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RARE

“Rhetoric and Realities: Analysing Corporate Social Responsibility in Europe”

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Thematic Priority “Citizens and governance in a knowledge-based society”

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Executive summary

Corporate Social Responsibility in Europe – Rhetoric and Realities

Societies are today facing severe challenges to adopt a more sustainable development approach. Contributions are needed from across all sectors of society including business. In Europe, a growing number of companies are committed to CSR. Businesses are voluntarily going beyond legal obligations in the social and environmental spheres and are using a rapidly growing number of instruments and measures, many introduced at civil society's instigation.

In order to promote effective CSR, a number of European governments are pursuing public policies such as company reporting obligations or disclosure requirements for investment funds. The European Union, too, is considering CSR as an important measure of its policy decision making processes.

Two recent quotations of European decision-makers on CSR underpin the relevance of this issue:

“The EU Commission calls on the European business community to publicly demonstrate its commitment to sustainable development, economic growth, more and better jobs and to step up its commitment to CSR, including cooperation with other stakeholders.” (COM (2006) 136 final)

“The European Parliament ... believes 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.” (European Parliament Resolution, 13 March 2007)

The quotes make clear that it is important to understand the impact that CSR has on society and the environment. Recognising this, seven leading European research institutions developed and conducted a research project on “Rhetoric and Reality: Corporate Social Responsibility in Europe” (RARE)”. The project was funded by the EU's 6th Framework Programme. Its overarching goal was to evaluate and explain impacts of Corporate Social Responsibility (CSR) on sustainability. The researchers were specifically interested in the extent to which CSR impacts contribute to the achievement of sustainability goals set by the European Union. The focus was on CSR impacts created within Europe rather than in developing countries.

The Consortium consisted of the Öko-Institut / Institute for Applied Ecology (project coordinator), the Fridjof Nansen Institute, the Stockholm Environment Institute, Fondazione Eni Enrico Mattei, the Department of Environmental Economics and Law of Budapest University of Technology and Economics, the Institut für Sozialökologische Forschung / Institute for Socio-ecological Research and subcontractor Peter Wilkinson Associates.

A comprehensive research enterprise

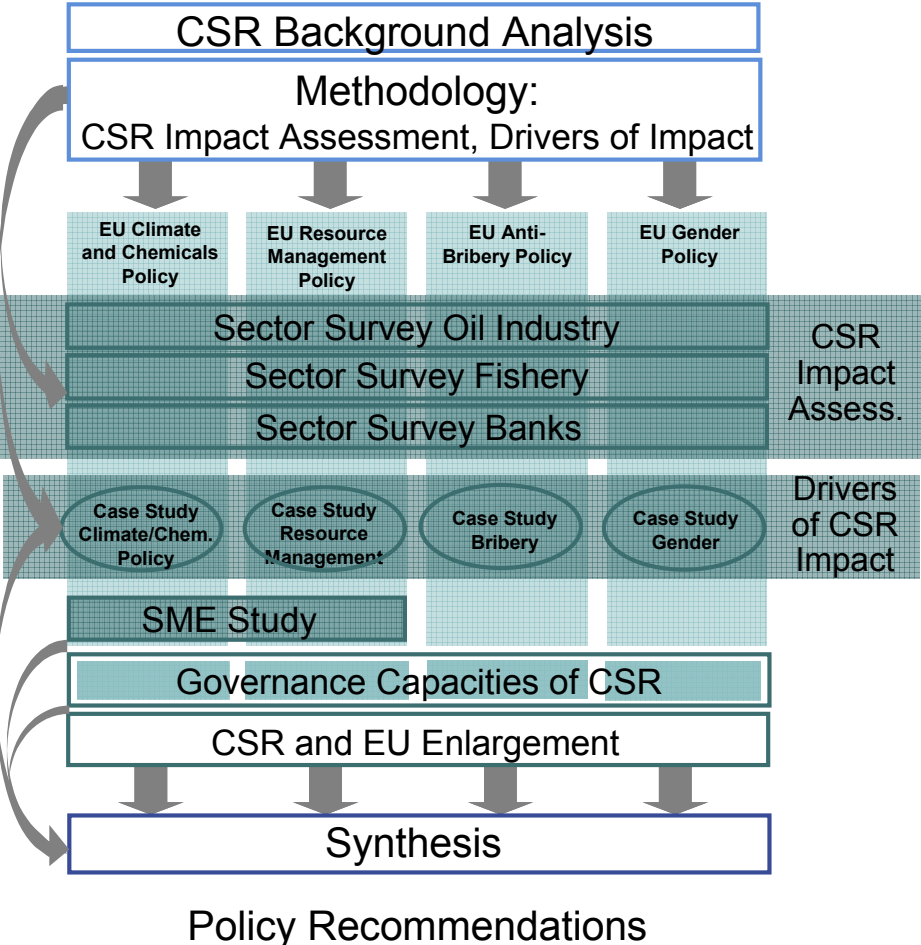
Seven leading European research institutions developed and applied a methodology to assess CSR impacts on four different CSR issue areas. These were: mitigation of climate change and chemical risk, resource management in marine fisheries, promoting gender equality and countering bribery. Empirical studies were conducted among European CSR leaders in the oil industry, the banking sector and fish processors. SMEs in the automotive sectors of Austria

and Hungary were researched as well. Another empirical study strove to understand the effects of EU accession on corporate responsibility (and vice versa) in Hungary.

RARE Project Design

The researchers first looked at the meaning of responsibility as it is used in the notion of Corporate Social Responsibility. Building on this insight, they analysed the CSR activities of companies in three business sectors: the oil industry, the banking sector and the fisheries and fish processing industries. Different instruments of corporate responsibility relevant to the business sectors and four policy fields were researched and examined. Building upon these first empirical insights, the project team embarked upon in-depth case studies in order to analyse a) the impact of CSR in the four policy fields and b) drivers of such CSR impact. A study on CSR in the SME sector and on CSR in the context of EU enlargement completed the analysis. In a separate module, the role of CSR within complex governance systems was examined. Finally, the team synthesised the main findings from their empirical work and theoretical advancement. As a result, they produced a paper containing policy recommendations on how politics and companies can achieve to make CSR more effective.

The project added a structural component to the predominantly actor-oriented perspective of current CSR research through considering specific conditions in the three business sectors related to the four policy fields.



Source: RARE project

Required research

Whilst policy research has concentrated on public policy instruments to date, CSR research has mainly focused on CSR management in companies and the impacts of such commitment on intra-company organisation and strategies as well as on financial performance. Up to now, scant research has been carried out addressing the impacts of CSR on society and the environment.

The RARE project aimed to partly fill this gap. The project partners chose not to analyse how corporate responsibility affects the business case or companies' reputation, as these important questions have been addressed elsewhere. Rather, the perspective of public policy was adopted to enquire into how the private sector can contribute to achieving politically set goals on sustainable development. Specifically, the RARE project worked as a looking glass through which companies' voluntary contributions can be examined.

Evaluating CSR impact

At the socio-political level, where the focus of analysis lies, the team strived to evaluate the contribution of CSR to the achievement of the European Union's policy goals in four areas of sustainable development: environmental protection (climate and chemicals policies), sustainable fisheries, gender equality and the countering of bribery.

Measuring the impact that voluntary corporate activities have on sustainability goals is a substantial methodological challenge. In order to meet these challenges, the research partners elaborated a qualitative approach consisting of three steps:

- Identifying CSR effects: Effects resulting from the adoption of CSR are identified, taking into account changes in commitment and strategy ('CSR output'), concrete practices ('CSR outcome') and the consequences for society and the environment ('CSR impact');
- Analysing relative improvement or goal attainment through CSR: An analysis is made as to whether adoption of CSR makes a difference compared to a hypothetical baseline of corporate performance without voluntary action, thus identifying any relative improvement through CSR. Relating achievements to absolute benchmarks such as EU policy goals is a complementary option;
- Establishing a causal relationship: Identified improvement between compliance-level behaviour and the observed company's practices is ideally related to the CSR commitment and resulting changes in practice.

The data for assessing and explaining CSR impacts was gained by means of

- a survey among enterprises committed to CSR – 49 respondents in the oil, banking, fish processing sectors and SMEs in the automotive supply chain; and
- in-depth case studies including company and stakeholder interviews for 10 (non-SME) companies.

The course of the project

Achievements of the first year

The first year of work in the project was dedicated to method development and the preparation of the empirical phase. As a very first step, the project partners looked at the meaning of responsibility as it is used in the notion of Corporate Social Responsibility. A common understanding of CSR was developed. Also a background analysis of the different relevant angles of CSR, based on existing literature and own experience of participating researchers and consultants was conducted. A condensed version of the results of this work were publicised in the form of a Discussion Paper on the Website of the project (www.rare-eu.net). Also, a first draft of the CSR impact assessment tool was created and discussed among the researchers. Furthermore, a conceptual framework was developed to explain CSR impact on the basis of success factors internal and external to companies. In summary, the first year was dedicated to develop the conceptual, methodological and policy foundations of the project.

Achievements of the second year

During their second year of research, the project partners embarked on the empirical work. As the research questions had not been addressed before, the team could not rely on research methodologies that had been established before. A workshop in June 2005 with leading CSR experts served as a means of scientific review of the tools developed for the empirical analysis. Taking account of the feedback of CSR researchers, practitioners and stakeholders present at this workshop, the consortium fine-tuned the questionnaire which was the basis for the CSR surveys that were subsequently piloted and carried out among major CSR committed corporations in the European oil, banking and fisheries sector. The results indicate that companies actively use CSR instruments and carry out issue-oriented activities, but frequently do not measure their performance or impacts. Thus they forfeit the opportunity to systematically improve their CSR processes. Major differences in CSR commitment, strategy building, implementation and performance exist between the sectors surveyed and between the CSR issue areas focussed on (climate and chemicals policy, gender equality, countering bribery, sustainable fisheries in the fishing sector). Building on the sector survey insights, an interview guide was developed for in-depth company case studies. Two to three companies per sector have been selected on basis of a set of criteria; some companies have already been contacted, others are presently being asked to participate. In year 2, a survey which is structurally similar to the above (MNE-oriented) survey was piloted and conducted among SMEs in the automotive supply chain in Hungary and Austria. This ‘SME Study’ was then used as the basis for a comparison of performance and success factors conditions between big multinational enterprises (MNEs) and SMEs, and between old and new EU Member States.

During year 2, the RARE team met for three project workshops: in Brussels (20-21 July 2005), Stockholm (27-28 February 2006) and Budapest (27-28 April 2006). Regarding dissemination, each partner individually has been carrying out dissemination activities. Project workshops are regularly being used to invite a renowned CSR expert from the host country as guest speaker and in this way also make known the project. Similarly, the CSR Expert Workshop mentioned above worked as a dissemination activity. The coordinators also presented the project to DG Employment and Social Affairs and Equal Opportunities. Publication activities have been slow so far due to delays in the empirical phase.

The project team had a fruitful and busy second year which was free of internal conflicts. As an intermediate project self-evaluation ('Mid-term Review') showed, the project partners are content with the way the project proceeds. At the end of year 2, the project consortium applied for a prolongation of the project of two further months. The prolongation has been granted by the Commission.

Achievements of the third year

After year 2 had been dedicated to the empirical work by conducting surveys and case study interviews, the project partners embarked on the conclusive and synthesising phase in third year. A project meeting in Oslo in October 2006 marked the kick-off of the final synthesising phase of the RARE project. The partners brainstormed on their first impressions as to the results they empirically gained in order to answer their research questions. Leaving from Oslo, the consortium stepped into finalising their respective work packages, including overall the finalisation of the four case studies. The results from the case study indicate that CSR does have its role to play in contributing to a sustainable development, though the level of contribution strongly depends on several factors – such as the CSR-instruments applied, the actor's commitment in the organisation or the political framework existent to regulate certain sustainability issues.

The task of synthesising and concluding the main findings from the RARE project was approached as from the project meeting in Berlin (February 2007). Here, the partners discussed a first version of their final synthesis paper, including the main insights gained from the two empirical phases: the sector surveys and the case studies. Furthermore, first conclusions were drawn on the role that CSR plays in different governance systems and the contribution of CSR to achieving EU policy goals in the four policy areas examined. Until the next project meeting, having taken place in Venice (March 2007) main findings, conclusions and possible policy recommendations from the RARE empirical work were drafted by the partners ? Where does CSR help to achieve sustainability, where does it fail? What are company internal and external success factors to achieving sustainability impact through CSR? What are the recommendations to policy makers and companies stemming from our findings? Leaving from Venice, the coordinator systematically portrayed the findings in several concluding papers. These papers were finalised in early summer 2007 and served as the major input the project's final conference. The main results of the three papers produced (a) CSR in complex governance systems; b): Synthesis and Evaluation of the RARE results; c) Policy recommendations), together with the RARE empirical results, were published in the form of a brochure. This gives a comprised overview of the RARE project and was disseminated widely among the networks of the consortium partners. The RARE final conference was jointly prepared and conducted by all partners and became a great success and a stimulating exchange between CSR-experts, politics and business representatives.

During the third year of research, the RARE team met for 4 project workshops and a one-day meeting: in Oslo (09-10 October 2006), Berlin (19 -20 February 2007), Venice (29 -30 March 2007) and Brussels (26 June 2007). Additionally, a Final Conference of RARE project took place on 27 June 2007 in Brussels.

Regarding dissemination, each partner individually has been carrying out dissemination activities. Serving as a great example, ISOE published the main findings of the analysis of CSR activities for gender equality in a separate flyer. This flyer was disseminated at the "Global Summit of Women", 15 -16 June 2007 in Berlin, and in the "European Roundtable for Sustainable Consumption and Production" (erscp), in Basel 20 – 22 June 2007 and on

other occasions. In addition to these individual dissemination activities by RARE partners, Project workshops were used to invite guest speakers from the partner institutions and in this way also make known the project. Similarly, the RARE final conference mentioned above worked as a great dissemination activity. Publication activities have been intense as chapter 4 of this report and the manifold activities surrounding the RARE final conference demonstrate.

Results

The RARE project aimed at making a significant contribution to the European Research Area with interdisciplinary insights into Corporate Social Responsibility and by advancing method development among researchers from all over Europe.

Key results that were gained during the project are:

- Increased knowledge about the impacts of CSR in Europe and especially on structural differences in CSR performance according to company size, sector, and issue area;
- Increased knowledge about the efficacy of CSR and the role it could play in achieving public policy goals;
- Policy recommendations for companies, national governments and the EU, promoting elements of a European approach to CSR

The main results of the project will be published in a book in 2008 with Edward Elgar publishers. Further information can be downloaded at: www.rare-eu.net

The research consortium

- The *Öko-Institut / Institute for Applied Ecology* (Germany) was the project leader
Regine Barth (Coordinator) or Franziska Wolff
- The *Fridjof Nansen Institute* (Norway)
- The *Stockholm Environment Institute* (Sweden).
- The *Fondazione Eni Enrico Mattei* (Italy)
- The Department of Environmental Economics and Law of *Budapest University of Technology and Economics* (Hungary).
- The *Institut für Sozialökologische Forschung / Institute for Socio-ecological Research* (Germany)
- *Peter Wilkinson Associates* (United Kingdom), project consultant to Transparency International for the “Business Principles for Countering Bribery