

GENERATING A SUSTAINABLE FUTURE FOR ENLARGED EUROPE: AN ANALYSIS OF CORPORATE SOCIAL RESPONSIBILITY IN THE NEW MEMBER STATES

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Abstract

The protection of the natural environment and increasing the quality of human life has been one of the main concerns of the many countries. As being a relatively new concept, the principle of sustainable development provides a sound theoretical framework for the accomplishment of such an ambitious goal in the global level. The researches indicate that operations of the companies are affecting the environment and human life negatively. Therefore, business organizations have a significant element of sustainable development to generate a sustainable future. Although some business organizations start to be aware of their roles in generating a sustainable future, most of them have not taken a responsibility beyond obeying the legal requirements. It is clear that the legal framework can only ensure the implementation of minimum standards and there is a need for proactive business behaviour beside the laws. Corporate social responsibility (CSR) is one of the main tools for the companies to be more proactive and contribute to a sustainable future. As being a part of sustainable development, CSR has been greatly promoted by the EU in the recent years and the companies in the old Member States have reached an important level concerning the implementation of CSR. However, there is a great difference in the involvement levels of the companies into CSR between the old and new member states. Therefore, the enterprises in the new member and candidate states should urgently adapt their system to the EU standards. The aim of this paper is to analyse and compare the current situation of CSR in the new member and candidate states with specific attention to sustainable development and provide some policy directions in order to generate a sustainable future for the enlarged Europe.

Keywords: Corporate social responsibility, European Union, Sustainable development

Introduction

The pressure on natural environment and humanity has dramatically increased especially during the last century. As a result of the increasing global problems, many people all around the world start to concern about the future of earth and some initiatives have been taken in the national and international levels. As being a forefront venue in the way of forming international norms and framework, Rio Summit in 1992 popularise the concept of sustainable development. However, the concept is not new and has been defined by World Commission on Environment and Development (WCED) Report of ‘Our Common Future’ (1987) as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. This definition indicates that sustainable development aims to change the current patterns of consumption and production.

Sustainable development has been one of the main principles of EU since 1997 and provides a strong base for all EU actions. In 2001, Gothenburg European Council, EU has formulated the strategy for sustainable development (SDS) and in 2002 the European Council added an external dimension in Barcelona Summit. However, as having an important impact on the implementation of this strategy, the enlargement process has been accelerated during the last decade. As of January 1, 2007 the number of member states in the EU has been 27 and

some states are currently in the negotiation process. It is clear that the enlargement wave in the last decade brings new opportunities and challenges at the same time. Therefore, this process should be also analysed with including the dimensions of sustainable development and considering the impacts on the EU's goal of generating a sustainable future.

Accession process to EU has been an important stage for the new member and candidate states towards a free market economy. However, this rapid transition from command economy to market economy causes some societal and environmental problems in most countries. In other words, as the border of the EU has been expanding, the quantity and composition of the problems has changed as well. It is a fact that the unplanned growth of business organizations since the collapse of Eastern Block increases the pressure on the society and natural environment. However, most of the companies are still indifferent toward these social and environmental problems, like global and local environmental pollution, gender equality, quality of the work conditions, local community connection, bribery, etc. Therefore, it is getting difficult to reach the principle of sustainable development in the EU level. This overarching principle of the EU targets to create a harmony in the enlarged Europe through the involvement of all components as a whole. Therefore, the involvement of companies operating in these new member and candidate states should be increased as a part of an integrated sustainable development principle. Although a legal framework tries to protect the society and natural environment from the negative impacts of the business organizations, it provides a reactive mode of control rather than a proactive approach. However, there should be a framework which increases the voluntarily involvement of the companies into the sustainable development principle. As being a proactive behaviour, corporate social responsibility (CSR) provides a significant tool for companies to take their responsibility in generating a sustainable future of the Europe.

Since the 1990s, EU has been aware of the importance of CSR as a part of the sustainable development principle. As stated in the final goal of the Sustainable Development Strategy for Europe, 'economic growth, social cohesion and environmental protection must go hand in hand' in the long term (CEC, 2001a, 2) and the increasing attention of EU to CSR is consistent with the realisation of this goal (Tencati, Perini, and Pogutz, 2004, 174). In the 'involvement of businesses and social partners' principles of the renewed SDS (2005), CSR is proposed as a way of fostering cooperation and common responsibilities to achieve sustainable consumption and production. Dominique Bé, Deputy Head of Unit for Social Dialogue and Adaptation to Change in the Directorate General for Employment and Social Affairs at the European Commission, states that "The Commission has proposed a strategy to promote corporate social responsibility as a contribution to sustainable development. CSR is not an objective in itself, it is an instrument."

Despite its prominent position as a tool of reaching a sustainable development, CSR is one of the most controversial concepts in the literature. As Votaw (1972) states that CSR means something, but not always the same thing to everybody. According to a well-known definition, "the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" (Carroll, 1979, 500). The World Business Council for Sustainable Development (WBCSD) defines CSR as 'the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large' (1999).

When considering this continuously growing literature, it has been a difficult task to draw a clear conceptual framework for CSR. Since there are many different definitions, no consensus has been achieved to form a commonly used definition of CSR in the literature. Among these diverse points of view, EU has also developed its own way of understanding about CSR through the Green Paper (CEC, 2001b) and the Communication/White Paper on CSR (CEC, 2002). According to the Green Paper, ‘corporate social responsibility is essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment’ (CEC, 2001b, 4). It can be noticed that CSR is perceived as a voluntarily action rather than a compulsory framework and the proposal intends to provide some options for the companies for taking into account the environment and society on a voluntarily basis.

The European Commission strongly believes the importance of CSR matters since it represents an aspect of the European social model and states that “CSR can contribute to sustainable development, while enhancing Europe’s innovative potential and competitiveness, thereby also contributing to employability and job creation.” (CEC, 2006). Briefly, CSR is a concept which encompassing both the ecological and economical concerns at the same time – depending on the principle of sustainable development. However, CSR is a relatively new concept in the new member and candidate states. A recent conference on ‘CSR in an Enlarged Europe’ (2006) reveals that the Commissions have a specific interest to the CSR matters in these countries. Therefore, CSR in those states should be analysed in order to form an integrated framework for the future of Europe. The purpose of the study is to analyse the current situation of CSR in these states and provide a set of policy directions how to reach the principle of sustainable development within the context of enlarged Europe.

The Analysis of Corporate Social Responsibility in the New Member States

In the Treaty of Rome, six European countries resolved to ensure the economic and social progress of their countries by common action to eliminate the barriers which divide Europe. In 1992, a new stage in the process of European integration has been undertaken by the Maastricht Treaty in order to construct the future Europe. During the decade of the 1990’s, the Eastern enlargement of the EU has been a political priority and this enlargement process has reshaped the borders of EU. In the last waves of accessions, ten new countries including Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia joined to the Union. The EU began the formal accession negotiations with Bulgaria, Romania, Turkey and Croatia as well. However, the accession process to the EU has created a deep economic, social and political transformation both in these new member and candidate states. During this process, the case of the companies in the new member states should be subject to a critical assessment in the context of a more demanding EU framework.

As stated by Secchi (2004), the companies in EU have faced both country-specific and EU-specific issues. In the first group, cultural and social variables, economic structure, and legal and political constraints have affected the operations of companies mainly. Among these variables, the differences in the economic structures of new and old members are one of the most significant factors for the new members. As an indicator of their economic level, each of the new member and candidate states has an income per capita lower than the average of EU25 (Eurostat, 2006). Therefore, in order to be a part of European economic life through meeting the economic criteria of EU, all of these states started to recover their economy with reaching a fast economic growth. It is clear that this case creates a specific pressure on the

companies in the new member states as being the main engine of growth. Therefore, the companies in the new member and candidate states are encouraged as being more innovative and growth-oriented. However, in the second group of Secchi's classification (2004), the companies in EU have faced also the issues of European values, competitive challenges, broad social and economic pressures, legislative constraints, and structural funds. It is normal that the companies in the new member states are still in the adaptation stage to these EU-specific issues. Creating a sustainable growth is also a part of EU-specific issues and affecting the operations of companies in these states. In this case, the companies in the new member states should also follow a route of sustainable development, besides being innovative and growth-oriented. As stated previously, CSR is an effective way of achieving a sustainable growth for the companies. On the other hand, CSR also affects the overall organizational performance. Some scholars suggest a link between these activities and reputation, competitiveness and sustainability of the organizations (Burke and Logsdon, 1996; Porter and Kramer, 2002; Johnson, 2003; Snider et al. 2003).

However, Secchi (2004) indicates that despite the common ground provided by EU, the companies differ in terms of their way of understandings and practices of CSR. Therefore, it can be expected that the companies in the new member and candidate states can develop a different route of being responsible. In one of his interview, Bernard Giraud, Executive Director of CSR Europe in 2004, emphasised the importance of making CSR well known and stated that CSR is at a starting phase in the new accession countries. He said that "I do not think 'CSR history' will be the same in Eastern Europe as in Western Europe; I do not like this kind of parallelism. Maybe the new EU countries take the subject of CSR differently and take it up much faster than we did for some reason, or maybe not. I do not think 'they will do the same but are behind us'. The new countries will also bring fresh ideas and new views to the CSR debate.". This estimation can be realised, only if CSR can be considered as an integrated part of a systematic change in the attitudes and behaviours of business organizations.

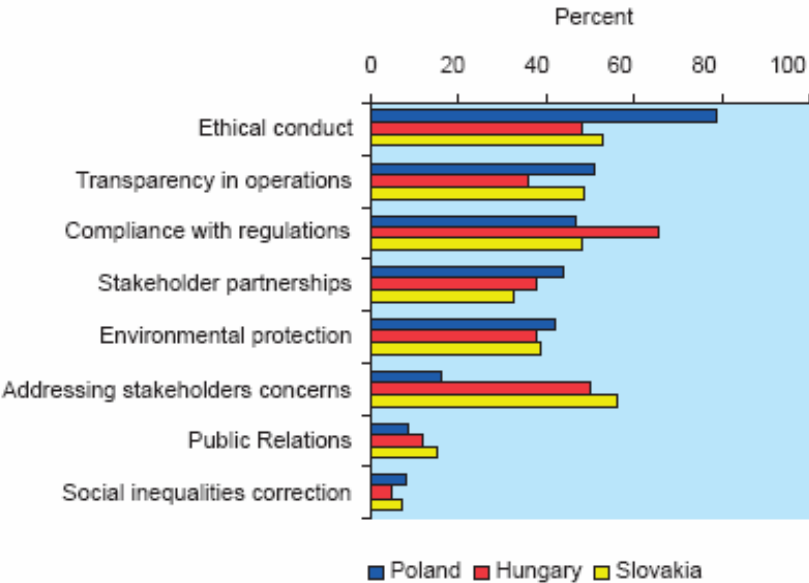
As a relatively new concept, there are a limited number of studies about the CSR in the new member and candidate states. Commentators indicate that CSR in the new member states of Central and Eastern European (CEE) is generally perceived as corporate philanthropy, public relations or marketing rather than a responsibility to stakeholders (Elms, 2006, 204). A recent survey of World Bank about the private sector views and practice of CSR provides somewhat different results. The comparison of the perceived meaning of CSR in Estonia, Latvia, and Lithuania indicates that business executives have a wide range of understanding about being socially responsible (Figure 1). The study reveals that the executives in generally perceive the social responsibility as ethical conduct, environmental protection, addressing stakeholders concerns,, transparency in operations and compliance with regulations. However, it is relatively less associated with the social inequalities correction, stakeholder partnership, and public relations. According to the survey results, perceived overall cost is the most important barrier to adopting socially responsible for company executives. Another important obstacle is the resistance of managers and employees to behaving in a more socially responsible manner. Therefore, if the managers start to see the opportunities created by the CSR in the long range, their intention can be more eager to implement CSR in their organizations. Additionally, spreading the CSR perspective in these countries can be related with the increase of awareness about CSR among managers. At the same time, the link between CSR and stakeholder partnership should be strengthened in order to integrate two concepts into a single framework.

Figure 1 Understanding of CSR in Estonia, Latvia, and Lithuania (World Bank)



Figure 2 presents the result of a World Bank survey in Poland, Hungary, and Slovakia (2006). As it can be noticed that the business executives understand CSR to mean compliance with existing regulations, behaving ethically, and assuring environmental protection, but do not think that CSR involves correcting social inequalities or engaging in public relations. As the World Bank’s survey reveals that there is a considerable variety in the perceptions of CSR among these states. However, it should be noted the study shows only the perception of executives and does not indicate the actual case of CSR in these countries.

Figure 2 Understanding of CSR in Poland, Hungary, and Slovakia (World Bank)



Since the 1990s, the economic, political and social life have changed in a great extent in the new member and candidate states. The integration process into EU has accelerated this

change and today, the people living in these countries started to concern about the future of society and nature. Depending on these increasing concern, people demand from the businesses to take their responsibility. As an example, today, many companies start to produce environmentally friendly products and people increasingly prefer such products in their shopping. Hajnalka (2006) also points out that the expectations were grown in Hungary as well and the companies are required to be active – besides profitability and job creation – in solving ethical, social and environmental problems. However, when evaluating all of CEE countries, the lack of stakeholder activism is a general problem and it is clear that ‘...if stakeholders values responsibility, corporations will too.’ (Elms, 2006, 206). Elms (2006) propose the communist history of these states as a reason for the lack of stakeholder activism. In this case, CSR should be fostered not only among the firms, but also among the society as well. Because, the companies which want to succeed in the long-term should consider the consumer preferences and societal demands. Therefore, the society can shape the choices of companies about being socially responsible or not.

CSR is a new and challenging concept for every post-communist transition country and it is rather slow to find adherents of CSR among the individuals and companies (Korka, 2005). However, Korka (2005) states that there are some encouraging sign towards a more equitable and sustainable growth in Romania; in fact according to the author, Romania is in a learning process of CSR. This inference is true for all of the new member and candidate states and they are currently in a learning process. In this process, it is critical to have an integrated perspective about the CSR which indicates the multidimensional roles of businesses to the stakeholders in Europe.

The Policy Directions for the Future

CSR differs from country to country in relation to social, cultural, economic, and institutional variables (Secchi, 2004, 18). The differences in the country-specific issues can impede the implementation of an overall EU policy about CSR. As stated by Pellegrini and Gerlagh (2005) for environmental policies, ‘The presence of different income levels provides impetus to those who argue for a reduced role of supranational environmental policies. Poorer countries should pursue economic objectives first and only then concentrate on environmental quantity...the enlargement process also implies an increase in environmental diversity. Thus, while some environmental measures are considered necessities in some countries, they may be superfluous in other countries that have a different environment.’ (15). Therefore, according to the authors, EU enlargement can be used as an argument to restrict the role of environmental policies because of the increase in variation among these countries. This similar approach can be used for the implementation of CSR policies within EU context. However, it is clear that there is a need for an integrated perspective which conveys the companies to a common goal of generating a sustainable future.

The main directions of an integrated framework can be formed and implemented through the common efforts of the companies and all level of authorities in the EU. Especially, national and local authorities in the new member and candidate states should have an active role in promoting CSR in the enterprises. European governments at the national and multinational levels have developed a wide range of policies to encourage socially responsible business practices and this European willingness to adopt CSR has helped European companies differentiate themselves from the rest of the world (Aaronson and Reeves, 2002, 1). However, it is important to spread these governmental actions to the new member states. The study of Fox et al (2002) classifies the possible roles of government in the EU in

stimulating CSR into four subgroups. In the regulating role, the governments should determine minimum standards for the enterprises within the legal framework. In the facilitating role, public sector authorities should foster the enterprises to involve into the CSR activities. In the partnering role, public sector authorities should create a collaborative environment with the private sector in the accomplishment of the CSR agenda. Finally, the endorsing role provides a wide range of policy forms from the use of CSR in documents to creating an awarding system for the best practices. Surely, in order to achieve a desired level of CSR in the new member and candidate states, the different combinations of these mentioned roles should be implemented seriously.

According to EU example, Aaronson and Reeves (2002) summarise the actions of governments to promote CSR as:

- Use a range of tools from triple bottom line reporting to development of a code of conduct;
- Support the OECD Guidelines;
- Seek widespread public comment on these initiatives and thereby build a constituency for these efforts.
- Use the web and conferences to bring these issues to public attention. (2002, 22).

The role of multinational corporations should be also considered in the process of widening the CSR in these countries. According to Piskalski, the implementation of socially responsible behaviour in Poland is mainly started by foreign investors, inter alia German, who have CSR thinking embodied in their business culture. Additionally, Tesco's re-usable shopping bag program in Hungary suggested a successful CSR implementation (Elms, 2006) and can be a good example for other businesses in the local area. Additionally, an example of CSR experience sharing between Multinational Corporations (MNCs) and local companies was realised in 2002 in Romania as well. Five MNCs including McDonalds, Kraft Foods Romania, Procter & Gamble, CISCO Systems, and Eli Lilly presented their CSR experience (Korka, 2005, 55). In fact, there can be a systematic experience sharing process between old member and new member states to achieve a common goal. For example, the implementation of CSR in the Scandinavian countries has been among the best practices in the world. Therefore, the companies which have a viable CSR practices in the old member states like Scandinavian countries can share their knowledge and experience with the new-beginners.

In concluding, CSR can be the key solution in the adaptation of the business organizations into a sustainable future. Although all of the levels in public and private sectors should be engaged in increasing CSR involvement in Europe, the leading role should be belongs to EU. Because, there is an urgent need to have an integrated framework of CSR to generate a sustainable development in Europe.

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