

# Company of Tomorrow

## Corporate Social Responsibility

Origin, Definitions, Examples

**Christine Jasch, [www.ioew.at](http://www.ioew.at)**

- What are the main problems you
- think you will have to face within the next 10, 20, 30 years?

- Climate Change: Till 2050 about 200 Millionen refugees due to climate change are to be expected  
Biodiversity loss: : 1 of 4 Mammals, 1 of 8 Birds, 1 of 3 Amphibas und 70 % off al plants are threathend by extinction
- 20 % of people consume 80 % of the planets ressources.
- Every year 13 Millionen Hektar forest are cut down.
- 1 Billion people dont have enough to eat and have no access to drinking water.
- Access to Water, Access to Food, growing deserts
- Toxic chemicals, nanomaterials
- Population growth, aging of population, demographic changes
- Poverty
- corruption, terrorism
- Etc.

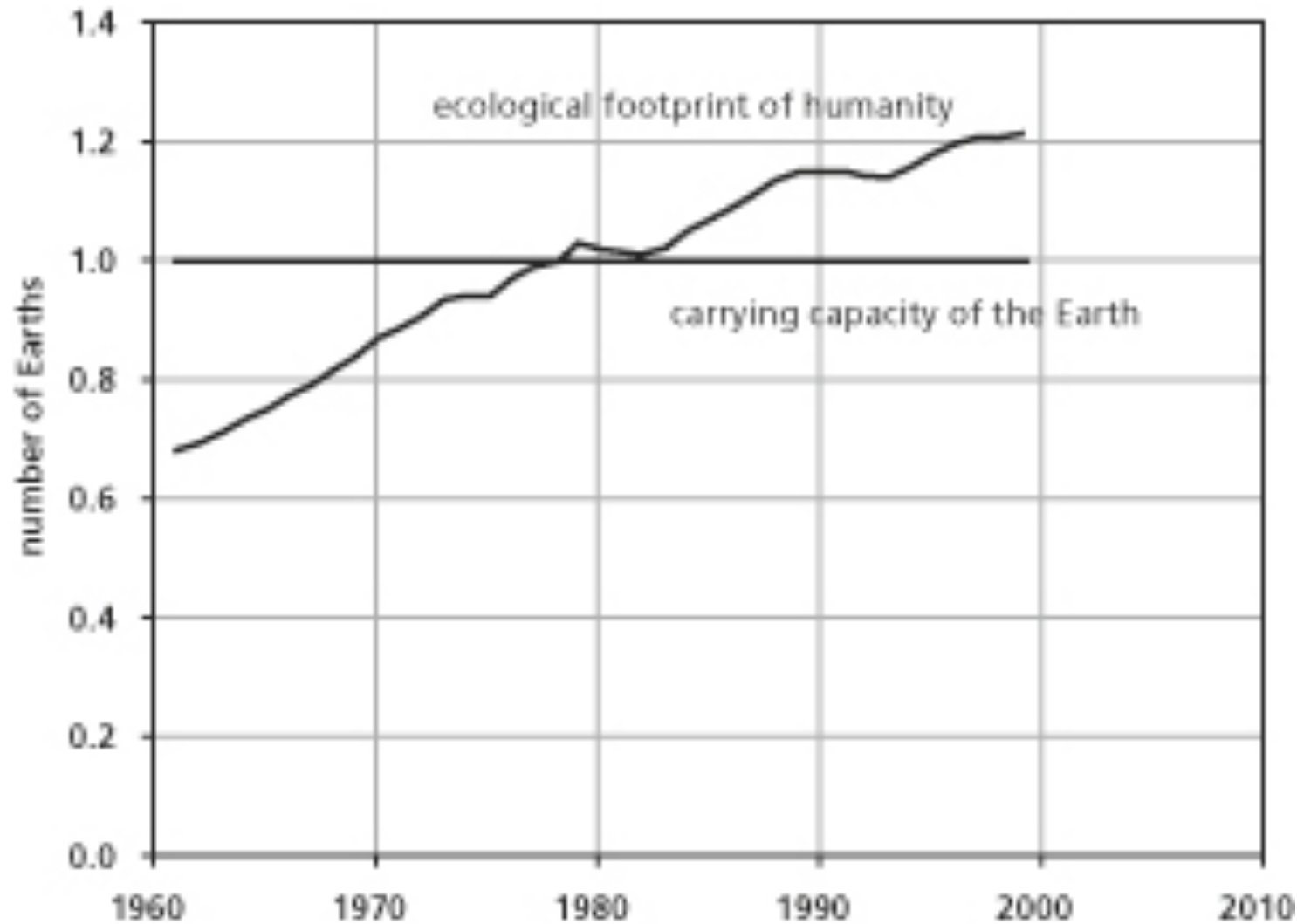
# UN Millenium Development Goals

NEUHALTIGwirtschaften

- End Poverty and Hunger
- Universal Education
- Gender Equality
- Child Health
- Combat HIV/AIDS
- Environmental Sustainability
- Global Partnership

# Ecological Footprint (based on Wackernagel)

NACHHALTIGwirtschaften



# Megatrends (nach [www.bertelsmann-stiftung.de](http://www.bertelsmann-stiftung.de))

## Global megatrends:

- Economic Globalization
- Global Governance
- Energy and Natural Resources
- Climate Change and Biodiversity
- Threats to Global Security
- Demographics and Migration

# Definition Sustainable Development

- Eine Nachhaltige Entwicklung ist eine Entwicklung, die „die Bedürfnisse der Gegenwart befriedigt, ohne zu riskieren, daß zukünftige Generationen ihre eigenen Bedürfnisse nicht befriedigen können“ (Brundtlandbericht).
  - Balancing the needs of today's and tomorrow's generation
  - Balancing the living conditions of all currently living people
  - Balancing ecology, economy and social performance
  - Macroeconomic perspective

“Which stakeholder group will be most influential in achieving the sustainable development goals?”

- **government ?**
- **NGOs ?**
- **Corporations ?**
- **Other ?**
- **None ?**

Quelle: Arthur D. Little internationale Befragung; ca. 1999



Industry



Government



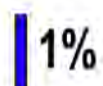
other



NGOs



Non



Contribution to sustainable development?

Quelle: Arthur D. Little internationale Befragung; 481 Großunternehmen ca. 1999

- „CSR is a concept that allows corporations to voluntarily include social and environmental issues in their activities “ (EU-Grünbuch)
  - Voluntary activities beyond legal compliance
  - CSR is a political strategy of the EU to go beyond compliance
  - Contribution to sustainable development
  - Corporate perspective

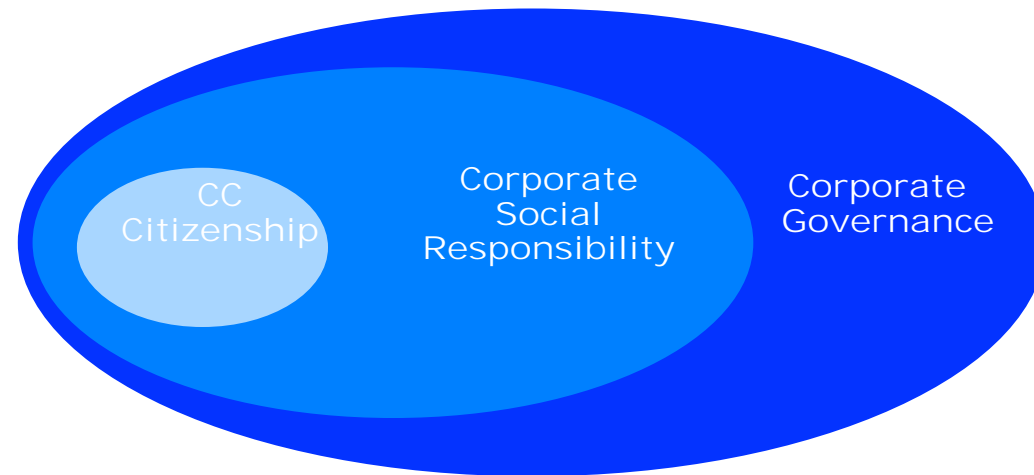
- CSR = corporate values and activities
- CSR = Political concept developed by the EU
  - open issues:
    - Standardisation
    - Mandatory implementation
    - Sustainability reporting
    - Public procurement requirements

Macro Level:  
Society

Sustainable Development



Micro Level:  
Corporations



Ref: Loew et al. 2004

- **Corporate Social Responsibility**  
responsibility of organisations towards stakeholder issues

## Corporate Citizenship

partnerships between corporations and stakeholder groups to jointly address economic and social issues.

## Corporate Foundations

- B+B. Gates, Deutsche Bank Kulturstiftungen, Allianz Umweltstiftung (part of profit or capital)

## Community Involvement

- Riots in british towns → Corporations react
- Access to water in India → Nestle helps

## Cause Promotion, Corporate Social Marketing

Promotion of causes in public interest with links to the corporate business, communicating consumer behaviour changes, z.b. Baumax Energy light bulbs

## Cause related marketing

- Drinking for the rainwood forest, Evian: Buy a bottle of water and we will supply 10 liter of water for Afrika
- Bakery Ruetz: Bread for Afrika

## Volunteering

- Days off for volunteering, e.g. after natural disasters
- Employee development by exchange with non for profit organisations

## Donations

No economic exchange value, partly tax deducatable

## Sponsoring ?

- Part of the marketing budget, exchange value equals promotion effect

# TRIGOS

= Austrian award for CSR projects

## Organised by :

- Österreichisches Rote Kreuz
- Caritas
- SOS – Kinderdorf
- WWF
- Industriellenvereinigung
- Wirtschaftskammer Österreich
- Humans World

## In cooperation with:

- respACT austria (=Plattform und Ansprechpartner für Themen wie Nachhaltigkeit, CSR und Wirtschaftsethik)
- Bundesministerium für Wirtschaft und Arbeit
- Bundesministerium für soziale Sicherheit, Generationen und Konsumentenschutz
- Lebensministerium

# Sparkassenverband



- Using the surplus of corporate activities for charity is one of the funding concepts of Sparkassen. Already in 1844 the at that time non for profit Sparkassen were allowed to use part of their surplus for charity projects.
- Also nowadays, charity expenses of about 2,5 % of profit before taxes is significantly higher than in other financial institutes or production companies.
- TRIGOS Project: Zweite Wiener Vereins-Sparkasse, bank account with no debit option.



# Philips Austria AG



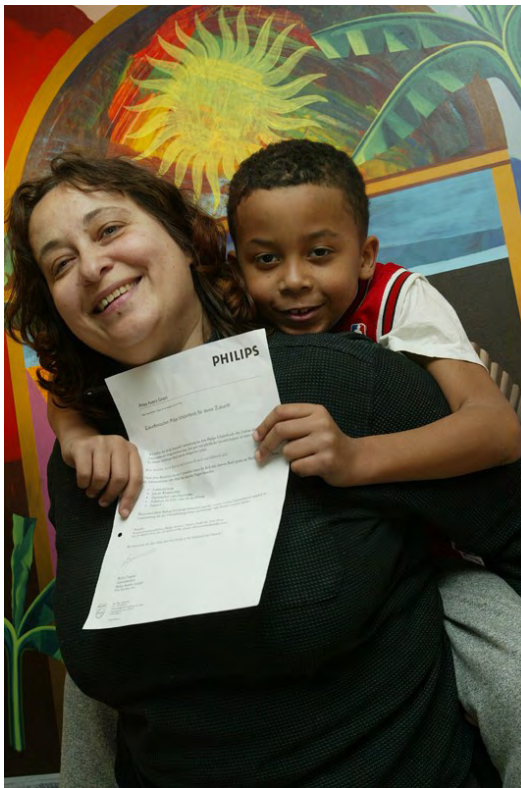
- Turning Charity Projects into business fields: e.g. smokefree wooden stove, reducing smoke by 90 %, toxic gases by 90 %, using 80 % less wood and producing heat as well as enough electricity to run a radio.
- It is distributed cooperation with foreign aid projects and can help about 300 Mio people and prevent 1,6 Mio deaths.
- Another example is the DISHA (Distance Healthcare Advancement) Project, where a High-Tech Medizin-Truck with Satellite-connection to specialised hospitals can provide medical aid and even perform operations in areas with no medical supply.

# Investkredit Bank AG



- Social-Sponsoring-concept follows two goals:
- To support projects initiated by social NGOs which have little public awareness
- to support projects which urgently need support.
- The budget for donations is fixed with 0,5 % of profit before
- The budget for sponsoring is separately defined and amounts to about 15 % of the total budget for marketing.

## Philips pupils fund with Caritas



Goal: financial support for pupils from low income classes, z.B. Learning aids, teaching materials and health support).

- Additional funds are raised by employees, customers, suppliers, and other partners, which are continuously informed about the project
- Also the public is being informed, e.g. via the xmas activities
- The total budget for charity of Philips Österreich is donated for the project.

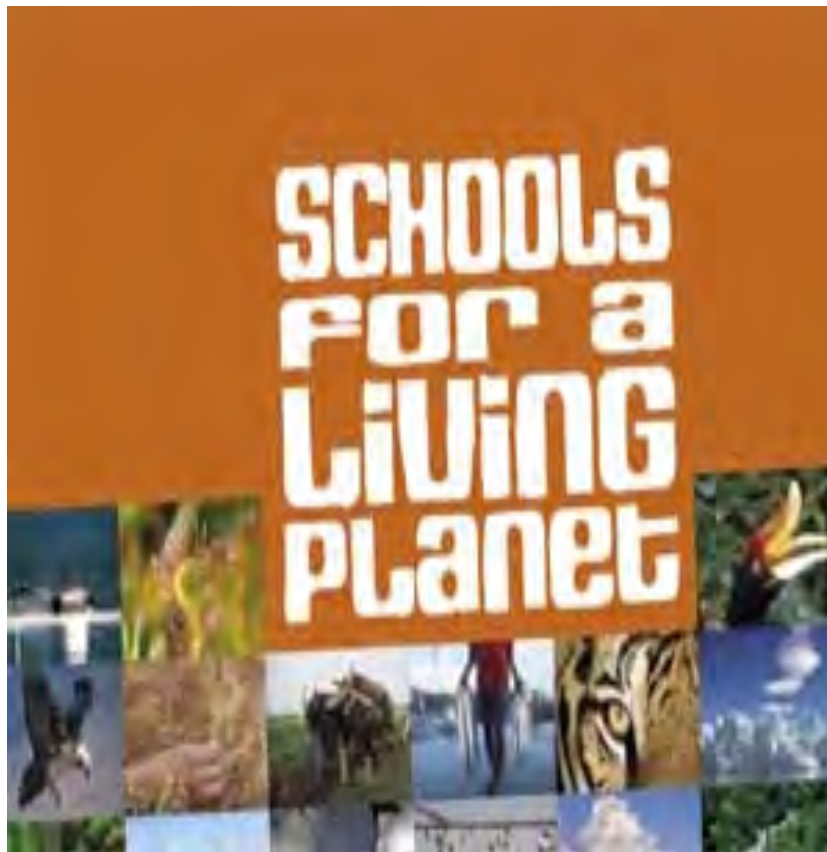
Benefits of the Project:

- Supplier and customer involvement
- Motivation of employees
- Image and awareness
- Social engagement with low organisational effort

The success is monitored by:

- Number of children supported
- Average amount paid per child
- Amount of additional funding raised
- Qualitative media review

# Lafarge Permooser GmbH Eco-Partnership with WWF



- The longterm Biodiversity Index at queries assesses the environmental quality of no longer used sites.
- „schools for a living planet“, Awareness training for biodiversity, resource and environmental protection,
- Goal: long term awareness and acceptance, licence to operate form children, neighbours, municipalities
- Benefits: Image, improved contacts with neighbours and municipalities

# bauMax AG

- The TRIGOS-Projekt „saving energy – saving money“ creates awareness for a publicly discussed issue and relates it with a positive value, money saving. In addition, bauMax is presented as helping customers to achieve both goals.

Several activities around the issue train the customers in energy saving options and at the same time promote the bauMax products.

Also bauMax implemented several energy saving initiative, e.g. efficiency checks for shops and construction measures like insulation.



# Bakery Ruetz GmbH



- Bread as basic food is presented as a help for those who are in need of it.
- In citation of the catholic lithurgy bred is related with giving.
- The non for profic association supports people who have to struggle for their daily bred.

# Cost-benefit analysis

There is little additional effort as the project is included into the daily routine.

The bread is sold amongst the other products of the bakery.

Printing and marketing costs are sponsored by another partner.

The personal hours for the employees are included in the project and raise employee identification with the company.

Any additional expenses are part of the marketing costs.

# Several benefits:

- The project is close to the core business
- Differentiation to competitors via additional „social value“, realting the company brand with charity issues
- Increased customer loyalty
- Positive feedback from employers, partners and customers
- Increased working climate, team orientation and social skills of employees
- Iestablishment of a „we feeling“ in the organisation, impleyee identification, reduced rate of fluctuation
- Communication issue in internal trainings
- Communication issue in external disclosure (webpage, press releases, company newsletter)
- Public campaign together with Caritas, visuability in shops, churches, and other places, where the bakery normally is not present
- Caritas as professional partner with high acceptance and sympathy value in the population
- The church activities promote the image campaign of the bakery
- Public support by important promoters, e.g. the bishop of Innsbruck
- image



# Cost benefit analysis

But also Caritas has several benefits:

- The Caritas project is present in 50 bakeries for a month and thus reaches other people than via the churches.
- Both partners benefit from the image and professionalism of the other
- Donation related to turnover

The benefit for society is also large:

- Reduction of poverty in Afrika and Tirol
- School support for children in Afrika
- Awarenessraising,
- Donations to Caritas for the projects in Africa about 10.000 Euro per year
- Budget for regional projects between 15.000 – 25.000 Euros

- Voluntary initiative
- Organisations commit to 10 principles related with Environmental protection, Working conditions. Human rights and Corruption
- Annual disclosure of progress report
- Goal:  
Establishment of a group movement towards sustainable development

# UN Global Compact: The 10 Principles

NACHHALIGE WIRTSCHAFTEN

- **Human Rights** Businesses should:
  - Principle 1: Support and respect the protection of internationally proclaimed human rights; and
  - Principle 2: Make sure that they are not complicit in human right abuses.
- **Labour Standards** Businesses should uphold:
  - Principle 3: the freedom of association and the effective recognition of the rights to collective bargaining;
  - Principle 4: the elimination of all forms of forced and compulsory labour;
  - Principle 5: the effective abolition of child labour; and
  - Principle 6: the elimination of discrimination in employment and occupation.

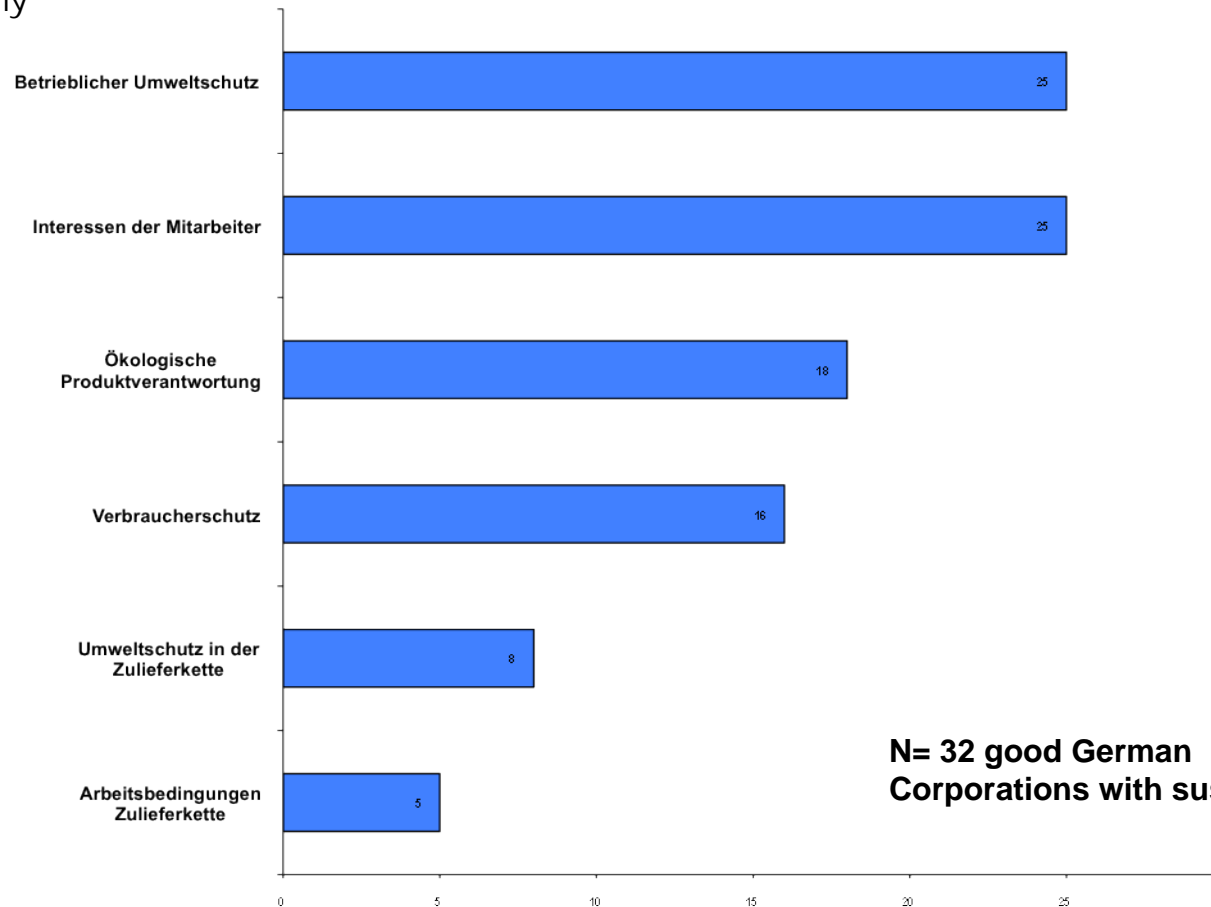
# UN Global Compact: the 10 Principles

- **Environment** Businesses should:
- Principle 7: support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.
- **Anti-Corruption**
- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

Where is your company active?

- 0 = not activ
- 1 = hardly activ
- 2 = activ
- 3 = very activ

N= 32  
Corporations with  
good sustainability  
reports  
(Loew 2006)



**N= 32 good German  
Corporations with sustainability reports**

- **Depending on business sector, structure of ownership, top management, corporate culture**
- **Responsibility for society**
  - Not very important.....
  - Difficult to argue towards Shareholders
  - Exeption: companies with ownership-management identity z.B. Tonis Freilandeier, GEA, Eine Welt Handel, Gugler, Zotter, ...
- **Risc management**
  - Campaigns from NGOs: z.B. Brent Spar
  - Z.B. REWE: organic farming supply chain management
  - Textilindustry: supply chain management reagrding human rights
  - Chemical industry: prevention of hazards and spills, product takeback, image
  - Demografic change, elderly employees
- **Cost cutting**
  - Savings of ressource inputs, costs for materials
  - Optimising management systems, e.g. compliance and processes
- **Chances**
  - Existing markets: Image
  - New Products and markets (z.B. renewable energy)
  - Employee motivation and qualification, worklife balance, diversity,

## Relation between CSR-Measures and Shareholdervalue

- Corporate sustainable business measures have a positive longterm effect on the business case. However, investors seeking short term profit maximisation will be less attracted by a good sustainability profile.
- The effect on the business case is strongest, when attached to the business strategy. CSR measures, which solely originate from the marketing department, hardly have an effect on the shareholder value.
- The relation between a bad sustainability performance and a resulting reduction in shareholder value is stronger than the relation between a good performance and an increase in shareholder value. In other words: negative news have a stronger negative effect on image than positive news; a message also to be considered by risk management.

Likewise Sustainability, Buried Treasure, Uncovering the business case for corporate sustainability, London, 2001

# What can you contribute?

NACHHALTIG *wirtschaften*

- Be the change you want to see! (Mahathma Gandhi)
- Be a catalist and role model for change!
- Most people directly go from ignorance to resignation without taking responsibility and action!
- If you dont want to do something, you can always find an excuse. But if you want to do something, you can always find a way!



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- [www.nachhaltigkeit.at](http://www.nachhaltigkeit.at)
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- Jasch, Ch., Grasl R., Köbler R., TRIGOS – CSR rechnet sich – Bewertung des Nutzens von CSR, Im Auftrag des Technologieministeriums, Berichte aus Energie- und Umweltforschung des BM VIT 2007, Wien

# Examination questions

- What is the meaning of sustainable development and CSR?
- What is Corporate Citizenship?
- Which topics are addressed in the UN Millenium Development Goals?
- Which topics are addressed in the UN Global Compact?