also they link up with the targeted issues: 'fuelling' our fossil economy, the oil industry has a share of responsibility for climate change and chemical risks (ecological sustainability). With fishery resources globally declining, fish processors are at the intersection of ecological and economic sustainability in the field of resource management. The banking sector has implications both for economic and social sustainability: as financial institutions they must exert responsibility and due diligence for countering bribery and they have a pivotal role in anti-money laundering; and as a sector with a high rate of female employment it has a high potential to promote gender equality. Finally, the three sectors lend themselves to a cross-cutting analysis of the targeted issues. For example, gender equality can be analysed in the banking as well as the fish processing sector, bribery in oil companies and banks, and environmental issues in the fish processing and oil industries.

Apart from the sectors' sustainability implications, we sought to analyse industries from different macro sectors: the primary (oil and gas), secondary (fish processing) and tertiary sector (banking). This creates variance with regard to the products and production processes that have CSR relevance. Finally, we were interested to include both industries with a long-standing CSR experience, such as the oil and banking sectors, and a 'CSR newcomer' like the fish processing industry.

The oil, fish processing and banking sectors are the subject of empirical research throughout the whole book. The focus within these sectors is on larger, partly multinational companies operating in various EU countries. To get an additional and contrasting perspective, Chapter 8 analyses SMEs. The SMEs are of either Hungarian or Austrian origin. This makes possible an additional comparison: that between companies headquartered in new and old EU Member States. We selected the automotive supply chain as it is a relevant industry in both countries, has substantial sustainability impact and SMEs of this sector are active in CSR, including our targeted issues.

In Chapter 4 Schmitt sets out the common foundations of Chapters 5 to 8. These chapters contain structurally similar surveys carried out among 49 companies in the four sectors. Companies were selected that are active in CSR and, in particular, in the targeted issue areas. The surveys cover their CSR commitment, strategies and implementation, thus revealing CSR 'output' and 'outcome'. They also inform about measurement practices and to some – very indicative – extent about the sustainability impact that companies think they achieve through CSR.

Boasson et al. demonstrate in Chapter 5 that the oil industry is rather advanced in terms of CSR. Though based on a striking conceptual diversity, the nine European companies surveyed address all four targeted issue

Table 1.2 CSR issues and sectors studied

Sustainability dimension	'Focus' issue	Sector
Ecological sustainability	Mitigation of climate change and chemical risks	Oil sector
Economic sustainability	Sustainable management of (fisheries) resources	Fish processing sector
	Countering bribery	Banking sector
Social sustainability	Promoting gender equality	

Source: Authors.

areas in strategic terms, in implementing activities – including through a high number of standardized instruments – and in performance measurement. The authors, however, raise the critical question of how such a broad portfolio is handled in practice: will its width not reduce the depth of its impact?

For the fish processing sector, Schmitt and Wolff in Chapter 6 draw a less advanced picture. The eight sampled companies' commitments focus on the issue closest to their core business: the sustainability of fisheries, which is not only critical to the ecosystem but also to the industry's supply base. This is the only issue more or less consistently translated into corporate strategies and activities. Purely environmental concerns, such as the industry's carbon footprint, or social issues have not yet been seriously tackled. While performance measurement is unsatisfactory, individual firms perform notably with regard to sustainable sourcing.

The survey of 17 European banks carried out by Viganò and Nicolai in Chapter 7 confirms that the sector has reached some sophistication with regard to CSR. To a substantial extent, banks strategically integrate their responsibilities and transpose them into targets, relating to own operations as well as those of suppliers and other partners. A major challenge for implementing CSR in banks is to address not only their direct but also indirect responsibilities, for example in lending policies. With regard to these, the banks' efforts of measuring performance as well as the actual self-assessed performance are limited.

In Chapter 8 Pálvölgyi et al. highlight that the 20 SMEs surveyed in the Austrian and Hungarian automotive supply chain also have institutionalized social and, in particular, environmental responsibilities. However, compared with the larger companies targeted in the preceding chapters, they use a less formal and strategically planned approach to CSR, and adhere less frequently to standardized instruments. Concrete activities tackle 'traditional' environmental issues – climate change not yet being a priority – and gender equality. Differences between Austrian and Hungarian respondents were less distinct than expected.

Schmitt synthesizes the four surveys and compares evidence across the different sectors and company sizes in Chapter 9. She highlights varying degrees of CSR diffusion in the sectors and different implementation patterns. In terms of similarities, it is striking that businesses of all sectors and sizes conceptually emphasize compliance rather than going beyond compliance as most relevant for their social responsibility. Another similarity is that even among the selected CSR leaders, many do not systematically assess their CSR impact.

Part III contains company case studies. Their objective is to assess in some more depth the sustainability impact selected enterprises have achieved – or have failed to achieve – through CSR, and to causally explain this impact. From the oil, banking and fish processing sectors, two to three firms surveyed in Part II were chosen. While the criteria for the selection of the companies differ – partly aiming at most similar, partly at most different cases (Przeworski and Teune 1970) – the authors seek to identify factors for success and failure in achieving CSR impact. All case studies are based on the framework for explaining CSR effects laid down in Chapter 3 and address propositions developed there.

In Chapter 10 Boasson and Wettestad find out that adoption of selected CSR instruments in Shell and Hydro does not always lead to an adaptation of the companies' climate-related practices to the instruments' requirements. The level of sustainability effects rendered by CSR instruments differ in the two companies. Even where executives are committed and corporate cultures favour CSR implementation, limited strategic control and a lack of organizational integration hamper impact. The crux of climate-related responsibility for the oil business is that high environmental impact requires restructuring the very basis of business.

Wolff and Schmitt in Chapter 11 study three high-performing fish processors: Unilever PLC, Young's Bluecrest Ltd and Friedrichs KG. Factors that contribute to promoting 'on the water' impact through their supply chains include management alignment, organizational integration and tight supplier relations. Also all companies have particular traditions or identities which link up with the sustainable fisheries issue. Finally, environmental organizations and partly retailers facilitate effective CSR implementation too. However, limited availability of sustainable fish, weaknesses in public fisheries management and lacking familiarity with the MSC label constrain the creation of impact.

In Chapter 12, Schultz analyses the effects of gender-related CSR in Caja Madrid and Dexia. While implementation models differ in the two banks, both banks substantially foster gender equality. Importantly, both implementation models 'fit' with the companies' stakeholder demands and gender equality is integrated into corporate culture. Strategically, the gender topic requires a long-term perspective and an emphasis among the various other diversity issues (for example disabled). In organizational terms, cross-sector functions for gender equality and ongoing internal communication prove to be crucial. Finally, in both cases national gender equality award systems foster gender impact.

Wilkinson discusses policies of two leading European banks – Caja Madrid and Monte dei Paschi di Siena – to counter bribery and money laundering in Chapter 13. Whilst the banks recognize a special responsibility to anti-money laundering, they have no specific commitments to counter bribery. Nevertheless, they carry out voluntary activities in both these issue areas, including communications, training and implementation of (self-tailored) instruments. Key contributors to achieving CSR effects are the banks' traditions of community commitment and stakeholder governance, the influence of banking associations as well as procedures and targets provided by anti-money-laundering laws.

In a synthesis of the case studies in Chapter 14 Wolff argues that the case studies identify sustainability impact in some issue areas and sectors, but less so in others. In general, there are few examples for high impact; more often findings suggest low to medium impact. Across the studies, there are no systematic patterns linking output, outcome and impact. When explaining CSR effects, strategic integration and hierarchical control play a crucial role both for instrument choice and adherence (CSR output) and for changes in corporate practices (CSR outcome) and resulting impact. Other factors, including the demands or pressures from civil society, were also relevant to some extent.

Finally, Part IV tackles the interrelations between CSR and public policy from various perspectives. Wolff et al. in Chapter 15 conceptually discuss the roles of public policy for CSR, and of CSR for public policy. While public policy stimulates and even procedurally regulates corporate responsibility, CSR can – if it is real rather than rhetorical – increase the sustainability effect aimed for by public social and environmental policies. This holds true not only where companies go 'beyond compliance', but also where command and control or incentive-based public governance exists. Based on empirical evidence, the authors finally examine to what extent CSR activities address EU sustainability goals in the fields of climate, fisheries, gender equality and anti-bribery policy.

In Chapter 16 Pálvölgyi et al. examine how EU integration affects and interacts with the practice of CSR in the new EU Member States. Focusing on Hungary, they demonstrate how EU integration slowly transforms the socio-economic framework conditions of formerly socialist countries into which present-day CSR activities are embedded. Through the example of a national oil company and the Hungarian subsidiary of an international oil corporation, the authors compare concrete CSR practices in a Europeanizing market. They also discuss whether these practices in turn have repercussions on EU integration.

Chapter 17 wraps up the discussion on the rhetoric and realities of CSR. Wolff et al. sum up the book's core findings on the sustainability impact of CSR. They point out where CSR impact is more likely to be found and where there are systematic limits of CSR in creating sustainability impact. Finally, they present implications from the book results for public policy and research.

NOTES

1. The project 'Rhetoric and Realities: Analysing Corporate Social Responsibility in Europe' (RARE); for more information, see the Acknowledgements.
2. A more extensive version of the below reflections can be found in Wolff and Barth (2005).
3. In Chapter 3.3 we shall elaborate the role of standardized and non-standardized instruments in our overall research design.
4. These may be civil society organizations, governmental bodies, multi-stakeholder committees or specialized businesses.
5. Note that not all authors make the distinction between CC and CSR. Andriof and McIntosh (2001, p. 14), for example use the terms synonymously. We follow Mutz et al. (2001) in that we conceptualize Corporate Citizenship as part of CSR.
6. A strategic link between a company's business and corporate citizenship activities exists, for example, when a firm with sites in Africa donates to AIDS projects, or a global food company supports projects fighting child mortality.
7. While some authors regard cooperation with citizens and other external stakeholders as a Corporate Citizenship instrument (Habisch 2003; Maaß and Clemens 2002), we classify stakeholder engagement as a CSR instrument. It may be more or less 'bolt-on' or 'built-in' to a company's business operations.
8. An example of such discursive influence is to counter the widespread interpretation that 'ecological' equals 'expensive' (Belz and Bilharz 2005, p. 251).
9. Note that perceiving CSR as a potentially profitable approach to sustainability issues for businesses does not limit CSR to 'win win' situations: in some instances behaving responsibly goes hand in hand with forgoing certain benefits. An example is the increase in labour costs when a company decides not to use (cheap) child labour.
10. European Parliament resolution of 13 March 2007 on corporate social responsibility: a new partnership (2006/2133(INI)).