EASR Workshop

Economic Actors' Societal Responsibility

The role of enterprises and their stakeholders

Dakar, November 2005

Summary of the Workshop's work,

written by Vincent Commenne, Workshop Coordinator**Workshop's Field of Reference**

The Workshop's brief was to look at the way that various economic actors cooperate with enterprises, both large and small, with the aim of inciting them to commit to a *socially responsible* approach[1] (**CSR**). Such actions are a manifestation of *Economic Actors' Societal Responsibility* (**EASR**), hence the Workshop's name.

Background to the Workshop

The EASR Workshop first came together at a meeting in Dourdan (France) in late 2003. Its steering committee comprises 11 people drawn equally from the 5 continents (Africa, North and South America, Asia, Europe). There are no other participants at the time of writing.

The Workshop initially decided to work in successive phases, with each phase designed so as to define objectives and content for the subsequent phase.

So as to provide various economic actors with a snapshot of realities on the ground, the first phase, developed over 2004-2005, consisted of drawing up a situation report covering CSR and EASR concepts and practices on the 5 continents. Five researchers studied 50 examples of best practice with the aim of highlighting:
· how corporate social responsibility (CSR) is imagined, understood and put into action on every continent;
· how other economic actors (NGOs, trades unions, consumer and shareholder organisations, public bodies, etc.) initiate cooperative or confrontational EASR approaches with the aim of promoting ethical behaviour by enterprises;
· each continents particular needs in the matter.

In order to provide more of the funding needed by the Workshop, the European Commission (DG Employment and Social Affairs) was also asked for funding; the application was successful and the Commission provided additional funding to the level of 160,000 euros.

In order to provide for consistency in the research carried out across 5 continents, the research team took advantage of the opportunity offered by the World Social Forums to meet twice more: in Mumbai in early 2004, and in Porto Alegre in early 2005. The steering committee met in late June 2005 in Montreal to terminate phase 1.

Combining the five reports[2] should allow a summary document to be produced in which the situations in each continent, with their similarities and differences, will be set out. The summary report will focus particularly on the factors behind the success or failure of the 50 case studies examined as well as the possibility of their reproduction in other socio-economic contexts. It will pinpoint the lessons each continent can learn from the others in terms of their own approach to EASR; it will also detail areas for future study.

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1 The term "societal" embraces both social and environmental aspects
2 Subsequent to adjustments made in Montreal, each researcher has further refined her or his report and the final versions are due to appear at end August 2005.

EXECUTIVE SUMMARY

A. **Corporate Societal Responsibility (CSR)**

CSR has been practiced for several decades in one form or another on every continent. It is the work of large corporates, and has most usually consisted of improving staff conditions, building workers' accommodation, crèches or schools for their children, sometimes even making donations to the local community.

Under its new guise, CSR originated in the USA some thirty years ago. It then spread to Europe, where the concept was refined. Some leading multinationals have even transplanted the concept to their production facilities located in other continents. These new forms are characterized by an enterprise's view of itself. It begins by asking itself about the possible harm its processes might occasion to the community from the social and/or environmental point of view. It then looks at how it could make an active contribution to the well-being of society in a broader sense, no longer focusing on its staff alone. It is during this second stage that an enterprise develops a degree of creativity that by far surpasses traditional notions of charitable giving.

During these diagnostic and creative phases, enterprises increasingly involve other interested parties, i.e. other economic actors with an interest in the enterprise's behaviour. The area of ethics specific to enterprises thus intersects with that of other economic actors, and we move from CSR to EASR.

It is also important to note that, at the same time as the wave of CSR initiatives is surfacing, a contradictory movement is also emerging, initiated by a section of the corporate and academic world and opposing the principle and practice of CSR.

B. **Economic Actors' Societal Responsibility (EASR)**

Other economic actors are increasingly taking an interest in corporate behaviour. The actors, usually known as stakeholders, include NGOs, trade unions, shareholder and consumer organizations, and public bodies such as states and local governments. Aware of the social and environmental issues and conscious of the growing importance of the impact of corporate behaviour on these areas, these stakeholders are launching actions intended to encourage corporate behaviour that is more ethical in nature. Some such actions are run in cooperation with business, others are not. In the former case, they instigate, or accept the instigation of, a partnership with the company for the purpose of a specific action aiming to improve social and/or environmental conditions. In the latter case, stakeholders seek to bring pressure to bear on companies, usually via consumers or shareholders.

Thus,
- *certain investors (institutional, via their own policies, or individual, via ethical investment funds) will favour buying share in companies selected on the basis of ethical criteria. Certain investors go even further, investing directly in companies — mostly SMEs — where they will encourage the adoption of CSR.*
- *Certain consumers will opt for buying products manufactured in acceptable social and environmental conditions: this is the process known as responsible consumption. In doing so, they boost the market share of companies who adopt behaviour that is more ethical than the average for their sector.*
- *Certain public authorities are concerned with introducing legislation that encourages companies to opt for socially responsible production; they are also involved in*

promoting good practice. In their role as institutional consumers, they include ethical clauses in public markets.

- *Local authorities (towns and villages) are launching responsible consumption initiatives aimed at encouraging increasingly ethical behaviour in their goods and services suppliers.*
- *A number of specialist NGOs measure the social and environmental impact of corporate behaviour; they carry out campaigns targeting their members and the general public in order to bring pressure to bear on certain companies. Other NGOs (or sometimes the same ones) initiate partnerships with major corporates or accept their proposals to take part in their CSR action.*
- *The trade unions seek to improve working conditions via social dialogue. Some of them go a step further and collaborate with other stakeholders in campaigns targeting wider issues. Others opt for ethical actions that concern the allocation of their own financial resources.*

Summary of Observations

We list below in summary form a number of observations drawn from the research work carried out to date by the Workshop.

A. Corporate Societal Responsibility (CSR)

1. *Historically, CSR emerged in a different fashion in each continent.*
2. *Corporates understand the CSR concept in very different ways depending on the continent; differences are also marked within continents.*
3. *The manner in which enterprises engage in a CSR process also varies very widely depending on the continent; differences are also marked within continents. For example, there is a noticeable difference within the European Union between the CSR practised by the 10 countries who have just joined the EU and the CSR practised by the other 15 countries.*
4. *The institutional context plays a not insignificant role in the development of CSR. The same goes for the context of human relations between the various economic actors (public authorities, enterprises, union organizations, civil society organizations, etc.), which are markedly different depending on the continent studied. The existence or absence of social dialogue is one example. And it is also the context of human relations between certain actors, whether cooperative or confrontational in nature, that will prove to be more or less favourable to the development of quality CSR.*
5. *Standards are beginning to emerge but, especially as far the social aspects of CSR are concerned, they are few in number, with little standardization and limited uptake. In addition, the large majority of these standards are designed for very large companies whereas, in most continents, the economic landscape is mainly populated by small and medium-sized enterprises.*
6. *The major transnational corporates of the North tend to transplant their CSR model to the South or East in other regions where they operate; in most cases, this does not correspond to local needs. The definitions and standards of societal responsibility they are promoting should in many cases be adapted to take into account the socio-economic realities of other continents.*
7. *Some enterprises remain alone in their CSR actions, others engage in partnerships. These partnerships are arranged with other economic actors interested in the enterprise's behaviour. Such actors, usually known as stakeholders, include NGOs, trade unions, shareholder and consumer organizations, and public bodies such as states and local governments.*
8. *Increasingly, the consensus is that the quality of CSR actions is improved where they include, at whatever level, one or more outside stakeholders.*
9. *On the whole, companies would like to be able to initiate CSR actions when they are not imposed and where they are adapted to suit their situation. And to continue talking in general terms, a significant number of stakeholders wish to standardize norms in order to make it easier to evaluate companies' CSR actions, or would even like to see legislation which could be used to sanction certain types of transnational corporate behaviour within the context of their extra-territorial activities.*

B. Economic Actors' Societal Responsibility (EASR)

10. *On some continents, certain stakeholders are increasingly adopting a proactive stance whereby they themselves initiate actions centring on corporate ethics. Such actions can be initiated in a cooperative or confrontational mode*
11. *Thanks to the 50 case studies where synergies were observed with stakeholders, we are able to identify the following hypotheses:*
    · *the specific features of a quality CSR approach;*
    · *the problem of developing a quality CSR approach;*
    · *factors favourable to the development of quality CSR and EASR approaches.*

Within this summary report, which serves as a preparatory tool for the meeting of Dakar, only some of the points covered above will be examined in detail below.

A. *Corporate Societal Responsibility (CSR)*

1. **Historically, CSR emerged in a different fashion in each continent**

A. Origins of Corporate Social Responsibility (CSR) in North America: from philanthropy to strategic CSR

Companies initially became increasingly interested in actions classified as philanthropy and patronage. Several companies therefore became involved in charity work while others supported, for example, the development of culture and the arts in their towns and communities.

It was only in the 60s that the debate on Corporate Social Responsibility become more dynamic. The publication in 1984 of Edward Freeman's book, *Strategic Management: Stakeholder Approach to* took a fresh look at Corporate Social Responsibility and formulated it in strategic terms. This pioneering book encourages managers to take into account companies' stakeholders during the development of strategies.
Strategic social responsibility thus emerged within several North American companies. Whilst managers were already publicizing their sponsorship and charity work, following the publication of Freeman's book, they began to set up internal committees to manage their stakeholders.

B. Emergence in Europe

The EU countries have recently experienced the dramatic consequences of the race for profits at any price within the context of current globalization: oil slicks, the mad cow crisis, relocations, stock market redundancies, financial scandals… These numerous events precipitated debate on how to give an acceptable framework to this race for profits. The general context of the withdrawal of public authority involvement has also led to the demand for businesses to be entrusted with a share of the management of social well-being.

Certain enterprises positioned themselves within a social context: co-operatives, social and solidarity economy businesses — initiatives that are almost always on a human scale and that choose to work in a local context. But by far the greater share of the economic production system has dragged its feet in showing concern for the issues described above.

As a consequence, and fortified by events occurring in the USA, several stakeholders have challenged the corporate world in various ways. The various responses can be gathered together in a new field within the business world: Corporate Social Responsibility (CSR).

Due to the actions of all the players involved, this new phase has emerged as an extension, going beyond the two fundamental areas of economic life: legal provisions and agreements between social partners.

CSR, as it is conceptualized and currently practiced in Europe, can be considered as resulting from the convergence of two principal currents: on the one hand the historic paternalistic tendency of certain large companies in the 19 century, and on the other hand the trend for

challenging companies in the Anglo-Saxon world that began in the 80s with the anti-apartheid campaigns.

C. Emergence in Asia

Although CSR in the form that is understood in the west is relatively new in Asia, the relationship between businesses and the community has always been an important facet of social structures. In some regions, Asian countries have long been home to organizations whose concern for society is rooted in religion and which often benefit from considerable corporate patronage. Hence there has been a strong traditional link between business and society.

The issue of CSR as it is now understood emerged only in the early 90s. Its emergence in Asia was introduced by the advent of companies from the west, arriving in Asia to trade or set up manufacturing bases. The CSR movement in the west was probably fuelled by civil society, which stimulates CSR by generating demands and expectations within society in terms of corporate responsibility. This may have also motivated Asian companies, particularly the large ones looking to trade with the west, to appear socially responsible.

It is also important to understand the pattern of industry in Asia. Contrary to the west, where very large companies constitute the major part of industry, small businesses play a very significant role in Asian economies.

D. Emergence in Africa

Since the rise in power of multinationals during the sixties, standards and quality have emerged as the differentiation criteria — non-compulsory, but useful and strongly salutary for internal corporate dynamics. Hence, in relation with the legal framework described above, various initiatives were taken at international level with the ambition to put in place an appropriate institutional framework in order to facilitate the process of standardization or certification. Even if truly indigenous initiatives are scarce in Africa, it is however important to acknowledge that, thanks to globalization and the various international cooperation frameworks, the operationalization of the legal provisions in the field was translated by the promotion of some norms and their harmonization, mainly within the framework of the regional integration process.

After ISO 9000 standards on quality, ISO 14000 on environment and HACCP on sanitation, the standards on social responsibility of economic actors (SA 8000) represent a new generation of norms. The principle of corporate social responsibility that has recently emerged concerns the entire range of corporate practices and their consequences, both internally and externally to the company. All the functions of the enterprise are involved and contribute, at their own level, to the overall policy of social responsibility. But the least one can say is that, in spite of the significance of these issues, they are still insufficiently tackled in the African context as compared to the countries in the North. One of the main reasons is that Africa is practically absent from world trade and has very few major enterprises apart from the transnational companies.

E. In Latin America

The evolution from the business philanthropy concept to the notion of social responsibility clarifies the current debate. The focus was initially on social investment; then it moved forward to a strategic approach. The last phase incorporates the issue of corporate ethics. The theoretical thinking, CSR evaluations and promotion of the practice of CSR are being carried

out by different institutions in each Latin American country. Nevertheless, the progress of the CSR issue is more advanced in countries that have relatively greater industrial development and a higher number of big companies in their economies.

The CSR issue appeared in Latin America in the 90s through the action and influence of multinational companies that set up in the region in that decade. These companies brought the notion from their native countries, be it the United States or Europe.

The CSR concept has expanded quickly in the region. It was initially adopted by both big national and international companies in each country. Several of these companies already carried out philanthropic actions before the structural implementation of CSR and are characterized by large scale production and significant profits as well as a modernized and effective administration system. On the other hand, and as a topic to look at in more detail, it seems that CSR in small and micro companies is not part of their agenda and is not one of their immediate concerns.

2. **Corporates understand the CSR concept in very different ways depending on the continent; differences are also marked within continents**

A rising scale of CSR understanding could be described as follows:
   a. The first comprehension level is the one where (for a good number of companies), being socially responsible means simply bringing work to its employees and, at the very best, creating jobs. For these companies, being ethical is to respect the laws of its country.

The first level is common to every continent
   b. On an only slightly more elaborate level, CSR equals charity work: the enterprise will create a foundation which will make donations.

The second level of understanding applies primarily to enterprises in North America, large enterprises in Asia as well as some large European enterprises.
   c. At the negative criteria level, we find the perception based on the fact that to be socially responsible consists in a company "not doing harm": not polluting the environment (too much), not consuming non-renewable natural resources (too much), not producing harmful products (weapons, tobacco, alcohol), etc.

This third level of understanding is found amongst some North American and large European enterprises.
   d. The next level, the positive actions level, means for certain companies that they can get positively involved with social or environmental issues as part of their internal dynamics. There are examples of companies which set up an integrated environmental management system or companies which will recruit as part of their personnel a certain number of underprivileged people (long-term unemployed, less able-bodied people) or, even better, which will create the additional arm with an "integration enterprise" specializing in employing this type of people.

The fourth level is found in a few instances in Europe.
   e. The ultimate level, "global impact", is the one where companies understand that they have an impact or a responsibility beyond the spatial boundaries of their place of activity. For example, companies who organize social audits in their Third World production chain.

The fifth level is designed for certain major transnationals, mainly American and European.
   f. The integrated mission and responsibility level concerns companies specially created to practice societal responsibility, often in partnership with, or initiated/controlled by, NGOs and other civil society actors (e.g. fair trade, social finance, companies with a social purpose, etc.).

3. **The manner in which enterprises engage in a CSR process also varies very widely depending on the continent; differences are also marked within continents**

   a. The very first level of CSR implication, and the one that has never been exceeded by many companies, is the drafting of an ethical charter or code of conduct, that declares a certain number of company intentions concerning these social and environmental dimensions.

   b. A second implication level is that of companies who want to enter in a concrete process and thus put in place "a work scheme", generally with corrective or constructive actions which aim at ethical objectives. We can mention here for example, the installation of an "environmental management system" or the discussion with suppliers based in the Third World concerning the working conditions of their personnel. We consider this step as a "second level" because the company is moving towards changing things, but does so in an independent way without consulting the other actors. The enterprise decides on its objectives, takes its own actions, carries out its own controls and decides on possible corrective measures. These actions can be tangential to its activity (donations, support of an integration company) or can be connected to its core business.

   c. On a third level of implication, we find companies which use an evaluation system of their ethical programme. This diagnosis tool can be specific to the company or can fall under a more largely widespread practice in reference to a recognized standard (for instance the EMAS or ISO 14001 standards relating to environmental matters or the SA8000 standard on social matters). When the diagnosis tool is specific to the company, it can be an internal self-assessment or a specialized external cabinet may carry out the evaluation. When there is a clear reference to a standard, it should necessarily be an external body that carries out the assessments. This external evaluation can give place to a certification of the company or a labelling of its products.

   d. A fourth level of implication is CSR integration in a genuine "management system". This approach is much more frequent on the environmental issues than the social issues. When an environmental management system is put into place, it implies that environmental matters are taken into account regardless of the decision which is to be taken. At this level, the CSR is no longer a process supplementing the production process, but is an integral part of the process.

   e. The fifth level of implication is where the company, not happy about being subjected to an external standard and to an independent control, will start a dialogue with the stakeholders so as to refine its perception of CSR issues. This dialogue can be about the objectives to be reached, the stages to go through, the standards to be met, the quality of control, and the possibility of communication towards the consumer. Certain stakeholders (NGOs and trade unions) may be invited to carry out their own controls, on the basis of occasional investigations, as a complement to the official audit.

No matter what the level of implication, enterprises can also choose to communicate about its achievements. They can do this based on the management reports (social report, environmental report, societal report that combines both aspects) as an annexe to or included

in its traditional annual report, or they can carry out information campaigns for the consumers.

4. The institutional context plays a not insignificant role in the development of CSR

To describe the institutional context of each continent concerned with our study will enable us to understand the balance of power, or relationship of co-operation, which have become established over the course of time between the various economic actors. Certain institutional contexts, in certain areas, allow the companies to carry on their activities very freely without external regulation, or very little. And in other areas, the context is such that they are forced to operate inside a strict framework, drawn up, for example, by public regulations or agreements with trade union organizations. It is also worth noting the increasing influence of other actors like certain NGOs in Europe or consumer organizations in the USA.

The context of human relations between the various economic actors (public authorities, enterprises, union organizations, civil society organizations, etc.) are markedly different depending on the continent studied. As we shall see in this study, it is also the context of human relations between certain actors, whether cooperative or confrontational in nature, that will prove to be more or less favourable to the development of quality CSR.

A. The North American institutional context

The characteristics of the North-American institutional context are well known: a State which seeks the to involve itself as little as possible in the economic sphere and is not inclined to regulate companies' activities; trade unions that are losing power on the political level; powerful companies which can change national regulations or resort to relocation blackmail.

B. The European institutional context

Contrary to North America, the European continent has developed contexts that are varied and subject to change. Once the era dominated by the communism/capitalism polarity passed (following the fall of the Berlin Wall), it is the "Rhenish model" which seemed to best represent the European context: promoted historically by Germany then adopted by many EU countries, this approach is characterized by the desire to combine economic effectiveness and social equity. It gives the state and public bodies an essential role of redistribution with, in particular, developed social security and systems of retirement based on distribution. For a few years however, this model has seemed to be replaced by the Anglo-Saxon approach initiated in England in the nineties and which has since spread to the majority of the EU countries. In this sense, the EU is approaching the North-American model as described above.

Nevertheless, concerning the issues we deal here with, Europe can still claim to have acquired characteristics which were built up during decades and which, until now, still provide the fuel of its socio-economic culture

Thus, although the trade unions represent very variable proportions of workers according to the countries, their quantitative importance in many European countries and the obstinacy of their fight have gradually led the European continent to a well-rooted tradition of social

dialogue on a voluntary basis. This tradition leads the social partners (representatives of employers and the trade unions) in European countries to discuss and negotiate an important part of the social issues where the workers are concerned. It is clear that if CSR has been able to develop in such a sophisticated manner in Europe, as will be seen in this document, it is most likely due to this long tradition of social dialogue between employer representatives and trade unions. The fact is that European businesses have long been in the habit of taking into account the demands of other parties, workers in this case, and not to see themselves as isolated in the face of their decisions.

C. The Asian institutional context

No information received as yet.

D. Institutional context in Africa

In Africa, nearly all state and legal institutions are inherited from colonization. This situation is generally translated by the lack, delay in the development or lapse of the legal provisions necessary to regulate the operation of enterprises within a context where consumer associations are being recognized as indispensable partners of economic actors. Up to the end of the seventies, the various national legal systems contented themselves with recognizing the existence of general rights, often spread over several inaccessible legal documents.

It is only after the adoption of *The Guidelines for Consumer Protection* (GCPs) on April 9, 1985 by the General Assembly of the United Nations that the rights of the consumer were finally defined under the guise of eight fundamental rights.
The new provisions of the GCPs enshrine the ninth consumer's right which is *the right to a sustainable consumption*.
In short, the GCPs have resulted in the government, private sector and consumers needing to negotiate partnerships in order to guarantee the quality of goods and services offered to the market — especially given the fact that the quality of a product or a service is partially subjective, as the main factor of evaluation is the consumer.

E. Institutional context in Latin America

High rates of unemployment and illiteracy, high levels of inequality, huge poverty, corruption in the different state and private fields, fiscal deficit, etc. are well-known problems that Latin American countries have to cope with. The fight against these scourges has quite failed. This points out that the state action is not enough to overcome underdevelopment; common action and cooperation with different economic and social agents (government, civil society, NGOs and companies) is necessary.

Society and state's demands and pressures have increased in the course of the years. Indeed, companies are asked to perform a more active and sensitive role faced with social problems and to get more involved in the quest to overcome poverty and achieve economic development.

A minority but still influential group of business leaders in Latin America is becoming aware of how positive it is to assume responsible citizenship behaviour through their companies. The adoption of CSR where it contributes to developing their environment encourages them to look for new kinds of management to be more efficient and fulfil their obligations in terms of social and environmental levels or standards. As a result, the community feels closer to the company, which can even improve its sales. However, some of the business sector focused on CSR as a mere strategy to improve their image towards the community and increase their economic profits.

The lack of confidence between governmental institutions, the private sector and civil society, both in a general and reciprocal way, is also a motivation to carry out the CSR process. This distrust, quite important in some countries (in Peru, Bolivia, Ecuador, etc.) is beneath the way society perceives the government and the private company. Some public cases of corruption inside the State, often linked to the private sector, as well as the lack of interest they show to solve social problems increases this feeling and provokes fear and uncertainty among civil society. Then, the matter was to overcome this distrust.

6.   **Norms are starting to emerge but they are as yet few and far between with little standardization and limited uptake**

As in all economic activities, CSR included, standards and labels are tools which not only provide guidance to those that receive them, but which also increase the credibility of the recipient.

Unfortunately, in this regard, these instruments (mainly Anglo-Saxon) vary widely. They differ according to their origin (NGOs, businesses, institutions, or partnerships between stakeholders); according to the sector they target; according to their focus, whether on one sole area of corporate activity or several areas; and according to whether they take a more conservative, or more progressive approach; etc.

The most well-known standards include:
- Social Accountability 8000 (US norm)
- AA1000
- The Global Compact (issued by the UN)
- OECD Guidelines for Multinational Enterprises
- Global Reporting Initiative (GRI) (international guide to environmental aspects)
- ISO 14000 series

We observe that many enterprises opt for a CSR approach tailored to suit their own needs, and avoid the trouble of submitting to one of the standards. In these cases, they are often suspected of indulging in window dressing at little or no cost to themselves.

8.   **Some enterprises remain alone in their CSR actions, others engage in partnerships**

These partnerships are arranged with other economic actors interested in the enterprise's behaviour. Such actors, usually known as stakeholders, include NGOs, trade unions, shareholder and consumer organizations, and public bodies such as states and local governments, etc.

Below we detail the positions adopted by certain of these other economic actors.

As the Workshop's work does not yet allow us to provide a comparative table looking at the various continents from this perspective, we have instead chosen to describe the situation in Europe, the most advanced continent in this respect.

1. Trade union organisations

At the beginning of the CSR phenomenon in Europe, the trade union position was rather radical. It consisted of affirming that true CSR meant improving social dialogue where it existed and setting up dialogue where it did not. To put it differently, if the trade unions were given the means of implementing their action (in North and South) there would be no need for CSR.

An additional difficulty in taking an interest in CSR is the unions' historic habit of concentrating on the social minima aspect. In a context where CSR is considered as "taking into account that which goes beyond these minima", we can see that the issue is out of step with this habit.

In a second stage, noticing that CSR was emerging independently of them, and noticing as well that the first CSR applications seemed to them to be public relations actions, the trade unions started working on drafting what they could regard as a genuine standard in this matter. In 1997, the ICFTU (International Confederation of Free Trade unions) defined a code of model conduct for companies wishing to launch themselves into CSR. A certain number of NGOs, and then later well-known campaigns in Europe used this code.

Nowadays, the trade unions are working mainly on two levels:

- seeing that their code was having problems being applied and accepted as a standard by companies, the trade unions are promoting the OECD Guidelines, the chronologically second[th] international code adopted by governments;
- the trade unions are concluding framework agreements by sector between various companies and the International Trade Union Federations (in December 2003 there were 25). This type of agreement constitutes a starting point for social dialogue on an international level.

Trade unions seem reticent about current possibilities of monitoring CSR processes. The fact is that the audit companies which carry out these monitoring missions are themselves large international companies working on very diverse audits and are considered by trade unions as not being very expert in the new and difficult matter of CSR. In the framework agreements mentioned above, the confidence that was established through social dialogue is such that external control no longer seems necessary.

2. Specialized NGOs

These NGOs try to alert public opinion not only to the environmental but also to the social aspects, and propose various actions (public awareness campaigns, boycotts, etc). They challenge governments and companies by denouncing practices. Some of them have gradually positioned themselves in a third and more constructive stage which is manifested either by their presence in dialogue platforms, or by initiatives with respect to certain companies to build together positive CSR initiatives (see case studies).

This last attitude does raise questions from other NGOs, or cause them concern, when they suspect a loss of objectivity and credibility from the cooperating organizations.

3. Consumer Organizations

A certain number of small organizations have gradually been setting up in various countries with as their main objective the promotion of responsible consumption, considered as the major leverage for companies to start modifying their practices. We can mention here the Network of Responsible Consumers in Belgium, The Verbraucher Initiative in Germany, ACU ONLUS in Italy, and Active Consumers in Denmark. On a European level, we have seen the

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th The first code of this kind was drawn up by ILO in 1977 with its *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.*

creation of the European Network for Responsible Consumption, and the European Consumers Association, Social and Environmental.

Besides these specialized organizations, the large consumer organizations have gradually become interested in the CSR issue, taken under the angle of ethical consumption. Thus the publications of these organizations have started to publish comparative product tests including some social or ecological criteria.

4. The public authorities

We saw above in the point that looks at legislative tools that certain European states are fairly pro-active on the CSR issue. They enact constraining laws or inciting labels. But we cannot but notice that they do it without any coordination. What is remarkable indeed on a European level is the multiplicity of the approaches. Certain countries (like Italy) promote the American standard SA8000, others (like Belgium) take as reference other standards (OIT basic conventions); and other countries again (like France) are still looking for a reference standard. At the present time it seems that the European Commission does not wish to settle the debate once and for all by drawing up a European standard, but rather tries to harmonize the various national ones.

A work strategy complementary to the legislative tools already mentioned is represented by the social and environmental clauses in the public markets. These clauses provide, in theory, the states, administrations, municipalities and cities with the possibility of giving priority to suppliers of goods or services which are subjected to social or ecological criteria specific to the market. This debate is currently underway at a European level.

9. **Increasingly, the consensus is that the quality of CSR actions is improved where they include, at whatever level, one or more outside stakeholders**

B. Economic Actors' Societal Responsibility (EASR)

11. On some continents, certain stakeholders are increasingly adopting a proactive stance whereby they themselves initiate actions centring on corporate ethics

As the Workshop's work does not yet allow us to provide a comparative table looking at the various continents from this perspective, we have instead chosen to describe the situation in Europe, the most advanced continent in this respect.

Lessons from the case studies can be summarized as follows:

1. To adopt and develop this approach, the greatest need for small and medium-sized players is financial; for larger players, it is a question of raising the level of involvement (will the approach become a priority and, as such, part of the system of management?).
Typically, we are faced with the following scenario:

Either the initiative is taken by small specialist structures (NGOs, consumer associations, small companies, etc.) and these, in the majority of cases, have the following characteristics:
   - High motivation
   - Great expertise
   - Actions taken will have in-depth and long-term implications
   - Endurance
   - Social responsibility is often the "core business"
   - Public credibility
   - Tendency to carry out their own form of action without stakeholder partnerships
   - Weak financial resources (little or no structural financing, little or no support from authorities, fewer contributions from members, etc.)
   - Instability of the organisation over time

Or the initiative is taken by the major structures (large companies, trade union organisations, institutional players, etc.) where the following characteristics are noted:
   - Average to low motivation
   - Average to low expertise
   - Actions chosen impact the crucial ethical issues or "window dressing" and have, on the whole, long term implications
   - Sometimes a one-off action
   - Social responsibility is not a priority in terms neither of strategy nor of the management system
   - Public mistrust
   - Tendency to carry out their own form of action which does not involve collaborating with other stakeholders
   - Strong financial resources in theory, but the means invested in the actions are limited depending on the level of motivation
   - Instability of CSR approach over time

- Temptation of marketing or advertising hijacking of consumer demands not in proportion with the real action taken by the company.

6. The measures taken by one particular type of economic player often call into question other stakeholders.

7. All too often, the dialogue between stakeholders is not open and is not considered to be a priority in the current stage of CSR development in Europe. We observe, however, that dialogue of this sort has risen in importance amongst those measures held to be *avant-gardist*.

8. It is still rare for public authorities to participate in promoting this approach. However, they could intervene in a number of ways: by encouraging the public to make responsible purchases (introducing ethical clauses into public contracts); through subsidy policies for economic players involved in a EASR approach; and through policies which would act as incentives in tax matters for certain socially or ecologically responsible products, etc.

12. Thanks to the 50 case studies where synergies were observed with stakeholders, we are able to identify the following hypotheses:
  A. **the specific features of a quality CSR approach**
  B. **the problem of developing a quality CSR approach**
  C. **factors favourable to the development of quality CSR and EASR approaches**

As the Workshop's work does not yet allow us to provide a comparative table looking at the various continents from this perspective, we have instead chosen to describe the situation in Europe, the most advanced continent in this respect.

What is a good quality CSR process?

In conclusion to this research and the case studies conducted, we will identify the specific features necessary to ensure a high quality CSR approach.
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To be of good quality, a CSR process should include a maximum of the following elements:
  - involvement of a maximum of stakeholders and the setting up of a high level of dialogue between them;

  - an identification of all the impacts (positive and negative, current or potential) of a company's business activities on society;
  - the need to put in it into perspective in relation to the company's sector, activity (western world or developing country) and size;
  - an open exchange on the claims of the one side and the constraints of the other side (including framing with recognized standards: ILO, SA8000, social labels, etc.);
  - a consensual decision on desirable and realistic objectives and the stages needed to reach them;
  - an independent external control;
  - a long term dynamic;
  - involvement of the whole company (management system).

In light of these case studies, we would point out some factors which we consider as hindrances to the development of CSR in Europe.

  a. <u>The multiplicity of approaches and standards</u>

There exist certain common standards on the European level with regard to the environment (the EMAS standards, the European Eco-label), but there are no norms on social matters. And there are even less with regards to the two aspects combined (what would constitute a sustainable development standard). We have seen that various European nations' authorities in no way coordinate their efforts or the direction of their work. Each company thus implements its process according to different standards, creating confusion for the consumer. Each NGO, trade union or militant consumer organization seeks to promote its own vision, creating as a consequence indecision among their different audiences.
It is easy to see how beneficial increased debate on the fundamental issues, analysis and objectives between NGOs, unions and consumer organizations would be. Indeed, the problems are complex and cross-cutting. And it is often difficult for each of the actors to have

a global vision of the factors involved, to question an historic commitment and its own representations.

b. <u>The cost of the process</u>

A proper CSR installation can be very expensive. Obviously, the more a company's activity affects different stakeholders, or the more widespread its production channels around the world (Third World), then as consequence the more complex and expensive will be the social and environmental impact controls. These monitoring processes (since they are high cost) will then be almost inaccessible to SMEs or large companies in difficulties because they cannot afford them.

c. <u>The lack of mutual confidence between different actors</u>

Following this absence of consensus on standards, we have seen communication actions by certain companies, especially in the first years, considered by NGOs as "green washing" or "window dressing " which means buying an image with few expenses. NGOs consider certain companies' CSR actions as public relations operations. We have seen big companies trailed in mud by certain NGOs who were accusing them of buying an image thanks to donating foundations or of carrying out marginal actions whilst taking part in ethical corporate networks where they keep a high profile.
This type of behaviour can be conscious or unconscious. It can be a company which knows little about CSR practices or a company aware of what is possible (and of what it is possible for them) but that wants to make minimalist choices for mainly financial reasons.

However it is certain that, for CSR credibility, it is important to distinguish between the initiatives that have been taken in order to create a certain image, consisting of making minor modifications to management systems and practices, and those that consist of radical changes to the impact of the company's business on the environment and society.

The issue is not black and white. We often see that some NGOs appear exclusively critical with regard to any initiative of the business world in ethical matters, however sincere these efforts sometimes are. These dissension contributes considerably to slowing down the emergence of more ethical ways of producing and unsettle the consumer who would wish to enter into a more responsible consumption.

On this last point which, in our eyes, holds great importance, we would suggest some elements which could bring about positive change.

To restore a balance, it is now important and urgent to encourage consensual dynamics to the maximum.

To do so, careful observers agree on the primordial importance of **communication between the stakeholders**, which means, in addition to the companies, the trade unions, NGOs, consumer organizations, shareholder representatives, etc. Every approach which aims at being of a high quality must involve, as much as possible, the various stakeholders. It appears, however, that the simple fact of bringing all partners around the same table is not entirely sufficient to ensure that all are both heard and understood and that their positions are really taken into consideration.
It seems to us that the watchword in a high-quality CSR approach is 'inclusiveness'.

However, in our view, there is a need to implement platforms where the conditions are favourable for mutual understanding, ensuring that all parties' views are heard and taken into account. This should be done in such a way as to highlight:
- positions that satisfy all stakeholders and that each will be able to support during the continuation of the process;
- realistic and desirable objectives for businesses that wish to enter into a process of solidarity or sustainable development
- unified communication toward consumers
- examples of best practices that could become widespread
- last but not least, a methodology of societal dialogue that will be reproducible.

Favourable Factors to CSR Development

As a reminder and awaiting further development, here are the different factors which we consider to have played a role in the development of a high quality CSR approach in the world of business:
- the evolution of representations and values towards awareness coming after major natural and human catastrophes;
- NGO information and mobilization campaigns;
- spreading the knowledge about best practices;
- exemplary applications at different levels of corporate involvement (see point 3);
- consumer pressure (for responsible consumption) which had the following major components:
  - o benefit of the European Commission (DG SANCO) developing this aspect of consumption;
  - o involvement of large institutional players (states, local bodies, trade unions, etc.) in setting up measures to further responsible consumption;
  - o in-depth work at a cultural level which aims to modify the public's perception of the current image given to ethical purchasing (including well-known public figures, heralds of responsible consumption);
- commitment by states to create legislation in this field;
- commitment from corporate federations;
- commitment among SMEs to develop the CSR approach in a way that is adapted to their size;
- harmonization of standards at the European level, on the basis of flexible norms (based on an evolving process);
- developing a culture of dialogue among stakeholders;
- the creation of a CSR Observatory per continent;
- creating a CSR monitoring centre (as was recommended by the European Parliament on 15/01/99 in its resolution on "EU standards for European Enterprises operating in developing countries").