

Corporate Social Responsibility and Public Policy-making

Perspectives, Instruments and Consequences

Arno Mathis



University of Twente
The Netherlands

CORPORATE SOCIAL RESPONSIBILITY AND PUBLIC POLICY-MAKING

PERSPECTIVES, INSTRUMENTS, and CONSEQUENCES

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In de reeks Schone Technologie en Milieubeleid worden milieuvraagstukken belicht vanuit wetenschappelijke visies op overheidsbeleid, technologie en management.

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Arno Mathis
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List of abbreviations¹

ACF	Advocacy Coalition Framework
ACP	Secretariat of the African, Caribbean and Pacific Group of States
BEUC	European Consumers' Organisation
BSE	Bovine spongiform encephalopathy – commonly known as mad cow disease
CECOP	European Confederation of Workers' Co-operatives, Social Cooperatives and Participative Enterprises
CEEP	European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest
CEO	Chief Executive Officer
CFC	Chlorofluorocarbon
CHP	Combined heat and power
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
CSU	Council of Scientific Unions
DG	Directorate General
DJSI	Dow Jones Sustainability Index
EAP	Environmental Action Programme
EC	European Commission
ECOSOC	UN Economic and Social Council
ELV	End-of-life vehicle program
EMAS	Eco- Management and Audit Scheme
ERT	European Round Table of Industrialists
ETUC	European Trade Union Confederation
EU	European Union
EUA	European University Association
Eurosif	European Social Investment Forum
FIDH	International Federation for Human Rights
FLO	Fairtrade Labelling Organizations International
FPTP	First-past-the-post - UK's electoral system
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product

¹ The abbreviations for the case studies are presented in the individual case study chapters. This is because the used abbreviations in the case studies are mainly related to the specific actors of the networks which are not used elsewhere in the dissertation.

List of abbreviations

GMOs	Genetically modified organisms
GNP	Gross National Product
GRI	Global Reporting Initiative
G8	The Group of Eight
HQ	Headquarter
HSE	Health, Safety, and Environment
IAD	Institutional Analysis and Development Framework
IGO	International Governmental Organisation
ILO	International Labour Organization
IMF	International Monetary Fund
ISO	International Organization for Standardization
IUCN	International Union for the Conservation of Nature and Natural Resources
NATO	North Atlantic Treaty Organization
NGO	Non Governmental Organisation
NSD	Norwegian Social Science Data Services
OECD	Organisation for Economic Co-operation and Development
SAD	Socialistic Labour Party of Germany
SMEs	Small and Medium Enterprises
SPD	Social Democratic Party of Germany
SR	Social Responsibility
SRI	Social Responsible Investment
TBL	Triple Bottom Line Reporting
TRI	Toxic Release Inventory
UEAPME	European Association of Craft, Small and Medium-sized Enterprises
UK	United Kingdom
UN	United Nations
UNCED	UN Conference on Environment and Development
UNCTAD	United Nations Conference on Trade and Development
UNEP	UN Conference on Human Environment
UNICE	Union of Industrial and Employers' Confederations of Europe
US	United States
WBCSD	World Business Council for Sustainable Development
WTO	World Trade Organization
WWF	World Wildlife Fund for Nature

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At a Glance

Corporate Social Responsibility (CSR) has become a well-established, business-driven movement to tackle problems connected to sustainable development. The business world is increasingly aware of its responsibility to help solve the social and ecological problems of our time. Numerous organisations devoted to the diffusion of CSR and related concepts have been founded in the last couple of years. However, a common understanding of CSR does not exist. What is CSR and what does it include? There are uncountable definitions and descriptions available from all sectors of society. Hence, to be able to put current discussions into context, it is most fruitful to start with looking at the historical development of business responsibilities in relation to broader political and economical developments. The first chapter focuses on the historical development of CSR.¹

The approach on historical developments with respect to CSR is divided into three parts. The first deals with the historical roots of business responsibilities in a broader context. Political and economic developments are presented in a way that brings different factors of change together. These factors are key events or processes in history which have led to developments still observable today. The second part gives some insight into current discussions on CSR and the development of new concepts related to CSR such as Corporate Citizenship, Corporate Social Responsiveness, and Stakeholder Theory. CSR developments are shown in a decade-by-decade perspective, starting with the post World War II years. The focus within the descriptions of the decades is directly on CSR-related issues, concept developments, and indirectly related issues and processes. The third part will round up the findings in a brief conclusion. The applied research methodology is a literature review culminating in a narrative study. The aim of the historical approach to CSR is to provide the reader with an overview on CSR developments and trends, and how they affect current discussion on the concept.

The second chapter presents the theoretical approach applied in the research on CSR. The chapter elaborates on the complex nature of CSR due to its multidisciplinary nature and on the theories applied to gain new insights into how CSR is diffused in the business world. It also examines how CSR affects the interaction between businesses and public authorities. Furthermore, the theoretical chapter will point to difficulties and limitations in applying the theories.

Chapter three provides an overview on current CSR definitions and descriptions by relevant societal actors. How do important societal actors define CSR? The social and environmental responsibilities of corporations are undefined by any recognizable central authority. There are plenty of ways to define CSR but it

¹ Corporate social responsibility falls into many different scientific fields reaching from economics, to politics, to business management and organization, to even sociology/philosophy. This chapter focuses on political and economic macro level development from an historical perspective.

depends on one's individual perspective and ideology to choose one. This chapter provides an overview on existing CSR definitions by different (mainly European) actors in society, ranging from businesses to civil society organisations to governmental bodies. Additionally, the stated definitions are examined by a content analysis to formulate a working definition of CSR. In order to understand current perceptions of corporate social responsibilities, it is best to begin by looking at definitions from key societal actors. The definitions reviewed were selected because they had been formulated by important public, business and civil society organisations, representing a variety of societal interests. Since the focus of this dissertation is on European countries, the definitions come overwhelmingly from European organisations and institutions. The selection criterion was based on the EU Multi-stakeholder Forum on CSR which ended in 2004. Greenpeace was included to balance the number of civil society versus business organisations. Furthermore, additional key political actors in the field of CSR such as the United Nations and the Organisation for Economic Cooperation and Development (OECD) were also included in the sample because of their general importance for the development of CSR worldwide. To round out the picture, a few definitions of well-known academics are included. The various definitions of CSR were examined and analysed to identify common elements and key points. The content analysis resulted in a working definition on CSR to be used in the remainder of the dissertation. Furthermore, the latest CSR related trends and developments will be briefly presented.

The fourth chapter compares the working definition of CSR with existing perceptions and practices of potential business forerunners. In other words, the fourth chapter attempts to understand current conceptions of CSR and examines the relationship between written CSR definitions by important societal actors and perceptions of CSR within potential forerunner companies. The methodological approach is based on a questionnaire, which was sent to potential forerunner companies with respect to socially responsible behaviour in the UK, the Netherlands and Germany. The intent of the questionnaire was to explore the different perceptions, understandings, practices, and individual definitions of CSR within the private sector, with a focus on potential forerunners. Forerunners mean companies that are already active in the field of CSR. The focus is on companies with a record in CSR because it is assumed that these companies have something to tell about the phenomenon and are also likely to respond.

Chapter five is based on the questionnaire results but focuses specifically on the impact of different ownership structures of companies on CSR perceptions and practices. The decision to concentrate on results differentiated according to ownership structure of companies was made because this focus potentially adds new factors to the phenomena CSR, such as the personal values of the owner and other aspects of a long-term nature (close ties to local communities, etc). The research on CSR and differences between small- and medium-sized enterprises (SMEs) and larger corporations has produced quite some literature (Fox, 2005; Haywood, 2002;

Graafland et al., 2003; Orlitzky, 2001; Maximiano, 2006). However, there is only scarce literature on CSR and the impact of different ownership structures of companies (Uhlener et al, 2004; Déniz et al., 2005). It is generally assumed that CSR has different faces for different company types. The notion that no “one-size-fits-all” approach to CSR exists is often stated by business organisations. Therefore, to focus and differentiate CSR perceptions and practices in family businesses, co-operatives, semi-independent (subsidiaries), and shareholder companies will facilitate the understanding of CSR.

These first chapters of the dissertation provide an overview on the historical development of CSR, bringing current definitions of relevant societal actors together in the form of a working definition. It also compares the results with existing CSR perceptions and practices observable in the business world. Furthermore, this section focuses on the ownership structure of companies so as to analyse any differences in CSR perceptions and practices among different company types. The next step in developing a complete picture on CSR and how the concept affects the interaction process between the public and private sectors will be on motives for business actors to engage in CSR activities and policies. The second part of the dissertation will focus on case-study research and the question of whether CSR engagement impacts the interaction between the company and public authorities.

Chapter six presents the methodology applied in the case studies and briefly summarises the main theoretical ideas guiding the study. The approach to benchmarking and measuring CSR will be shown, followed by a presentation of the applied elements of social network analysis methodology. The methodology chapter forms the basis for case-study chapters seven through ten.

Chapter seven presents the results of the first case study on Campina, the second-largest dairy company in the Netherlands. The chapter contains two related research focuses (the other case study chapters are structured in the same manner): First, an in-depth assessment of Campina’s CSR performance is conducted, and then second, the consequences of Campina’s CSR performance for the company’s interaction with external stakeholders with a special focus on public authorities is examined.

Chapter eight provides the results of the case study on Gasunie Transport, the leading gas transport company in the Netherlands. The chapter provides insights into CSR motives, routines, and practices in the Dutch gas sector. Furthermore, the study on Gasunie Transport offers additional insights into how different ownership structures of companies influence CSR practices because Gasunie Transport is still a state-owned company.

Chapter nine focuses on CSR practices and consequences in Germany. More specifically, German CSR perceptions, motives, and practices are studied in an in-depth case study on Campina’s business branch in Germany. The chapter highlights a number of interesting differences with respect to the CSR perceptions presented in

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the previous chapters on the Netherlands. Furthermore, the analysis of institutional differences and their impact on the interaction between companies and public authorities becomes central for the first time.

Chapter ten presents the case study results on Milk Link, one of the largest dairy companies of the UK. The study on Milk Link is a somewhat different case-study chapter because Milk Link is not an active CSR company. However, the study provides useful insight into how CSR is perceived in the UK and what CSR practices and routines are seen as useful. In addition, the British government's approach to CSR is presented with a special focus on the implemented policies in the dairy sector. This is of special interest because the UK government can be considered very pro-active with respect to CSR, and the UK is one of the forerunner countries in implementing CSR policies.

The last chapter provides the reader not with a simple summary but with a comparative analysis based on the evidence gathered in the four case studies and in the survey research. The comparison focuses on company-specific factors influencing internal CSR diffusion and implementation, and on external, structural factors influencing CSR diffusion in the private sector. Finally, a comprehensive conclusion including brief summaries of all chapters answers the main research question.

**Corporate Social Responsibility –
A historical approach to
responsibilities of business**

The term Corporate Social Responsibility (CSR) is widely known and part of a growing number of official business agendas. However, a common definition of CSR does not exist. What does CSR imply? The social and environmental responsibilities of corporations are undefined by any central authority. There are plenty of approaches to and definitions of CSR but it depends on one's individual perspective and ideology to choose one (See: Bryane, 2003; Hopkins, 2003; Leipziger, 2003; Vos, 2003; Wells, 2002). To begin to approach this issue, it is most fruitful to look at the historical development of business responsibilities in relation to broader political and economic developments.¹

This chapter is divided into three parts. The first deals with historical roots of business responsibilities in a broader context. Political and economic developments are presented in a way that brings different change factors together. Change factors indicate key events or processes in history which have led to developments still observable today. Great Britain, Germany, and the United States are of most interest with respect to the historical development of CSR for several reasons: Great Britain was the first country to deal with issues related to CSR in the 19th century because of the country's early start in the era of industrialisation. Germany is of interest because the government under Bismarck was the first to introduce substantial legislation on social issues related to CSR. This represents the first major reaction by public authorities to CSR issues. Finally, the U.S. were most progressive in drafting liberal economic legislation starting with the late 19th century, which led to the Anglo-Saxon free market economy and its large corporations focusing on production of scale. The United States are still forerunners with respect to business laws and corporate governance legislation.

The second part elaborates on CSR discussions and issues of the past 50 years. CSR related developments of this period are presented in a way that connects to the first section. Developments with regard to CSR are shown decade by decade, starting with the post World War II years. The focus within the descriptions of the decades is on CSR related issues, CSR terminology, concept development, and indirectly related issues and processes. The third part of the chapter summarises the main arguments and provides a model of (and for) the evolution of CSR.

1.1 Historical roots of business responsibilities leading to the modern term of Corporate Social Responsibility

Corporate Social Responsibility as a concept has a long history. The relationship between business as a major part of society and its resulting responsibilities can be

¹Corporate Social Responsibility falls into many different scientific fields; from economics to politics, to business management and organisation, even to sociology/philosophy. This chapter focuses on political and economic macro level development from a historical perspective.

traced back centuries. This makes it difficult to determine a starting point if we want to focus on and say something about contemporary CSR perceptions and definitions. Other scholars, such as Archie B. Carroll encountered similar problems. He argues that a good case could be made for about 50 years because so much has occurred in that period that has shaped theory, research, and practice (1999: 268). I tend to agree with Carroll's approach, nevertheless it is worthwhile to look briefly at the historical developments from the last 200 years. Steets et al. (2006) argue that a historical perspective on CSR adds knowledge to current discussions because practices and motives of the past were not so different from what we observe today. Economic and political realities changed significantly during this period with considerable impacts on the balance of power between all major parts of society. Governments, business, and civil society (to use modern terminology) saw themselves confronted with changing opportunities, risks, and responsibilities. To examine these developments in a few paragraphs will help clarify recent events and tendencies such as globalisation's impact on CSR.

The dominant approach to business responsibilities until the mid 20th century was that the only responsibility of business is to make a profit for their owners. Even neo-classical economists such as Milton Friedman, who stated

The participant in a competitive market [...] is hardly visible as a separate entity; hence it is hard to argue that he (business) has any social responsibility except that which is shared by all citizens to obey the law of the land and to live according to his rights.
(Friedman, 2002: 120)

would probably disagree with this definition, although there are advocates of an even more radical definition of CSR. For instance, Albert Carr advocated that business's responsibility was to generate profit at any cost. He went even further by arguing that business could cooperate outside even the minimal amount of moral standard implied by Friedman (Carr, 1996). The complete absence of any state interference with private sector activities seems rather strange today but in the early days of the industrial revolution this was not an unorthodox situation. The nation state as we know it with its economic, social, and environmental responsibilities resulting in regulation did not exist during the beginning of the industrial revolution.

The industrial revolution brought a shift in human resources from rural to urban giving a smaller proportion of the population the task of feeding the larger proportion. Governments had to establish boundaries on which state action would be admitted. The initial governmental reaction however, was that somehow people should find their own salvation and that the common good was really the sum of the self-interest of every member of society. Working conditions were altogether poor and labour rights not even on the horizon. Reality was for most of the population, but especially for the workers, hard and full of worries (See Botticelli, 2000; Fraser, 2004; King et al., 2001). However, More (2000: 155) argues that it is irrational to hold the industrial revolution responsible for most of the social problems of the late

18th to mid-19th century. According to him, the worst enemy was not economic growth connected to industrialisation, but the lack of growth in the face of rising population. More is right in his claim, however he does underemphasise the negative consequences of industrial production especially with respect to environmental problems directly affecting the living and working conditions of the common people. Charles Dickens described the living and working conditions in industrial cities of the 19th century in *Hard Times* (1854):

[...] several large streets all very like one another, and many small streets still more like one another, inhabited by people equally like one another, who all went in and out at the same hours, with the same sound upon the same pavements, to do the same work, and to whom every day was the same as yesterday and tomorrow, and every year the counterpart of the last and the next. (Dickens, 1987: 33-34)

Regulation concerning social, environmental, health, or other political issues did not exist or was in an embryonic stage at the beginning of the 19th century. Political (with respect to economic policy) and economic liberalism were the dominant paradigms of the first part of the industrial revolution, especially in Great Britain (Botticelli, 2000; Hahn, 1998). Entrepreneurs were in a position to specify their own policies on these issues without considering any other political or societal actors (See King et al., 2001: 55-56; Botticelli, 2000: 82). The only duty they had was to pay taxes to the governmental authorities, regardless of which kind of regime was in place. Workers were not protected by state regulation and could only hope for a paternalistic attitude by the entrepreneur.

Social pressure resulting from severe working and living conditions in the first half of the 19th century culminated in the creation of early versions of trade unions, and socialist and communist parties all around Europe. This process was quite evident in Germany. The first organisation representing the working class was the Federation of the Fair (*Bund der Gerechten*), renamed in 1847 into the Federation of Communists (*Kommunistenbund*). Further major foundings of German worker organisations occurred in 1863 (general German worker association), 1869 (Social-Democratic Labour Party), 1875 (Socialistic Labour Party of Germany- SAD) and 1891 (re-foundation of SAD as Social Democratic Party – SPD - of Germany). This tendency towards stronger representation of lower social classes in the political system was contested by the established political and economic elite. Chancellor Bismarck used two assassination attempts on the life of German Emperor Wilhelm as a pretext for introducing the ‘anti-Socialist laws’ (*Sozialistengesetze*), even though the Social Democrats had nothing to do with the attempts. The German political-economic model of the 19th century can be characterised as modern with respect to the welfare state but combined with political repression from above. After the abolition of the ‘anti-Socialist laws’, the SPD became the strongest party in the empire, winning 19.7% of votes cast during the 1890 election for the Reichstag

(Imperial Parliament). In 1912, 34.8% of the electorate voted for the SPD.² The strength of the socialist party and the trade unions in Germany around 1900, together with the paternalist traditions among economic and political elites, resulted in a socio-political reality of industrial relations that combined progressive reforms from above with repression (Fear, 2000). In contrast, the worker movement developed quite differently in Great Britain at that time where trade unionism was stronger than the political labour movement until the formation and growth of the Labour Party in the early years of the 20th century (Botticelli, 2000: 82-84). In general it can be said that severe working and living conditions found their expression in the foundation of trade unions and political parties all around Europe. As a consequence, these political bodies influenced the established political elites to react to the mounting social pressure. The political system did react, but slowly and only with minimal standards.

State regulation concerning social laws was slow to take real shape. For instance, Britain implemented the first effective social regulation in the early 1830s with the Factory Act and the Poor Law Amendment Act. The Factory Act of 1833 limited children's working hours in textile mills. Specifically, those under the age of 9 were prohibited from factory work, those under 13 could not work more than 9 hours a day and those over 13 but under 18 no more than 12 hours. This act was responsible for additional factory and mine regulation in the decades to come. Furthermore, by the 1840s, women could no longer be hired to drag coal out of mines. The working hours in the textile industry were reduced to 10 hours as was the standard in many other sectors. By the 1870s, trade union pressure limited workdays to 8 or 9 hours in many industries.³ The first German social law to be formulated was the Child Protection Law of 1839, which prohibited child labour under the age of 14. However, the implementation of the law was half-hearted. It took 14 years (1853) until proper implementation through the use of inspections was guaranteed. Another almost 30 years passed without additional social legislation. During the 1880s a number of major social laws were created such as a law on health insurance (1883), an additional law on the financial security of accident victims (1884), and a law on financial security of older and disabled people (*Alters- und Invaliditaetssicherung*, 1889) (Adelmann, 1962). However, a high rate of efficiency was not guaranteed through these newly implemented social laws. Workers were only entitled to receive the pension if they had reached the age of 70 and had paid their dues for 30 years. Due to poor living and working conditions however, a significant number of workers never enjoyed the new social regulation (Harenberg et al., 1983). Hence, the lowest social class was still largely depending on the 'goodwill' of the entrepreneurs.

² See Fear, 2000: 152; and www.spd.de/servlet/PB/menu/1010263/index.html, accessed July 9, 2004.

³ See Botticelli, 2000; Fraser, 1984. For a comprehensive overview on social regulation in the United Kingdom see Environmental History Timeline, www.runet.edu/~wkovarik/envhist/4industrial.html; accessed November 21, 2006. This 'Environmental History Timeline' originally appeared in *Mass Media and Environmental Conflict* by Mark Neuzil and William Kovarik (1996).

There are examples even from the 18th century for business behaviour surpassing the orthodox requirements of the time. For instance, following a boycott from English consumers concerning sugar produced with Caribbean slave labour in the 1790s, the East India Company (one of the largest companies of the time) changed its practices and purchased its sugar from 'slaveless' producers in Bengal (The Economist, 2002; New Internationalist, 2002). Another example from the beginning of the 18th century is the Quaker Lead Company which built towns in England for its workers, schools and libraries for families, and used water pumps to recycle water as part of its industrial processes (Raistrick, 1988). Other examples of paternalism are Robert Owen and Sir Titus Salt. Owen founded the factory of New Lanark (cotton mill) in 1799 to show that efficient production did not depend on salary pressure and repression with respect to the factory workers. He limited the working days to 10.5 hours instead of the normal 13 to 14 hours, introduced health and pension insurance schemes, improved the houses of his workforce, and by the unsparing and benevolent exertion of his personal influence, trained them to habits of order, cleanliness, and thrift. He also opened a store where people could buy goods of the soundest quality at little more than cost price and the sale of drink was placed under the strictest supervision (alcoholism was a widespread problem of the time). Owen prohibited child labour under the age of 10 and built a school where children were accepted from the age of 2 (Reitz, 1970: 34-45; Encyclopedia Britannica, 1911a).

Sir Titus Salt built a model village called Saltaire in 1850 to improve the living and working conditions of his workforce. The new factory was the largest and most modern in Europe including noise, dust, and dirt reduction measures and mill chimneys with Rodda Smoke Burners which reduced pollution for the neighbourhood. Furthermore, Salt built 850 houses for his workers and other facilities such as a park, school, hospital, library, and a whole range of shops. Salt supported the reduction of working hours and was the first employer in the Bradford area to introduce the 10 hour day. However, it should be mentioned that Salt opposed all legislation to limit child labour and refused permission for his workers to join trade unions (Encyclopedia Britannica, 1911b).

The Netherlands also have a number of pioneers with respect to CSR. Diederich Gelderman (a textile manufacturer) and Willem Stork (a machine manufacturer) are examples of late 19th century socially aware entrepreneurs who implemented health care funds, saving funds, widow and orphan funds, pension and relief funds for their workers, and provided a kind of refresher education for children up to the age of 18. Another forerunner of the 19th century in the Netherlands was Jacques van Marken who paid his employees far more than the average daily wage. Van Marken gives a clear reason for his behaviour: "Does the master who forgets the rights of the worker really understand his own self-interest? He is just as foolish as if he closed the steam valve of his machine to save coal" (SER, 2001:24-25). It can truly be argued that Van Marken represents a classic paternalistic entrepreneur of his time, watching over the lives of his employees literally from cradle to grave. He provided facilities such as kindergarten, a craft school, a library with reading rooms, co-

operative shops, recreation halls, and the company's own weekly newspaper (SER, 2001:24-25).

Alfred Krupp among other German entrepreneurs, can also be seen as forerunner with regard to beyond law behaviour. For instance, Krupp provided 6,000 homes for his employees in 1906. Major German companies in all industrial sectors introduced sickness, accident, and disability insurance as well as retirement benefits for white-collar employees. Some policies were mandated by regulation; others were voluntarily introduced by the companies (Fear, 2000). It has to be said that these entrepreneurs stand out of the norm which was more characterised by poor living and working conditions. However, the motivation behind these initiatives was driven by rational considerations such as attracting and retaining a quality workforce resulting in higher efficiency. Heal (2005) also states that higher salaries, better housing, better education, and/or better health care leading to higher productivity were factors responsible for companies to engage in activities beyond regulation in the 19th century (Heal, 2005: 1-23; SER, 2001: 24).

Another motivation for beyond regulation behaviour was the awareness by employers that steadily increasing division of labour (*Arbeitsteilung*) resulted in a higher dependency of the employer towards the working class. Qualified workers were not that easy to find anymore. Hence, employers had a strong interest in binding a core working force to their company (Fischer, 1978: 44). Similar to political authorities of that time, entrepreneurs had an interest in keeping the social movement under control. Political and economic unrest were high on the agenda of the more radical wing of the worker movement. Apart from governmental social legislation, employers also tried to calm the situation by providing additional services on an individual basis. These kinds of activities by public and private actors prevented a major uprising against the political/economic system in Germany until the outbreak of the First World War in 1914 (Puppke, 1966: 254).

Other motivation factors for corporate behaviour beyond regulation were to a large extent religious values focused on ethical codes of conduct and political-economic rationality. Religious values found their expression in ethical treatment policies of customers and business relations in general, in philanthropically right behaviour (wealthy business people sharing with the community), stewardship, and paternalism (Steets et al., 2006; Micklethwait et al., 2003: 74-77). Paternalism meant that the entrepreneur looked after his employees and provided them with better working conditions and other basic services. Entrepreneurs were well aware that social pressure from the lowest social classes of society which became bundled through the foundation of political organisations, would sooner or later result in regulation or social unrest (See Micklethwait et al., 2003: 71-74; Bakan, 2005: 17). Hence, it made sense to them to anticipate upcoming social legislation and act in advance. More broadly speaking, one can observe a sample of action sequences: Public expectations with respect to social regulation resulting from social pressures for instance, did not immediately lead to social regulation. However, the social

pressures resulted in the foundation of political organisations (parties and unions) which represented the interests of workers. After diffuse social expectations culminated in the foundation of various worker movement organisations, a political process towards social legislation began. In the time between mounting social pressures and their satisfaction through state social regulation however, business took the responsibility to act socially responsible. The following figure illustrates the sequence of actions:

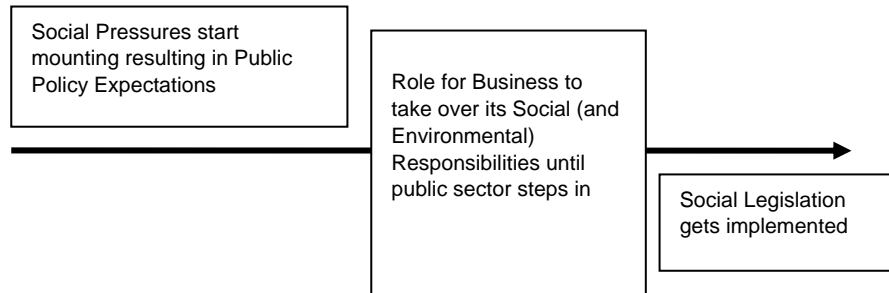


Figure 1: 18th, 19th and 20th Century model of business role perception

Good corporate behaviour or acting beyond the law also occurred 200 years ago though examples are more the exception than the rule. For the majority of workers and families at that time, working conditions were hard and life in general not much better.

The environment is usually not considered a major issue in the 19th century. However, environmental degradation was already apparent around 1850, especially in areas of heavy industrial activity. Despite the fact that citizens of that time had no environmental consciousness as we have today, there were already warning voices with respect to harmful impacts of air and water pollution. The harmful impact of industrial activity on the environment very soon surpassed everything so far noticed with significant unfavourable consequences for the living conditions of the population. Protest initiatives of ordinary citizens were the first consequence. The wider public accepted the environmental problems accompanied with economic growth however, and treated it as a necessary sacrifice to improve the overall social situation. The state was aware of environmental degradation affecting the normal population; however the implemented environmental policies of that time proved to be rather ineffective (Hahn, 1998: 120-121).

1.1.1 The modern company

The modern company, comparable to legal and organisational governance structures of present companies, began to take shape from the 1820s onwards after a combination of legal and economic changes. The dominant business organisation at least until the middle of the 19th century was still the classical partnership because

business people did not want to bring the state into their private affairs. Nevertheless, the general tendency towards (modern) corporations was unstoppable and led to an early version of the “race to the bottom”, especially in the United States. Local politicians started offering greater freedom to companies to keep their businesses in their constituencies. The same development could be observed in Europe (UK, France, and Sweden) where the need for large agglomerations of capital for the building of railways was a driving force behind the boost of laws favouring corporations (See Micklethwait et al., 2003: 39-46).

The rise of finance capitalism resulted in new conceptions of business organisation. Roy (1997) claims that markets, technology, and the internal organisation of large firms all played a role with respect to the creation of modern corporations, though they cannot account for the highly contingent history of the corporation and the social construction of economic relationships. He argues that power and property relations interact to reinforce institutional behaviour thus making some historical outcomes more likely than others. Roy illustrates his line of thinking by stating that the rise of socially capitalised corporations was indirectly supported by the governmental creation of institutions intended to help corporate enterprise in the early 19th century such as stock markets, brokerage houses, and investment banks. Those institutions formed an organisational network that can be characterised as the institutional foundation of corporate capitalism (1997). An early example of a commercial corporation was the East India Company set up by British merchants and granted the Royal Charter of Queen Elizabeth I in 1600. These merchants combined their personal stock, turning it into company stock to create the world’s first commercial corporation which later expanded into a vast enterprise controlling over a fifth of the world’s population with a private army of a quarter of a million. Corporations comparable to current legal and organisational forms came to being in Britain with the 1844 Joint Stock Company Act allowing them to define their own purpose (instead of being not-for-profit organisations to build institutions such as hospitals and universities with oversight by the government). The power to control them passed from government to courts. In 1856, shareholders were awarded limited liability; their personal assets were protected from consequences of their corporation’s actions. John Micklethwait et al. (2003: 51) argue that if anyone deserves the title ‘father of the modern company’, it is Robert Lowe. It should be mentioned that shareholders were still largely unprotected and not in a position to control the company. Finally, in 1886 a landmark decision by a US court recognised the corporation as a ‘natural person’ under law (See New Internationalist, 2002; Bakan, 2005: 10-16). The legal concept of the corporation evolved from its original role as an entity chartered by the state for specific purposes, to its present conception as a ‘legal person’ recognised by the state with certain freedoms, entitlements, and protections akin to those associated with individuals (ISO Advisory Group on Social Responsibility, 2004: 3). The impact of these ‘modern’ corporations on societies in the 19th century is well described by Micklethwait et al.:

The behemoths that were created in this period helped found modern America. It was their jobs that lured people from all over the world to America's big cities; their abuses that hastened the development of labour unions and antitrust law; their indifference to the environment that meant that sunlight could hardly penetrate the smoky air of Pittsburgh and Chicago; and their capacity to produce wealth that posed questions about inequality and meritocracy. (Micklethwait et al. 2003: 59)

Corporations can be characterised in the following manner:

- By the concept of limited liability of shareholders introduced in the mid-1800s, the corporation is well positioned for raising capital needed to finance a particular activity.
- The organisational structure of a corporation allows its owners or managers to coordinate a range of activities towards a particular objective more efficiently and profitably than without such an organisational structure. Ronald Coase elaborated in his famous article "The Nature of the Firm" on the importance of organisational structure and came to the conclusion, that firms face aside from production costs, a number of significant transaction costs for preparing and monitoring various agreements and market situations. Part of the explanation why firms exist is a result of these transaction costs, because firms are supposed to organise the process of searching for information (monitoring the market), buying and selling products or services more efficiently than individuals could do (Coase, 1937).
- The status of a legal entity has the consequence that the owners or managers of a corporation are to some extent protected from being held personally liable for corporate activities (ISO Advisory Group on Social Responsibility, 2004: 3).

The sum of these characteristics makes the organisational form of corporations efficient and effective for undertaking commercial activities. However, the organisational structure of a corporation raises questions concerning its wider responsibilities apart from making profit for its owners (shareholders). Is it enough for a corporation to obey the law or are there other obligations (e.g., license to operate) that include expectations of corporate behaviour that are not mandatory but nevertheless implicit with the granting of the licence to produce? Neo-classical proponent Milton Friedman insists that the role of business is to create economic wealth by enhancing shareholder value and that the role of government is to establish laws to guide this process. Friedman (1962) also argues that companies can rightly implement CSR policies as long as these policies serve the self-interest of the company. His interpretation of the purposes of business is rather narrow, that is making profit in order to raise the shareholder value (and CSR is allowed only if it pays directly) (Bakan, 2005: 34-38). Responsibilities by the private sector for the overall society and environment are not mentioned at all. However, other scholars like Edward R. Freeman and Robert Phillips argue that business does have additional obligations apart from their owners (shareholders). Phillips in particular

argues that there is an overextended metaphor of agency theory in economics. He questions whether managers are agents at all, and if so than not for shareholders but to the organisation. For him, corporations are not coextensive with the shareholders (Phillips, 2003:19).

Only under the assumption that the corporation is the same thing as its shareholders are arguments for agency-based fiduciary duties to shareholders viable. Directors and top management indeed have fiduciary duties to the organisation on behalf of which they act; but this does not imply a fiduciary duty or agency relationship between management and any other stakeholder. Even the (wrong) assumption that shareholders own the corporation does not imply coextension. Shareholders own nothing more than the right to a residual cash flow and even in this they enjoy limited liability. [...] Managers are not agents of share owners, share owners do not own the corporation, and less still are share owners coextensive with the corporation. The agency defence of fiduciary duties to share owners fails. (Phillips, 2003: 76-77)

If we follow Phillips' line of argumentation it becomes quite clear that a corporation can have wider obligations. The point is that Friedman's notion that corporations should only take on social responsibilities if it serves their self-interest only holds if one agrees with the intact principal-agent relationship between owners (shareholders) and managers. As Phillips points out however, there is no such agency relationship between shareholders and managers and therefore, managers should be responsive to various stakeholders in society which can potentially (negatively or positively) affect their businesses. To use Friedman's terminology, the self-interest of businesses and the managers running them should make it a normal procedure to include a broad range of stakeholder interests in decision-making processes. Connected to Phillips line of argumentation is the fact that shareholder control over corporations is increasingly connected to serious limitations, as recent history showed again. The principal - agent relationship between shareholders and managers did not work out in the way many had hoped. For instance, 90% of large US corporations are incorporated in Delaware whose laws favour managers over shareholders. Furthermore, the idea to make managers behave more like owners was perverted via excessive use of stock options into a get-rich-quick scheme for bosses. Consequently, by the end of the 1990s, chief executives of big companies took home an average of \$12.4 million - six times as much as in 1990. Recent scandals (Enron, World Com, Ahold, etc.) clearly show a severe corporate governance problem connected to the business structure of the corporation. Politics is aware of the problem and regulation tackling the corporate governance problem has been implemented in many countries around the globe. For instance, the United States introduced the Sarbanes-Oxley Act in 2002, one of the toughest pieces of legislation in decades. The law is particularly tough on auditors because the accounting partners who oversee the audit of a specific company have to be rotated every five years, and accounting firms are banned from providing consulting to companies they audit. The law also requires CEOs and chief financial officers to certify the accuracy of their financial reports and creates the new crime of

securities fraud, making it punishable by up to 25 years in jail. It is also interesting to notice that countries driven by the shareholder approach increasingly emphasise the importance of stakeholders as well. During the 1980s for instance, about half of America's 50 states introduced laws that allow managers to consider stakeholders other than shareholders. Connecticut even implemented a law that requires managers to do so. Great Britain introduced similar legislation with the 1985 Companies Act which forces directors to consider the interests of employees as well as of shareholders (Micklethwait et al., 2003: 141-155). The German approach to corporations always included a strong sense of stakeholder consultation reflected in the strong position of employees on company supervisory boards.⁴

1.1.2 CSR development until the mid 20th century

Governments in the 19th century recognised that purely voluntary philanthropic and paternalistic approaches to business activities within society were not enough to protect wider societal interests in an appropriate manner. A growing number of social (consumer and worker) and environmental protection legislation emerged during the later part of the 19th century (Micklethwait et al., 2003: 72-74). A similar international development (a call for stronger regulation on business) could also be observed. Once again, the driving issues for this process were social matters. The improvement of workers' conditions was advocated in the 19th century by two industrialists, Robert Owen (1771-1853) of Wales and Daniel Legrand (1783-1859) of France. Their aim was to set up an international organisation which could then support these issues. However, it wasn't until the end of the First World War that significant impact from these initiatives was observed. A document, stating the principle that universal and lasting peace can be founded only on the basis of social justice, was added to the Treaty of Versailles. Remarkably, that same document, with some amendments, remains to this day the charter under which the International Labour Organisation (ILO) operates.⁵

The development of business responsibilities other than profit making and following the law, have so far been limited to social issues (with a few environmental exceptions) such as working and living conditions. An explanation for this development is that the most pressing needs of that time (18th, 19th, and first half of

⁴Germany always emphasised a different approach to capitalism than the Anglo-Saxon countries. Cooperation was seen as more important than competition and the role of the state was also much more prominent. Micklethwait et al. (2003) observe four key structural features that differentiate German and Anglo-Saxon capitalism: First, there is the emphasis of cooperation including agreements, regulation prices, output, and market share. Second was the important role of banks as financiers. Third, the two level system of corporate control. Fourth, and most important for this chapter, Germany always emphasised the social role of corporations. This social obligation for corporations in Germany was reflected in the paternalistic behaviour of entrepreneurs mentioned earlier which became regulated to a certain extent under Bismarck. In the years thereafter, the strong social obligation of corporations became again reinforced in the interwar period and even in the Third Reich.

⁵See www.ilo.org/public/english/about/history.htm, accessed July 9, 2004.

the 20th century) were connected to social issues, more specifically to the very basic needs of life. Environmental degradation and general pollution problems affecting the well-being of western societies existed, but weren't high profile issues. In some ways the situation in parts of the developing world today is comparable to the situation in western societies of the previous two centuries. As long as the basic needs of the people are not satisfied, it will continue to be difficult for issues other than social ones to move up a societal agenda. During the 20th century a switch to more environmental topics was observable, especially in western societies.

Throughout the first half of the last century we can observe the activities of proactive corporations and individuals with respect to business responsibilities. For instance, Proctor & Gamble pioneered disability and retirement pensions in 1915, the eight-hour day in 1918 and, most important, guaranteed work for at least 48 weeks a year in the 1920s (The Economist, 2002). Furthermore, modern day business codes of conduct might be traced back to at least as early as the 1930s (Rudolph, 2005). Bakan (2005) states that many people associated the Great Depression with corporate greed and mismanagement. Consequently, CSR was seen as a direct response to restore public faith in business and reverse their growing fascination with big government. Bakan quotes Gerhard Swope, then president of General Electric, to support his point:

[...] organised industry should take the lead, recognising its responsibility to its employees, to the public, and to its shareholders rather than that democratic society should act through its government. (Bakan, 2005: 19)

The early 20th century also brought increased governmental regulation however, and produced an early scholarly version of business responsibility (Clark, 1916). British economist Arthur Cecil Pigou advocated the use of taxes to reduce pollution emissions and improve efficiency in the 1920s for the first time.⁶ Berle and Means' *The Modern Corporation and Private Property* of 1932 represents an early example of a detailed elaboration on the legal history of the relationship between corporations, their shareholders and managers, and the state. They argue that the modern corporation is largely an autonomous entity in which managers successfully pursue their own objectives of growth and stability rather than maximising returns for the shareholders. Berle and Means observed in the 1930s that there was substantial room for principal – agent problems in the relationship between shareholders and managers of a company. There are numerous occasions in which there are diverging interests of principals and agents such as managers considering their interests above those of the shareholders. Berle and Means's work was highly influential in the discussion on organisational sociology (Kang and Sorensen, 1999: 121-144). In the 1940s, Stanford Business School Professor Theodore Krepes argued for corporate social responsibility and used the term 'social audit' for the first time in relation to companies reporting on their social performance. The concept of social

⁶ See www.econlib.org/library/Enc/bios/Pigou.html, accessed July 12, 2004.

responsibility of corporations however, was not systematically or broadly supported by governments, private sector or civil society organisations during this period (Kreps, 1940; ISO Advisory Group on Social Responsibility, 2004: 7).

New institutions developed on national and international levels on social issues concerning business responsibilities during the 20th century. Ministries for social affairs, the environment etc. had been introduced in the second half of the century in order to reflect the additional responsibilities of the state as well as the resulting new responsibilities for business. The most prominent international agencies were the International Labour Organisation (ILO) in 1919, the International Monetary Fund (IMF) in 1944, the World Bank Group also in 1944, and the Commission on Human Rights established by the UN Economic and Social Council (ECOSOC) in 1946. In 1948 the General Agreement on Tariffs and Trade (GATT) was drawn up, which later became the World Trade Organisation (WTO). The establishment of these institutions (and others which would follow, such as the United Nations Environment Program) represent a broad attempt to develop a global rule-making and rule implementation infrastructure for CSR related issues. The question of business responsibilities and the role of business in modern society has so far been dealt with on the basis of rather modest policies by governmental and/or international governmental organisations (IGOs) and philanthropic, paternalistic, and/or economically-politically rational entrepreneurs. However, the development of the business driven concept ‘Corporate Social Responsibility’ indicates that role prescriptions of the last centuries are being reviewed on governmental and business sides. The new approach to roles perceptions can be explained through a latent underperformance of the established governmental institutions.

CSR has risen to prominence in the latter part of the 20th century and the early years of the 21st century in apparent recognition that up until now the international institutions put in place to address these issues have not been entirely successful. (ISO Advisory Group on Social Responsibility, 2004: 7).

The next section looks at developments related to CSR within each decade and categorises them to illustrate the major steps towards current CSR.

1.2 Post World War II – The emergence of the modern concept of CSR

1.2.1 1940s and 1950s

The Second World War marked the end of an era of political (wars) and economic disruptions (Great Depression). However, the war also provided an example of the capacity for governments (mainly through the economic and military sector) to organise and create opportunities. The war’s legacy lives on in corporate planning and command-and-control hierarchies in firms; CSR is also about changing these old structures within the private sector.

An important publication of the period on CSR was Howard Bowen's *Social Responsibilities of the Businessman* (1953). In this book Carroll sees the beginning of the modern period of literature on CSR.⁷ According to Bowen, the steady increase in power with respect to corporations made them vital centres of power and decision making and the actions of these firms touched the lives of citizens at many points. Bowen defined social responsibilities of businessman in the following manner:

It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society (Bowen, 1953: 6).

Other scholars even talk of the Bowen school of thinking (Bowd et al., 2003). We conclude that Bowen's book represents the most important literature on CSR of the 1950s. It is also interesting to notice that the term was not yet in common use. Social responsibility was the widespread terminology for expressing modern CSR aspects. Early CSR definitions in a modern sense evolved during the post war period. However, political and economic realities in the form of the east-west conflict and the competition of economic systems to some extent overshadowed the latest developments with regard to corporate activities and responsibilities. It is perhaps not surprising that political authorities first focused on social aspects of the CSR agenda.

The late 1940s and 1950s were dominated by the establishment of the bipolar international order in politics between the US-led western block and the Soviet-led communist block. Political and economic discussions centred more around economic supremacy and military deterrence. The post Second World War years can also be characterised by economic growth and the creation of wealth overshadowing all other aspects of production. For instance, British exports quadrupled between 1944 and 1950, the balance of payments was in equilibrium overall from 1948, the dollar gap had been bridged by 1952, and sterling became convertible into dollars – partially in 1954-5, and fully at the end of 1958 (Reynolds, 2000: 194). These impressive results went hand in hand with the development of the modern welfare state. The suffering of the British people during the war years should be compensated with the transition to a welfare state.

Demands for a 'welfare state', which crystallised around the Beveridge plan of 1942, became part of an implied contract between Government and people – sacrifice today, salvation tomorrow. [...] The commitment to a welfare state, no less than renewed faith in national sovereignty, was the price of victory. (Reynolds, 2000: 195).

⁷ For a comprehensive literature review on the development of CSR definitions see Carroll (1999). Corporate Social Responsibility: Evolution of a Definitional Construct, in: *Business & Society* Vol. 38 No 3, p. 269.

Micklethwait et al. (2003) observe close ties between business and politics during the 1950s and 1960s which led to the phrase “what is good for General Motors is good for America”. These close ties were possible because both sides only recognised issues connected to productivity, growth, and development and did not see the downside of the new large scale production in the form of pollution and other impacts on society. Similar processes could be observed in other European countries on both sides of the ‘iron curtain’. Especially with regard to West Germany, where the economic wonder (*Wirtschaftswunder*) triumphed over business responsibility questions and other societal issues related to the Second World War. Bakan (2005: 20-21) however, argues that the growing power of corporations was at least partly offset by continued expansion of governmental regulation, trade unions, and social programs. Social issues bubbled up on the political agenda and governments in Europe, North America, and Japan started to deal with these new responsibilities more proactively. However, there was not much opportunity for environmental topics to move up on the political agenda of that time. That would change slowly in the course of the 1960s. In general it can also be said that academia did not pay too much attention to CSR in the 1940s and 1950s. Very few accounts can be found in relation to CSR related developments.

1.2.2 1960s

The 1960s marked a significant growth in attempts to formalise CSR. The meaning behind the letters CSR became the focus of interest. A number of scholars, among them Keith Davis, Clarence C. Walton, Morrel Heald, and Joseph W. McGuire became active in the field of responsibilities of modern business to society. Heald’s book *The Social Responsibilities of Business: Company and Community 1900 – 1960* elaborates on how businessmen themselves defined and experienced the idea of business responsibility during the first 60 years of the 20th century. He argues that most of the discussions on CSR of the 1960s have their origin prior to 1900. Heald concludes that 60 years of extended discussion and elaboration did not clarify the concept. The general acceptance of CSR was not much higher than it had been several decades earlier (Heald, 1970). It was especially McGuire with his book *Business and Society* who had an impact on the later development of the CSR concept. He stated:

The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations. (McGuire, 1963: 144)

McGuire clearly articulated that business had more responsibilities to the wider society than only to act according to the law and to make profit. According to McGuire (1963: 144), corporations must take an interest in politics, in the welfare of the community, in education, in the happiness of the employees, and in the whole social world about it. Therefore, business must act justly, as a proper citizen should.

Social aspects of CSR are mainly covered in this elaboration; reality did not necessarily correspond to academic writing on CSR. The 1960s and 1970s saw business enjoy unprecedented levels of power while exercising very little social responsibility (Bowd et al., 2003). Harvey (1990:125-141) termed the era of mass consumption the 'Fordist' period, when little attention was paid by the public to the actions of corporations. Davis (1960) elaborated on the businesses power in society and the social impact of this power. He argued that business is a social institution and must use its power responsibly. Furthermore, he emphasised that business' social power is not only a function of internal processes but of external relationships. These power relationships between different societal actors are constantly shifting, from the economic sphere to the social sphere and from there to the political sphere and vice versa. He introduced two concepts of how business should manage its social power: 'the social power equation' and 'the iron law of responsibility'. Especially the latter is still important for current CSR discussion because Davis already refers to the license to operate metaphor:

Whoever does not use his social power responsibly will lose it. In the long run those who do not use power in a manner which society considers responsible will tend to lose it because other groups eventually will step in to assume those responsibilities. (Davis, 1960: 73)

Hence, if business does not use its social power in a responsible way then other societal actors such as public authorities or NGOs take over some of those responsibilities but also some of businesses power. Davis recognises that business power will only remain in the hands of corporate managers as long as they use their powers responsibly, otherwise a shift in the balance of power and responsibility between business, civil society, and governmental authorities will follow. As has been shown however, social power and responsibility had already shifted between different societal actors by the 1960s; it took some time until a shift of power with respect to environmental issues became observable.

Public interest in environmental and social issues re-emerged in this decade. Rachel Carson (1962) introduced concepts of food chains, the web of life, and the balance of nature into the common vocabulary for the first time with *Silent Spring* (IISD, 2004). A number of initiatives took place: the passage of the Convention on International Trade in Endangered Species in 1963, the U.S. Clean Air Act in 1963, the U.S. Wilderness Act in 1964, the Nuclear Non-Proliferation Treaty in 1968, and the National Environmental Policy Act and the creation of the U.S. Environmental Protection Agency in 1969 (RMIT University, 2001). In addition to these governmental activities there were other manifestations of increased interest in environmental and social issues. The World Wildlife Fund (WWF) was founded in 1961 and was followed in 1969 by the 'Friends of the Earth', a non-profit advocacy organisation dedicated to protecting the planet from environmental degradation and empowering citizens to have a voice in decision-making. Greenpeace, another famous NGO, was established in 1971. The foundation of these non-governmental

organisations represents a societal step towards a more civil and balanced society. These NGOs would be significantly involved in the development of legislation and standards on environmental issues in Europe and North America in the coming decades. By the 1990s there were thousands of NGOs working globally on social and environmental issues. Other famous publications of the 1960s included Paul Ehrlicher's *Population Bomb* of 1968 and George Goyder's *The Responsible Corporation* (IISD, 2004). The 1960s also saw the emergence of different social movements, from civil rights movements in the U.S. to anti-Vietnam war movements around the world. The broader public became more involved in political processes in general. Decision-making by political and economic elites became increasingly questioned. The establishment of the National Environmental Protection Agency in the United States can be seen as a reflection of these growing interests of the public in wider societal questions. For the first time, environmental policy-making became institutionalised within the policy-making machinery of a nation state. Environmental policy was more than a side-effect of other political fields. The mere existence of an institution however, does not necessarily imply efficient and effective tackling of environmental problems, not to speak of implementation.

1.2.3 1970s

The 1970s saw an acceleration of processes underway since the 1960s. A steadily increasing number of scholars started writing on CSR or closely related fields and the body of literature grew considerably. Studies on CSR focused both on external and internal implications (Gavin et al., 1975) though external facets such as reporting and stakeholder management dominated the discussion. Key aspects of current CSR definitions such as stakeholder management, environmental protection, and voluntarism of corporate engagement in CSR activities were explicitly mentioned for the first time. Furthermore, the search for social indicators became more concrete. For instance, Barry Richman (1973) proposed to develop social (and environmental) indicators such as pollution abatement, employment and advancement of the underprivileged, quality of working life, urban renewal, product safety, health, and education in combination with measurement techniques at the firm level (all issues found in current standards for CSR reporting and best practice such as GRI). According to Richman (1973:25), the measurement of these social indicators would greatly help management determine the most appropriate role in social involvement: "devising the best overall strategy, evaluating results with the use of social audits and social accounting, and justifying its actions to its major interest groups and society at large". Davis' (1971) shifting power argument from the 1960s was emphasised again and connected to businesses ethical obligation to evaluate the effects of its decisions and actions on the whole social system. Harold Johnson came forward with a very interesting and influential definition:

A historical approach to responsibilities of business

A socially responsible firm is one whose managerial staff balances a multiplicity of interests. Instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the state. (Johnson, 1971: 50)

Though not explicitly stated, it is fairly obvious that he refers to the modern concept of stakeholder management by mentioning all the different interest groups. Despite this relatively early finding, it would take another decade before Edward R. Freeman developed the fully fledged stakeholder theory. Up to that point, definitions of corporate responsibilities circled mainly around social aspects of business activities. That changed with the publication of 'Social responsibilities of business corporations' by the Committee for Economic Development in 1971. Its definition of business responsibilities was framed around three concentric circles:

The inner circle includes the clear-cut basic responsibilities for the efficient execution of the economic function – products, jobs and economic growth. The intermediate circle encompasses responsibility to exercise this economic function with a sensitive awareness of changing social values and priorities: for example, with respect to the environmental conservation, hiring and relations with employees, and more rigorous expectations of customers for information, fair treatment, and protection from injury. The outer circle outlines new emerging and still amorphous responsibilities that business should assume to become more broadly involved in actively improving the social environment. (Committee for Economic Development, 1971: 15)

The natural environment and its protection are now for the first time explicitly mentioned in the context of businesses wider responsibilities. The provided definition however, should be seen in the wider context of societal processes of the time. Social movements with respect to the environment, consumers, and employees (as well as civil rights and anti-Vietnam groups) emerged during the late 1960s and early 1970s and culminated consequently in an incremental process towards governmental regulation (Hart, 2005). Richman (1973: 32) was right when he speculated in the early 1970s that many more such organisations (social and environmental NGOs), groups, campaigns, and court actions were likely to spring up as long as corporate and political/governmental sectors failed to solve major social problems more effectively and with greater speed. Richman's assumption has to be seen in the context of the late 1960s and early 1970s, when several western societies became an active political factor with respect to dealing with social and environmental issues for the first time in history. Civil society organisations started to tackle social problems themselves to increase the pressure on established institutions of society such as government and business which would continue in the decades to come. Henry G. Manne brought voluntarism of business activities with respect to CSR on the agenda. According to Manne, "to qualify as socially responsible corporate action, a business expenditure or activity ... must be purely voluntary, and must be an actual corporate expenditure rather than a conduit for individual largesse." (Manne and Wallich, 1972: 4-6).

Current CSR definitions by business actors overwhelmingly include voluntarism of business activities as integral. Milton Friedman's standpoint that the only purpose of corporations is to make profit for their owners (shareholders) also became increasingly contested among economists. Paul Samuelson (1971: 24), another well-known economist, argued that "a large corporation these days not only may engage in social responsibility, it had damn well better try to do so."

The notion of voluntarism and the natural environment as a stakeholder were also part of working definitions on CSR introduced by Henry Eilbert, I. Robert Parket and Jules Backman (Elbert and Parket, 1973: 5-14; Backman, 1975: 2-3). A study by Abbott and Monsen on the meaning of CSR in the business world in the 1970s revealed some interesting details about CSR practices. They analysed the annual reports of all Fortune 500 companies on whether these firms indicated activities for specific social involvement categories. The list of issue areas comprised six main categories: environment, equal opportunity, personnel, community involvement, products, and other (Abbott and Monsen, 1979: 501-515). The categories can be divided into internal and external aspects of CSR. The category 'products' however, does not indicate that CSR is increasingly perceived as a part of core business activities and not just an added exercise at the boundaries of business activities. The focus within this category was exclusively on quality and safety issues and not on industrial ecology, life cycles, or supply chains. The environment was by far the category with the highest rate of social disclosures (50.4% in comparison to 32.2% for equal opportunities, which ranked second). According to the study, environment and specific problems of pollution control received substantial attention in the annual reports of the Fortune 500. The explanation for this can be seen in corporations responding to general public and governmental pressure of that time (Abbott and Monsen, 1979: 508-510). Nevertheless, one should be careful with interpreting the findings of the study because mentioning these social issues in an annual report may not necessarily mean a lot in actual practice. Governmental pressure in the form of potential regulation represented a significant driver for CSR engagement in the course of the 1970s. These findings correspond very well with the general tendency of the time towards more governmental regulation on various issues.

Archie B. Carroll (1979) proposed a four-part definition of CSR embedded in a conceptual model of corporate social performance (CSP). The concept became well-known as 'Carroll's pyramid' in the later years (Carroll, 1991). Carroll regards CSR as a multi layer concept differentiated into four interrelated aspects – economic, legal, ethical, and discretionary (later philanthropic) responsibilities. According to Carroll, the first two layers are required by society, the third layer is expected by society, and the fourth is desired by society.

Environmental degradation became obvious for everybody during the 1970s. *Waldsterben* and acid rain were high profile issues (even more during the 1980s)

and forced political decision-makers into action. Environmentalism made it onto the political agenda. The birth of vibrant counter-cultures and social movements such as the black, gay, anti-war, and women's rights movements, also raised the awareness of the public concerning 'green topics'. An open dialog on green topics was initiated and theories about endless economic growth were seriously questioned (Meadows et al., 1972). Governments around the globe implemented command and control mechanisms in the 1970s as a response. Several international political initiatives took place including the UN Conference on Human Environment (UNEP) in Stockholm in 1972 (Shoop, 2005). The conference led to the establishment of many national environmental protection agencies and the United Nations Environment Programme. The OECD Council stated that those causing pollution should pay the costs (Polluter Pays Principle), a further step to bring externalities of business activities into account. A tendency towards a stronger role for the state vs. the private sector can be observed (Bakan, 2005:102-103). For instance, the general public in the Netherlands perceived environmental degradation as the key problem in the years 1971 and 1972. As Davis et al. (1971) pointed out, the power of governments to sanction business should it become lax in some area of responsibility grew. These political (governmental regulation) and civic (NGO campaigns) activities were paralleled by scientific evidence, environmental catastrophes, and economic instability in the form of the oil crisis of the early 1970s. F. Sherwood Rowland and Mario J. Molina released their Chlorofluorocarbons (CFCs) work in the scientific journal *Nature*, calculating that continued use of CFC gases at an unaltered rate would critically deplete the ozone layer (Molina et al., 1974; Rowland, 1974). Environmental catastrophes such as the Amoco oil spill off the coast of Brittany (1978) and the Three Mile Island nuclear accident in Pennsylvania (1979) fuelled the debate on sustainable development in every respect.⁸ Governments had taken over more responsibilities to counterbalance the vastly growing activities of the business sector. However, regulation and control mechanisms put in place did not live up to the expectations of the public. Command and control type of regulation did not pay out as expected and the search for other means of control continued in the 1980s. The outlook of academia was quite realistic, maybe a little bit too optimistic, with respect to what could be expected from governments regarding CSR:

[...] there was general agreement at the conference that greater compulsory public disclosure of corporate information and activities involving social as well as economic matters is inevitable in the future. [...] No doubt this will soon become a legislative issue because of the growing number of congressional committees, politicians, governmental officials, and public hearings already focusing more on this issue. It is likely that in the not too distant future greater compulsory disclosure involving pollution, products and services sold, and possibly even employment and personnel practices, urban problems, and various other matters will emerge. (Richman, 1973: 30)

⁸ See www.westmidlands.com/days/1976-2000/1978.html, accessed July 12, 2004. See www.foe.co.uk/pubsinfo/briefings/html/20001002155135.html, accessed July 8, 2004.

1.2.4 1980s

The developments with regard to CSR in the literature saw an increase in research and a splintering of writings into alternative concepts such as corporate social responsiveness⁹, business ethics, and stakeholder theory/management. CSR as a concept was also more and more seen as a process rather than being focused on outcomes. Thomas M. Jones (1980: 65) introduced the notion of process instead of outcome for the first time. The business case for engaging in CSR activities was increasingly regarded as essential for the breakthrough of the whole concept. Peter Drucker (1984), and Philip Cochran and Robert Wood (1984) focused on operationalizing CSR and seeing if it had any relation to financial performance of a corporation. Scholars in the field became generally more interested in whether socially responsible firms were also more profitable firms in order to support the CSR movement. Other emerging concepts related to CSR such as corporate social responsiveness, business ethics, and stakeholder theory/management started to attract academic attention resulting in a growing body of literature. I will not present the concepts here because they deal with closely related, even overlapping, themes and concerns (Epstein, 1987: 104). In general it can be stated that the 1980s saw less definitions than the 1970s. Carroll further elaborated on his initial definition of CSR from the late 1970s:

In my view, CSR involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible [...] then means that profitability and obedience to the law are foremost conditions to discussing the firm's ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent. Thus, CSR is composed of four parts: economic, legal, ethical, and voluntary or philanthropic. (Carroll, 1983: 604)

Carroll greatly stresses that the basis for voluntary and/or philanthropic activities by corporations is economic profitability and obedience to the law. He goes even further by arguing that economic viability is something business does for society as well (Carroll, 1999: 284). This seems valid as viable corporations provide societies and governments with the essentials which keep the system running – taxes, jobs, and goods/services. The absence of prosperous corporations would result in a destabilisation of the capitalist system with unforeseeable consequences; certainly not in more supportive policies with regard to ethical and social issues.

The 1980s saw a continuation of political responses to the mounting pressure by NGOs mobilising the wider public. Catastrophes due to business activities got more severe. In 1984, a toxic chemical leak left 10,000 dead and 300,000 injured in

⁹ It has to be mentioned that the term corporate social responsiveness was also discussed in the mid 1970s. For more information see Ackerman and Bower (1976). Corporate Social Responsiveness: The Modern Dilemma, Reston: VA.; and Murray (1976). The social response process in commercial banks: an empirical investigation, in: Academy of Management Review, Vol. 1: pp. 5-15.

Bhopal, India.¹⁰ An accident at the nuclear station of Chernobyl generated a massive toxic radioactive explosion. The Chernobyl accident killed more than 30 people immediately (and 25,000 of the involved fire-fighters and soldiers- so-called liquidators). As a result of the high radiation levels, 350,000 people had to be evacuated (ICRIN, 2004). The decade ended with the Exxon Valdez tragedy in Alaska's Prince William Sound when the super tanker ran aground and dumped 11 million gallons of oil into the water.¹¹ These environmental disasters were again paralleled by drastic scientific evidence that serious changes regarding political and economic behaviour were necessary. A meeting of the World Meteorological Society, UNEP, and the International Council of Scientific Unions (CSU) in Austria reported on the build-up of carbon dioxide and other greenhouse gases in the atmosphere. The meeting concluded that unaltered production of these gases would lead to global warming. Additionally, the Antarctic ozone hole was discovered by British and American scientists (RMIT University, 2001). These catastrophes, combined with an economy still obsessed with improving growth rates, left the public with growing feelings of anger and helplessness. The creation of Green parties around Europe at that time can be seen as a direct reaction to these circumstances. NGOs also benefited from these events and could significantly improve their political power with respect to influencing decision makers in the public and private sectors (Hopkins, 2003: 15). 'Business in the Community', the first CSR supportive private organisation based on business membership, was founded in 1982.

During the late 1980s and 1990s, a growing tendency toward the privatisation of many political functions and processes formerly assigned to governments (public transport, parts of the health care and education system etc.) could be observed. The reasons can be seen in governmental failure to address the described issues and in increasing power and influence of corporations who opened up new markets for business (Bakan, 2005: 113-118). In *Risk Society* Ulrich Beck (1986) describes the new challenges that governments face in modern societies. According to Beck, the survival of mankind and its natural environment are becoming increasingly important on the public agenda, especially with regard to several threats; nuclear power, global warming, industrial agriculture, and genetic engineering are increasingly perceived as potential risks to the well-being of mankind. This latent perception of risk confronting people was further strengthened by Chernobyl in 1986, followed by the BSR crisis, the foot and mouth outbreak, and various other industrial catastrophes. Government is usually the responsible actor to deal with such incidents through regulation. As it turned out, governments were unable to deal with these emerging risks in an efficient way. Beck concludes that this leads to a general problem of modern societies: as well as providing their citizens with an abundance of goods and services, modern industrial societies also confront their citizens with severe risks to their health, their environment, even to the survival of

¹⁰ See www.bhopal.net/, accessed July 9, 2004.

¹¹ See www.oilspill.state.ak.us/, accessed July 9, 2004.

civilisation on the planet. At the same time, we see that the political institutions of modern societies are unable to protect their citizens from these self-imposed consequences of industrialisation (Crane and Matten, 2004: 56).

The reason for governmental failure is strongly connected to emerging risks. It is quite often the case that a single government is unable to deal with risks; this is especially true for environmental risks. Examples are the meltdown of the nuclear reactor of Chernobyl or global warming. Such risks are clearly beyond control of nation states. These developments resulted in the situation that governments are not exclusively dealing with described risks. Civil society organisations such as Greenpeace have become also important political actors. Beck sees in this development the formation of a new 'sub-political' arena. Political action formerly undertaken by elected political representatives and their bureaucracies are increasingly influenced, legitimised, or even de-legitimised by other civil society organisations. For instance, Shell's intention to scuttle the Brent Spar platform in the North Sea found the approval of the British government and EU environmental ministers. However, effective political regulation of this issue was not brought about by governmental institutions, but rather with Greenpeace highlighting the problem and consumers all across Europe boycotting Shell.¹² According to Becks' terminology one could interpret this process as being effectively regulated by 'sub-political' actors. The general tendency of governments to privatise formerly state-owned industries and services in combination with starting liberalisation of markets, resulted in the balance of power between governments and business shifting in favour of corporate power and influence (See Elkington, 1999; Piven et al., 1998; Skogstad, 2000; Strange, 1996; Watson, 2002; Zysman, 1996; Bakan, 2005: 25). Jan Tullberg (2004) however, argues that company power by common measures is overestimated. According to Tullberg it is misleading to compare company economics and country economics by sales to GDP. Instead, he proposes comparing gross profit, or 'value added' in his terminology, with a country's GNP. If one compares state and business power based on these indicators one receives much more moderate results with respect to businesses power. He concludes by saying that the perception of companies and executives as the rulers of the world is a dangerous misconception (Tullberg, 2004). I largely agree with his elaboration on the actual balance of power between states and companies and that there is a general tendency in literature to overestimate business power. Globalisation of capital, labour, and know-how however, did limit the options of governments in many respects. For instance, unemployment is a pressing issue for many governments in the western world. The wider public usually makes governments responsible for high unemployment figures, although they are less and less able to influence these figures. Globalisation enabled corporations to relocate their business (including lay-offs) without many options for governments to interfere. As a consequence of the weakening position of governments in relation to business, governments looked for

¹² See the official Shell homepage for a comprehensive presentation of relevant information on the Brent Spar case.

new modes of coordination to remain in the driving-seat of policy-making (Elkington, 1999: 25-27).

The 1980s also saw readjustments of implemented environmental policy schemes. Governments realised that the world was becoming increasingly complex and direct regulation was not solving the perceived problems. Some limitations were combined with command and control regulation (preference for end of pipe solutions rather than preventive approaches) and failures of implementation and enforcement (Hart, 2005). A number of assumptions were connected to command and control regulation tools. First, it was assumed that environmental problems are calculable and solvable. Second, society expected governments to handle these environmental problems through legislative measures. It became clear in the 1980s however, that prescribed technical solutions to target groups responsible for environmental problems was not sufficient. Governments had to recognise that the existing environmental problems were difficult to capture because of complexity and scale (Hofman et al., 1999: 5-8). As a top down approach, command and control schemes also increase the likelihood of implementation and enforcement failures due to underdeveloped consultation and dialogue with crucial parties in the policy process (Léveque, 1996: 18). New ways of problem solving were envisaged. People began to recognise that other societal actors such as business, NGOs, and other consumers could deal with environmental problems in addition to governments. Network oriented strategies were introduced which involved new relationships between public authorities and the private sector with regard to the policy creation/making process (Carlson, 2000; Hart, 2000). Direct regulation schemes were not simply replaced by network approaches (negotiated agreements, voluntary agreements, etc.) to policy making, but this meant the development of more flexible instruments which complement existing policy approaches. The success of negotiated agreements also largely depends on the environmental policy system as a whole. Bressers and De Bruijn (2005b: 252) argue that

instruments (negotiated agreements) that are not designed to fit with and complement the other elements of a nation's environmental policy system are less likely to be successful. [...] With our analyses we have shown that covenants (negotiated agreements) are dependent upon other, accompanying policy approaches (sometimes based on direct regulation or subsidies) for their effectiveness. Given the results of our studies we feel that covenants can play an important role in this system.

Bressers and De Bruijn also argue that the use of covenants is the prime example of these new network oriented approaches and marks a major shift in the philosophy of environmental governance and regulation. Consultation and collaboration, central characteristics of the use of covenants, are more likely to flourish in a corporatist context such as in the Netherlands, characterised by pragmatic bargaining and consensus building between public and private actors. The definitions of public regulation, self-regulation and co-regulation are stated below to provide a clear understanding of the used terms:

Public regulation is primarily an administrative process where the environmental objective and the train of measures to achieve it are both set by public authorities.

Self-regulation: In some circumstances, firms may undertake a collective action to cope with an environmental concern without direct governmental intervention. They voluntarily choose both the environmental target and the measures to achieve it.

Co-regulation is a hybrid form between self- and public regulation for, like self-regulation, the set of measures to achieve the environmental target is set by industry, whereas, like public regulation, the environmental objective continues to be set by public authorities. (Léveque, 1996: 45, 46, 49).

Collaboration between the public and private sector meant that the development of environmental policy had to be achieved through dialogue with business. The building of close relationships between all interested and concerned parties was viewed as essential for the successful implementation of environmental policies. Bressers and De Bruijn's (2005b) study on conditions for the success of negotiated agreements showed that the presence of a willingness of public policy makers to use alternative policy instruments as a stick behind the door to deal with environmental problems and the fact that the industry sector involved is homogenous (with a small number of players, domination of one or two players or industry association) are crucial factors for success of co-regulation schemes. Furthermore, the level of trust and mutual respect are also important for the success of such soft policy instruments. In addition to the relevant external socio-economic conditions, three central process and content specific conditions were also identified: First, all major disagreements should be solved during the negotiating processes. Second, the negotiated agreement should hold concrete, quantitative goals with responsibilities assigned to all partners. Finally, there should be ample attention for monitoring progress and evaluation during the entire process (See also De Bruijn et al., 2003).

Collaborative schemes and voluntary action by the private sector can be seen as two results of the new approach to environmental policy making. Such collaborative schemes entered the stage in the late 1980s in pioneering countries like the Netherlands (covenants) and United States (Toxic Release Inventory – TRI).¹³ The main reason behind this development was the assumption that it was essential to include the creativeness and innovation power of industry in policy processes to increase efficiency and effectiveness.¹⁴ The developments can be summarised as follows: Business in general is increasingly assuming the role of a political actor in

¹³ It should be mentioned that cooperative schemes were implemented earlier in rare instances such as in Japan where pollution control agreements were implemented in Yokohama city and Kitakyushu city in the 1960s. For more information see OECD (2003b: 34-36). See also Hart (2005); Bressers and De Bruijn (2005b); Arentsen et al., (2000) and De Bruijn and Norberg-Bohm (2005).

¹⁴ For more information on characteristics of voluntary agreements and self regulation schemes see OECD (2003b) and Hofman et al. (1999).

the sphere of social and environmental issues (Crane and Matten, 2004: 59). In 1987 for example, the UN Montreal Protocol to phase out the use of ozone depleting chemicals was signed by 24 countries. In the follow up of the agreement, private sector investment into research proved crucial in developing substitutes for the ubiquitous Chlorofluorocarbon (CFC) family of chemicals identified as a major ozone depleting source.

Public-private partnerships were formed to find ozone-friendly solutions for products and processes where it had never been thought before. (ISO Advisory Group on Social Responsibility, 2004: 10)¹⁵

Continued environmental degradation, the search for new policy instruments by governments, and the emergence of new scientific evidence with respect to environmental dynamics were paralleled by significant changes in the political and economic worlds. Conservative parties came to power both in the UK (Thatcher in 1979) and the United States (Reagan in 1980), introducing a laissez faire style of economics and rather uninspired environmental agenda (Elkington, 1999: 51-52; Micklethwait et al., 2003: 126-128; Bakan, 2005: 21-22). Privatisation, deregulation, and small government were key economic policies which found their roots in the 'Chicago School'. Milton Friedman and George Stigler, the two well known representatives of the Chicago School, advocated free-market economics including laissez-faire approaches to business and rejecting regulation. A tendency towards smaller public budgets and fewer public responsibilities became fashionable (New Internationalist, 2002). All this was in line with the interests of the business world because less regulation meant fewer costs. Because regulations reduced profitability, strategies to remove them make good business sense (Bakan, 2005: 101-102). After the collapse of the Soviet Union and the Eastern Block, the world economy became increasingly impelled by the integration of national economies in terms of trade, financial flows, ideas, information, and technology. Globalisation was coined during the 1980s and reflected these tendencies towards tighter international integration. Consequently, business became even more powerful and the balance of power between governments and business actors changed in favour of the business sector.¹⁶ Capitalism combined with the accelerating effects of globalisation became the dominant economic (and political) paradigm (Hopkins, 2003: 2; Bakan, 2005: 21-22). This process found its final expression in the collapse of communism and the Berlin Wall which in the end represented the failure of a huge and expensive economic experiment. These macro-political developments

¹⁵ See also Benedick, R.E. (1999) *The Indispensable Element in the Montreal Ozone Protocol*, Columbia Earth Institute. www.earthinstitute.columbia.edu/library/earthmatters/sept1999/pages/page4.html, accessed July 12, 2004.

¹⁶ Bakan (2005: 154) perceives the changes with respect to the balance of power between business and government differently; for him, the state's power has not been reduced. It has been redistributed, more tightly connected to the needs and interests of corporations and less so to public interest. Bakan does not agree with the general notion that governments surrender power to business; he sees governments more inclined to protect business instead of common citizens.

were paralleled by the since then unquestioned economic system of capitalism. Economic theory was no longer an issue of debate; the fundamentals were no longer contested (Elkington, 1999: 25).

Political and economic changes also affected the perceived balance of power with respect to governments and business. A reallocation of responsibilities and tasks between the public and private sectors was on the agenda of decision makers. The conception connected to voluntary and co-regulation schemes that governments are not the only institution to deal with environmental and trans-national social problems should be seen in this light. Hopkins (2003) sees a key factor for the further development of the field of CSR in the changing societal environment combined with continued environmental degradation and business malfunctions. "Society's growing awareness of the faults of some businesses, combined with business's own errors, became the motivation behind further development of the field of CSR and the notion of ethics in business" (Hopkins, 2003: 15).

International political actors tried to react to these changes. The publication of the *World Conservation Strategy* in 1980 by the International Union for the Conservation of Nature and Natural Resources (IUCN) was a crucial event which led to a series of activities in the environmental field. However, sustainable development was given a clear and straightforward definition only after 1987, when *Our Common Future* (the Brundtland report) was published.¹⁷ It reported the work of the World Commission on Environment and Development formed in 1983 and wove together consideration of social, economic, cultural, and environmental issues. It is widely acknowledged that this publication marked a significant development step in tackling problems accompanied with globalisation, especially environmental degradation and poverty. The report argues that to achieve the goals of sustainable development and environmental protection, businesses must play a key role. Marcelle Shoop's (2005) interpretation is that sustainable environmental performance by business has to be the pathway to enhancement rather than degradation in the future. CSR is seen as the business contribution to sustainable development in general (Shoop, 2005). What is perhaps most important is the fact that the term 'sustainable development' became popularised. The Brundtland report defined sustainable development as

development that meets the needs of the present without compromising the ability of future generations to meet their own needs [...] It contains [...] two key concepts [...] the essential needs of the world's poor [...] should be given overriding priority; and the idea of limitations [...] on the environment's ability to meet present and future needs. (WCED, 1987: 43)

¹⁷ The idea of sustainable development was not new at the time of the Brundtland report. The original idea came up in the International Union for Conservation of Nature's (IUCN) World Conservation Strategy eight years prior. The Brundtland report was better packaged, more accessible, and therefore, more noticed. For more information see Kronsell (1997: 118).

1.2.5 1990s

Despite similarities between the newly emerged concepts related to CSR during the 1980s, the tendency that CSR further yields to alternative themes continued. According to findings by Carroll, the concept served as the base point for other related concepts and themes, many of which embraced CSR-thinking and were quite compatible. Carroll contends that corporate social performance, stakeholder theory, business ethics theory, and corporate citizenship were the major themes that took centre stage in the 1990s along with CSR itself. CSR developed great momentum due to a number of interrelated processes. The next section briefly sketches the main political, economic, and social developments.

Political initiatives related to CSR took real shape during the 1990s. The first major step was the Earth Summit, a UN Conference on Environment and Development (UNCED) held in Rio de Janeiro. Agreements were reached on Agenda 21, the Convention on Biological Diversity, the Framework Convention on Climate Change, the Rio Declaration, and non-binding Forest principles. The terms 'sustainable development' and 'sustainability' were used throughout the Agenda 21 document. In more concrete terms, Agenda 21 supports a shift toward sustainability and greater environmental responsibility through proactive environmental stewardship and self-regulation by business rather than through top down command and control. Environmental responsibility for business as noted in Agenda 21 is:

the responsible and ethical management of products and processes from the point of view of health, safety, and environmental aspects. Towards this end, business and industry should increase self-regulation, guided by appropriate codes, charters, and initiatives integrated in all elements of business planning and decision-making, and fostering openness and dialogue with employees and the public (Agenda 21 (1992); Supra note 3, at ch. 30).

The definition is very much in line with core elements of current definitions of and approaches to CSR. A major achievement of the Earth Summit was a treaty on the reduction of greenhouse gas emissions which trap heat in the atmosphere and are believed to be a cause of global warming (RMIT University, 2001). The next major political step was the signing of the Kyoto Protocol in 1997. Delegates of the UN Framework Convention on Climate Change Third Conference of the Parties (COP-3) signed the Kyoto Protocol, which set goals for greenhouse gas emission reduction, established emissions trading in developed countries and the clean development mechanism for developing countries (IISD, 2004; Shoop, 2005). However, the envisaged emission targets only become binding when the protocol is signed by a sufficient number of nations. Since the United States has not yet signed the protocol, the real impact of the policy initiative remains in doubt.

The European Union started to express its interest in a more proactive stance of business towards broader responsibilities in the mid 1990s by adjusting its policies

with regard to the emergence of the sustainability movement and the new requirements (or challenges) towards public policy-makers. The Netherlands had already implemented a comprehensive plan for environmental management (Dutch National Environmental Plan) in 1989, taking up the idea of sustainability which functioned as a guideline for the EU in the sense that it demonstrated how something could be done. The adopted EU strategy was similar to the Dutch approach though not identical. The Dutch environmental policy approach was very influential because it was the only complete model aimed towards sustainability that existed in the member states. Furthermore, key participants in the networks responsible for drafting the environmental approach of the EU were Dutch. As Annica Kronsell (1997) points out, Dutch Director General Brinkhorst of DG XI had close connections with the network involved and supported the programme and the idea to bring in experts from outside the Commission. The EU stimulated the new trend towards network oriented strategies with the publication of the *Fifth Programme of Action and Policy* in 1993. The Fifth Programme states that actions over the last twenty years have been insufficient to stop environmental degradation and sounds the call for a reversion of the trend. The programme contains the definition of a new regulatory approach:

In future, the Commission [...] places a greater emphasis on involvement and creating a new interplay between the main groups of actors (government, enterprise, public) and the principal economic sector (industry, energy, transportation and tourism. There is a recommendation to use a wider range of instruments, notably market incentives and voluntary approaches. (Léveque, 1996: 15)

This new approach to environmental issues encouraged the private sector to start acting without direct regulation. Self- and co-regulation came more into play as alternative methods to command and control schemes (Escher, 2002; Stoeckl, 2003). These horizontal policy instruments were implemented in Canada (the Accelerated Reduction/Elimination of Toxics program) in the 1990s, in Denmark (agreement scheme on industrial energy efficiency) in 1996, in the United States (the 33/50 program and agreements with Intel Corporation and Merck Pharmaceuticals in Project XL) in 1991 and 1995, in Germany (the climate protection declaration of German industry) in 1996, in the Netherlands (various covenants with different industry sectors) between 1993 and 1998, in France (agreements signed between the aluminium and the packaging glass industries and the French Ministry of Environment) in 1996 and 1997, and in Australia (Australian Greenhouse Challenge program) in 1995 (OECD, 2003b). These new policy instruments did not replace well established command-and-control instruments, but can be seen as supplemental to existing policy instruments. Furthermore, the EU emphasised the need to include all parts of society and especially business to solve the problems associated with a sustainable future. In this context CSR has to be seen as the business contribution to achieving this sustainable future. Bakan (2005: 109-67) argues that self-regulation or deregulation is not a viable option for societies if we want to make sure that corporations obey their responsibilities. In line with his basic argumentation

(corporations are only self-interested and, hence cannot perform CSR), he argues that corporations have no capacity, and their executives no authority, to act out of a genuine sense of responsibility to society, to avoid causing harm to people and the environment, or to work to advance the public good in ways unrelated to their own self-interest. He continues by saying that deregulation thus rests upon the suspect premise that corporations will respect social and environmental interests without being compelled by government. He compares deregulation with individuals regulating themselves and concludes that nobody would seriously suggest that. According to Bakan, deregulation and self-regulation only help corporations do what they are supposed to do by mandate, namely to make profit without necessarily considering the broader societal interest.¹⁸ Bakan's argument is quite cynical however, and leaves almost no room for business capability to change in favour of societal interest. If the business world takes CSR seriously, meaning that CSR gets implemented at the core of a company directly affecting the business conduct and results in cost reductions, better employee motivation, or enhanced sales and reputation; than governments can rightly give business more room in fulfilling their responsibility versus the society.

The shifting balance of power from government to multinational companies with the process of globalisation must be recognised as a significant factor shaping the outlooks of all relevant principal actors, especially for national governments. It should be noted that currently about 25% of the planet's output in GDP terms is controlled by the 500 top companies, a situation which led UNEP Secretary-General, Elizabeth Dowdeswell (1995), to assert that

the market is replacing our democratic institutions as the key determinants of the shape of society. Ironically, just at the point in history when the tyrannies are collapsing and democracy is taking root of every corner of the world, the capacity of those institutions to respond to public will and pursue any course of action that doesn't maximise economic efficiency and global competitiveness is essentially non-existent.

In a time when it is increasingly difficult to control multinational corporations and their actions, governments seem to be forced to look for new ways to deal with them and the impacts they cause with respect to the society and the environment (Prakash and Kollman, 2003; Piven et al., 1998; Strange, 1996).

The next initiative by the European Union was launched by Jacques Delors, then head of the European Commission, and a group of European companies who launched a Manifesto of Enterprises against Social Exclusion in 1995, representing the first direct step in the process of European Union CSR development. The

¹⁸ Bakan (2005: 110) finishes off by saying "yet oddly, we are asked to believe that corporate persons - institutional psychopaths who lack any sense of moral conviction and who have the power and motivation to cause harm and devastation in the world - should be left free to govern themselves."

following years saw increased activism: in March 2000, the Lisbon summit set a new strategic goal of making Europe the most competitive and dynamic knowledge based economy in the world by 2010. In addition, the European Council made for the first time a special appeal to companies' "corporate sense of social responsibility regarding best practices on lifelong learning, work organisation, social inclusion, and sustainable development".¹⁹ The Lisbon Summit pushed CSR a couple of ladder steps upwards on the EU's political agenda (Lux et al., 2005).

Globalisation accelerated further during the 1990s. The rapid development can be seen as a major factor in the rise of CSR. Grace Skogstad (2000) provides a good summary of the associated processes of economic (deepening integration of markets), political (restructuring of power relationships), cultural (diffusion of values, norms etc), and ideological nature (displacement of embedded liberalism by market liberalism, deregulation, and privatisation). This chapter focuses primarily on globalisation's impact on power relationships. The literature on globalisation and consequences for the balance of power between politics and business is somewhat divided in two blocks, one arguing that globalisation diminished state sovereignty, the other proposing a more moderate picture (Boyer, 1996; Ohmae, 1990; Piven et al., 1998; Scholte, 1997; Skogstad, 2000; Strange, 1996; Zysman, 1996). There is some evidence that supports the claim that state sovereignty has diminished in the past 10 years. For instance, it is increasingly difficult for governments in Europe to draft national social policies which strengthen the welfare state. Even for left-labor governments it is difficult to implement policies which improve social welfare provisions. In Germany the coalition of social-democrats and the Green party between 1998 and 2005 did not implement additional social welfare provisions, but relaxed existing legislation in favour of business interests under the label Agenda 21. Hence, I would affiliate myself with the block associating globalisation with diminishing state power. Nation states nowadays compete with each other for taxes, employment, and other benefits associated with a vibrant private sector. Skogstad (2000) describes this dynamic as the current imperative to make national economies more competitive and reduce government expenditures which is in turn a broadside attack on the welfare state. In other words, the main approach by governments to regulate mobile capital is to deregulate their welfare state provisions to attract a greater share of this internal capital flows (Skogstad, 2000: 812-813).

The competition state is thus a residual state in terms of the policy instruments it can deploy and the policy outcomes that ensue. Macro-economic policy instruments are jeopardised most as a result of capital mobility and financial market integration. (Skogstad, 2000: 813)

Globalisation brought multinational corporations new opportunities for profit around the world. This new tendency towards opening up all national markets for

¹⁹ Lisbon European Council (2000). Presidency Conclusions 29/13/2000 NR: 100/1/0. Article 39 in the Council Conclusions at www.europa.eu.int/comm/off/index_en.htm; accessed 6 December 2006.

big corporations brought problems. As mentioned previously, large multinational corporations had the position to control enormous amounts of capital, providing a substantial increase in power in comparison to national governments. What ultimately follows is reduced sovereignty on the part of the nation states. Reduced national sovereignty makes macroeconomic management by national governments increasingly difficult. A state's ability to raise corporation taxation is declining because multinationals may relocate their sites if taxed too highly and use transfer price to avoid paying domestic taxes.

As a counter reaction, a strong coalition of environmentalists, anti-poverty campaigners, trade unionists, and anti-capitalist groups has developed and played an important role in promoting indirectly (because these organisations essentially want stricter regulation and not soft policies associated with CSR) the concept of corporate social responsibility and sustainability (Naim, 2000). The number of NGOs has grown considerably since the mid-1980s. The number recorded by the Union of International Associations has more than doubled since 1985 and now comprises over 40,000 organisations working to improve the environment and social welfare. Informal estimates put the number of NGOs at over one million (World Resources Institute et al., 2002: 52). NGO activism has triggered or influenced a range of major public policy debates that also impacts corporate behaviour and governance (The Economist, 2003). The breakthrough of new communication technologies such as the World Wide Web and satellite television proved to be quite significant for the development of the CSR movement. It can be stated that globalisation created a big new market for products and services, while at the same time created a vast pool of well-informed consumers. Brands became highly visible and bad behaviour or scandals by multinationals very quickly appeared in everybody's living-room.

CSR can be seen as one of many responses to well-publicised incidents of apparent corporate misbehaviour such as Shell in Nigeria, the Exxon Valdez oil spill of the coast of Alaska, the Snow Brand scandal in Japan, Enron in the United States, the issue of child labour in production of sports shoes, apparel and other products, which have been reported around the world. The modern CSR phenomenon can be seen to be part of the response to these incidents. (ISO Advisory Group on Social Responsibility, 2004: 18.)²⁰

The business world, especially corporations with highly visible brands, came under increasing pressure to change their behaviour. There have been attempts of major political players and international organisations such as the United Nations, the OECD, and the International Labour Organisation (ILO) to implement (nonbinding)

²⁰ Perceptions on what factors and incidents accelerated the development of CSR differ widely depending on the academic and cultural background of scholars. For instance, the European Foundation for the Improvement of Living and Working Conditions argues that the real catalyst for the European breakthrough of CSR was the shock announcement by French motor manufacturer Renault of the closure of its plant at Vilvoorde in Belgium. For more information see www.eurofund.eu.int; accessed 5 July 2004.

international law on corporations tackling CSR related issues. However, the impact of these attempts has been rather limited on business. In the 1970s the ILO adopted the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, but its scope has been rather narrowly conceived and has thus been largely ignored by the unions (Braithwaite and Drahos, 2000). May (2006) sees implementation problems in connection with the OECD's voluntary Guidelines for Multinational Enterprises because they lack a robust enforcement mechanism and rely on corporations bowing to the influence of the OECD for compliance. The situation with respect to the United Nations Global Compact is not much different. Many companies that have adopted the principles of the Global Compact now find it necessary to develop monitoring systems to check on compliance not only of their actions, but also of their partners in business. Increasingly business has found that to be credible they need to include independent verification systems to reinforce their own efforts. Voluntary initiatives such as the Global Compact need to provide evidence of their actual implementation and performance. There is a rising demand for ratification of companies' social policies. This is also true of the Global Compact (International Labour Organisation, 2007). Virginia Haufler (2006) argues that the UN Code of Conduct for Transnational Corporations and the OECD Guidelines for Multinational Corporations remain weak or have failed entirely. The lack of an effective political response in the years following the Rio Summit has been a major factor in the private sector's move to engage environmental policy more proactively. At first glance this looks somewhat contradicting as business is usually lobbying against political interference in their sphere of action. Civil society organisations however, developed rapidly as a counterpart to economic globalisation meaning that an even more cautious watchdog started to monitor businesses. The rapid development of national and international acting civil society organisations was only possible due to dramatic changes in the world of media. The fast diffusion of the World Wide Web and satellite television made it possible for ordinary citizens to gain access to a tremendous variety of information and news channels. Catastrophes due to business malfunctions appear on the computer or television screen with only insignificant delays; it is increasingly difficult for business to hide irresponsible behaviour. John Elkington (1999) uses Monsanto and the company's plan to import genetically modified soybeans to Europe as a drastic example of how powerful civil society organisations in combination with modern media are nowadays:

Although the US company is convinced that genetic engineering will make agriculture more sustainable, environmental concerns, the power of the media, and the ability of campaigners to operate over such media as the Internet meant that the opposition built quickly and hit harder than once would have been the case. (Elkington, 1999: 108)

Civil society organisations with a strong influence on social opinion such as Greenpeace and WWF, took advantage of these new media. These NGOs developed a significant mobilisation capacity in connection with the usage of modern media that rocked the foundations of a number of multinational corporations. The business world is now confronted with an ambivalent situation. On the one hand, business is

used to protecting their interests against potential governmental interference and should therefore be happy that governmental regulation has loosened due to globalisation. On the other hand, business now has to deal with an even more unpredictable and unreliable partner, the wider public in the form of high profile NGOs and their campaigns (Hopkins, 2003: 15; Haufler, 2006). The Brent Spar incident is illustrative in this respect. The rise of NGOs and their function as a counterweight to business and global capitalism has also triggered criticism. For instance, Kapstein (2001) and Scholte (2000) suggest that there may be risks of privatising public policies that deal with environmental, labour, and other social issues, thereby leading to a loss in democratic accountability. Bakan (2005) argues that society cannot rely on business to deliver public goods because it is not in its nature to do so; if business deems self-interest different from public interest, it will no longer promote public interests but strive for necessary profits. Bakan advocates governmental regulation because only governments can pursue social values - such as democracy, social justice, citizen's health and welfare, environmental integrity, cultural identity - that lie beyond the narrow goals of self-interest and wealth maximisation that dictate the behaviour of corporations and markets. He also argues that NGOs are not sufficient to compensate for the increase in power and influence on the side of business. Again, I think Bakan describes the situation too much in black and white. There is certainly enough reason to be sceptical about businesses ability or willingness to change in favour of CSR; there are also examples of governments putting their citizens at risk such as state controlled businesses polluting the environment even more, especially behind the iron curtain in the cold war era (Kapstein, 2001; Scholte, 2000; Bakan, 2005: 113-151).

Even so, the NGO community that seeks what they perceive to be more ethical and socially responsible business conduct is beginning to generate substantial changes in corporate management, strategy, and governance (Doh et al., 2003, 2006). The modern conceptualisation of CSR (modern CSR is not about charity and other side-effects of business conduct but changing normal business conduct itself in a way that improves the economic, environmental, and social bottom line of a company) entered the international stage at this point because it provides multinational corporations with an instrument to deal with new challenges and requirements (Bakan, 2005: 26-27; Fuchs, 2005). CSR engagement enables companies to improve their competence to navigate uncertainty and their ability to maximise opportunity because of internal improvements with respect to production or service delivery and improved stakeholder dialogue (Sethi, 1975; Rudolph, 2005; May, 2006). The expressions of CSR engagement by companies vary from voluntary commitment, triple-bottom-line management and reporting, and the implementation of specific codes of conducts to the set up of standards and selection criteria for contractors and business partners. What is central in all cases is the voluntary nature of commitments. On a more macro level CSR is also reflected in voluntary agreements and other self-regulation approaches. Business uses these soft steering mechanisms to create or defend their freedom versus additional state regulation. Haufler (2001) argues convincingly that

increasingly, the standards at issue are not purely technical or market-facilitating, as corporations seek to ward off the imposition of public authority on their activities by developing self-regulatory mechanisms, including corporate codes of conduct. These corporate codes explicitly address issues that previously had been characterised as public in nature, ranging from provision of welfare to the provision of security [...]

How business understands and implements CSR is a different question. The spectrum reaches from a new 'green-washing' strategy to a real change in business governance and behaviour. Bakan (2005: 56-59) argues that CSR can't work because of the corporation's fundamental institutional nature which is its unblinking commitment to its own self-interest. Bakan elaborates extensively about corporation's institutional character and concludes that corporations are obsessed with profits and share prices, are greedy, lack concern for others, and harbour a penchant for breaking legal rules. He again sees the reasons for that behaviour in the institutional culture (organisation) of corporations which valorises self-interest and invalidates moral concern. For Bakan (2005: 160-161), the way out of the CSR trap is through governmental regulation in the short term and a change in the corporation's mandate in the long run towards serving, promoting, and being accountable to broader domains of society than only themselves and their shareholders.²¹ In the very same book however, (Bakan, 2005: 143), there are also arguments why CSR can work. According to Ira Jackson, former director of the Centre for Business and Government at Harvard's Kennedy School of Government, business leaders are not a bunch of socialists in drag when they embrace social responsibility, nor do they do it because government is putting a gun to their head. Rather, they understand the market requires them to be there, and that there is competitive advantage to be there. Not only are there potential business cases for CSR already in place which make it a strong option for advancing the good of

²¹ I quote Bakan's (2005: 57-58) Enron example here because I think it will represent a classic example in CSR literature in the future: "Take the large and well-known energy company that once was a paragon of social responsibility and corporate philanthropy. Each year the company produced a Corporate Responsibility Annual Report; the most recent one, unfortunately its last, vowed to cut greenhouse-gas emissions and support multilateral agreements to help stop climate change. The company pledged further to put human rights, the environment, health and safety issues, biodiversity, indigenous rights, and transparency at the core of its business operations, and it created a well-staffed corporate social responsibility task force to monitor and implement its social responsibility programs. The company boasted of its development of alternative energy sources and the fact it had helped start the Business Council for Sustainable Energy. It apologised for a 29,000 barrel oil spill in South America, promised it would never happen again, and reported that it had formed partnerships with environmental NGOs to help monitor its operations. It described the generous support it had provided communities in the cities where it operated, funding arts organisations, museums, educational institutions, environmental groups, and various causes throughout the world. The company which was consistently ranked as one of the best places to work in America strongly promoted diversity in the workplace. Unfortunately, this paragon of corporate social responsibility, Enron, was unable to continue its good works after it collapsed and the weight of its executives' greed, hubris, and criminality. Enron's story shows just how wide a gap can exist between a company's cleverly crafted do-gooder image and its actual operation and suggests, at a minimum, that scepticism about corporate social responsibility is well warranted."

societies at large, Bakan also underestimates the potential of CSR when implemented to the full extent including active stakeholder management. Companies actively performing stakeholder management have to deal with interests broader than only their own narrow self-interest. If companies want to make the optimum for themselves than they need to respect interests of affected stakeholders to avoid negative consequences for irresponsible behaviour. An adequate elaboration on the range of CSR versions is outside the scope of this chapter. Figure 2 illustrates the impact on the role perceptions of the private and public sectors.

A number of private sector initiatives took place during the 1990s with the aim to standardise and formalise CSR related business activities. A reason for the proliferation of CSR related standards was the increasing demand by governments, international organisations (OECD and United Nations), and NGOs for procedures and measurement indicators that improve transparency of data and allow comparisons in the long run. For instance, the ISO 14001 was adopted as a voluntary international standard for corporate environmental management systems. Since its launch in 1996, at least 36,765 companies certified to ISO 14001 in over 112 countries (including certification both to the ISO 9000 series and to the ISO 14000 series) (Leipziger, 2003: 479).

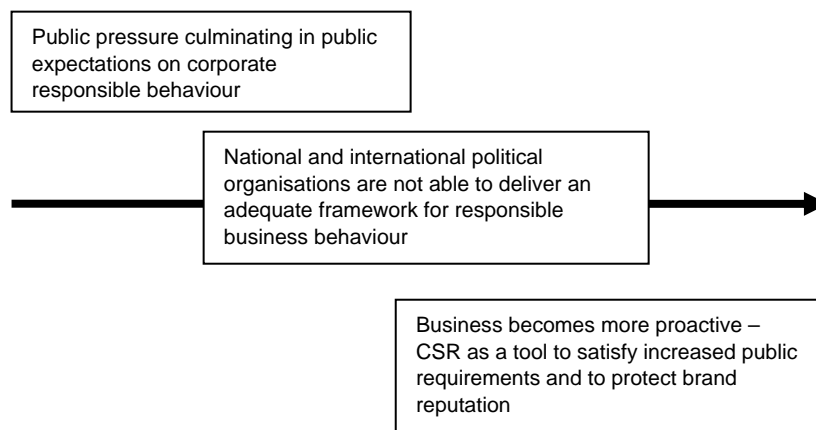


Figure 2: Changed corporate behaviour in the era of globalisation

The second half of the 1990s saw a series of business-driven (partly with governmental assistance in the set-up phase) initiatives in the field of CSR:

- Fair Labour Association: Workplace Code of Conduct (focus on social issues);
- Social Accountability 8000 (Represents a global and verifiable standard designed to make workplaces more humane – focus on social issues);

- Global Sullivan Principles launched (*The objectives of the Global Sullivan Principles are to support economic, social and political justice by companies where they do business*²²);
- AccountAbility 1000 Framework (Defines best practice in social and ethical auditing, accounting and reporting);
- Creation of the Dow Jones Sustainability Index (provides a bridge between those companies implementing sustainability principles and investors looking for trustworthy information to guide sustainability focused investment decisions, followed by the launch of the FTSE4Good Index Series in 2001);
- Ethical Trading Initiative: Base Code (Seeks to improve the lives of workers in global supply chains by creating a forum to identify and promote good practice in the implementation of codes of conduct) (Leipziger, 2003).

1.2.6 2000 - present

Globalisation continues and has triggered several serious counter reactions. Apart from the earlier characterisations of globalisation, there are also simplified understandings such as globalisation as a phenomenon initiated by the western world (and predominantly by multinational companies) with the aim of improving international trade between all parts of the world, including developing countries. Anti-globalisation advocates argue that one of the consequences of globalisation will be the end of cultural diversity, and the triumph of a single, homogenous culture serving the needs of transnational corporations. Put bluntly, the world drinks Coca-Cola, watches American movies, and eats American junk food. American culture is seen to be dominated by monetary relationships and commercial values replacing traditional social relationships and family values.²³ The massive protests against globalisation became visible for the first time during the 1999 WTO summit in Seattle. Seattle represents the start of a series of protests against organisations associated with advancing the current form of globalisation. It became apparent after Quebec, Geneva, Goteborg, and Genoa that any time the WTO, World Bank, G8, or the World Economic Forum were to meet somewhere in the world, protesters would be there (Rennen et al., 2003; Bakan, 2005). As a direct counter-reaction to the annual meetings of the World Economic Forum, the anti-globalisation movement also holds an annual meeting called the World Social Forum first held in Porto Alegre in 2001.

Consumer boycott is another expression of protest against misbehaving corporations in international trade. In 1977, a consumer boycott in ten countries protested against

²² See www.globalsullivanprinciples.org/; accessed 12 July 2004.

²³ See www.globalisationguide.org/07.html; accessed 13 July 2004.

a baby milk formula of Nestle on grounds of deadly corporate practice.²⁴ This consumer boycott marked one of the first times an international movement based mainly on ordinary people stimulated a transnational corporation to change its behaviour over a social issue. The occasion marked the first time in history that a movement of ordinary people forced a transnational corporation to deal directly with them at the negotiating table (ISO Advisory Group on Social Responsibility, 2004: 11). The Brent Spar incident of Shell also included a major consumer boycott in Western Europe which had significant impact on the behaviour of Shell.²⁵

The beginning of the 21st century also saw new initiatives by the European Union on CSR in the form of the publishing of the Green Paper on promoting a European Framework for CSR by the European Commission in 2001 and the European Commission's Multi-Stakeholder Forum on CSR set up in October 2002. The Green Paper aims to foster a debate on CSR, the role of the EU in promoting CSR, and the creation of partnerships amongst stakeholders. The Green Paper presents the Commission's current views on CSR in Europe and starts by conceptualising CSR, placing it in the triple-bottom-line context of people, planet, and profit. Hence, the Commission adopts a well known approach and perceives CSR as:

a concept, whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Being socially responsible means not only fulfilling legal expectations, but also going beyond legal compliance and investing more into human capital, the environment and the relations to stakeholders." CSR is essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment". [...] While corporate social responsibility is a process by which companies manage their relationships with a variety of stakeholders who can have real influence on their licence to operate, the business case becomes apparent. (European Commission, 2001: 7-30)

The European Commission greatly emphasises the voluntary nature of CSR which means in turn that the Commission does not favour mandatory approaches in Europe. The Green Paper also recommends that CSR activities should be integrated into the management of companies, rather than simply being one task at the periphery of business activities. Furthermore, reporting on CSR activities and performances is emphasised together with verification and assessment. More than 250 organisations – businesses and various other organisations – responded to the Green Paper. The overall consensus was that the business community favours, not surprisingly, a voluntary approach to CSR which should be market driven and that

²⁴ According to UNICEF, where water is unsafe a bottle-fed child is 25 times more likely to die as a result of diarrhoea than a breastfed child. The aim of the boycott was that the company should halt all promotion of breast milk substitutes to parents and health workers, including direct advertising to consumers, the distribution of free samples and the use of 'milk nurses'. For more information see www.nctpregnancyandbabycare.com/nct-online/nestle.htm; accessed 14 July 2004.

²⁵ Sales of Shell petrol were down by 70% in some German outlets and the company gave in after only a few days.

legislation is not needed. However, other societal actors such as trade unions and environmental NGOs emphasise that the voluntary nature of CSR may not be sufficient to protect the wider society (Lux et al., 2005). The European Parliament also prefers stricter regulation on CSR and perceives CSR based on pure voluntarism as not sufficient, especially with respect to the environmental protection:

[...] CSR policy has to be developed on a voluntary basis, notwithstanding existing national and European regulation, international conventions and guidelines and further development of these regulations; [the European Parliament] emphasises that companies should be required to contribute to a cleaner environment by law rather than solely on a voluntary basis [...] (European Parliament, 2003)

Furthermore, the EU Parliament proposed mandatory reporting on all three bottom lines by companies including annual equal opportunity plans. It became clear that the EU Parliament has a considerably stricter approach to CSR than the EU Commission which intends to provide business with substantial freedoms. The Commission's soft approach to CSR is manifest in the 'European Communication on Corporate Social Responsibility: A Business Contribution to Sustainable Development', an EU strategy to promote CSR. A number of concrete actions are formulated including an EU multi-stakeholder forum, maintaining CSR in all community policies, increasing knowledge and promoting the development of CSR management skills, facilitating and developing user friendly CSR tools for Small and Medium Size Enterprises. The Commission again highlights the fact that the principles of community action should be: voluntary, transparent, adding value, taking a triple-bottom-line approach, and based on existing international agreements and instruments. The Commission is obviously not entirely clear about the future of CSR in Europe because on the one hand, it advocates voluntary CSR and on the other proposes that CSR should be based on international agreements and instruments. Lux et al. (2005) argue that if international law were to be used to define CSR, it would lead to the setting of minimum standards for corporate behaviour.

The European Commission's Multi-Stakeholder Forum on CSR, which ended in 2004, served as a platform to exchange experiences on best practices and highlight the main problematic issues with respect to CSR. Participants in the forum, which included organisations representing employers, employees, consumers, the environment, civil society in general, and politics, were to establish a common EU approach to CSR and identify areas where the additional European focus is necessary. The main output of the forum was that CSR is relevant in the fields of employment and social policies, enterprises, environmental issues, consumers, public procurement, and external relations including development policies and trade (Lux et al., 2005). It is fair to say that the output of the European Commission's-Multi-Stakeholder Forum on CSR were comparatively modest. This is not surprising however, as the forum invited all parts of society and their representing

organisations to have a say on the complex concept of CSR. Obviously, business and a number of civil society organisations have opposing views and even EU institutions hold different positions. To have a rather vague outcome after the communication rounds is the logical consequence of the diverse opinions and standpoints on CSR. The EU initiatives were supported by the EU Social Fund, CSR Europe, the Copenhagen Centre, the International Business Leaders Forum, and various other partners in the form of a major campaign to promote CSR. The goal was to mobilise 500,000 businesses to engage in CSR activities. In addition to the steps set by the European Union and other European organisations, the arguably most significant step forward is currently on hold – the EU Charter of Fundamental Rights, the key document setting out the underlying values of the EU. Lux et al. (2005) speculate that the adoption and implementation of the Charter could lead to substantial consequences not only for community institutions but for companies. The provisions which may affect business are among others consumer protection, environmental protection, the rights of the elderly, integration of persons with disabilities, and a bulk of labour rights (non-discrimination/equal opportunities, fair and just working conditions etc.) (Lux et al., 2005; Thorsen and Meisling, 2005). However, the EU Charter of Fundamental Rights is not a treaty, constitutional, or legal document, and has the ambiguous value of a ‘solemn proclamation’ by three of the Union’s most important institutions. The Charter was proclaimed at the European Council in Nice on 7 December 2000 by the presidents of the Council, the European Parliament, and the Commission. It was not incorporated into the Treaties establishing the European Union. The Charter has been incorporated as the second part of the draft European Constitution, which is in the process of ratification by the 25 Member States. Consequently the Charter is not yet a binding legal document (European Commission, 2007). With France and the Netherlands not ratifying the European Constitution because of their referendums, it is unlikely to see the Charter as a legal document in the near future.

The launch of the Global Reporting Initiative (GRI), the UN Global Compact in 2000, and the OECD Guidelines for Multinational Enterprises (revised version of 2000) indicate the rise in prominence of sustainability and corporate social responsibility issues. GRI pioneered sustainability reporting, providing guidelines that serve as a framework for economic, social, and environmental reporting. Although the GRI guidelines are not a code of conduct, a management system or a standard, they are useful for companies working on code implementation. The UN Global Compact is an initiative of former UN secretary-general Kofi Annan, to give a human face to globalisation. The Global Compact is not a regulatory instrument – it does not police, enforce, or measure the behaviour or actions of companies. Rather, the Global Compact relies on public accountability, transparency, and the enlightened self-interest of companies, labour, and civil society to initiate and share substantive action in pursuing the aims of the Global Compact (Leipziger, 2003; United Nations, 2007). In 2002, the UN World Summit on Sustainable Development was held in Johannesburg. The summit expressed the important role of the private sector in contributing to sustainable development on a number of occasions:

We agree that in pursuit of their legitimate activities the private sector, both large and small companies, have a duty to contribute to the evolution of equitable and sustainable communities and societies. [...] We agree that there is a need for private sector corporations to enforce corporate accountability. This should take place within a transparent and stable regulatory environment.²⁶

The following paragraph indicates how the participants of the summit envisage the implementation of sustainability and corporate accountability. The activities of standard setting institutions for instance, are addressed explicitly:

Enhance corporate environmental and social responsibility and accountability. This would include actions at all levels to: Encourage industry to improve social and environmental performance through voluntary initiatives, including environmental management systems, codes of conduct, certification and public reporting on environmental and social issues, taking into account such initiatives as the International Organisation for Standardisation (ISO) standards and Global Reporting Initiative guidelines on sustainability reporting, bearing in mind principle 11 of the Rio Declaration on Environment and Development; [...] Encourage dialogue between enterprises and the communities in which they operate and other stakeholders [...]²⁷

The voluntary nature of business activities with respect to CSR and the importance of stakeholder dialogue for companies are emphasised again. However, the role of legislation was also emphasised in support of sustainable development. According to the summit's 'Plan of Implementation', each country has the primary responsibility for its own sustainable development, and the role of national politics and development strategies cannot be overemphasised. All countries should promote national sustainable development by enacting and enforcing clear and effective laws. Furthermore, the implementation plan commits to concrete actions and measures to "promote the integration of the three components of sustainable development – economic development, social development and environmental protection – as interdependent and mutually reinforcing pillars".²⁸

A recent study by Sustainability/Global Compact also indicated the crucial governmental role if the CSR movement is going to achieve its final breakthrough. According to the study, the movement is in a critical stage. So far, CSR activities have focused on encouraging companies to measure, manage, and mitigate negative environmental and social impacts, and to maximise positive impacts. However, they conclude, despite good intentions, that the various voluntary initiatives which claim to contribute to sustainable development do not have the capacity to achieve critical

²⁶ www.johannesburgsummit.org/html/documents/summit_docs/1009wssd_pol_declaration.doc; accessed 12 July 2004.

²⁷ www.johannesburgsummit.org/html/documents/summit_docs/2309_planfinal.htm; accessed 12 July 2004.

²⁸ World Summit on Sustainable Development (2002). Plan of Implementation, ch. I, 2. www.un.org/esa/sustdev/documents/docs.htm; accessed 7 December 2006.

mass at the pace likely to be required. According to the study, governments have to set the course, develop incentives, and generally help create a stronger business case. In the meantime, civil society and business have a role to play in supporting government action towards sustainable development and advocating and helping develop stronger frameworks where governance is weak (Sustainability, 2004). The following reference expresses Sustainability's views on government's role in the CSR movement in a straightforward manner:

So governmental involvement is going to be crucial. Critically, as some of our respondents noted, and a point we firmly endorse, the challenge is not to get companies to take on the responsibilities of governments but to help ensure governments fulfil their own responsibilities. (Sustainability, 2004: 3)

Both governmental and private actors must support a general social change towards more sustainability. It remains to be seen how far national governmental actors are able and willing to promote sustainable development. However, climate change is high on the political agenda around the world; even George W. Bush recognised the need to become active, which may in itself lead to acceleration in the implementation and adoption of policies based on sustainability ideas on national and international layers.

1.3 Conclusion

Corporate Social Responsibility as a business-driven concept has a long history. The chapter provided an overview on the general development of the concept as well as its main drivers and limitations. The modern conception of CSR developed in stages, which could be described as follows:

- The embryonic years (*unstructured behaviour*). From the industrial revolution until the first half of the 20th century,
- Infancy (*learning to talk*). 1950s, 1960s, and early 1970s.
- Childhood years (*learning to walk*). The late 1970s and the 1980s.
- Young adulthood (*learning to reason*). The 1990s until today.
- Maturity (*learning from experience*). The next stage, when CSR has to mature and develop into its full potential.

CSR should not be seen as a new phenomenon, but rather as an ongoing process of defining and operationalizing the relationship between business and society and its responsibilities towards it.²⁹ The development of CSR as a concept and its relevance for the broader business world received a significant boost through the concept of sustainable development.³⁰ We have seen that companies have been engaged in social and environmental projects and policies for many decades, even centuries. What distinguishes the CSR movement from previous activities is that companies have begun to position CSR policies at the top of the business agenda. As sponsorship, housing projects, and cultural programs were the main expressions of CSR engagement by corporations until the early 1990s, CSR activities increasingly and directly connected to a company's core business. Where CSR activities are at the edge of a company's activities, so are they now more and more at the heart (Bronchain, 2003).

The chapter addressed a number of CSR theories and definitions, especially in the sections on development from the 1950s onwards. Stakeholder theory, corporate social responsiveness, corporate social performance, corporate citizenship, and business ethics theory, all are theories and concepts related to CSR. The next chapter presents the underlying theory of the dissertation with a special focus on stakeholder theory, a backbone of the study. The theory chapter has the prime aim of providing an adequate approach to answering the main research question of the dissertation: When, what, why, and how does the modern concept of CSR change

²⁹ John Elkington understands the development of CSR as a continuation of peaks and troughs of public pressure that shaped the evolving CSR and sustainable development agendas in the OECD countries. The first wave (peak 1969-73) built from the early 1960s, focused on issues such as the Vietnam War and environmental and natural resource limits. Governments were in the spotlight and the trough resulted in the emergence of NGOs and environment ministries leading to increased top-down type regulation. The second wave (peak 1988-91) saw growing interest in the integration of environmental and socio-economic aspects of sustainable development, with a recognition that business would often have to take the lead. The low point of this second wave of environmentalism saw the emergence of a range of tools (life-cycle assessment, auditing, reporting) to make value chains more transparent. Managements systems and standards (ISO, EMAS, etc) also became accepted as tools to show corporate responsibility and transparency. The third wave (peak 1999-2002) focused on globalisation. Corporate scandals and misbehaviour resulted in protest not only against big companies, but also major global organisations such as the WTO, IMF, World Bank and World Economic Forum. Low point number three is currently under way with the potential consequence governments will be back in the spotlight of public pressure. However, it has to be said that the third wave was largely absent in continental European countries. For instance, the political debates of Austria and the Netherlands were dominated by domestic issues related to right wing parties and their charismatic leaders. However, the European business world responded to the new opportunities and challenges of the third wave related to issues connected to globalisation. For more details see Elkington, J. (1999) *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*, Oxford: Capstone Publishing Ltd, p. 41-67; and more recently Sustainability (2004) *Gearing Up: From corporate responsibility to good governance and scalable solutions*, www.sustainability.com/publications/gearing-up.pdf; accessed 10 September 2004, p. 15.

³⁰ Opinions on when the present concept of CSR first appeared vary considerably among scholars. For instance, the European Foundation for the Improvement of Living and Working Conditions argues that CSR developed largely from a US debate on the social responsibility of firms, a debate which dates back at least as far as the 1950s and 1960s. For more information see www.eurofund.eu.int; accessed 5 July 2004.

the interaction between the private and public sphere? Based on the theoretical insights provided in the next chapter, the dissertation continues by presenting empirical results of how CSR is perceived and what business practices are connected to it.

**Theoretical approach
to CSR and policy-making**

CSR is an interdisciplinary concept that borrows from several more specialised disciplines such as marketing, management, sustainable development, and ethics literature. Political science and public administration have so far not focused on CSR as a research field. At most, CSR is placed in the wider political and economic context of a constituency; however, these studies have only been of a descriptive nature. To study CSR and the concept's influence on the interaction between a company and its external stakeholders with a special focus on public authorities requires a new approach. This chapter provides the theoretical background of the study, explains why certain theories were applied, and points to difficulties and limitations in applying them.

The private sector appears to be becoming more proactive in solving social and ecological problems. Command and control mechanisms implemented in a top-down manner by public authorities are increasingly supplemented by new modes of coordination such as self-regulation and co-regulation. The readiness to engage in such soft policy instruments requires the awareness in the business world that to remain passive and wait for legislation is not sufficient to be a partner for public authorities for cooperative solutions. CSR is widely acknowledged to be a business-driven concept and a company's CSR engagement can be seen as an expression of its readiness to engage in a soft policy instruments approach. However, proactive policies by the private sector still have a twofold function: first, proactive business behaviour resulting in self-regulation and co-regulation serve companies as a marketing and public relations campaign to protect their brand reputation; second and more importantly, proactive policies guarantee to some extent that no further direct regulation will be implemented by authorities. The avoidance of further direct regulation is a considerable incentive for business to become active in issues connected to sustainability and CSR because avoidance of direct regulation equals cost reductions. These reasons for implementing CSR policies are rather defensive. A more positive reasoning for CSR engagement is connected to cost reductions, better long-term profitability, and enhanced learning and innovation through stakeholder management, and transparent and accountable management with sensitivity to societal expectations (see Berkamp, 2002; Cramer, 2002; Cramer, Jonker, Heijden, 2002; Freeman, Pierce, Dodd, 2000; Jonker, Cramer, Heijden, 2003; Welford, 2002; Zadek, Sabapathy, Dossing, Swift, 2003). If the private sector takes CSR seriously and not as a form of new window-dressing, then sustainability has to enter the mentality of the business people to become part of their core business. The motives of companies to introduce CSR vary significantly. However, the number of CSR practising companies grows. For instance, Unilever distinguishes between (1) license to produce (from governments), (2) license to sell (consumers) and (3) license to operate (society at large). CSR can be seen as a proactive approach by companies to keep the second and third licenses. CSR and policy-making are the focus of the study; the next sections present the research design, the applied theories and problems connected to them, the main research questions, and the hypotheses that guided the research.

2.1 Research design

2.1.1 General objective

The research is concerned with the modern conceptualisation of CSR and how governance patterns respond to the ideas and consequences of CSR and shared responsibility. The objective is to determine which company characteristics drive or limit a company's CSR performance and if a company's CSR performance influences the interaction between the public and private spheres. Another objective is it to identify how different governance patterns (in European countries) react to the emergence of corporate social responsibility and how much they are able to incorporate the involved changes in the policy-making process.

The research focus can be illustrated by the following *main research question*:

When, what, why, and how does the modern concept of CSR change the interaction process between the private and public spheres?

To give fruitful answers to the main research question it is necessary to break the question down into more specific sub-questions. In doing so, the research structure becomes clearer. The relevant sub-questions of the thesis are:

Sub-Question 1: What are the motives and reasons of corporations to engage in CSR policies?

Sub-Question 2: Do companies perform stakeholder management; if so, why and which forms of stakeholder management do companies perform?

Sub-Question 3: Does CSR engagement and stakeholder management by a company lead to better access options to public authorities?

Sub-Question 4: In which way did the emergence of CSR (together with stakeholder management and triple-bottom-line reporting) in the private sector change the interaction between the public and private sectors?

Sub-Question 5: Which institutional factors of a constituency influence the diffusion of CSR in the private sector and the preference of macro policy instruments associated with CSR?

The theoretical assumptions for studying the influence of CSR on the interaction between the private and public spheres can be conceptualised in the following manner: Company characteristics such as the ownership structure, size, the degree of establishment (how long has the company existed), the market (focus on consumer or business market), and business orientation (national or international

orientation) combined with cognitive factors (belief systems of actors) influence the motives of actors to engage in CSR as well as the CSR performance of actors. Consequently, how does the level of CSR performance influence the interaction between the private and public sectors? The company characteristics ownership structure, size, market, and business orientation are assumed to impact CSR performance of a company. The literature on ownership structures and different sizes of companies influencing CSR performance argues for a relationship between these factors and CSR performance of a company (See Fox, 2005; Haywood, 2002; Graafland, Stoffele, Van de Ven, 2003; Orlitzky, 2001; Maximiano, 2006). For instance, it is generally assumed that company size correlates positively with CSR performance. The characteristics degree of establishment and size of the company are assumed to impact the (changed) interaction between the private and public sectors. For instance, to generate the necessary basis of trust between a company and public authorities to allow for changes in the established interaction patterns, the CSR performance of the company needs to be observable and assessable over time. Hence, a pre-condition for changes in the interaction patterns between private and public actors is the existence of a trust relationship based on long term experience with the company. Size can be relevant because large companies represent usually important economic factors in a region which can, in turn, lead to interaction modes that favour the interests of the larger companies. The motives for CSR engagement of a company might also impact the stated company characteristics, this potential causal link however, is beyond the scope of the study.¹

We also assume that the modern concept of CSR changes the attitude of involved actors potentially leading to different role perception and behaviour. This process of changing attitudes, roles, and behaviour is conceptualised in the theoretical framework as governmental and business (regulator – target group) readiness to engage in self- and co-regulation. Changing role perceptions of actors can be stimulated from two sides: the motives for CSR engagement can impact the role perception of an actor and second, the changed interaction between private and public sectors can stimulate the change of roles in an interaction. Furthermore, positive experiences in a changed interaction setting of actors can impact the belief system of actors. More explicitly, certain motives for CSR engagement leading to a certain CSR performance which in consequence changes the interaction between the private and public sectors can lead to a positive feedback loop. Positive experiences can further support the changed role perceptions of actors and have a support function on the belief system of actors. The same line of reasoning applies in a negative sense when the interaction between public and private sectors remained unchanged despite the CSR engagement of the private sector. The role perception of actors in this scenario will potentially revert to old, established routines and the belief system of actors will be negatively influenced with negative consequences for the motives of actors to engage in CSR again.

¹ To investigate the influence CSR motives and CSR performance have on company characteristics, an observation over time would need to be included, which is not possible in this study.

We assume belief systems determine the role perceptions of actors. It is assumed that actors with an open, supporting belief system with regard to CSR policies and activities have more positive and instrumental motives to engage in CSR and show higher levels of CSR performance. This higher CSR performance leads then to changing interaction patterns between the private and public sphere. We assume that governmental authorities with an open and supportive belief system with respect to CSR are open for soft steering mechanisms and ready for a mutual trust relationship with the target group. Changing interaction patterns on the macro layer can have the form of more co- and self-regulation schemes instead of established direct regulation patterns and better and more intense contacts on the micro layer between companies and regional and local public authorities leading to lower bureaucratic costs. It is also assumed that self and co-regulation schemes on the macro layer can lead to more CSR engagement in the private sector. These soft steering mechanisms provide companies with more freedom and flexibility to choose their own way to reach the negotiated targets. Proactive CSR engagement requires entrepreneurial freedom and flexibility to be effective and beneficial for a company. The room to manoeuvre provided by self- and co-regulation schemes might very well stimulate additional CSR activities in a business sector.

The potentially observable consequences on the macro and micro layers can have a positive impact on the motives of actors to engage in CSR and also on CSR performance. If a company/sector's CSR engagement results in changed interaction patterns (self- and co-regulation and lower bureaucratic costs) between the private and public side, than the motives to engage in CSR might be further strengthened leading to a potentially higher CSR performance. In other words, a positive feedback loop also exists between observable changes in interaction patterns, motives for CSR engagement, and CSR performance. The impact CSR has on the interaction process is also influenced by the institutional setting of a constituency; the institutional structure influencing CSR is discussed later in the chapter and is therefore not incorporated in the theoretical model here. The theoretical assumptions are illustrated in Figure 3.

In the next section I look at the different aspects of the theory starting with the conceptualisation of individual decision-making by actors and followed by an elaboration on belief systems and decision-making. Thereafter, we focus on the stimuli for actors to engage in CSR. After identifying the potential motives that lead to CSR engagement by private actors, I focus on two key concepts, stakeholder theory and triple-bottom-line reporting. The last section addresses how CSR impacts the interaction between the private and public sphere and the effects of institutional variables. The sub-questions stated earlier are put into the theoretical context where appropriate in the chapter in connection with the guiding hypotheses of the study.

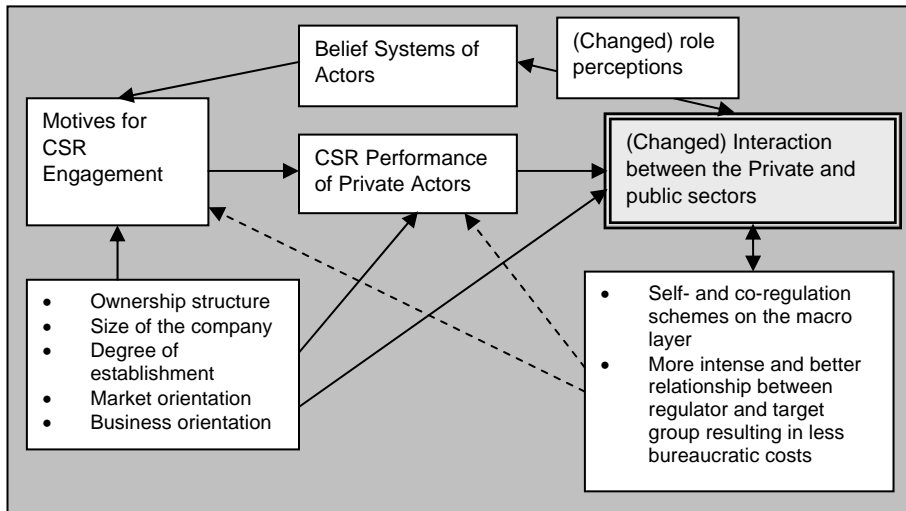


Figure 3: Main theoretical assumptions translated into a model explaining CSR engagement of companies and consequences for the interaction with public authorities

2.1.2 Conceptualising individual decision-making – cognitive theory vs. rational choice and social constructivist theory

Policy processes can be studied from many diverse angles with very different points of departure regarding the conceptualisation of agency and structure. Among the most prominent schools of thinking are the stages model, rational choice theories, social constructivism (constructivist and sociological institutionalism), group and network approaches, socio-economic approaches, and more cognitive theories (Risse, 2002; John, 2002). Thomas Risse provides a simple but instructive illustration of how the different conceptualisations of structure and agency can be presented: A driver stops at a red light located in a dark forest at three o'clock at night. Three interpretations describe what happened. According to rational choice theory, the driver notices the red light, looks around, and checks whether another vehicle is approaching or whether a police car is somewhere hidden behind trees. Since she is risk-averse, she stops. According to social constructivism, the driver stops, because this is what one ought to do in front of a red light. Cognitive theories claim that the driver faces a conflicting situation. On the one hand, she would like to get home as soon as possible, because a sick child is waiting for her. On the other hand, she knows that running a red light violates a social rule and if everybody did that... As a result of this reasoning process, she stops (Risse, 2002). Each interpretation emphasises a different logic of action. Rational choice can be described as the goal of action to maximise or optimise one's interests and preferences. Agents are central to this theory and behave in a more or less rational manner. Social constructivism differs from rational choice theory in that it emphasises rule-guided behaviour. Rules, norms, and constraints are represented in

the social environment of an actor. It is quite common to find social constructivist literature emphasising structure over agency.

Cognitive theories (such as the Advocacy Coalition Theory by Paul A. Sabatier) stress the importance of agency over structure, but not in the rational, goal maximising manner as in rational choice. For instance, Alex Warleigh (2000) interprets the Advocacy Coalition Framework by Sabatier as emphasising personal values and belief systems over institutional loyalties and demands, which draw actors together despite vastly different organisational origins. Though ideas may shape interests of actors, they are not additional. Similarly, the way in which actors conceive of their interests is affected by ideas. Furthermore, if ideas shape the empirical world in some way, the actors' actual interests are shaped by what is created. There is an everlasting interplay between ideas and interests. Neither necessarily dominates (John, 2002). John does not differentiate between ideas and beliefs systems in other sections of his elaborations on cognitive theories. The relationship between belief systems, ideas, and interests merits a short discussion. If ideas affect interests, where does the belief system of an actor come into play? Ideas are influenced by belief systems held by actors. For instance, if a deep core belief of an actor in medieval times was that the world is a flat disk, than it is most likely that this actor would not get the idea to sail around the world. However, if an actor did not believe in such orthodox knowledge of that time, than the idea of finding new ways to other parts of the world might have come up. Ideas, and interests, are to some extent shaped by actors' incorporated belief systems. Nevertheless, it is still conceivable that actors develop ideas contrary to their usual belief system. Hence, it is not possible to construct a kind of a hierarchical list. Yet, it is sufficient for the purposes of this study to indicate that ideas are not identical, additional, or less important than interests. Ideas are strongly related to belief systems of actors and belief systems of actors are crucial for identifying actor's real interests.

Argumentative rationality forces actors to steadily challenge their preferences and positions. Actors' identities, belief systems, and policy preferences are continuously challenged in a discursive interaction with other actors and the structure itself. Risse (2002) argues that actors following the logic of argumentative rationality engage in a kind of truth-seeking behaviour and strive to achieve a reasoned consensus. Cognitive theories such as the Advocacy Coalition Theory greatly stress the importance of learning as a consequence of interaction between actors. Communication (arguing) between actors can lead to (policy) learning.

A modified version of Risse's example with respect to Corporate Social Responsibility could look as follows: A company stops producing environmental harmful substances. Three interpretations describe what happened. According to rational choice theory, the company investigates how important the substances are for their products in cost/benefit terms, searches for potential replacements, and elaborates on related issues such as reputation and judiciary costs. Since the company is risk-averse, it stops producing. According to social constructivism, the

company stops because this is what one ought to do as a responsible partner of society. Cognitive theories claim that the company faces a conflict. On the one hand, the company would like to make as much profit as possible, because its shareholders expect that. On the other hand, the company knows through recent studies that continuing production unchanged harms the environment and society at large. As a result of this reasoning process, the company stops producing harmful substances.

All mentioned logics of conceptualising social interaction have their strengths and weaknesses depending on one's point of view. Choosing a theoretical framework is determined by two factors: the theory has to fit into the researcher's personal line of thinking and must be useful with respect to the research topic. If a researcher has problems or even does not believe the basic assumptions of a theory, it does not make much sense to use it at all. It is a little different if the aim of a research undertaking is only to test different theories. Obviously, theory testing requires the use of different theories or frameworks with the result that personal preferences by the scholar are relegated to the background.

The second criterion for choosing a theoretical framework is more important and crucial for an insightful study. A theory should provide the scholar with opportunities to gain further insights without losing too many aspects of the core research issue. Depending on the issue, different theories provide different advantages and disadvantages. For instance, Peter John argues that public policy researchers have focused too much on implementation and policy analysis, and researchers too rarely seek to explain the operation of the complex matrix of political relationships and understand the interactions and conflict within policy networks. To focus on variation in the interaction process between the public and private sphere based on CSR influence greatly emphasises policy formulation and policy implementation processes in the research focus. Policy formulation is important because CSR is about changing attitudes, roles, and behaviour of actors which is assumed to take place before policy implementation. Nevertheless, policy implementation is important because the study is predominantly focused on the micro level (company vs. involved stakeholders). To explain variation and change in the relationship between the public and private sector due to CSR, one has to understand the influence and interaction of social, economic, and political processes. I agree with John when he argues that to explain how political systems make and implement policy is to specify the interests (and ideas), resources, interrelationships, constraints, and norms of the actors under study (John, 2002). The theoretical framework which seems to offer most advantages while not abandoning too many interesting CSR related facets is a combination of stakeholder theory, institutional theory (social constructivism), and a few components borrowed from the Advocacy Coalition Framework (ACF) developed by Sabatier and Jenkins-Smith. More specifically, the study incorporates the sections on belief systems and coalition formation.

2.1.3 Belief systems and actor behaviour

The ACF² assumes that actors are instrumentally rational – that is, that they seek to use information and other resources to achieve their goals – and, by extension, the coalition as a corporate actor. It draws much more heavily on research in cognitive and social psychology than economics. In particular, the ACF assumes that goals are usually complex and that an individuals' ability to perceive the world and process that information is affected by cognitive biases and constraints. The ACF does not assume that actors are driven primarily by simple goals of economic/political self-interest, nor does it assume that self-interested preferences are easy to ascertain.

According to the ACF the conceptualisation of the individual is a sensible approach with respect to CSR. Research in cognitive and social psychology is important to understand the behaviour of actors. Belief systems constrain and determine to some extent the behaviour of actors (or coalitions). How these belief systems of actors (or coalitions) are built up and how these mental maps relate to actors' goals has to be empirically ascertained. Companies certainly have a belief system (presumably congruent with their professional belief systems) in place when they engage in an interaction with the public sector and other involved actors. The same holds true for NGOs and governmental bodies. However, in order to investigate how these belief systems relate to actors' actual behaviour has to be studied empirically. The ACF assumes that on salient topics, actors' perceptions are strongly filtered by their pre-existing normative and perceptual beliefs. Motives of actors to engage in CSR policies and activities can have various reasons. The study assumes there should be a certain level of correlation between an actor's belief system and behaviour. Behaviour is inherently connected to the belief system which impacts the motivation of an actor to engage in CSR.

The ACF theory on the policy-making process was developed in the 1980s and was later refined several times. The ACF mainly draws on insights of Lakatos, Hecló, and policy formulation and implementation literature (Mazmanian and Sabatier, 1981, 1983, 1989; Jenkins-Smith, 1988, 1991; Jenkins-Smith and Sabatier, 1994; Sabatier, 1999). Sabatier and Jenkins-Smith intended to develop an alternative to the then well established stages heuristic approach that dominated policy studies. Furthermore, the authors wanted to synthesise the best features of the top-down and bottom-up approaches to policy implementation. Technical information was also given a more prominent role in their conceptualisation of the policy process (Sabatier, 1978, 1986; Sabatier and Jenkins-Smith, 1999).

According to the ACF, the policy process can be characterised through stability and times of policy change. Three interrelated sets of factors influence the output of a policy-making process:

² For a more comprehensive study on Sabatier's conceptualisation of individual decision-making see Sabatier, and Jenkins-Smith, 1999.

1. specific constellation of actors based on different sets of belief systems (ACF: formation of advocacy coalitions) striving for their interests (beliefs translated into public policies throughout the intergovernmental system),
2. effects of relatively stable system parameters such as social structure and constitutional rules on the constraints and resources of the various subsystem actors, and
3. changes external to the subsystem in socio-economic conditions, public opinion, system-wide governing coalitions, and decisions from other policy subsystems.

Sabatier and Jenkins-Smith argue that the most appropriate unit of analysis for understanding policy change in a modern industrial society is a complete policy subsystem. A subsystem consists of those actors from a variety of public and private organisations who are actively concerned with a particular policy problem or issue who regularly seek to influence public policy in that domain (Sabatier and Jenkins-Smith, 1999). The ACF emphasises cognitive elements such as the importance of actors' belief systems. To a great extent, actors' belief systems determine their behaviour and how they interact with other actors, but also with the structural environment in general. Actors in the field of CSR have different belief systems in place which determine to some degree their behaviour in the policy-making process. Another strong point of the ACF is that the framework assumes that actors do not act on their own, but rather form advocacy coalitions with other like-minded actors to influence policy-making. Different coalitions with different belief systems compete then in the policy formulation process to establish or defend (dominant paradigm already in place) their policy beliefs. The ACF assumes that core policy beliefs are the principle glue of advocacy coalitions. Actors with similar beliefs regarding CSR policies can be conceptualised along these lines. For instance, it can be assumed that actors in the policy field of CSR form advocacy coalitions in line with their belief systems. It is conceivable that a more pro-growth coalition is confronted with a more pro-environment/sustainability coalition in the policy-making process. The ACF assumes there are between two to four coalitions involved in the policy formulation and implementation struggle. This way of conceptualising actors – within networks/coalitions and within a wider structural environment – provides the opportunity to study the policy process in a more dynamic, interactive way. These theoretical insights on actor behaviour applied to CSR culminate in the subsequent hypothesis:

Hypothesis concerning actor behaviour in the interaction process:

In the policy subfield of CSR, actor coalitions are set up in line with actors' core policy beliefs.

2.1.3.1 *Basic distribution of resources and actor behaviour*

Resources and their distribution among actors in a policy subsystem are crucial factors for understanding actor behaviour. In line with the Advocacy Coalition

Framework (ACF) this study assumes that individual actors in a policy subsystem group together around common core beliefs and form advocacy coalitions to influence the policy-making process. However, the behaviour of actors is not only determined by their belief systems. Other complicating factors are the distribution of resources and the seriousness of an issue for an actor.

In two very interesting papers, Schlager (1995) and Schlager and Blomquist (1996) argue that most applications of the ACF by both Sabatier and Jenkins-Smith have implicitly assumed that actors who hold similar core policy beliefs will act in concert. That is to say, the first condition of coalition formation is sufficient for the second. In particular, the ACF assumes that shared goals and beliefs plus a recognition that pooling resources increases the probability of success will be sufficient to overcome (1) transaction costs involved in reaching a common understanding of the policy problem and the proper means of addressing it, (2) the difficulty to finding policies that fairly address distributional conflicts among coalition members, and (3) the temptation of each individual and organisation to free-ride.

Sabatier suspects that distributional conflicts and free-riding are more serious problems for material groups, whose members self-consciously seek to maximise their own material self-interest, than for purposive groups, whose members are more committed to an ideology stressing the collective welfare and often perceive themselves as David fighting Goliath. By focusing on shared policy beliefs within a coalition, the ACF has also neglected the interest that all individuals and organisations have in maintaining and increasing their viability/welfare. Environmental groups agree on a general policy agenda, but each must also maintain (and even enhance) its budget and membership. Because to some extent, such groups compete with each other for members and grant funds, they must also compete for credit concerning policy success. How interest groups within potential coalitions overcome these difficulties is, to the best of our knowledge, a neglected topic. Additionally, although different members of a coalition may bring different resources to the table, institutional heterogeneity may create coordination problems. As Schlager (1995: 263) notes,

The institutional differences among a legislator, a journalist, a director or a material interest group, and an academic may very well limit their ability, and their willingness, to cooperate with one another, even if they share similar beliefs.

Schlager (1995: 262) proposed the following hypothesis regarding coordination to solve short-term coordination problems:

Actors who share core policy beliefs are more likely to engage in short-term coordination if they (1) interact repeatedly, (2) experience relatively low information costs, and (3) believe that there are policies that, while not affecting each other in similar ways, at least treat each fairly.

Repeated interaction and low information costs are important for developing a shared perspective on the policy problem, for developing a coordinated lobbying strategy, and for enforcing that strategy. Fair policies are necessary to resolve distributional conflicts among members. Long term coordination – which can range from repeated informal interaction to the creation of a peak association – requires a rather similar set of conditions. Schlager proposed (1995: 264) a second hypothesis on collective action:

Coalitions are more likely to persist if (1) the major beneficiaries of the benefits that a coalition produces are clearly identified and are members of the coalition, (2) the benefits received by coalition members are related to the maintenance costs of each member, and (3) coalition members monitor each other's actions to ensure compliance.

Although this is an extremely sensible approach, incorporating it intact into the ACF has one very serious problem: it is based on Ostrom's Institutional Analysis and Development Framework's (IAD) general model of the individual – rational and self-interested, although with limited information capabilities – rather than the ACF's model of the individual. The latter in contrast assumes (1) that individuals are not necessarily preoccupied with maximising their material self-interest and (2) that perceptual filters are at least as important as information constraints. Sabatier argues that it is not fruitful to incorporate these two additional hypotheses into the ACF because they have a different point of departure with respect to the conceptualisation of the individual. In essence Sabatier argues at the end of the day, incorporating these additional coordination hypotheses would not help the ACF because the points of departure with respect to the conceptualisation of the individual are incompatible. Boerzel (1988: 264) elegantly analysed the conflicting theories:

Scholars like Scharpf and Benz are absolutely right in arguing that policy networks offer a solution to problems of collective action by enabling non-strategic action based on communication and mutual trust. ... Yet, by acknowledging the relevance of trust and communicative action (problem-solving, deliberation, arguing) as a way to overcome problems caused by strategic action (maximization of self-interest, bargaining), rational institutionalists start contradicting the basic assumptions of their theory, namely that rational actors always strive to maximise their exogenously given interest.

Sabatier admits that coordination of coalition members remains a problem, but he also stresses that the ACF's model implies less of a problem than the 'Institutional Analysis and Development Framework's' general model (which Schlager refers to) of the individual.

2.1.3.2 *Strong and weak coordination*

Sabatier and Zafonte distinguish between strong and weak coordination. The former requires the development of a common plan of action, the communication of that

plan to potential coalition members, the monitoring of member compliance, and the imposition of sanctions for non-compliance. These requirements are what Schlager has in mind, and the transaction costs are usually quite substantial. In contrast, weak coordination simply requires that organisational actors monitor each other's political behaviour, and then alter their actions to make their political strategies complementary with respect to a common goal (Zafonte and Sabatier, 1998). Weak coordination does not require any elaborate decision-making or monitoring process. It simply requires the potential members of a coalition monitor each others' behaviour and alter their own to make it complementary. Assuming that the actors share core policy beliefs and generally trust each other, such alterations of behaviour should not be very difficult (except when distributional conflicts among members are significant).

In addition to pointing to relatively low-cost methods of coordination, Sabatier has sought to use the ACF's model of the individual to augment the perceived benefits, and lower the costs coordination. The basic argument flows directly from the 'devil shift' or the tendency of actors in high-conflict situations to perceive their opponents as more evil and more powerful than they probably are. If the opponent is evil, then its victory is likely to result in very substantial costs to the members of the coalition. And if the opponent is very powerful, the only way to preclude its victory is to achieve very effective coordination among coalition members. This is not a novel insight. Interest group leaders commonly portray their opponents as 'devils' to rally members.

The ACF's model of the individual would also imply that the costs of coordination within an advocacy coalition are less than Schlager assumed: first, the belief system shared by the members of a coalition reduces the transaction costs involved in reaching a common understanding of the problem and identifying the means to resolve it because the members interpret the evidence through a similar set of pre-existing beliefs. Second, the temptation to free-ride should be reduced among coalition members. Actors who share core policy beliefs are more likely to trust each other and take each other's interests into account when deciding what to do, in large part because by definition many of those interests will be shared. Additionally, actors with a long term horizon for their utility calculations face another incentive not to free-ride: a long term perspective often makes free-riding a disadvantage due to the resulting loss of trust, while trust can be crucial for the achievement of future goals. Fourth, a shared belief system should also increase the willingness to fairly distribute costs of pursuing common goals – and thus decreasing the temptation to free-ride. This is particularly true in coalitions involving purposive groups whose ideology values collective goods rather than material self-interest.

To differentiate between weak and strong coordination is certainly a step forward and helps clarify collective actor behaviour. However, the main and almost exclusive emphasis rests on the belief system as the main driver for actor behaviour. Resources of actors are so far not part of the analysis. Sabatier and Zafonte (1998)

also recognised the weakness in the theory on actor behaviour and included functional interdependencies of actors to deal with the issue of resources and resource distribution. Their elaboration on coalition behaviour culminated in the formulation of two additional hypotheses:

Coordination increases with belief congruence. Conflict increases with belief divergence. (Sabatier and Zafonte, 1998: 477)

As functional overlap between organisations increases, the degree of belief congruence becomes a more important determinant of coordination versus conflict. (Sabatier and Zafonte, 1998: 481)

Fenger and Klok elaborate on collective action problems and present a number of useful clarifications concerning coalition coordination and different types of members. They ask if the advocacy coalition framework, widely regarded as an approach that promotes the importance of cognitive factors in policy-making, can be united with network approaches that promote the importance of power dependence in inter-organisational relations. They also simplify two hypotheses by Sabatier and Zafonte by transferring them into a table. The above issue of weak and strong coordination is addressed again, supplemented by the two factors of functional overlap (high or low) and beliefs (congruent or divergent):

Functional overlap	Beliefs	
	Congruent	Divergent
High	(1) Strong coordination	(2) Strong Conflict
Low	(3) Weak coordination	(4) Weak Conflict

Table 1: Coalition behaviour as the result of belief congruence and functional overlap (based on Zafonte and Sabatier). (Fenger, Klok, 2001: 161)

They also replace ‘functional overlap’ with ‘interdependency’ which we also use in the thesis. Of far greater importance was Fenger and Klok’s introduction of new values with respect to the variable interdependency (functional overlap):

- A. Competitive interdependency – the action of one actor interferes with another actor’s ability to take action or achieve his goals.
- B. Symbiotic interdependency – the action of one actor contributes to another actor’s actions or goal achievement.
- C. Independence – the action of one actor is not affecting another actor’s ability to take action or achieve his goals.

The authors make a similar categorisation for the belief variable:

- A. Congruent – Belief systems of actors are similar
- B. Divergent – Belief systems of actors are opposing each other
- C. Indifferent – Actors do not have specific beliefs for a specific issue

Interdependency	Beliefs		
	Congruent	Indifferent	Divergent
Symbiotic	(1) Strong coordination	(2) Coalition of convenience	(3) Unstable conflict, depoliticisation, learning
Independent	(4) Weak coordination	(5) No coalition	(6) Weak conflict
Competitive	(7) Coalition with severe collective action problem	(8) Weak conflict	(9) Strong Conflict

Table 2: Coalition behaviour as the result of interdependency and belief congruence (modified hypothesis) (Fenger, Klok, 2001: 164)

Table 2 contains hypothesis on coalition behaviour under certain circumstances. In line with the basic assumption of the ACF that beliefs are the principal glue of coalitions, Fenger and Klok expect actors to form a coalition along the lines of their beliefs, but can face severe collective action problems due to potential competitive interdependency.³ The introduction of interdependency as an independent variable instead of functional overlap helps clarify collective action problems within the ACF. The table above shows in a clear and understandable way how different actor constellations affect coalition formation and coordination. The following examples provide additional clarification with regard to Fenger and Klok’s table of hypotheses: When two actors have congruent beliefs but are competitively interdependent (cell 7) – for example, two agricultural water districts that compete with each other for Bureau of Reclamation water and with fishery agencies/groups for all water – Fenger and Klok claim they would be members of the same agricultural water coalition but would face significant distributional conflicts within that coalition. The reason for putting them into the same coalition is that the ACF assumes that core policy beliefs are the principal glue of coalitions, and members of different agricultural water districts tend to have similar views on water development and environmental protection. By the same logic, when two actors have divergent beliefs but are symbiotically interdependent (cell 3) – for example, a fishery agency heavily reliant upon the fish ladders provided by a dam – Fenger and Klok claim they would be in different coalitions but would be relatively moderate members of their respective coalitions and would seek to depoliticise their interdependencies. For instance, Fenger and Klok (2001) give an example on how interdependency might exist without noticing it for participants at first sight:

The environmental groups learned that they were indeed competitively dependent on the oil and gas companies, for the oil drilling and exploitation proved to be a high risk to the availability and quality of the environment. Strong policy beliefs were developed on the restriction and regulation of leasing and exploitation of oil and gas sites (Jenkins-Smith

³ For more information on coalition behaviour see Fenger and Klok ,2001.

and St. Clair, 1993: 162). The oil and gas companies learned that they were competitively dependent on the environmental groups; for the latter's political and legal strategies could result in a lower availability of leases as one of the companies' key resources and higher costs of regulation. (Fenger and Klok, 2001:166-167)

Fenger and Klok provide additional value to the ACF. By emphasising the importance of resources for actor behaviour, the theory is better able to predict (1) the strong members of coalitions (congruent beliefs and symbiotic interdependencies), (2) the members with distributional conflicts (congruent beliefs, but competitive interdependencies), and (3) the moderate members (congruent beliefs, but symbiotic interdependencies with members of an opposing coalition).

Belief systems have to be studied empirically, and the same goes for interdependency of coalition members. Asking representatives of potential coalition members about their beliefs (deep core and core policy beliefs) is a key part of the theory and the thesis. To approach resource distribution among actors in policy subsystems in the same manner would provide the necessary information on resources and resource distribution. However, the research focus is not on testing amendments to the ACF but understanding changes in interaction due to CSR engagement by companies. The actual distribution of resources among actors is only presented in a superficial way and not elaborated in detail. The elaborations on coalition behaviour and collective action problems are important when it comes to interpreting the presence or absence of advocacy coalitions in a focused policy subsystem.

The ACF also perceives the policy-making process and policy change as a process rather than a snapshot in time. This perspective is central to the framework in that processes are studied over time to observe policy development and potential change. And finally, the ACF emphasises the importance of policy-oriented learning as a consequence of interaction between actors. The framework assumes that such learning is instrumental, that members of various coalitions seek to better understand the world in order to further their policy objectives. Learning represents one way of policy change in that the process of learning changes actors' belief systems to some extent (core policy beliefs and/or secondary aspects) and consequently, the attitude of actors. The changed attitude of actors can lead to different role perceptions and to different behaviour. This different behaviour can have various expressions from more responsive behaviour vs. environmental and social issues to new forms of interaction (partnerships, cooperative and self regulation instead of direct regulation). The next section elaborates on actors' motives for CSR engagement and culminates in the formulation of a hypothesis for further examination.

2.1.4 Motives for CSR engagement in the private sector

The motives for companies to engage in CSR can have various expressions. The literature does not provide a clear answer on gains or losses when applying the modern concept of CSR. There are a number of reasonable arguments for and against CSR which leads us directly to the next research question:

Sub-Question 1: What are the motives and reasons of corporations to engage in CSR policies?

Literature reviews on motives for CSR engagement usually revolve around the following issues:

CSR is an important movement and provides companies with:

- better risk and crisis management,
- increased worker commitment,
- improved financial performance,
- operating cost reductions,
- enhanced brand value and reputation,
- good relations with government and communities,
- long-term return on investments,
- the right approach to new responsibilities in the post-Cold War world,
- long-term sustainability through transparency and accountable management with sensitivity to societal expectations (Business for Social Responsibility, 2005).

Additional arguments for CSR are that to some degree business created the problems, corporations are citizens themselves, and businesses have the resources to deal with large scale problems (University of Virginia's College at Wise, 2005). The fact that the modern concept of CSR is intended to be exclusively business-driven makes the concept suspicious to its critics. Criticism comes to a large degree from environmentalist and social NGOs. Consumer protection organisations and trade unions in some regards also oppose CSR. The main arguments against the current CSR movement are:

- CSR does not respect the legal specifics of some types of business organisations. Public companies are owned by their shareholders and any money they spend on so-called social responsibility is effectively theft from those shareholders who can decide for themselves if they want to give to charity (Milton Friedman approach to responsibilities of business).
- CSR is a nice add-on to business as usual in good times. As soon as a company has to survive hard times CSR is redundant and no longer affordable.
- The main function of business is to make products and profits and not to solve social problems that are the responsibility of individuals, society, and the government. Issues related to CSR should be tackled by other actors in society, primarily governments.

- Business is not the right actor to solve social problems, because business lacks expertise.
- Involvement in social programs issues gives business too much power (Mallenbakker.net, 2005; University of Virginia's College at Wise, 2005).

There are also a number of moral reasons why a corporation should take on CSR: First, corporations cause social problems and hence are responsible for solving those and preventing further problems. Second, as powerful social actors who control substantial resources, corporations should use their power and resources responsibly. Third, all corporate activities have social impacts, whether through the provision of products and services, the employment of workers, or some other corporate activity. Hence, corporations cannot escape responsibility for those impacts, positive or negative. Finally and most importantly, corporations rely on the contributions of a much wider set of constituencies or stakeholders in society (such as consumers, suppliers, local communities), rather than just shareholders, and hence have a duty to take into account the interests and goals of these stakeholders as well as shareholders (Crane and Matten, 2004: 42).

Ethical considerations (responsibilities) are closely connected to moral reasons for CSR engagement. Ethical responsibilities can be defined as the responsibility of corporations to do what is right, just, and fair even when not compelled to do so by law (Crane and Matten, 2004: 44). These moral reasons together with ethical considerations for a corporation to engage in CSR activities and policies can be subsumed under philanthropic or altruistic motives. The Greek word 'philanthropy' means literally 'love of the fellow human' and by using this idea in a business context, the model includes all those issues that are within the corporation's discretion to improve the quality of life of employees, local communities, and ultimately society in general (Crane and Matten, 2004: 44). In essence, a corporation is ethically and morally obliged to respect and improve the life conditions of all by the corporation's activities affected constituencies, no matter how remotely connected to the corporation. Next to these moral and ethical reasons, there is also an efficiency logic included in the private sector's engagement in CSR. Companies have better insights and abilities to prevent or mitigate problems connected to normal business conduct than governments or other stakeholders. Therefore, it is most efficient for governments and societies in general if companies deal with their social and ecological problems by using their own expertise and capacities. However, to become attractive for companies, governments need to step back from direct regulation as the standard policy scheme and allow for a greater sharing of responsibilities and tasks. Companies provided with the room to manoeuvre and the necessary flexibility through and via self- and co-regulation policies are assumed to advance to CSR engagement easier. Business sectors administered by self- and co-regulation schemes are assumed to show higher levels of CSR engagement by companies resulting in an increased efficiency of governance.

As indicated, CSR engagement by companies can have various motives. However, I argue that companies engage in CSR primarily for political and legitimistic reasons and less for instrumental and altruistic ones for two reasons: First, it is still difficult to measure the impact of CSR activities in the form of hard figures.⁴ As long as business is unable to justify CSR activities directly with increased profits, increased productivity, increased shareholder value or something similar, it will continue to be difficult to justify CSR on more instrumental grounds. Were companies able to directly associate economic benefit with CSR than it would be normal and only rational for businesses to incorporate CSR in the normal business conduct. However, CSR is still a disputed concept when it comes to its potentials and boundaries.

Second, business actors use CSR as a tool to shape perceptions of problems and define and redefine issues in the environmental and social sphere. Discourse perspectives on power provide interesting theoretical insights into how business tries to influence present policy-making.⁵ The approach adopts a sociological perspective on power relations in society. According to this approach power is very much influenced by the perception of actors and problems and the capability of actors to change these perceptions and problem definitions. Values, ideas, and norms are of considerable importance in that respect. For instance, business succeeded in connecting itself with the notions of efficiency, competitiveness, and growth.

I argue that actors (business, NGOs, and political parties) aim to influence the public discourse in a way that favours them. That can be achieved for instance, by employing symbols and story-lines, and linking issues and actors to (to be) established norms and ideas. Structure is also important because norms and ideas depend on structural support as well. Business has an interest in shaping its own identity in a favourable way to improve its legitimacy in public debates on different policy matters. By improving its legitimacy (and reducing the legitimacy of other actors), business aims to dominate the public and political discourse on business relevant issues. Fuchs, among others argues that the acquisition of general legitimacy and legitimacy as a political actor is of fundamental importance for a comprehensive appraisal of the political power of business in general but especially for multinational corporations (Fuchs, 2005; Cutler, Haufler, and Porter, 1999). The legitimacy of an actor in the political discourse is of considerable importance because only actors perceived as legitimate by the public have the political power to influence the political agenda. Actors who lack legitimacy are not trusted and

⁴ The questionnaire results presented in chapter four show that companies still have problems relating CSR to profits in the form of hard figures. See also Crane, and Matten, 2004: 42.

⁵ The elaboration on discourse perspectives on power is based on Doris Fuchs' (2005) work *Commanding Heights? The Strength and Fragility of Business Power in Global Politics*, in: *Millennium: Journal of International Studies*, 33 (3) (June 2005), pp. 789-792.

consequently not believed in a public discourse.⁶ Influencing a political discourse will also be impossible for such actors.

Policy makers are confronted with a private sector that controls considerable discursive power. Emphasising the notion that the private sector is efficient, competitive, and provides steady economic growth, business gains legitimacy in the public discourse. Political legitimacy of business actors can consequently also be obtained from the trust the public places in their expertise and capacities. More important however, is the parallel tendency for governments' legitimacy becoming increasingly under pressure as the world to govern becomes increasingly complex. While business established the reputation of being efficient, competitive, and responsible for constant economic growth, governments were less and less able to fulfil their basic task of governing. Consequently, the level of trust in state institutions declined.⁷

The business world is aware of the fragility of its discursive power and has found ways to deal with it to a certain extent. A decline or disappearance of legitimacy would not only lead to a dramatic reduction of the legitimacy basis of the business, but also a substantial reduction in discursive power. Any misconduct of business such as illegal behaviour, environmental or social misconduct will be taken up by NGOs and communicated to the wider public with the consequence of reduced legitimacy and discursive power. To handle this constant threat business has taken on additional responsibilities such as higher environmental and social standards as well as tighter financial controls to prevent fraud and bribery. These activities can be seen under the umbrella of the modern concept of CSR. As mentioned earlier, the drivers for CSR engagement by business encompass moral, legitimising, political, and instrumental grounds. In connection with the discussion on discursive power of business, CSR is more or less a defensive strategy which functions mainly to protect business interest against other societal actors (legitimistic and political reasoning). In other words, current norms, ideas, and images dominating the public and political discourse have been strongly influenced by business. This in turn provides business with a very strong position in the general public and political discourse. With

⁶ Even actors who have a high degree of legitimacy may not be trusted; for instance, the low level of institutional trust in political institutions such as political parties, governments, etc. can be seen in this light because these institutions are theoretically well legitimised, at least in democratic countries.

⁷ See Reinicke, W. (1998). *Global Public Policy: Governing without Governments?*, Washington: Brookings Institution. See also Ledgerwood, G./Broadhurst, A. (2000). *Environment, Ethics, and the Corporation*, New York: St. Martin's Press. For more information on declining trust in state institutions see Jowell, R. (2003). *European Social Survey 2002/2003: Technical Report*. London: Centre for Comparative Social Surveys, City University. The data can be obtained online through the Norwegian Social Science Data Services (NSD); and Schaik, Ton v. (2002). *Social Capital in the European Values Study Surveys*. Tilburg University: Country paper prepared for the OECD-ONS International Conference on Social Capital Measurement London, September 25-27, 2002; and European Commission (2004). *Eurobarometer 61*: http://europa.eu.int/comm/public_opinion/archives/eb/eb61/eb61_en.htm; accessed July 18, 2005.

respect to CSR, one could even argue that business uses its discursive power to influence policy-making in all spheres of interest: especially the environmental, social, and financial sectors. CSR is about people, planet, and profit, hence business uses its discursive power to influence policy-making in these fields. Why companies engage in CSR activities will be examined empirically both quantitatively via questionnaire research (chapter four) and qualitatively during the case studies.

The arguments presented for and against CSR encompass the most often stated points of view on the issue. The arguments for CSR can be translated into different motivations for CSR engagement within the private sector. CSR engagement by corporations can be driven by a number of factors. Our study looks to identify crucial stimuli for CSR engagement. The following list of different CSR reasoning encompasses the potentially most relevant drivers for CSR commitment:

- Instrumental reasoning: They see business benefits and a competitive advantage in doing so.
- Moral reasoning: For altruistic reasons.
- Legitimistic reasoning: Because of demands by the financial (investment) sector and because of risk aversion with regard to brand reputation.
- Political reasoning: as a tool to get better access to public authorities and advance their business interests in the political sphere.⁸

These lines of reasoning can be distinguished in internally- and externally-driven motivations. Access to public policy-makers, increased competitiveness, better risk management, and meeting new requirements by the financial sector are all more or less motives to engage in CSR which are to some extent based on self-interest of a company. The listed categories of CSR motivation are translated into a hypothesis in the following manner:

Hypothesis concerning corporations' stimulus for CSR engagement:

Legitimistic and political motives are more responsible for CSR engagement by corporations than instrumental or altruistic motives.

Instrumental motives are currently not the main driving motivation for CSR engagement because the impact of CSR on the economic bottom line is still not measurable (or only with limitations) by companies. If companies could easily measure the (positive) CSR impact on the economic bottom line than every company would have an interest to become active. Altruistic reasons are associated

⁸ See Crosby Sims, G. (2003). Chapter Two: A political theory of Corporate Social Responsibility. Unpublished dissertation and Crosby Sims, G. (2003). Chapter Three: Corporate Perspectives on CSR as a Political Resource. Unpublished dissertation. See also Crane, A./Matten, D. (2004). Business Ethics. A European Perspective. Managing Corporate Citizenship and Sustainability in the Age of Globalisation, Oxford: Oxford University Press, p. 48 for a different scheme of differentiating CSR strategies by companies.

with charity and donating to good projects. However, the modern conceptualisation of CSR positions these altruistic activities at the edge of companies' CSR strategies. At the heart of current CSR initiatives and strategies are changes to the established business conduct (profit) to become more sustainable (planet) and socially responsible (people). Hence, it is assumed that legitimistic and political lines of reasoning are more dominant in explaining the motivation of companies to become engaged in CSR. Legitimistic and political motives can be characterised as defensive and a kind of wide-reaching risk management by the private sector.

The next section deals with stakeholder theory (including triple-bottom-line reporting) and institutional theory, the two theories applied to study interaction processes and CSR.

2.2 Advocacy Coalition Framework, Stakeholder Theory, and Institutional Theory – A framework for studying CSR

Policy-making in related fields such as social and environmental policies has undergone considerable changes in recent decades. Command and control types of legislation dominated public policy-making in the 1970s and early 1980s. Expectations associated with these direct regulation instruments could not be fulfilled, hence policy makers looked for new types of regulation. More collaborative and self-regulation types of governance patterns were introduced in the late 1980s and the 1990s with the aim to improve policy-making efficiency (Bressers and De Bruijn, 2005a). The modern concept of CSR is also about changing roles and responsibilities in the policy-making interaction process between the private and public spheres. It is assumed that the CSR movement stimulates more interactive governance patterns which favour more collaborative and self-regulating schemes. Participation of private actors in the policy-making process is a crucial element in this tendency towards more interactive governance schemes. The following summarises what modern CSR, including stakeholder dialogue, is supposed to be about:

stake-holding is not a call for the socialisation of capitalism, big government or a new corporatism; it requires institutions, systems and a wider architecture, which creates a better economic balance, and with it a culture in which humanity and the instinct to collaborate are allowed to flower. (Hopkins, 2003: 20)

Similar belief systems of actors should lead to coalition formation. For instance, stakeholders whose belief systems are closer to and more in line with the belief system of a corporation should form a kind of advocacy coalition with the corporation including better access to information and greater influence in the corporation's decision-making. Other stakeholders with a disparate belief system are assumed to form a second, opposing coalition. We assume, in other words, that an actor interprets his surroundings according to his belief system and screens the

opportunities at hand accordingly. Opportunities which fit the actor's belief system the most are consequently his first preference. Options or information which do not fit are sorted out; otherwise the actor would have to question his belief system. This resistance to change is especially strong when it affects fundamental normative assumptions. Resistance becomes weaker the more remote aspects of these normative core beliefs are affected.

2.2.1 Stakeholder Theory and interaction between corporations and public authorities

Stakeholder management is widely seen as a key concept within CSR. Business has multiple obligations (not only to make profits for the shareholders and owners as Milton Friedman argues) and (all) stakeholder interests must be taken into account. A company can have various approaches to stakeholders, ranging from inactive to interactive management. When a company decides to *actively* manage the interests of stakeholders, we speak of stakeholder management. In principal, stakeholder management means that a company practices more or less open and active dialogue with its stakeholders. The range of stakeholders usually includes customers, investors, suppliers, competitors, the media, NGOs, employees, communities, the environment (indirect), and public authorities (government). The basic idea behind active stakeholder management is that companies engage in an open dialogue with stakeholders affected by the company's business activities or stakeholders that can exert pressure on the company. Edward Freeman (1984: 46), the founder of stakeholder theory, described a stakeholder of a company: "A stakeholder in an organisation is ... any group or individual who can affect, or is affected by, the achievement of the organisation's objectives". A more precise definition of what constitutes a stakeholder was later provided by Freeman and Evan in 1993. They suggested applying the principle of corporate rights, which demands that the corporation has the obligation not to violate the rights of others, and the principle of corporate effect, which says that companies are responsible for the effects of their action on others. Based on these two simple principles, Crane and Matten (2004: 50) define a stakeholder along the following lines:

A stakeholder of a corporation is an individual or group which either:
is harmed by, or benefits from, the corporation;
or whose rights can be violated, or have to be respected, by the corporation.

Companies can deal with stakeholder interests in several ways. The literature conceptualises the interaction between a company and its stakeholders as (Crane and Matten, 2004; Rowley, 1997): a company can choose a traditional management model which involves only four stakeholders: shareholders representing the owners of the company are the dominant group in this model, in whose interest the firm should be run. The customers, employees, and suppliers provide the company with the basic resources needed to keep the business profitable. Shareholders provide capital, employees provide the skills and labour, and suppliers additional resources

needed to provide products for consumers (who in turn provide the company with capital). A company working with the traditional management model does not reach out to other stakeholders in society and concentrates only on this core group. A second model observable in literature and the business world is the stakeholder model. In this model a company reaches out to multiple stakeholder groups in addition to the previously identified core group. The shareholders no longer enjoy a dominant position but are one stakeholder group among several. A company applying the stakeholder model accepts obligations to a whole variety of constituencies affected by its activities. The interaction between the company and its stakeholders is conceptualised in a two-way relationship. A third way of looking at interaction with stakeholders is the network model which loosens the focus on the company, which has up till now been in the centres of the models. The network model incorporates the fact that the stakeholders of the company have their own duties and obligations to other stakeholders which may be unrelated to the company originally in the centre of the picture. The network model offers the broadest conceptualisation of a company's surroundings with respect to external stakeholder contacts. However, in practice this model is difficult to implement because it demands considerable information about interaction processes between various stakeholder groups in a business sector. Nevertheless, for the research on CSR and the consequences for the interaction between a proactive CSR company and public authorities, the network model is ideal because it offers a comprehensive picture of a company's surrounding by including potentially a whole sector in the conceptualisation of stakeholder management. Therefore, the network approach to stakeholder management conceptualisation was chosen for the case study research. The following series of figures illustrates the different approaches to stakeholder management:

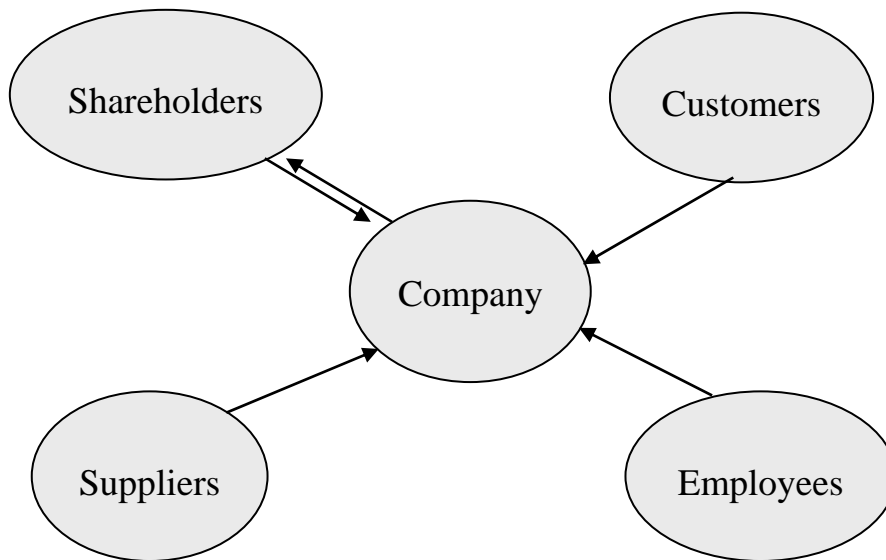


Figure 4: Traditional Management Model

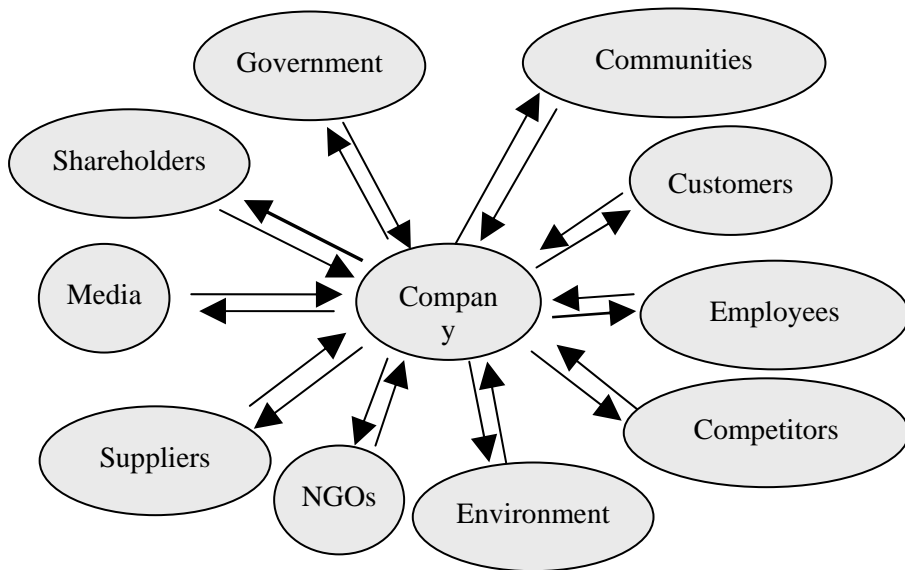


Figure 5: The Stakeholder Model

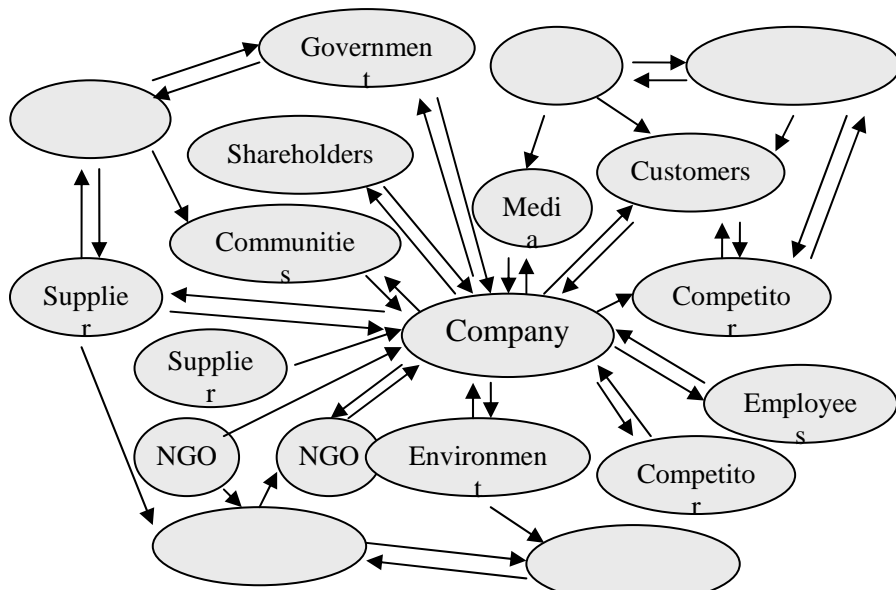


Figure 6: The Network Model (Rowley, 1997)

Business ethicists such as Freeman and Phillips differentiate stakeholder groups in a more complex way. Phillips distinguishes between normative, derivative, and non-stakeholders. Normative stakeholders are those to whom the organisation has a moral obligation of stakeholder fairness, over and above that due other social actors simply by virtue of their being human. Derivative stakeholders are those groups whose actions and claims must be accounted for by managers due to their potential effects upon the normative stakeholders. The priority of normative stakeholder over derivative stakeholders is logical, moral, and not necessarily indicative of which groups will receive managerial attention and to what degree (Phillips, 2003). Other terms describing the status of stakeholder groups range from primary and secondary to internal and external and voluntary and involuntary.

Active stakeholder management or dialogue by a company has a twofold function: On the one hand, it provides a company with crucial information which can serve as a kind of wide-screen radar to detect potential upcoming opportunities and/or problems. The company is supposed to be able to gather this additional information through better and more intense contacts with external stakeholders. On the other hand, an active and open dialogue provides external stakeholders with more and better access points to the company and, hence a better position at the bargaining table. It is assumed that the influence of stakeholders on a company's decision-making increases the more proactive stakeholder management is practised by the company. The level of stakeholder engagement by a company then correlates positively with the level of CSR engagement. The higher the level of CSR engagement of a company, the more proactive the stakeholder management scheme should be; both should have a positive impact on the profitability of the company (Wood and Jones, 1995; Donaldson and Preston, 1995). More interesting for the research is whether CSR and stakeholder management also provide the company with better access options to external stakeholders, especially with respect to public authorities and their decision-making routines. Or in other words, the more a company engages in stakeholder management, the greater the influence on certain stakeholders. The previous elaboration on stakeholder management leads to the following two sub-questions:

Sub-Question 2: How do companies perform stakeholder management, why are they doing it, and which forms of stakeholder management do companies perform?

Sub-Question 3: Does CSR engagement and stakeholder management by a company lead to better access options to public authorities?

Stakeholder management should ideally encompass all stakeholders affected by business activity; this research however, primarily focuses on the relationship between companies and public authorities. Actively practiced stakeholder management should lead to a better relationship with public authorities. A hypothesis on the influence of CSR and stakeholder management on the interaction process between corporations and public authorities is:

The higher levels of stakeholder management due to higher levels of CSR engagement are, the better (more intense and better mutual understanding) the relationship with public authorities should be.

The more intense and better relationship with public authorities should increase a company's ability to influence the general policy-making process. The rationale behind this assumption is that the increased number of access points (direct information exchange links and a potential sharing of resources of some kind) of CSR-proactive companies provides them with ample opportunities for a voice in the policy-making process, as well as opportunities to be heard. This culminates in the following hypothesis:

The capacity of actors to influence the general policy-making process increases the more access points (direct links or even shared resources) actors have to public authorities.

If there is a change observable in the relationship between private and public organisations, it will be examined in this study. The interaction between actors in the policy subsystems (business sectors) will be measured and analysed using social network analysis methodology. Social network analysis methodology offers adequate tools to study how information spreads out in a policy subsystem and how resources of various kinds are shared among actors. The centrality of actors and distance between actors represent two aspects addressed using social network analysis methodology. The methodology is presented in more detail in chapter six together with a brief review of the theoretical background.

A second key concept with direct influence on the interaction between the public and private spheres is triple-bottom-line reporting. Engaging in CSR policies and activities usually includes not only financial reports published by companies, but also reports on social and environmental aspects of a company's business activities. Nowadays, triple-bottom-line reporting is almost a must have procedure for larger companies. However, there is no commonly agreed standard or something similar available to evaluate these reports. Nevertheless, triple-bottom-line reporting should ideally lead to more transparency and accountability. More transparency and accountability result in more and better information about companies. Governments are in a constant struggle for information from companies for many reasons. For instance, if governments perceive a certain situation as a problem to be solved, the first step usually is to get all necessary information on the issue. The more and better information available to governments, the easier for governments to take the appropriate steps to tackle the problem. Furthermore, governments have a constant need for company information to control their business activities. In other words, governments need a constant flow of information from companies to fulfil their control function. If a government faces open and transparent companies, it is more likely that the government perceives these measures by companies as cooperative.

We assume that governments confronted with cooperation by companies do not use direct regulation and other means of coercion (the stick) to tackle a potential problem. On the other hand, governments confronted with an opaque and passive private sector might more readily use coercion to guarantee policy implementation. Whether stakeholder management and triple-bottom-line reporting, two key concepts related to CSR, are responsible for change in the interaction between the private and public sphere will be one of the primary research focuses. This leads us to the following research question:

Sub-Question 4: In which way did the emergence of CSR (together with stakeholder management and triple-bottom-line reporting) in the private sector change the interaction between the public and private sectors?

As mentioned in chapter one, the emergence of new types of regulation in the late 1980s can be interpreted as a first sign of change in the interaction between governments and business. Governments confronted with a cooperative business sector might perceive the feasibility of soft steering mechanisms such as voluntary agreements, covenants, and other types of co-regulation as considerably improved. The change from direct regulation to such soft policy instruments based on cooperation becomes more likely in an atmosphere characterised by transparency and mutual trust. The implementation of self- and co-regulation schemes provides companies with more flexibility to achieve set targets but also a greater share of responsibilities. The assumptions on observable consequences for the CSR engagement of a company due to observable implemented soft policy instruments in concerned business sectors are formulated as follows: It is assumed that the sharing of responsibilities and tasks in a business sector in the form of self- and co-regulation policy impacts the general level of CSR engagement in the business sector. The sharing of tasks and responsibilities between the private and public sectors is assumed to lead to higher levels of CSR engagement in the private sector due to more freedom in decision-making to solve and tackle set issues and targets. More specifically, business sectors that have self- or co-regulation schemes implemented are assumed to show higher levels of CSR performance. The soft policy instruments implemented by public authorities are assumed to result in higher CSR performance and proactive stakeholder management by companies and a generally better relationship with public authorities leading to a mutual trust relationship based on transparency and openness. These basic assumptions lead to the following *hypotheses*:

The more freedom governmental authorities provide a business sector in the form of self- and co-regulation policy schemes to deal with a given policy problem, the more the concerned private sector should be willing to accept additional responsibilities and tasks resulting in higher levels of CSR engagement by companies (macro level).

The higher the CSR performance and stakeholder management of a company, the easier for the company to gain not only access to public authorities, but licences, permits, and other official documents from the authorities which results in lower bureaucratic costs (micro level).

The upcoming section presents the institutional factors influencing CSR implementation and consequences for the interaction between public authorities and companies.

2.2.2 Institutional factors influencing CSR and policy-making

The study is also interested in the institutional factors which influence CSR implementation and diffusion in the private sector. The institutional factors influencing the preference for policy instruments, especially with respect to CSR, are also identified and elaborated. A basic assumption of the study is that different institutional political-economic contexts influence implementation and diffusion of CSR in the private sector, but also with respect to preferences for policy instruments on the macro layer. In other words, the institutional setup of a constituency might influence the implementation likelihood of macro-policy instruments associated with CSR such as self- and co-regulation schemes. This leads directly to the following research question:

Sub-Question 5: Which institutional factors of a constituency influence the diffusion of CSR in the private sector, but also the preference of macro policy instruments associated with CSR?

The institutional environment is of considerable relevance for the feasibility and success of CSR policies. In other words, the institutional political-economic setting of a constituency is of considerable importance for the CSR movement's potential to change established governance patterns. Institutional factors influencing CSR are the level of trust within a society, the political culture and tradition with respect to policy-making, and the constitutional structure. The reason for a focus on these institutional variables is connected to Sabatier's Advocacy Coalition Framework and an approach developed by Börzel, Knill, and Lenschow on institutions influencing policy-making and implementation (Knill and Lenschow, 2000; Börzel, 2000). The identified institutional factors match to some extent the external, relative stable parameters (basic distribution of resources, fundamental socio-cultural values and social structure, and basic constitutional structure) of Sabatier's Advocacy Coalition Framework (ACF) (Sabatier and Jenkins-Smith, 1999).

Börzel, Knill, and Lenschow introduced a promising approach to institutional factors and their influence on policy-making and implementation – the 'goodness of fit' of policies and institutional structures. They argue that central (core) institutional traditions of a constituency are difficult to change and if the misfit with a certain policy or policy instrument is too big than institutional (systemic)

resistance is the consequence. The central institutional elements in their study are the level of trust within a society, distribution of resources, political culture and tradition with respect to policy-making, constitutional structure, fundamental socio-cultural values, and the reform capacity of a constituency. According to the theory, if these institutional elements are confronted with exceedingly high demands for adaptation or change by a policy or policy instrument than resistance will be the result. However, policy misfit does not necessarily lead to implementation failure. Börzel (2000) argues that domestic actors are able to exert enough pressure on institutions to change or adjust to the new requirements. It has to be stressed at this point that the aim of the study on CSR is not to test the theory of Börzel, Knill, and Lenschow but to use their insights on intuitional settings influencing policy-making. The ACF together with Börzel, Knill, and Lenschow's 'goodness of fit' theory form a solid basis for identifying the core institutional variables (level of trust within a society, political culture and tradition with respect to policy-making, and the constitutional structure) of importance with respect to CSR and policy-making. It is assumed that these institutional factors considerably influence the level of impact the modern concept of CSR can have on interactions between business and public authorities. Institutional theory argues that the scope of policy change is constrained by the existing institutional arrangements, the institutions' 'roots and routes' (Olsen, 1995; Knill and Lenschow, 2000; March and Olsen, 1989; Krasner, 1988). Institutional change is expected to be incremental and path-dependent. Consequently, movement tends to occur on the level of 'second order changes' (Hall, 1993). To determine how the institutional factors previously mentioned affect CSR with regard to the interaction between the private and public side presents an interesting opportunity for study. The three core variables are discussed in the last section of this chapter. The following Figure 7 presents the full model on CSR and policy-making and incorporates the identified structural variables in the previous visualisation of the model.

2.2.2.1 *The level of trust within a society*

Trust is of considerable importance for CSR. An integral part of the modern concept of CSR is about changing roles and responsibilities. Therefore, a certain degree of trust needs to be in place for such a transition to succeed. Connected to CSR on the macro level of politics are governance patterns such as co-regulation, self-regulation, and other forms of cooperative schemes. All these forms of governance require a certain level of trust within a society; it is among its crucial actors to be effective and efficient. Changing from more direct regulation types of policy instruments towards more horizontal types of steering mechanisms demands significant changes from involved actors, on both the implementer and the target group sides. Change is needed with regard to role perceptions of actors, but also with regard to mechanisms used instead of the more hierarchical, vertical instruments. A necessary pre-condition for the success of CSR and related approaches and policy tools is the level of trust between relevant actors, but also within the society in general. A country characterised by a low level of interpersonal and institutional trust, is more likely to have adjustment problems to macro-layer

CSR policies and schemes than a country with higher levels of trust. Specifically, the Eurobarometer 61 issue on institutional trust, the European Social Survey, and a study on social capital and European values, including interpersonal trust form the empirical foundation for the analysis on trust as an external system variable with respect to CSR.⁹

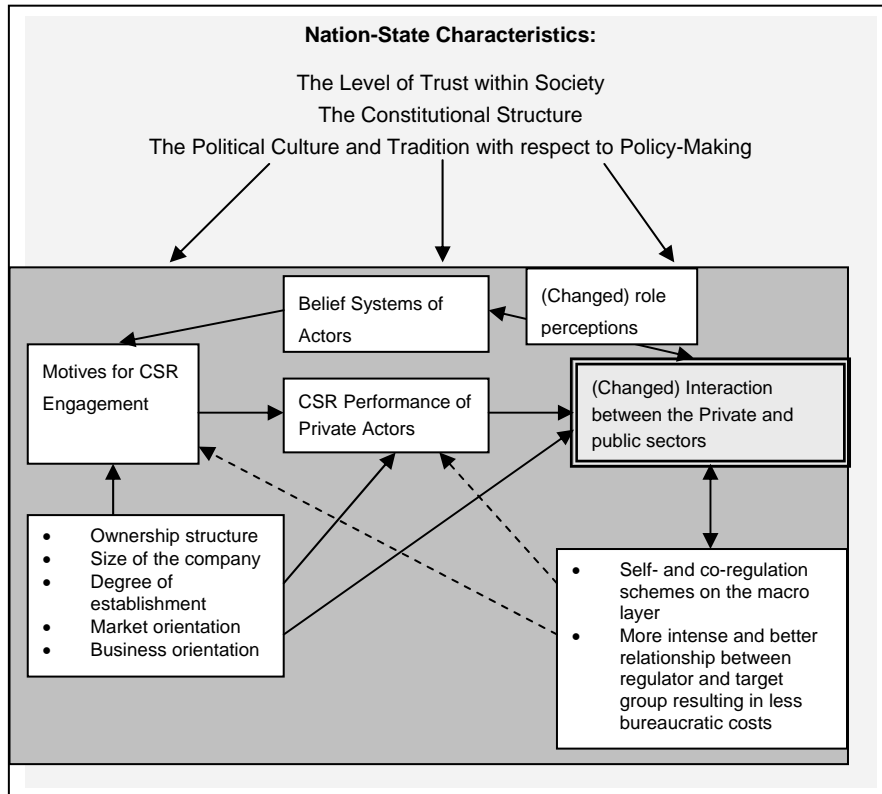


Figure 7: Model on CSR and policy-making incorporating the relevant structural variables

Relevant for this study and the CSR's impact on the interaction between the private and public sphere are the level of trust towards the country's legal system, the national parliament, the national government, and big companies. The level of interpersonal trust also needs to be included because every member of society is part of a larger community.- such as an inhabitant of a city or village or a member of a

⁹ Please see the following sources for the complete data on institutional and interpersonal trust used in the study: Jowell, R. (2003). The data can be obtained online through the Norwegian Social Science Data Services (NSD); Schaik, T.v. (2002). European Commission (2004); Information on trust in national governments and in large companies was added to the study based on Eurobarometer 64. European Commission (2005). Eurobarometer 64. http://ec.europa.eu/public_opinion/archives/eb/eb64/eb64_nl_nat.pdf; accessed April 4th, 2007.

religious community. Members of a society can also be part of organisations such as companies, NGOs, parties, or governments. The point is that people are simply normal people before they enter a larger entity. Hence, their personal level of trust towards others needs to be included because it potentially influences behaviour in larger communities or organisations. If the national level of interpersonal trust is relatively high, then one should expect a relatively high level of trust towards institutions in general because interpersonal trust is seen as the building block of institutional trust.

Country	Interpersonal Trust	Trust in Parliament	Trust in National Court
Austria	42.1	40.3	60
Belgium	40.3	43.5	35.9
Switzerland	51.4	53.8	62.7
Czech Republic	27.7	18.2	23.5
Germany	33.1 (34.8)	29.4 (42)	52.1 (57)
Denmark	74.6	62.2	77.4
Spain	41	38	30.1
Finland	70.9	58.7	74
France	28.1	29	39.2
United Kingdom	43.2 (29.8)	35.6 (25)	43.6 (37)
Greece	21.3	38.9	62.5
Hungary	23.4	38	40.3
Ireland	51	32.3	43.5
Israel	39.8	37.4	69.7
Italy	33.8	40	54.3
Luxembourg	37.3	47.3	60.5
Netherlands	58.5 (59.7)	49.2 (43)	51.4 (49)
Norway	72.3	53.4	65.6
Poland	18.9	14.8	19.5
Portugal	22.8	27.9	27.1
Sweden	61.1	57.7	61.2
Slovenia	24.3	24.1	30.9

Table 3: Interpersonal trust and institutional trust in European countries¹⁰

Statistical analysis of the data of the European Social Survey shows a relatively strong correlation (0.683) between interpersonal trust and trust in national court

¹⁰ The data used stems from the European Social Survey. However, different empirical sources with regard to trust could be used to make the same point. For instance, a study with the title “Social Capital in the European Values Study Survey” also gathered data on interpersonal trust. I used the data of that study and performed the same analysis. The result was the same, namely that interpersonal trust and institutional trust are highly correlated. The numbers in brackets for Germany, the Netherlands, and the UK represent the results of Eurobarometer 61, a public opinion study run by the European Commission. For more information on empirical studies concerning levels of trust see Jowell, R. (2003). European Social Survey 2002/2003: Technical Report. London: Centre for Comparative Social Surveys, City University. The data can be obtained online through the Norwegian Social Science Data Services (NSD); Schaik, Ton v. (2002). Social Capital in the European Values Study Surveys. Tilburg University: Country paper prepared for the OECD-ONS International Conference on Social Capital Measurement London, September 25-27, 2002; European Commission (2004). Eurobarometer 61: http://europa.eu.int/comm/public_opinion/archives/eb/eb61/eb61_en.htm; accessed July 18, 2005.

(judiciary) and a strong correlation (0.836) between interpersonal trust and trust in parliament. One can conclude that the countries with higher levels of interpersonal trust also have higher levels of institutional trust. A study by Rothstein on trust revealed similar results. He concluded that there is a correlation between horizontal (trust in other people) and vertical trust (trust in political and societal institutions) (Rothstein, 2000: 491). For instance, the Netherlands have a relatively high level of interpersonal trust. This corresponds nicely with the results on institutional trust, also relatively high. It can be argued that among the three relevant countries for the study, the Netherlands can be characterised as a country with a high level of social bonds, which is reflected in relatively high levels of trust towards national institutions. Germany can be seen as intermediate case where interpersonal trust is rather low, but trust towards national institutions is rather high. The German legal and political history is reflected in the national institutional setting. German citizens perceive the state as a strong state with strong institutions. This perception of being confronted with a strong and fair state partly explains the high level of trust towards state institutions. Personal experience and the perception of a strong state capable of solving various problems are to some extent responsible for the relatively high level of institutional trust. The UK on the other hand, is characterised by rather low levels of trust. However, it has to be mentioned that the level of interpersonal trust varies to some degree between the studies. Nevertheless, the relatively low levels of interpersonal trust are reflected by rather low levels of institutional trust. The study assumes that the levels of trust influence the feasibility of CSR and its impact on the interaction between the public and private sphere. The higher the levels of interpersonal and institutional trust in a country, the more likely it should be that we find macro-layer CSR policies such as voluntary agreements and variants of co-regulation. This is because a relatively high level of generalised trust indicates the potential readiness of citizens to cooperate with each other and the abstract preparedness to engage in civic endeavours. According to the literature on trust and social capital, generalised trust reduces uncertainty about the future and the need to continually make provisions for the possibility of opportunistic behaviour among actors (Rothstein and Stolle, 2002). This is also considerably important in CSR because it reduces the likelihood of free-riding and opportunistic behaviour. General trust between business actors and public authorities is important for the effectiveness and efficiency of CSR policies and schemes.

The literature on trust differentiates three levels: The first level is personal trust based on personal experience. Personal trust relationships are therefore, to a large extent connected to familiarity in the sense that people tend to trust only in a familiar world and distrust strangers. Generalised or extended trust is the second level and is not based on personal experience. Strangers are viewed positively because it is assumed that our community is based on the same moral standards. Reciprocity of actions becomes crucial in dealing with strangers. However, despite similar or even the same moral standards and the reciprocity of actions, trust in strangers can be abused. To control and limit the possibility of abuse in generalised trust relationships, third-party involvement becomes important - especially with

regard to third-party enforcement. That leads directly to the third level: institutional trust. Trust in institutions is related to the notion that people have faith in institutions that they (government) function properly and solve general and societal problems. Confidence in the institutional ability and capacity to function as a neutral and objective third party for dispute resolution and rule enforcement has to be mentioned in connection with institutional trust. Inherent in the relationship between generalised (impersonal) and institutional trust is a causal link whose direction cannot be clearly identified. Do we trust others because we have faith in the effectiveness of institutions (government as third party control instrument) or do we trust these institutions because we trust others? This study assumes that generalised trust produces institutional trust.

The literature on social capital is divided on the question of its causes and origins. Two lines of thinking can be distinguished: Scholars such as Banfield, Fukuyama, and Putnam advocate the society-centred approach which argues that the capacity of a society to produce social capital among its citizens is determined by its long-term experience of social organisation anchored in historical and cultural experiences that can be traced back over centuries. Advocates of this approach also argue that the most important mechanism for the generation of social capital is regular social interaction, preferably through membership involuntary associations but also more informal types of social interaction (Rothstein and Stolle, 2002: 4; Banfield, 1958; Fukuyama, 1995; Putnam, 1993). Apart from focusing on social interaction in a society, Putnam (1993) argues in his research that the level of social capital is determined by very long historical trajectories. For instance, he writes that by the beginning of the fourteenth century, Italy had produced not one but two patterns of governance with their associated social and cultural features. Specifically he argued that

Collaboration, mutual assistance, civic obligation, and even trust [...] were the distinguishing features in the North. The chief virtue in the South, by contrast, was the imposition of hierarchy and order on latent anarchy. (Putnam, 1993: 130)

Putnam's argumentation triggered considerable criticism. A number of scholars questioned his conclusions and methodology. Tarrow, for instance, questions why Putnam put his main focus on the golden-age of the city-state and then treats the five or six centuries that followed in a less engaging and rigorous way. The main critique connected to this historical perspective is the somewhat biased selection procedure which led him to his far reaching conclusions. Tarrow (1996) shows the weakness of Putnam's research in a very clear and straight forward manner:

It would have been interesting to know by what rules of inference he chose the late-medieval period as the place to look for the source of northern Italy's twentieth-century civic superiority. Why not look to the region's sixteenth-century collapse at the hands of more robust European monarchies; at its nineteenth-century conquest of the South; at its 1919-21 generation of fascism; or at its 1980s corruption-fed economic growth? None of

these phenomena were exactly civic, by what rules of evidence are they less relevant in explaining the northern regions civic superiority over the South than the period 800 years ago when republican governments briefly appeared in (some of) its cities? (Tarrow, 1996: 393)

The second school of thinking with regard to social capital and trust in general is the institution-centred approach. Advocates argue that for social capital to flourish, it needs to be embedded in and linked to formal political and legal institutions (See: Berman, 1997; Hall, 1999; Levi, 1998; Rothstein, 2000; Stolle, 2000; Tarrow, 1996). Institutions, especially political institutions, are critical for this approach because social capital or trust in general do not exist independently of politics and government. Civic interaction as a sole triggering factor is not enough for social capital to develop. For instance, Rothstein even argues that government policies and political institutions create, channel, and influence the amount and type of social capital (Rothstein and Stolle, 2002: 7). Rothstein and other advocates of the institution-centred approach perceive the historical development of institutions as crucial to understand their effect on interpersonal trust and social capital in general. Nobel laureate Douglas C. North, a Professor of Economics and History, revealed instructive insights concerning institutions and how they influence economic performance. He also stresses the importance of history for analysing institutions (North, 1990: 112ff). North also emphasised the role of the state in creating economic prosperity. Analogous to Rothstein and Levi, North also emphasised the importance of individual experience concerning institutions leading to a certain level of trust. North (1990) points out that the role of the state with respect to creating an open market system including a modern capital market leading to higher economic growth and more prosperity was and is crucial for the success of such a transformation.

In particular, the evolution of capital markets was critically influenced by the policies of the state, because to the extent that the state was bound by commitments that it would not confiscate assets or in any way use its coercive power to increase uncertainty in exchange, it made possible the evolution of financial institutions and the creation of more efficient capital markets. ... It was the Netherlands and Amsterdam specifically, that these diverse innovations and institutions were put together to create the predecessor of the efficient modern set of markets that make possible the growth of exchange and commerce. (North 1990: 129-130)

North (1990) also argues that the successful transition of states towards modern market systems and capital markets determined the economic success of states during long parts of European history.

Parts of Europe failed to develop. Spain and Portugal stagnated for centuries and economic growth in the rest of Europe was uneven at best. It was the Netherlands and England that were carriers of institutional change. (North, 1990: 130)

As mentioned earlier, Rothstein also measured a correlation between generalised and institutional trust, though he could not determine in which direction the causal link was. Rothstein (2000: 484) argues that it is not the formal institutions as such but the perceived history of how these institutions have acted that matters with respect to the creation of trust. The main question for Rothstein in this article is how the government, or any other powerful actor, can establish credibility and a reputation for trustworthiness so that other actors (citizens, firms, and organisations) believe that state officials will honour their commitments in the future. For Rothstein the answer lays in the memories of the people about the institutions and the people who run the institutions. In connection to the transition countries in Eastern Europe, Williams, Collins, and Lichbach (1995) argued that for those societies without a policy tradition of respect property rights, the perceptions of credible commitment may therefore be all but possible to establish. Institutions can be changed almost at will, but political memories are long and hence belief systems relatively entrenched.

In essence, Rothstein and Levi argue that governments can realise their capacity to generate trust only if citizens consider the state itself to be trustworthy (Rothstein and Stolle, 2002:10; Levi, 1998: 86). This is because a deteriorating, biased, and corrupt administrative system in general goes hand in hand with low levels of social capital, particularly when measured as generalised trust. North's findings and line of argumentation is very much in line with the advocates of the institution-centred approach to social capital and trust. Rothstein and Levi developed a theory on institutional trust that builds on the basic assumption that an individual's perceptions of fair, just, and effective political institutions and the fact that most fellow citizens have similar beliefs and perceptions, influences the individual's generalised trust. As indicated earlier this study works with the assumption that generalised trust produces institutional trust.

One reason the level of trust is so important for CSR policies is that states help establish contracts (like voluntary agreements) because they provide information and monitor laws, enforce rights and rules that sanction lawbreakers (have the stick at hand if necessary), and protect minorities (in the form of CSR forerunners). Furthermore, higher levels of trust in a society make it easier for companies to be transparent and potentially become engaged in partnerships with NGOs or other societal actors. Trust is an important external system variable for CSR policies and schemes concerning implementation likelihood and efficiency. If the level of interpersonal trust is relatively high in a country, one should expect a relatively high level of trust towards institutions in general. Furthermore, a country characterised by a low level of interpersonal and institutional trust is more likely to have adjustment problems to CSR policies and schemes than a country with higher levels of trust.

With regard to the study on the modern concept of CSR and its impact on the interaction process between the private and public sphere, the theoretical insights result in the following basic assumptions: The Netherlands can be characterised as a

country with relatively high levels of interpersonal and institutional trust: 59% of the Dutch population trust other persons, 49% trust the national parliament, 51% trust the national legal system, 39% have trust in the national government, and 30% trust big companies. Germany can be characterised as a country with relatively low level of interpersonal trust, but with a somewhat stronger sense of trust towards institutions, especially with regard to the national legal system: 33% of the population have interpersonal trust, 29% have trust in the national parliament, 52% in the national legal system, 40% in the national government, and 21% trust big companies. The UK can be characterised as a country of rather low interpersonal trust, reflected in the level of trust towards national institutions. The British population has an interpersonal trust level of 43.2% (29.8%) and trust towards national institution of 35.6% (25%) for the national parliament, 43.6% (37%) for the national legal system, 19 for the national government, and 19 for big companies.¹¹ One can conclude that the Netherlands have relatively high levels of trust, Germany has moderate levels with more developed institutional trust, and the UK has a rather low level of generalised trust and institutional trust. According to the theory and empirical data, CSR policies and schemes should best fit the Netherlands. The actors relevant for the interaction process between the public and private sphere concerning CSR should find it relatively easy and unproblematic to adapt to the requirements (horizontal types of regulation and less use of direct regulation) of CSR schemes and policies.

Germany represents an intermediate case because the level of trust is not as high as in the Netherlands, though somewhat higher than in the UK. The relatively high levels of trust in the national government and in the legal system raise the likelihood of CSR policies and schemes to be adopted and implemented. This is because the state is seen as a rather trustworthy partner and capable of enforcing rules and contracts which is of considerable importance with respect to CSR policies like voluntary agreements and negotiated agreements. The lower level of interpersonal trust might be an indicator for a lower level of preparedness and readiness to engage in CSR policies and schemes at the start. If an actor does not have very much interpersonal trust which comes hand in hand with relatively less trust in big companies (21% in Germany), than the willingness to adjust to or embark on new policies might be lower.

¹¹ The additional data in brackets for the UK show the results of Eurobarometer 61 on institutional trust and of the 'Social Capital in the European Values Study' for interpersonal trust. The reason for only showing this for the UK is because the data does not deviate too much in the cases of Germany and the Netherlands. See Jowell, R. (2003). *European Social Survey 2002/2003: Technical Report*. London: Centre for Comparative Social Surveys, City University. The data can be obtained online through the Norwegian Social Science Data Services (NSD); and Schaik, Ton v. (2002). *Social Capital in the European Values Study Surveys*. Tilburg University: Country paper prepared for the OECD-ONS International Conference on Social Capital Measurement London, September 25-27, 2002; and European Commission (2004). *Eurobarometer 61*: http://europa.eu.int/comm/public_opinion/archives/eb/eb61/eb61_en.htm; accessed July 18, 2005.

The United Kingdom is not easy to characterise with respect to levels of trust. As mentioned earlier, the results on trust vary considerably. A clear, straightforward characterisation is, therefore problematic. If one takes the lower figures on interpersonal and institutional trust provided by the 'Eurobarometer 61' and the 'Social Capital in the European Values Study Surveys' than one could characterise the UK as a country with low levels of trust, especially compared to other western European countries. However, if one takes the figures based on the 'European Social Survey' than the UK could be characterised as a relatively moderate country with respect to interpersonal and institutional trust. Apart from this additional difficulty, it can be concluded that the British population does not have much trust in national institutions because all incorporated studies on institutional trust show the same relatively low results. Hence, it seems more reasonable to characterise the UK as a country in which CSR policies such as voluntary and negotiated agreements become confronted with low levels of trust. CSR policies are horizontally structured (non- hierarchical) and require trust. This mismatch of CSR policies requiring a certain level of trust and a situation of relatively low levels of trust with a society, with respect to both interpersonal and institutional trust, has the potential to create a situation in which relevant actors find it difficult to engage in CSR policies. However, the situation might be different on the micro level. Interpersonal trust might be higher on the local and regional level because actors in the private and public sectors possibly know each other already. Hence, influences on day-to-day interaction processes between private and public actors due to CSR might be unaffected by the low national trust levels. Impacts and changes due to CSR on the interaction process on the micro level are, hence, not surprising.

2.2.2.2 *Basic constitutional and institutional structure*

The focused constitutional and institutional characteristics of nation states considerably influence policy-making and actors' capacity to participate and influence policy outputs. The study concentrates its research focus on the following constitutional and institutional characteristics of countries: The set up of the political system and institutions, organisation of the economic system, interest representation (pluralistic vs. corporatist), and organisation with respect to political authority and decision-making (federalism vs. centralism) (Lijphart, 1999). The focused countries' characteristics on these variables get analysed with respect to potential impacts on the formation and interaction of social networks and policy-making patterns that are observable in them. The institutional structure of a country can have a direct influence on the impact CSR engagement by companies has on the interaction with public authorities. For instance, a country with a corporatist interest representation system like Germany limits the access options for certain actors such as NGOs but also companies. Branch organisations usually have access options to important governmental decision makers on the macro political layer and companies have to channel their communication with them through these central organisations. NGOs might find it difficult all together to find access in the policy-making process because they are not part of the corporatist structure of a business sector. Hence, to include constitutional and institutional structures of a country in the analysis on

CSR is necessary to allow for a comprehensive analysis. Of course, it would be possible to present numerous other well-known scholars such as George Tsebelis and Guy Peters active in the field of institutionalism and comparative politics. However, the research on the influence of institutional settings on actors and policy-making is entirely focused on Lijphart's seminal work 'Patterns of Democracy: Government Forms and Performance in Thirty-Six Countries' which provides a comprehensive elaboration on all relevant constitutional and institutional parameters of a consistency. Furthermore, Lijphart presents and discusses his data on 36 countries including the UK, the Netherlands, and Germany, in a comparative way that eases the analysis on the focused countries and their structural features.

2.2.2.3 *The political culture and tradition*

The term political culture is defined and approached in several ways. Political culture appeared on the agenda of political scientists with Almond and Verba's 'The Civic Culture' in 1963. They define political culture as the psychological dispositions of individuals: "attitudes towards the political system and its various parts, and attitudes towards the role of the self in the system" (1963: 13). However, I do not follow Almond and Verba's approach to political culture directly but use a more comprehensive approach to the concept developed by Duffield. Street (1994) argues that Almond and Verba's behavioural view of political culture is inadequate both as an account of how culture works and of how it might explain political action. According to Street, culture refers to more than the attitudes people hold to politicians and political institutions. Rather it is made up of a complex of feelings and images from the home and work, from manifestos and popular culture. Duffield (1999) argues that even though there is no common definition of political culture, it is possible to identify a number of features which the various definitions have in common. Above all, they treat culture primarily as an 'ideational' phenomenon. Whether (political) culture is described in terms of assumptions, attitudes, beliefs, concepts, conceptual models, feelings, ideas, images, knowledge, meanings, mind-sets, norms, orientations, sentiments, symbols, values, world views, or some combination of these concepts, it refers to the recurring pattern of mental activity, or the habits of thought and feeling common to members of a particular group.¹² It should be noted that culture and existing formal institutions of a constituency are not identical. Thomas Berger (1998) argues that "institutions and culture exist in an interdependent relationship, each relying upon the other in an ongoing way" (11-12). Although institutionalisation may be an important mechanism through which culture may work, according to Duffield (1999) equating culture with institutions risks overlooking the various ways in which the former, as an ideational phenomenon, can exert a direct influence on state behaviour.

Beyond their common ideational bases, conceptions of culture share three other important characteristics: first, culture is viewed as a property of collectivities rather

¹² The section on political culture and cultural approaches is generally based on John S. Duffield's (1999) work on political culture and state behaviour.

than simply of the individuals that constitute them. The term implies a focus on the beliefs, values, and feelings (to use three of the most commonly employed descriptions) subjectively shared by most of the members of a social, political, or organisational unit. Second, cultures are in principle distinctive. The culture of a group is not likely to be identical to that of others, and profound differences may exist from one collectivity to another. The potential distinctiveness of culture may be important for understanding differences in behaviour by states similarly situated within the structure of an international political system such as the European Union. Third, cultures are relatively stable, especially when compared with material conditions. Most of the time, culture changes only very slowly, if at all, even in the presence of an evolving material environment. Significant adjustments over short periods usually occur only as a result of dramatic events or traumatic experiences, which are typically required to discredit core beliefs and values, and thus are infrequent. Cultures are resistant to change because these values and core beliefs are widely shared which means in turn that alternative sets of ideas are relatively few and enjoy little support within the collectivity, hence the likelihood that existing beliefs and values might be readily replaced is limited. Furthermore, normative and emotional components of (political) culture are inherently difficult to disconfirm. Even potentially falsifiable empirical elements are usually buffered by a mental filter which reinforces existing images and beliefs and ignores inconsistent data. The main point with respect to CSR is to identify dominant communication, bargaining, and negotiating patterns in the focused political constituencies. The political culture and tradition of a country with respect to preferences for a certain negotiation or bargaining style in policy-making processes (adversarial, consensus, or consensus within the limitations of a corporatist system including the exclusion of non-corporatist actors) is important for the elaboration on the impact CSR can have on interaction patterns of a certain business sector. Political constituencies that can be characterised by a consensus oriented bargaining and negotiation culture and tradition give proactive CSR companies more room to establish efficient stakeholder management schemes than corporatist systems that exclude certain stakeholders from political decision-making processes. Consensus oriented political cultures with open boundaries provide CSR engaging companies with more opportunities to influence external stakeholders including public authorities. The elaborations on the political cultures and traditions of Germany, the Netherlands, and the United Kingdom are based on this conception of culture and political culture. After presenting and discussing the important external institutional variables, we now finally focus on country selection for the case studies.

2.2.3 Country selection for the case studies

The aim of the comparative approach to studying CSR was to gain as many insights into what influences CSR diffusion and its impact on the interaction between the private and public sectors has. CSR perceptions and practices vary from country to country and the same goes for governance patterns of nation states. Different historical developments result in different approaches to politics, economics, and

social values in general. For instance, the neo-liberal tradition in the Anglo-Saxon countries and the social market economy in large parts of Europe are only two expressions of observable differences in governance systems around the globe. There is an increasing convergence of governance systems observable that follow the American model. Regardless, the aim to gain as many new insights on CSR is best fulfilled by focusing on countries characterised by significant differences.

The general focus of the dissertation is on CSR in Europe. Within Europe, the centre of attention was the UK, Germany, and the Netherlands. These countries have substantial differences with respect to their governance systems. To concentrate the analysis on the level of trust within those countries, on their constitutional and institutional structure, and on their political culture and tradition offers the necessary comparable structural variables for a comprehensive analysis. It will be interesting to observe the impacts various political and economic governance patterns have on the policies chosen with respect to CSR. The business strategy CSR originates in its current form in the Anglo-Saxon countries. To include the UK in the research was therefore an obvious choice to gain additional findings based on a country with the most experiences. Germany was selected for two reasons: first, Germany represents a standard continental European country including its political and economical governance patterns. Germany's system of capitalism is often called Rhenish Capitalism and is characterised by non-market patterns of coordination by economic actors and extensive state-regulation of market outcomes. Rhenish capitalism is associated with Northern European economies - most centrally Germany but also the Netherlands, Denmark, and Sweden (Albert, 1993). Second, as a native German speaker, this made the data gathering process considerably easier.¹³ Finally, the Netherlands were selected because the research project was financed by the Dutch tax-payer. Hence, it was only appropriate to analyse the impact CSR has on Dutch society. The selection of Germany, the UK, and the Netherlands allows CSR comparisons based on different institutional structures, different perceptions, and practices related to CSR.

¹³ For pragmatic reasons Germany was also the first choice compared to other German speaking countries such as Austria. I lived in Germany during the research and Germany offered considerably more relevant companies to research.

**CSR approaches and definitions –
A European approach**

3.1 Introduction

Corporate Social Responsibility (CSR) is increasingly part of corporate agendas. However, what these corporate social responsibilities are exactly remains under discussion and can be viewed differently. What essentially is CSR? What is a corporate social responsibility, what is it not, and who defines that? Such basic questions are addressed in this chapter to clarify our understanding of current European CSR. The social and environmental responsibilities of corporations are undefined by any recognisable central authority. There are plenty of approaches to defining CSR but it depends largely on one's individual perspective and ideology to choose one (Bryane, 2003; Hopkins, 2003; Leipziger, 2003; Vos, 2003; Wells, 2002). The aim of the chapter is not to formulate a 'concrete, all encompassing' definition of current CSR, but to provide a general understanding from which to continue the elaboration on CSR. It has to be pointed out that too narrow a definition involves the risk of killing off further progress in the understanding of the phenomenon. To avoid this, we use a methodology that allows for a broad definition. To provide a reasonable and logical approach, the study focuses on CSR approaches and definitions of important, mostly European, actors. How do important societal actors define CSR? This chapter provides an overview of existing CSR definitions by different actors in society, ranging from business actors to civil society organisations to governmental bodies. Additionally, the stated definitions are examined by content analysis to formulate a working definition of current CSR. The following section is concerned with methodological aspects and the main section is dedicated to content analysis of current CSR definitions by important societal actors. Finally, a CSR working definition is presented based on the content analysis of the stated CSR definitions and approaches.

3.2 Methodology

To understand current CSR, it is best to begin by looking at definitions, perceptions, and approaches of key societal actors. The definitions selected were formulated by important public, business and civil society organisations, representing a variety of societal interests. Since the focus is on European countries, the definitions are overwhelmingly from European organisations and institutions. The selection criterion was based on the EU Multi-stakeholder Forum on CSR which ended in 2004¹. More specifically, institutions and organisations involved in the forum both as members or observers are included²; the addition of Greenpeace balances the number of civil society organisations versus business organisations. Actors involved

¹ For more information on the EU Multi-stakeholder Forum on CSR please see forum.europa.eu.int/irc/empl/csr_eu_multi_stakeholder_forum/info/data/en/csr%20ems%20forum.htm; accessed February 15th, 2007.

² However, it was not possible to find usable descriptions or definitions of CSR from the Secretariat of the African, Caribbean and Pacific Group of States (ACP secretariat) and from the European University Association (EUA).

in the EU multi-stakeholder forum provide a good mix of perceptions and approaches to CSR because the EU selected actors from all parts of society. Additional key political actors in the field of CSR such as the United Nations and the Organisation for Economic Cooperation and Development (OECD) are also included in the sample because of their general importance for the development of CSR worldwide. This makes the sample size big enough to say something about a 'European approach'.

The literature review reveals a clear tendency: apart from business associations and multinational corporations, a select number of key international governmental organisations and civil society organisations dominate the development process of the CSR concept. Key international governmental organisations (the United Nations, the OECD, and the European Union), and key civil society organisations (Greenpeace, the World Wild Life Fund for Nature, Friends of the Earth, and European Social NGOs) have been involved in the development process for years. These public and private organisations also proved to be influential in the past with respect to various high profile issues. This is self-evident for the United Nations (Global Compact) or the European Union (Green Paper on CSR), but also includes major NGOs such as Greenpeace. Greenpeace has shown its political power in many cases during the past three decades. This tendency towards a shift in balance of power from elected governments towards civil society organisations became apparent during the dispute over the Brent Spar disposal where a politically legitimised disposal procedure was abandoned because of public protest mobilised by Greenpeace. Political action formerly undertaken by elected political representatives and their bureaucracies are increasingly influenced, legitimised, or even de-legitimised by civil society organisations. Greenpeace is therefore a plausible additional actor in the analysis. An important reason for the selection criterion of the sample was that a random sample of actors would automatically bear the risk of including actors who are irrelevant with respect to legitimately defining CSR. Another advantage of the chosen approach is that to concentrate on major actors guarantees that observable and repeating key CSR elements are not confused by overly specific special-interest group demands. As pointed out earlier, the aim is not to provide an encompassing, concrete definition of CSR but a sensible approach to the phenomenon in Europe.

The identification of CSR key elements refers to important CSR textbooks, articles, and observation of industry best practice reports (Carroll, 1991, 1999; Carroll et al.1999; Crane et al.2004; Elkington, 1999, 2001; Fenichell and Hollender, 2004; Lawrence et al.2005; Leipziger, 2003; Phillips, 2003; Werther, 2006; Wood, 1991). Integral aspects of CSR mentioned in textbooks and articles and repeated findings in industry best practice case studies formed a comprehensive list of key elements. Of course, textbooks vary regarding the concepts' key elements. They differ to some extent in identifying the main elements. However, it is possible to spot common aspects within the literature. Voluntary commitment, beyond compliance behaviour, ethical behaviour, stakeholder involvement, accountability, and transparency are

among the most prominent elements. These terms have to be seen in the context of John Elkington's famous notion of triple bottom line reporting, meaning that CSR efforts of a company should encompass the environmental, social (people), and economic sides of business conduct (Elkington, 1999). Elkington used the term to mean an expanded baseline for measuring performance. Instead of the usual economic bottom line he talked of the social, environmental, and economic bottom lines. Stakeholder management is particularly relevant because it means that business has to be responsive and open to more than shareholders. The literature on stakeholder management identifies a number of relevant stakeholder groups (Bakker et al. 2002; Collison et al. 2003; Donaldson and Preston, 1995; Freeman, 1984; Hillman and Keim, 2001; Lawrence et al. 2005; Phillips, 2003; Wood and Jones, 1995). Among them are investors, employees, customers, suppliers, communities, media, social activists, the natural environment, competitors, and the government. These so-called key elements of CSR are compared with the stated definitions and descriptions of the focused actors. The content analysis is based on existence, meaning that the exclusive focus is the existence of certain key elements and not frequency. Table 4 illustrates the key elements (categories) and provides an indication of the most important elements. It is the result of the triple content analysis of CSR textbooks, articles, and industry best practice.

The selected definitions and descriptions are then analysed according to the previously defined key elements. Table 5 on page 100 shows the results of the examination based on existence of key elements within the selected definitions. Based on these findings, the chapter provides a working definition of current CSR perceptions in all parts of society. Since CSR is a rather broad concept and this research aims to provide some clarification and a basis for further elaborations, it is only rational to apply the strict selection criteria (EU Multi-stakeholder Forum on CSR) with respect to the sample of actors to limit the study focus.

3.3 CSR terminology – Some clarifications

Terminology on business responsibilities varies considerably. Many terms exist to describe the responsibilities of business towards society. A few examples illustrate the confusion in terminology: corporate citizenship, corporate responsibility, corporate social responsiveness, corporate social performance, corporate stakeholder responsibility, ethical business, responsible business, corporate integrity, organisational responsibility, and social responsibility. Corporate social responsibility is currently the best known term expressing the new requirements posed at the private sector. It is reasonable to focus on this term to get an idea of these new requirements and challenges for business. Though CSR is a business-driven concept, the focus is nevertheless on definitions coming from all parts of society, including public, private, and civil organisations. The reason for this broader approach is that corporate social responsibility as a concept is not seen to be

CSR approaches and definitions

exclusively defined by private sector organisations, but increasingly by actors from the public and civil sectors.

Key Elements	Description
Political Authorities should have a Leading Role	Political authorities such as EU institutions should lead CSR development
Voluntary/Beyond Compliance	CSR activities are meant to be beyond compliance behaviour and should remain voluntary
Stakeholder Investor	Shareholders, owners, financiers, and investors who affect or are affected by a corporation's activities
Stakeholder Employee	Employees who affect or are affected by a corporation's activities
Stakeholder Customer	Customers who affect or are affected by a corporation's activities
Stakeholder Supplier	Suppliers who affect or are affected by a corporation's activities
Stakeholder Community	Communities who affect or are affected by a corporation's activities
Stakeholder Media	Media who affect a corporation's activities
Stakeholder Social Activist/NGOs	Social activists who affect a corporation's activities
Stakeholder Natural Environment	Natural environment that is affected by a corporation's activities
Stakeholder Competitor	Competitors who affect or are affected by a corporation's activities
Stakeholder Government	Governments who affect or are affected by a corporation's activities
Stakeholder Society at large	Society at large that affects or is affected by a corporation's activities
Accountability/Transparency	The degree to which a corporation provides accountability and transparency to stakeholders
Ethical Behaviour	Ethical behaviour represents the commitment by corporations not to engage in bribery, corruption, and other forms of misbehaviour, but also to move beyond traditional business expectations and include society's expectation of what is 'acceptable' business practice
Commitment to add Economic, Social, and Environmental Value	Corporations have a responsibility or obligation to operate in a manner that adds value (beyond traditional economic value) to society

Table 4: Key elements associated with CSR

Corporate Social Responsibility gained from the emergence of the sustainability movement of the late 1980s and 1990s. The youth of the term explains its association with the concept of 'sustainable development' developed by the Brundtland Commission and accepted by the Earth Summit 92 in Rio. Sustainable development is based on economic, social, and environmental dimensions of

societal activities. The sustainability concept is therefore a comprehensive approach to societal development. CSR on the other hand is a concept focusing on the business contribution to sustainability. Consequently, there is a significant difference between the two:

[...] the nature of sustainable development is considerably broader than what is usually meant by CSR. For example, sustainable development is typically considered to encompass both voluntary and non-voluntary approaches and involves actions and policies that can only be taken by governments or international organisations (ISO Advisory Group on Social Responsibility, 2004: 25).

The 'social' within corporate social responsibility also causes some confusion. Social can relate to a narrow approach to corporate responsibilities, meaning economic and social aspects of corporations. Environmental issues are seen to be neglected by this approach. However, social is also used in a broader sense to refer to society in general and would therefore also encompass environmental responsibilities. To avoid this confusion the term 'Corporate Social and Environmental Responsibility' has been proposed; however, as mentioned earlier, this study uses the term Corporate Social Responsibility (CSR) as the most diffused term in all parts of society and the most similar and accepted in different European countries.

3.4 CSR Definitions by relevant societal actors

There is no commonly agreed definition of Corporate Social Responsibility at the moment and there may never be one. CSR perception is conditioned by regulatory and cultural contexts. Practices in one country do not necessarily represent CSR practices in another. For instance, a business activity might be categorised as CSR in country A while the same activity can be regulated in country B, meaning that this activity is not seen as CSR in country B. This is connected to differences in legal and economic situations, as well as with customs and standards of behaviour inherited from specific traditions.³ This section provides definitions by the most important societal actors from all parts of society as well as a few definitions by important international actors relevant for the development of CSR. The definitions are divided into three sections: the first focuses on political organisations, the second concentrates on business organisations, and the third centres around civil society organisations. Not all identified definitions and descriptions by focused

³The following example illustrates the point: "The Hungarian case study, in which voluntary maintenance by a company of minimum social protection takes the place of CSR, is exemplary in this respect. In Germany, the now well-anchored tradition of co-determination means that information and consultation of trade union partners is regarded as established practice, while in the UK this approach, left by law to the discretion of the employer, is regarded as socially responsible behaviour by management" (Bronchain 2003).

organisations are repeated in the main text of this chapter but can be found in the appendix.

3.4.1 CSR – Definitions and descriptions by political organisations

CSR originally was an exclusively business-driven concept. However, organisations from other parts of society also recognised the concept's potential (in a positive as well as negative sense) and began to claim a seat at the table. Among these are political organisations. The European Union started to express its interest in a more proactive stance of business towards broader responsibilities in the mid 1990s. As mentioned in our discussion on the historical development of CSR, Jacques Delors and a group of European companies launched a 'Manifesto of Enterprises against Social Exclusion' in 1995, representing the first step in the process of European Union CSR development. Political organisations sometimes hesitate to state clear and precise definitions of how they understand CSR. This can partly be explained by the fact that decision-making processes within political organisations are often complicated and difficult because various opinions usually need to be reflected in the final output. One can assume that a diffuse issue such as CSR makes it especially difficult to come to a clear consensus. Nevertheless, the following definitions indicate how two main players, the European Commission and the United Nations (in form of the sub-units), perceive CSR:

In its Green Paper on promoting a European framework for Corporate Social Responsibility the European Commission defined CSR as:

[...] a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Amongst other things, this definition helps to emphasise that:

- CSR covers social and environmental issues, in spite of the English term corporate social responsibility;
- CSR is not or should not be separate from business strategy and operations: it is about integrating social and environmental concerns into business strategy and operations;
- CSR is a voluntary concept;
- An important aspect of CSR is how enterprises interact with their internal and external stakeholders (employees, customers, neighbours, non-governmental organisations, public authorities, etc.) (Commission Green Paper 2001 "Promoting a European Framework for Corporate Social Responsibility", (COM, 2001: 366 Final)

The United Nations and their sub-units look at CSR in slightly different ways.⁴ The leading initiative within the United Nations is the UN Global Compact which seeks

⁴ CSR is approached differently within the various bodies of the United Nations. For instance, the United Nations Conference on Trade and Development (UNCTAD) defines corporate social responsibility as: "Corporate social responsibility concerns how business enterprises relate to, and impact upon, a society's needs and goals. All societal groups are expected to perform certain roles and functions that can change over time with a society's own evolution. Expectations related to

to promote responsible corporate citizenship so business can be part of the solution to the challenges of globalisation. The UN Global Compact uses this definition of CSR: “The integration of social and environmental concerns into business policies and operations” (UN Global Compact, 2004).

The Global Compact also issued ten principles on how corporations should act in the areas of human rights, labour, the environment, and anti-corruption. These ten principles are the United Nations approach to corporate responsibilities, but also basic guidelines for appropriate corporate behaviour (UN Global Compact, 2007).

The UN Global Compacts’ ten principles, the OECDs’ ‘Guidelines for Multinational Enterprises’, and the ILOs’ ‘Fundamental Principles and Rights at Work’ together with the ‘Tripartite Declaration on Multinational Enterprises and Social Policy’ shape the basis for an increasing number of CSR codes of conduct and other standard setting initiatives. We argue that these political organisations have significantly influenced the development process of the CSR concept.

3.4.2 CSR – Definitions and descriptions by business organisations

The balance of power between the public and private sector saw an increasing shift towards corporations during the past two decades. As shown in detail in chapter 1, the rapid international integration of national markets benefited the private sector versus governments. The world economy became increasingly impelled by the integration of national economies in terms of trade, financial flows, ideas, information, and technology. Corporations benefited more and more from new economic opportunities, but also saw themselves confronted with greater expectations by both governmental and civil society organisations. The concept of CSR came about as a reaction to these new expectations of corporations. Though CSR began as an exclusively business-driven concept, development during the 1990s showed a growing interest from other societal actors. Since CSR was conceptualised first in the business world, corporations and business associations still claim a large stake in the ongoing development process. Some basic aspects of the current concept such as the voluntary and ‘one size does not fit all’ approach come from these business-driven origins. The following definitions and descriptions of CSR by the Union of Industrial and Employers’ Confederations of Europe (UNICE – now Business Europe) and the World Business Council for Sustainable Development (WBCSD) provide some insight into the CSR perspective of business actors:

business enterprises, and particularly TNCs (transnational corporations), are undergoing unusually rapid change due to the expanded role these enterprises play in a globalising society. Discussions relating to TNC social responsibility standards and performance therefore comprise an important component of efforts to develop a stable, prosperous and just global society” (UNCTAD 1999: 1).

The Union of Industrial and Employers' Confederations of Europe (UNICE) sees the following essentials connected to CSR:

CSR is voluntary and business-driven;

- There is 'no one-size-fits all' approach to CSR;
- CSR is inextricably linked to the three pillars of sustainability relating to economic, social, and environmental considerations;
- CSR is not about shifting public responsibilities on to private companies;
- CSR needs to be seen in a global rather than a purely European context (UNICE, 2002).

The World Business Council for Sustainable Development (WBCSD) represents an important business actor with respect to business contribution to sustainable development and provides another useful definition:

Corporate social responsibility is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life (WBCSD, 2002).

3.4.3 CSR – Definitions and descriptions by civil society organisations

Civil society organisations have been involved in the debate on social and environmental issues at least since the early 1970s. However, when globalisation accelerated during the early 1990s, NGOs also expanded their agenda and became involved in discussions related to where CSR should lead. NGOs used modern communication channels such as the World Wide Web, satellite television, and the media effectively for mobilising public protest against high profile corporations and international governmental organisations. Important civil society organisations are to some extent already in the policy-making process on CSR issues. Consequently, the business community became more concerned with who actually controls further CSR development. The following definitions of and approaches to CSR by the Platform of European Social NGOs and Greenpeace complete the societal picture of the current conceptualisation of CSR.

The Platform of European Social NGOs finds the following points most important within the debate on CSR:

- Companies should be encouraged to recognise that they have a social responsibility towards society, and to take effective steps beyond those required by law to meet this responsibility.
- Companies should adopt principles and proactive policies to counter discrimination and social exclusion, to promote gender equality and to respect the fundamental rights of all.
- CSR schemes should not be put in place without prior consultation with all relevant stakeholders, who should also be consulted concerning the implementation and monitoring of CSR schemes.
- Implementation of CSR standards must be independently verifiable" (Platform of European Social NGOs, 2001).

The Social Platform greatly emphasises the need for international independent standards for measuring corporate behaviour, common reporting standards for all companies based on these, and independent monitoring and auditing of CSR claims made by corporations (Platform of European Social NGOs, 2004a).

Key NGO player Greenpeace defines CSR as

[...] the government and business community response to this public pressure. While there is no agreement on a clear definition of CSR, there seems to be a growing recognition that CSR is much more than a mere involvement in social affairs and charity at a complete discretion of business. Greenpeace recognises that CSR may involve voluntary practices going “beyond legal requirements” but reminds that CSR cannot replace legislation and policies by governments and can only, at best, complement it. (Greenpeace 2006)⁵

The civil society organisations involved in the EU Multi-Stakeholder Forum share a common vision of CSR, which they have put forward consistently during the Forum. The key points were that voluntary initiatives are not enough to reverse the unsustainable impacts of corporate activities and that only binding legal measures will establish a general incentive for responsible corporate behaviour which matches their general incentive to be profitable. Furthermore, mandatory social and environmental reporting, disclosure of payments and lobbying to public authorities, and provision of comprehensive point of sale information about products and services are required by civil society actors. They would also like to see public authorities, especially EU institutions, take a leadership role to create incentives and a level playing field for corporations willing to act more sustainably (Platform of European Social NGOs, 2004b).

3.5 CSR Definitions and descriptions – Common elements leading to a working definition of present CSR

The identification of key elements refers to CSR textbooks, articles, and observation of industry best practice. These so-called key elements are then compared with the definitions of the focused actors. The definitions and descriptions of CSR by societal actors are not always easy to categorise, hence some degree of subjectivity is unavoidable. To provide as much transparency as possible in the process of interpreting the material, Table 5 illustrates the results of the content analysis based on existence in the stated definitions.

⁵ A position paper by the Green 8 (Friends of the Earth Europe, Greenpeace European Unit, Climate Action Network Europe, European Environment Bureau, WWF European Policy Office, Transport & Environment, Friends of Nature International, and Birdlife International) on CSR and the EU Multi-Stakeholder Forum Process defined CSR in the same way, strongly emphasising the role of European Law and International Agreements (Green 8, 2004).

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Definitions by selected political, economic, and civil society organisations	Political Authorities should have a Leading Role	Commitment to add economic, social, and environmental value	Voluntary/ Beyond Compliance	Stakeholder Investor	Stakeholder Employee	Stakeholder Customer	Stakeholder Supplier	Stakeholder Community	Stakeholder Media	Stakeholder Social Activist/NGOs	Stakeholder Natural Environment	Stakeholder Competitor	Stakeholder Government	Stakeholder Society at large	Accountability/ Transparency	Ethical Behaviour
EU Commission		x	x		x	x		x		x			x			
European Parliament	x	x	x*	x	x	x									x	
UN – Global Compact			x		x						x			x	x	
ILO			x		x									x		
OECD			x	x	x	x	x				x				x	x
UNICE-BusinessEurope		x	x												x*	
EuroCommerce			x		x	x	x	x							x*	
ERT			x												x	
CSR Europe		x			x	x	x	x			x				x	x
UEAPME			x					x							x	
EUROCHAMBRES		x	x		x	x		x		x			x		x*	
CEEP		x	x	x	x	x	x	x		x	x		x			
WBCSD		x	x		x			x							x	
Eurosif	x*		x												x	x
Social Platform	x*		x*		x									x	x	
Amnesty International	x		x*		x*			x*						x*		
BEUC	x				x	x					x			x	x	
ETUC	x	x	x*												x	
Eurocadres		x												x	x	
CECOP	x		x*		x										x	
FLO	x		x*													
FIDH	x		x*											x	x	
Green 8	x													x	x	
Oxfam	x				x*			x			x				x	
Greenpeace	x		x*												x	
Prominence based on frequency	4	6	2	11	3	8	10	7	12	11	9	12	11	5	1	11

Table 5: Content analysis of CSR definitions and approaches⁶

⁶*interpretation by the author – counts for only 50% in the analysis

The result of this analysis can be summarised as follows: Accountability and transparency play a very important role in defining CSR. Transparency and accountability came in the focus of numerous studies and reports on CSR (Bamber, 2005; Bullock, 2006; Business for Social Responsibility, 2005; Graafland et al.2004; KPMG, 2005). The legitimacy of CSR policies, practices, and strategies but also of CSR reporting is increasingly connected to the transparency and accountability of companies. Recent years also saw proliferation of standards to improve the transparency and accountability of CSR (reporting) such as the AA1000 Assurance Standard (AA1000AS), the Global Reporting Initiative (GRI), and the guideline SA8000 of Social Accountability. Transparency and accountability as two key aspects of a current working definition of CSR does not come as a surprise. However, explicit ethical behaviour guidelines seem to be lower on the agenda for most organisations.

The voluntary commitment of business to act beyond compliance is also an important element in defining CSR according to the results of the content analysis. A voluntary basis means different things to different societal organisations. Business organisations and most political organisations emphasise that engagement has to remain exclusively voluntary and business-driven and that any attempt to standardise or regulate CSR would hamper the movement. Civil society organisations and the European Parliament see voluntary commitment only in a legal framework context which makes the business community accountable to their stakeholders. The issue of voluntary versus regulated CSR is the main point of contention between the different societal groups in Europe; it remains to be seen which will prevail in the long run. However, business is well aware that civil society organisations and also political organisations are ready to take over in developing CSR further in Europe. Stakeholders are mentioned in most cases; however, if one focuses on specific stakeholder groups then the picture becomes somewhat different. If one interprets the results of the analysis as a ranking or prioritisation of stakeholder groups, then a hypothetical ranking would be: employees, society at large, community, customers, natural environment (directly or represented by another stakeholder); suppliers, investor/shareholders, government, social activists/NGOs, media, and competitors.

Since this research focuses on all societal actors' definitions and not only those of business, it is not surprising that investors/shareholders rank rather low on the list of potential stakeholders. To see the natural environment so high on the list is to some extent surprising since not even scholars agree if it deserves a stakeholder status. Though social activist organisations are included in the analysis in the form of civil society organisations, they rank in the last part of the list. The importance of stakeholders in the process of CSR engagement is stated several times, but without addressing NGOs explicitly. It is noteworthy to see that the results of this study correspond very well with the literature on stakeholder management (Freeman et al.2006; Freeman, 1984, Lawrence, 2005; Phillips, 2003; Werther, 2006). It is disputed among scholars whether social activists and the media deserve legitimate

and/or normative stakeholder status. A *tentative working definition* of corporate social responsibility could be formulated along these lines:

CSR is the voluntary commitment (within a regulatory/reference framework) by business to add economic, social, and environmental value to societies at large in a transparent and accountable manner. CSR implies the recognition that business activities can affect the interests of all normative and derivative stakeholders, including employees, communities, customers, and the natural environment and, therefore should be reflected in the company's policies and actions.

3.6 Latest trends influencing CSR development

Recent developments in the field of CSR indicate a rise in the prominence of stakeholder management/dialogue and reporting. It is becoming increasingly important for companies to operationalise stakeholder dialogue and incorporate it into the normal way of doing business. The same holds for social and environmental reporting. It is one thing for companies to be more accountable due to sustainable and responsible ways of doing business; it is another to express these activities to the outside world. Reporting initiatives have proliferated tremendously during the past years through initiatives such as the Global Reporting Initiative, Social Accountability 8000, Global Sullivan Principles, AccountAbility 1000, or the creation of the Dow Jones Sustainability Index Framework. Companies, especially multinationals, now provide more reports on social and environmental performance. These higher reporting standards are increasingly demanded by the financial market. Social Responsible Investment (SRI), especially in the form of dedicated investment funds, has also emerged in the last couple of years. Social responsible investment funds and pension funds with social and environmental selection criteria control enormous amounts of capital. In June 2003 there were 313 green, social, and ethical funds operating in Europe, commanding €12.2 billion (Socially Responsible Investment Compass, 2004).

Ethical and environmental guidelines for investments may be a first step to implement a consistent policy towards the social and environmental problems arising from globalisation and may thus be one of several means aimed at a more humane and ethical development of the global economy. (Aslaksen and Synnestvedt, 2003: 221)

The International Organisation for Standardisation (ISO) is now considering the development of a standard on CSR and has decided to launch the development of an International Standard providing guidelines for Social Responsibility (SR). The guidance standard will be published in 2008 as ISO 26000 and be voluntary. It will not include requirements and will thus not be a certification standard. ISO attempts to find a middle road between legislation and purely voluntary approaches which result in incomparable approaches to CSR. By seeking a middle road, ISO tries to promote respect and responsibility based on known reference documents without

stifling creativity and development (International Organisation for Standardisation (2007). Despite this middle or even soft approach to CSR, the business sector is ambiguous to ISO's initiative because in their perception the ISO guidance standard could result in more regulative efforts.

Nation states are also becoming active in the field of CSR. For instance, the UK government introduced a minister responsible for CSR within the Department of Trade and Industry (DTI 2006). Despite the fact that the main emphasis within the concept of CSR is voluntary commitment, public authorities also search for a new role aside from old governance structures. It is interesting to notice that a recent study on CSR practices within different political and economic environments showed that a higher level of state regulation within fields related to CSR does not necessarily lead to a less active private sector with regard to CSR initiatives.

It is commonly assumed that CSR is negatively linked to the level of state intervention. [...] Our research shows that the reality is more complex and that while the link can be negative, it can also be positive. (Bronchain, 2003)

Most importantly for this research, the EU Commission called for a fresh start to the Lisbon Agenda by launching a 'Partnership for Growth and Jobs' in February 2005 and renewing its 'Sustainable Development Strategy' in December 2005. The EU Commission stressed the point again that enterprises are the primary actors in CSR. To support business the EU Commission announced the launch of a 'European Alliance on CSR', a concept drawn up on the basis of contributions from business active in the promotion of CSR. The Alliance is an open alliance of European enterprises, for which enterprises of all sizes are invited to express their support. Furthermore, it is a political umbrella for new or existing CSR initiatives by large companies, SMEs, and their stakeholders. The alliance is not a legal instrument and is not to be signed by enterprises, the EU Commission, or any public authority. It is a political process to increase the uptake of CSR amongst European enterprises (European Commission, 2006).

3.7 Conclusion

CSR is defined in many different ways. There is no commonly agreed definition at the moment. CSR is not a static issue; CSR is constantly changing. The section on latest developments related to CSR pointed to a number of new development streams (more reporting standards and stakeholder management) and influence factors (ISO guidance standard, nation state activities, and EU initiatives) which might affect the future development of the phenomena. Nevertheless, the content analysis of 25 definitions and approaches by mainly European organisations showed common CSR elements between the different sectors of society. An amalgamation of common elements and key points leads to the following *working definition* on CSR:

CSR approaches and definitions

CSR is the voluntary commitment (within a regulatory/reference framework) by business to add economic, social, and environmental value to societies at large in a transparent and accountable manner. CSR implies the recognition that business activities can affect the interests of all normative and derivative stakeholders including employees, communities, customers, and the natural environment and therefore should be reflected in the company's policies and actions.

The next step in the research on CSR within the European context focuses on empirically testing this working definition. Do CSR definitions on paper by important organisations fit into actual CSR perceptions and practices of the business world or reflect something else? In other words, does this working definition correspond with CSR as practiced in the business sector? Answering this question will potentially enable us to identify a possible mismatch of normative theory and expectations with reality. If there is a mismatch, why, and where is it? Tackling these kinds of questions will bring new insights into the development and understanding of Corporate Social Responsibility addressed in the next chapter.

Appendix

Political actors:

The *European Parliament* understands CSR as:

[...] that CSR policy has to be developed on a voluntary basis, notwithstanding existing national and European regulation, international conventions and guidelines and further development of these regulations; emphasises that companies should be required to contribute to a cleaner environment by law rather than solely on a voluntary basis;

[...] whilst endorsing the Multi-Stakeholder approach, accepts the need for CSR to be business driven, and that the development of business tools could facilitate the process; that transparency, accountability and verifiability should be accepted by business...

[...] considers that voluntary measures relating to corporate social responsibility must come from the firms themselves, but stresses that workers, their representatives, consumers and investors must nevertheless be involved in devising the concrete form such measures are to take and in their monitoring and enforcement;

[...] insists that environmental, development, enterprise and social aspects of CSR be treated with equal emphasis; (European Parliament, 2003)

The *International Labour Organisation* (ILO) approaches CSR with the fundamental documents 'Fundamental Principles and Rights at Work' and the 'Tripartite Declaration on Multinational Enterprises and Social Policy'. In these documents the ILO lays down important and widely referred-to standards in the field of employment, training, conditions of work and life, and industrial relations. Governments, employers' and workers' organisations, and multinational enterprises are recommended to observe these principles on a voluntary basis. Briefly summarised, the documents encompass the principles to respect the freedom of association and collective bargaining, to end forced labour, to end child labour, and to fight discrimination. In addition, they enhance dialogue and cooperation between Multinational Enterprises and local partners, are development oriented, and in general focused on employment and working conditions (ILO, 2004b).

The *Organisation for Economic Co-operation and Development* (OECD) defines CSR in the following manner:

Corporate responsibility involves the effectiveness of the fit businesses develop with the societies in which they operate. The core element of corporate responsibility concerns business activity itself. The function of business in society is to yield adequate returns to owners of capital by identifying and developing promising investment opportunities and, in the process, to provide jobs and to produce goods and services that consumers want to

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buy. However, corporate responsibility goes beyond this core function. Businesses are expected to obey the various laws which are applicable to them and often have to respond to societal expectations that are not written down as formal law. (OECD, 2004)

The term corporate responsibility refers to the actions taken by businesses in response to such expectations in order to enhance the mutually dependent relationship between business and societies (OECD Observer, 2002).

The OECD Guidelines for Multinational Enterprises have similarities to the UN Global Compact's ten principles and guidelines for multinational enterprises. These guidelines comprise a set of recommendations: they stress among other things the voluntary character of the guidelines as well as the importance of human rights, supply chain responsibility, social, environmental, and risk reporting, combating bribery, consumer interests, and protecting the environment (OECD Observer, 2003).

Business organisations:

UNICE together with the *European Round Table of Industrialists* (ERT) and *CSR Europe* stress that there is no need for public-authority-led convergence of CSR practices. Both emphasise that transparency and accountability of business CSR practices will be taken up by business itself. Public authority intervention is not required and counter-productive. They also claim a leading role for the business community in the stakeholder debate (UNICE/ERT/CSR Europe, 2002).

EuroCommerce, a European social partner which represent employers and workers in commerce and distribution, defines CSR as follows:

CSR is a process including a large spectrum of issues, which do not encompass social and environmental topics only, but a broader range of topics. EuroCommerce would caution against putting too greater emphasis only on the internal dimension social of CSR covering only human resources aspects. In most cases, the external dimension (customers, local community, business partners) has a stronger impact on how to drive business activities. (EuroCommerce, 2001)

EuroCommerce also stresses the importance of a voluntary approach to CSR and that a unique scheme for social reporting or auditing is inappropriate as businesses measure and compare within different environments and at different stages of the economic cycle, etc. (EuroCommerce, 2001).

The *European Association of Craft, Small and Medium-sized Enterprises* (UEAPME) also refuses the notion of introducing compulsory measures and claims that CSR must remain voluntary. Furthermore, the organisation also rejects the idea of applying current CSR tools and approaches, such as exhaustive reporting, to small and medium-sized companies because these were created for large enterprises

and would be useless. However, it is stressed that small and medium-sized companies engage in social and cultural sponsoring and community involvement.⁷

EUROCHAMBRES, a network of 2,000 Chambers of Commerce and Industry throughout Europe, agrees with the definition given by the European Commission. They especially emphasize that CSR has to remain business-driven, that reporting should be done on an individual basis, remain a voluntary initiative, that the right balance between sustainable development initiatives and retaining competitiveness must be ensured, and that small and medium-sized companies should find their own way to do CSR (EUROCHAMBRES, 2004).

The *European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest* (CEEP) also concurs with the meaning and definition of CSR given in the green paper. However, the organisation focuses on a different part of the Commission's definition:

Being socially responsible means not only fulfilling legal expectation, but also going beyond compliance and investing more into human capital, the environment and the relations with stakeholders. ... 'Corporate social responsibility extends beyond the doors of the company into the local community and involves a wide range of stakeholders in addition to employees and shareholders: business partners and suppliers, customers, public authorities and NGOs representing local communities, as well as the environment. (CEEP, 2001)

CSR Europe (and its) member companies are committed to promote the following principles as part of achieving business success:

- Conduct business responsibly by contributing to the economic health and sustainable development of the communities in which we operate.
- Offer our employees healthy and safe working conditions, ensure fair compensation, good communication as well as equal opportunity for employment and development.
- Offer quality, safe products and services at competitive prices, meet customers' needs promptly and accurately and work responsibly with our business partners.
- Minimise the negative impacts our activities can have on the environment and its resources, while striving to provide our customers with products and services that take sustainable consumption into account.
- Be accountable to key stakeholders through dialogue and transparency regarding the economic, social and environmental impacts of our business activities.

⁷See UEAPME (2002). Corporate Social Responsibility must remain voluntary: UEAPME fears that CSR will lead to additional obstacles for SMEs, www.ueapme.com/docs/press_releases/pr_2002/021016_%20%20CSR.doc; accessed July 22, 2004.

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- Operate a good governance structure and upholds the highest standards in business ethics.
- Provide a fair return to our shareholders while fulfilling the above principles (CSR Europe, 2007).

The *European Social Investment Forum* (Eurosif) proposes that companies should voluntarily develop their own guidelines in such a way that it provides investors and others valuable information about the implemented CSR issues, which they believe represent material risks or opportunities for their business. Periodically reporting is necessary as a starting point for evaluation on the company's ability to manage risk, as well as the quality of management. Compliance with these guidelines is voluntary. For companies unwilling to adopt CSR guidelines voluntarily however, it should be taken in consideration to mandate the disclosure and transparency in reporting. A degree of compulsion may in due course be desirable, but not at this moment. For now progress should be flexible and capable of evolution (European Social Investment Forum, 2001).

Civil society organisations:

Amnesty International looks at CSR almost exclusively from the human rights angle. The organisation appreciates voluntary initiatives by companies to act beyond compliance but also argue that such self-regulation has limits. Furthermore, the human rights organisation has serious doubts in how far the market place can protect human rights.

This is why Amnesty International decided a year ago to take a two pronged approach: we will continue to pursue voluntary approaches – codes, commitments and public pressure – but we will also campaign for legal accountability mechanisms. (Amnesty International, 2003)

For the *European Consumers' Organisation* (BEUC) CSR includes issues such as globalisation, the growth of brands, environment, safety and health issues, fair-pricing, social issues, human rights, working conditions, fair trade between developing and developed countries, child labour, and animal welfare. However, the consumer organisation considers CSR a tool that could lead to a better sustainable consumption (BEUC, 2002). In general the European Consumer's Organisation supports a general European framework in partnerships with the main CSR actors and thus promotes transparency, coherence, and best practice in CSR practices.

The European Trade Union Confederation (ETUC) requires the following for CSR to be effective: a change in attitude permeating the entire company which makes environmental and social considerations an intrinsic part of day-to-day management and decision-making. Responsibility is not merely about improving commercial image or winning over consumers, but rather a challenge for corporate thinking on a worldwide basis. Furthermore the ETUC insists that while CSR is voluntary, it must

be shaped by consistent guidelines established at the European level. These guidelines encompass the following requirements among others:

- A single framework of standards and criteria that companies must comply with;
- An annual report outlining activities in the field of CSR published by large companies;
- Standards for transparency and quality throughout the production chain;
- A system of certification to verify the legitimacy of CSR claims (ETUC, 2004).

Eurocadres, a recognised and active social partner uniting more than 5 million professional and managerial staff, associates with CSR a sense of responsible European management based on a broad range of values, long-term thinking, stakeholder engagement, social accountability, and professional development. CSR must be a systematic, clear-cut approach that impacts the entire company. It means bringing companies' interests and activities in line with the long-term interests of our societies. This means working towards offering products and services that contribute to all three dimensions of sustainable development via responsible management (Eurocadres, 2006).

The *Green 8* remain convinced that corporate social responsibility could contribute to the delivery of sustainable development, but only within a regulatory framework (not just a 'reference framework') which ensures:

- Mandatory corporate transparency on environmental and social performance and impacts;
- Enforceable stakeholder rights to information, participation and accountability;
- Public procurement and investment rules that discriminate in favour of companies whose;
- responsible performance can be independently verified;
- Clear standards and practices for the independent verification of corporate performance;
- Tax reforms to internalise the environmental and social costs (Green 8, 2004b).

The European *Confederation of Workers' Co-operatives, Social Cooperatives and Participative Enterprises* (CECOP), member of the Social Platform, sees CSR as a useful complement to improving social standards and combating social exclusion and discrimination, although it rejects moves to replace legal standards with voluntary agreements. The European framework on CSR, proposed by the cross-sector group of NGOs active in the Forum, singled out four key elements for action to advance CSR within the European Union: raising awareness and improving knowledge; developing the capacities and competencies to help mainstream CSR; ensuring an enabling environment by developing tools, policies, legislation, and

incentives; and developing a mechanism to assess impact of CSR policies (Social Platform, 2004).

The *Fairtrade Labelling Organisations International* (FLO) strongly believes that voluntary CSR measures must be complemented by legislation, international treaties, and agreements that oblige all companies anywhere to abide by basic social and environmental standards. For a voluntary concept to work, it must be made attractive. In other words, companies should want to engage in CSR because it improves their business. Therefore, important aims of this forum should be according to FLO:

- to devise and promote adequate ways to make good CSR practices visible to the public, the media etc. - and one of the ways to do so is through labelling – such as Fairtrade labelling; and
- to develop concrete proposals to the EU and national governments on concrete measures to facilitate/enhance/promote CSR. Such proposals could for example include the EU's and governments' support of advocacy campaigns promoting effective CSR instruments, preferential treatment of CSR products and services (reduction of import tariffs, fiscal measures such as lower TVA etc.), and ensuring that in public procurement, preference is given to goods and services related to best CSR practices (Fairtrade Labelling Organisations International, 2004).

The *International Federation for Human Rights* (FIDH) makes the point that a regulatory framework that complements the voluntary aspect of corporate responsibility with a common system for corporate accountability is crucial for the legitimacy of CSR. The need for clearer standards and greater accountability of business enterprises is recognised by many stakeholders. Although the voluntary aspect of CSR is very important, it is a serious omission that the need for a regulatory framework to ensure accountability by all companies is not acknowledged by the present communication (The International Federation for Human Rights, (2006).

Oxfam welcomes the EU's commitment to supporting and promoting corporate social responsibility among European companies. Moves to introduce better social and environmental reporting mechanisms are heading in the right direction. However, Oxfam continues to believe that the EU needs a more robust public policy which delivers a stringent accountability mechanism that holds companies accountable for negative impacts, and for those affected by such impacts to be granted redress, whether or not they reside in the EU, or the activity in question was within the EU. Relying on a voluntary approach alone has failed to provide the appropriate minimum standards that adequately protect individuals, their communities, and the environment from recalcitrant corporate behaviour and operations (Oxfam, 2005).

**Corporate Social Responsibility
in the UK, the Netherlands, and Germany –
What do forerunners think?**

4.1 Introduction

The previous chapter examined various definitions and descriptions of CSR by mainly European actors and analysed them to identify common elements and key points which represent the current European approach to CSR. The analysis of the previous chapter resulted in the following *working definition of CSR*:

CSR is the voluntary commitment (within a regulatory/reference framework) by business to add economic, social, and environmental value to societies at large in a transparent and accountable manner. CSR implies the recognition that business activities can affect the interests of all normative and derivative stakeholders, including employees, communities, customers, and the natural environment and, therefore should be reflected in the company's policies and actions.

This chapter analyses whether the results of the previous chapter culminating in the stated working definition of European CSR match with actual business practices and perceptions of CSR. The chapter reports on a questionnaire survey sent to potential forerunner companies with respect to social responsible behaviour in the UK, the Netherlands, and Germany. The questionnaire explored the different perceptions, understandings, and practices of CSR within the private sector, with a focus on potential forerunners. Forerunners here mean companies already active in the field of CSR. The focus is on companies with a record in CSR because it is assumed that these companies have something to tell about the phenomenon and are also likely to respond. Passive companies and laggards are less likely to respond to a general questionnaire because they have nothing to report.

It has to be stated that in questionnaires of this kind there is necessarily a degree of bias. Questionnaires about social responsibility (including issues of sustainable development and the environment) are more likely to be completed by companies that have done some work in these areas rather than those that have not. However, in this research approach the described bias works in favour of the study objective of getting information on CSR perceptions by forerunners. The opinions and understandings of business laggards are of no interest for this approach because they would not be able to give further insights into emerging changes in the roles of business. A random sample of companies would also bear the risk of choosing too high a proportion of passive companies or even laggards with respect to CSR which are assumed not to respond at the same level as forerunners.

4.2 Methodology

A sample of 561 companies from three European countries was selected based on four criteria. A company had to be listed in either the Dow Jones Sustainability Index (DJSI) or the London FTSE4Good Index, registered under the EU Eco-Management and Audit Scheme (EMAS), or registered under ISO 14001. The selection criteria were chosen on the assumption that these would guarantee the sample's focus on forerunners according to industry standards.

What do forerunners think?

Where possible, the questionnaires were sent to individuals responsible for CSR in the selected companies. The ideal survey respondent had to be knowledgeable about the company's general CSR policies and have informed perceptions about the drivers of its CSR activities. As such, the study targeted company's CSR managers or CSR concerned managers. Individuals were normally found by searching company websites and typically had titles such as CSR manager, environmental manager, health safety and environment manager, or communications manager. Where a specific individual could not be identified, the email or hard copies (depending on the quality of the online contact scheme of the company) were sent to the public relations department. Where a specific individual could be identified, a follow-up email resulted in a higher response rate.

Companies were sent an online or postal version (in some cases both) of a letter asking them to complete a questionnaire about their perceptions and understanding of CSR and CSR-related practices in business conduct. The questionnaire was divided into two sections: CSR and your company, and personal details of the contact person. Each contained a number of questions that sought respondents' views on the topic. Likert-scale questions, ranking questions, and yes/no questions were used, though usually combined with the option to add other aspects in an open-ended question. The purpose of the first section was to gather information about the respondents' company and its views and perceptions on CSR. Specifically, it sought details on the nature of the CSR history of the respondents' firm, reasons to develop a CSR strategy, causes for this engagement, the importance of CSR for the company, CSR practices, potential stakeholder management, and the difference CSR makes for the company. The second section of the questionnaire asked the respondents for details about themselves and their positions within the companies for a more comprehensive picture. Since CSR is a relatively new movement, it was deemed interesting to concentrate specifically on the responsible CSR person within a company.

To ensure the questionnaire was clearly understood and easily answerable by the respondents, it was pre-tested four times during the developing period. The pre-test included two experts on sustainability and CSR issues from the academic spectrum and two health, safety, and environment managers from two large Dutch companies. These individuals were interviewed to probe their interpretation of each question and to solicit suggestions for clarifying them. This process resulted in refinements to several survey questions and response anchors. The questionnaires for the UK and the Netherlands were formulated in English whereas the German version was translated into German on the assumption of getting a better overall response rate. The translation process bears of course the possibility of semantic misinterpretations and vagueness. This problem was addressed with a double translation procedure: The author of the questionnaire translated the complete questionnaire into German, which was then afterwards retranslated into English by another scholar. Potential semantic problems could be identified and solved through this procedure.

The total sample was 561 companies from the UK (129), the Netherlands (144), and Germany (288). Thirteen email responses and 118 mail responses were received,

resulting in a total of 131. Of our total sample of 561, this represents a response rate of 23.4%, considered acceptable for a sample of that size. Response rates for the different countries break down as follows: the highest response rate was with the UK (27.9%), followed by the Netherlands (22.2%), and Germany (21.9%).

Details	Overall number	Received Number	Percent
United Kingdom	129	36	27.9
Germany	288	63	21.9
Netherlands	144	32	22.2

Table 6: A Summary of Questionnaire Returns

The high level of responses in the UK represents a combination of advantages: The sample consisted mostly of major companies listed in both the DJSI and FTSE4Good indexes and the communication was carried out in English. The fact that the UK sample consisted mainly of very large companies raised the number of identifiable CSR contact persons. The somewhat lower response rate of the Netherlands may partly be explained by the fact that all communications were carried out in a second language, albeit one common to Dutch business. The German sample also differed from the UK sample because it included a large number of EMAS registered companies which can in fact be smaller with fewer resources for answering questionnaires. It should be mentioned here that the comparative analysis and results are, to a large extent, not presented in this chapter but appear later when national contexts and their influence on CSR perceptions and practices are discussed specifically.

The personal details respondents supplied in the questionnaire are provided in Table 7. An analysis indicates that the respondents were predominantly aged 40-59 (67%) and considered themselves their companies' primary spokesman on CSR issues. The questionnaires were addressed to CSR responsible individuals and because there is no single definition of what CSR really is, there were several different job titles among those responding. Titles such as CSR Manager, Health Safety and Environment Manager, Managing Director, and Environment Director were stated most often (57%).

These descriptions of our respondents are, of course, provided by the respondents themselves and do raise an issue of plausibility. The companies from which responses were received were quite large. We assume these companies are structured around certain formal procedures and routines. External communication on environmental, sustainability, or CSR issues is consequently also organised around routines and formal procedures. Therefore, the person responsible for external communications on such issues should be best able to answer such questions on behalf of the entire company. Criticism on the grounds that there may be no single spokesman of a firm except the owner, managing director, or CEO is therefore less compelling. It seems logical to suggest that at a minimum, the respondents are reasonably well informed about their companies' CSR policies and related activities.

What do forerunners think?

Details	Total Number	%	UK in %	Germany in %	Netherlands in %
Age:					
20-29	9	7,1	8,3	3,3	13,8
30-39	28	22,2	22,2	23,0	20,7
40-49	43	34,1	30,6	42,6	20,7
50-59	41	32,5	38,9	23,0	44,8
60+	4	3,2	0	6,6	0
Missing	1	,8	0	1,6	0
Total	126	100,0	100,0	100,0	100,0
Employed by the company before:					
Yes	77	61,1	55,6	60,7	69,0
No	46	36,5	41,7	39,3	24,1
Missing	3	2,4	2,8	0	6,9
Total	126	100,0	100,0	100,0	100,0
Time the contact person is in his/her position:					
<1year	13	10,3	8,3	9,8	13,8
1-2 years	17	13,5	16,7	16,4	3,4
3-4 years	33	26,2	30,6	18,0	37,9
5-10 years	30	23,8	30,6	24,6	13,8
>10 years	33	26,2	13,9	31,1	31,0
Total	126	100,0	100,0	100,0	100,0
Job title of respondents:					
CSR Manager	18	14,3	38,9	1,6	10,3
HSE Manager	19	15,1	5,6	14,8	27,6
Environment Director	15	11,9	5,6	18,0	6,9
Managing Director	20	15,9	8,3	24,6	6,9
Other	48	38,0	41,6	34,4	41,4
Missing	6	4,8	0	6,6	6,9
Total	126	100,0	100,0	100,0	100,0
Number of employees:					
0-100	5	4,0	8,3	0	6,9
101-250	5	4,0	0	0	17,2
251-500	11	8,7	0	14,8	6,9
501-10000	49	38,9	30,6	47,5	31,0
>10001	46	36,5	61,1	23,0	34,5
Missing	10	7,9	0	14,8	3,4
Total	126	100,0	100,0	100,0	100,0

Table 7: Personal and Company Details of Respondents

4.3 Questionnaire results on CSR perceptions and practices

The results of the questionnaire concerning CSR perceptions and practices are presented in two interrelated parts. The first deals with motivations of companies to engage in CSR, the level of CSR engagement of the companies, how they characterise CSR, when they started their CSR engagement, why they started CSR and finally, how relevant CSR is for the potential forerunners. This point of departure is a good basis for the second part which focuses on more practical aspects of CSR such as stakeholder management, stakeholder group influence, triple bottom-line reporting, internal and external driving forces behind CSR, impact of CSR on a company's core business, and CSR measurability in general. A general discussion sums up the main findings of the research, including a comparison between the normative working definition of CSR and the questionnaire results. The chapter culminates in a brief conclusion. The overall sample has an overrepresentation of German companies. The results have not been weighted because the aim of the chapter is to present a current picture of CSR based on 'Western European' business forerunner's perceptions and practices. The larger German share of the sample represents the business cultures in the German speaking countries while the Dutch share represents the Benelux countries. If one compares the number of inhabitants of the focused countries (German speaking countries about 95 million, Benelux 25 million, and the UK 60 million) with the actual distribution within the sample, the shares of the sample match the actual country populations quite closely. Looking at the sample shares from this angle means that Germany and the UK are slightly overrepresented while the Netherlands are notably overrepresented. However, the fact that the Netherlands are overrepresented if we focus on a Western European perspective on CSR perceptions and practices is less of a concern for interpreting the results of the analysis because the Dutch results are overwhelmingly in line with the average results¹. Furthermore, results heavily influenced by one specific country will be mentioned. The comparative results of the survey study are presented in more detail in chapter 11 when we compare the case study results and draw final conclusions on the influence of company specific parameters and national contexts on internal and external CSR facets.

The next section presents the results on business forerunner's perceptions and ideas concerning CSR. The section thereafter deals with actual practices and behaviour of companies with respect to CSR.

4.3.1 Corporate Social Responsibility – Basic perceptions

The motives for CSR engagement are twofold: first, the results indicate that companies perceive making profit and protecting the health of employees as the

¹ Of course, focusing only on the Netherlands, Germany, and the UK does not represent all of Western Europe. However, the countries and their inhabitant's covered in the analysis represents the majority of the Western European population. The study was not undertaken to generalise on CSR perceptions and practices for other parts of Europe.

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most important business responsibilities. Furthermore, the results show that CSR is most associated with attracting and retaining a quality workforce, moral considerations, and enhanced brand reputation and sales. These results indicate that the motives for CSR are strongly connected to instrumental and legitimistic reasons. In other words, the motives of companies to engage in CSR activities and strategies are dominated by economic reasons. To find moral reasons among the top motives for CSR engagement by companies is perhaps less surprising because one can expect a certain level of bias in favour of altruism². Second, the results of the overall sample of companies indicate that CSR is also seen as a tool to improve the relationship with public authorities and the level of mutual trust. However, it should be noted that respondents indicate that governments did not become more open for collaborative policies with business and that the number of inspections did not decrease when the companies became active in CSR. Hence, it can be said that the CSR engagement of the companies improved the relationship between them and public authorities though the impact on regulation, permits, and licensing is only marginal so far. Figure 8 provides the results on CSR and governmental authorities.

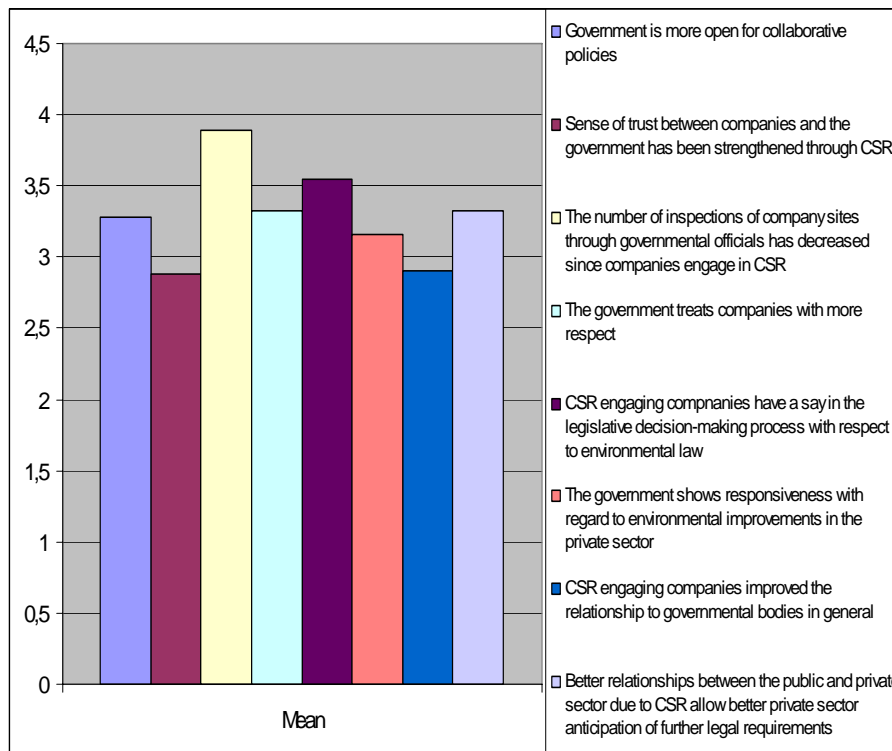


Figure 8: The impact of CSR on the interaction with public authorities³

² Please see figures 11 and 15 for a more detailed presentation of the data underlying the analysis.

³ The lower the mean results, the more the respondents agree with the statement.

It can be argued that various motives drive companies' CSR engagement. A mixture of instrumental, altruistic, legitimistic, and political motives are responsible for CSR engagement in the private sector. It is maybe most surprising to see instrumental considerations among the most important motives because the results also showed that the companies still have problems to measure the impact of CSR in economic terms. However, the hypothesis on stimuli responsible for a company's CSR engagement (legitimistic and political motives are more responsible for CSR engagement by corporations than instrumental or altruistic motives) has to be falsified. A broad spectrum of motives is responsible for a firm's CSR engagement; it is not possible to relate CSR to one or two exclusive motives. Having said this, not all four categories of motives are equally dominant in explaining why a company potentially performs CSR. Political and instrumental motives seem to be stronger than the others. This is even more so when we only look at the results of the small sample with companies who associate CSR with increased shareholder value.

The companies were asked to indicate their level of CSR engagement on a scale from 1 (for very high) to 5 (not high at all). Of the total, 73.8% of the companies stated that their level of CSR engagement is very high or high. According to the questionnaire, only 4.9% of the respondents admit not being active. This indicates that the target group has a strong tendency towards being active in the field of CSR and, hence the sample can be described as a forerunner sample with respect to CSR. However, all companies including the not active companies were included in the sample for the analysis. CSR characterisations by the target group indicate a strong bias in the direction towards environmental management. Of all respondents, 91.9% (rated 1 or 2) stated that CSR is environmental management, followed by risk management (69.4%), and CSR is a management strategy (66.9%). However, it is interesting to notice that CSR is only rather weakly associated with charity activities and sponsoring good projects (55.6%). Figure 9 shows the results of all CSR characterisations by business forerunners.

In general parlance, CSR is seen as a rather new business movement, dating back only to the early 1990s for the Anglo-Saxon countries. However, according to many respondents, CSR as we now know it came into being before the early 1990s if not much earlier. Some 30.7% of the companies stated that they started behaving socially responsible at least 11 to 25 years ago and 32.5% of the companies from 26 to 100 years ago. Together this makes a substantial 63.2%. However, the result must be interpreted carefully because a significant number of respondents indicate that they have acted socially responsible since the foundation of the company and this sometimes goes back to the 19th century. The scope of what CSR means has changed considerably in the last 100 years; hence the starting date of CSR activities related to the current understanding remains unclear. The intention of the question was to gain some insight into how CSR is perceived. Is it a new phenomenon (17.5% of the companies started within the last five years) on the business agenda, a reaction to the accelerating globalisation since the mid 1990s (19.3% started within the last 6 to 10 years), or a continuation of a long business tradition to behave socially responsible? The results of the questionnaire show a mixed picture yet the

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general tendency to see CSR as a continuation of existing schemes is dominant. Figure 10 provides an illustration.

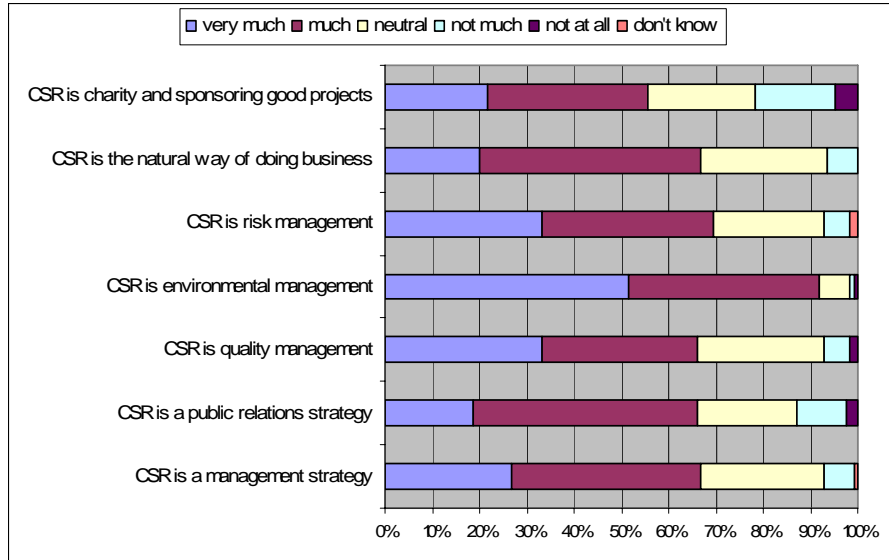


Figure 9: CSR Characterisations by business forerunners

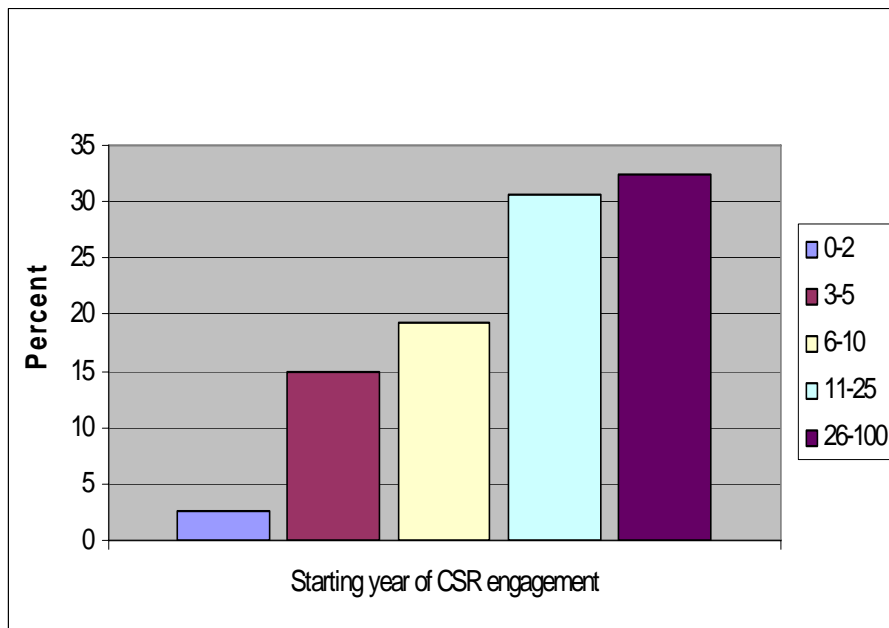


Figure 10: Starting year of CSR engagement

Reasons for CSR engagement go partly hand in hand with the initial year of CSR engagement. Related directly to the high percentage of companies which started CSR activities earlier 55.6% of the companies declared claimed a long tradition in CSR which. Aspirations of a strategic leader could also be identified as a main reason (38.9%) for CSR engagement, followed by public expectations (29.4%). Critical events such as accidents or business related environmental disasters are apparently not important reasons (2.4%).

We also asked respondents to evaluate if expectations (governmental, general public) of corporations with regard to CSR had risen in the last decade. Respondents overwhelmingly replied that general expectations of corporations had risen in the last couple of years (71.4% very much and much). Respondents were then asked to identify the responsible factors for this change in the level of public expectations: 73.5% declared that legal requirements led to this rise in expectations, followed by external pressures (NGOs, globalisation) with 68.1%, and media coverage and campaigning (46.9%). Here again, respondents did not see disasters caused by business activity (only 22.1%) as a factor for increased public expectations on corporations. It is somewhat surprising to observe such results in the face of several major examples of corporate misbehaviour such as Shell in Nigeria, the scuttling of the Brent Spar in the North Sea, the Exxon Valdez oil spill in Alaska's Prince William Sound, the Snow Brand scandal in Japan, Enron and WorldCom in the United States, and the issue of child labour in the production of sport shoes, apparel and other products reported around the world, just to name a few examples. From the questionnaire results, it seems that business people are unable to reflect on corporate behaviour in general (if at all). Business managers are apparently very capable in differentiating themselves from other, potentially misbehaving business managers (it was not me/us, it was them!). However, this asymmetric relationship of awareness/responsibilities for misbehaviour and public anger/expectations represents an underestimation of public expectations that in turn has the potential to lead to severe crises for those corporations that ignore changed realities. Furthermore, it is remarkable that external factors (external pressure, legal requirements, media campaigning) are apparently seen as the driving factors for higher level of general public expectations on corporations while internal factors such as productivity considerations (31%) play a minor role.

Respondents were asked to describe how important CSR is in relation to a number of business opportunities such as reduced long term costs, attracting and retaining a quality workforce, enhanced brand image and sales, and increased shareholder value. For 77.8% of the companies CSR is most relevant to attracting and retaining a quality workforce. Moral considerations in general are relevant (70.1%), with enhanced brand image and sales also somewhat relevant (64.1%). However, it is very interesting to notice that classical core business interests and opportunities are rated among the least relevant business opportunities concerning CSR. Improved financial performance and access to capital rank last (35%), followed by increased shareholder value (49.6%). Though these core business interests rank last among the different business opportunities, it is still remarkable that almost 50% of the

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companies see increased shareholder value in line with (related to) CSR engagement. Figure 11 provides a clear picture of the results in more detail.

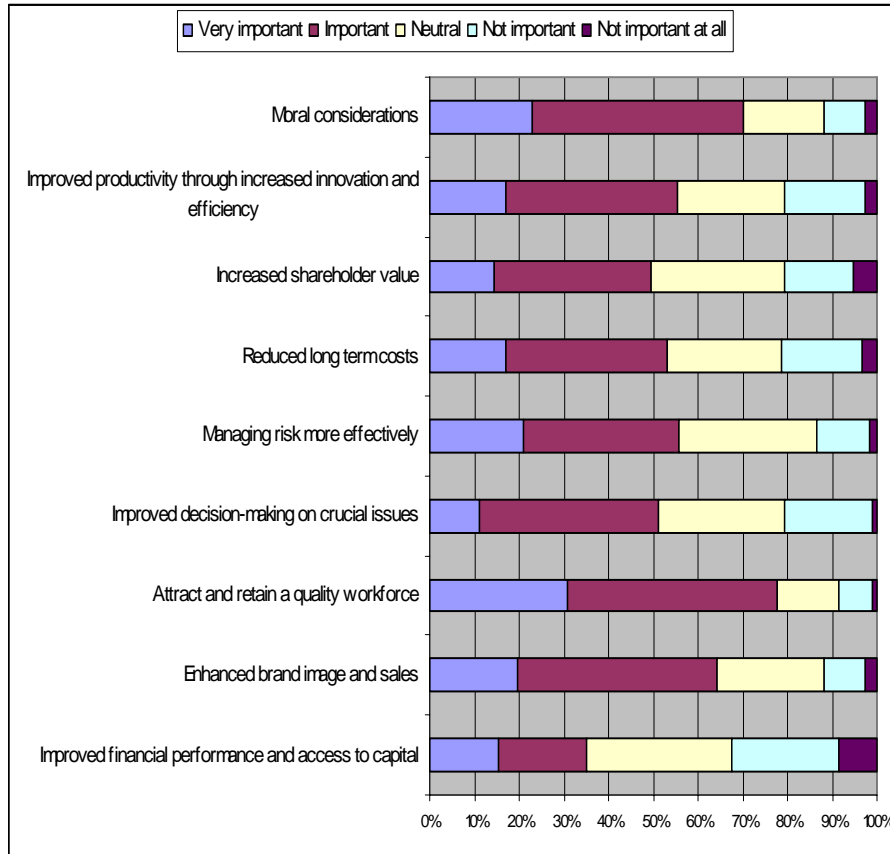


Figure 11: Relevance of CSR for different Business Opportunities

4.3.2 CSR implementation: Observable tools and practices

Asked how they would characterise the level of CSR integration in the everyday functioning of their business, companies answered in a very heterogeneous way. All answering categories achieved approximately the same rate of support (50 to 60%). Only when CSR is led and directed by the board of directors, and in this way integrated, was it rated a little higher (65.1%). CSR integration in day to day business activities seem to happen in many different ways, not providing a clear picture or tendency. The frequently stated argument that there is no common CSR strategy or instruction how to act socially responsible seems to be affirmed. There is no dominant CSR integration scheme, which leads to the conclusion: CSR depends highly on individual circumstances and there is no 'one size fits all' model. The following table illustrates the findings in more detail; the results however, are shown

in the form of a ranking based on mean scores. The mean results are based on a five point scale spanning from fully integrated to not integrated at all.

Categories expressing CSR integration	Mean
CSR is led and directed by the board of directors	2,25
CSR is due to a dedicated department or team	2,45
CSR is in the natural way of decision-making	2,47
CSR in on the basis of reporting structures and procedures	2,63
CSR is in every part of the organisation	2,64
N Valid (Total N 126)	109
Missing	0

Table 8: Level of CSR Integration

Stakeholder management is closely connected to CSR in the literature (Bakker et al. 2002; Collison et al. 2003; Donaldson & Preston, 1995; Freeman, 1984; Hillman & Keim, 2001; Lawrence et al. 2005; Phillips, 2003; Werther, 2006; Wood & Jones, 1995). Opening up the internal decision-making process for stakeholder groups can be seen as an integral aspect of socially responsible corporations. The questionnaire results show some interesting insights into how corporations use stakeholder management: 43.2% of respondents answered that they use stakeholder management much or very much to address corporate social responsibility issues. On the other hand, 26.4% stated that they do not perform stakeholder management. The current situation regarding CSR and stakeholder management can be summarised as a significant percentage of companies engage in a form of stakeholder management. However, a significant proportion has not taken up this new concept. It can be concluded that the broader decision-making concept of stakeholder management/dialogue is not yet fully accepted in the business world.

Companies were also asked how they would characterise a number of stakeholder groups' influence with regard to their decision-making process. Customers (77.6%) are seen as the stakeholder group with most influence on a company's' decision-making process, followed by investors (75.9%) and employees (68.1%). Activists such as NGOs are seen as the group with the lowest impact on decision-making. Who is a true stakeholder is left open for discussion. There is currently no standard identification procedure of stakeholders existing in the business world. Academia is also unclear about how to deal with the issue of stakeholder identification and management, especially with respect to social activists and the environment. The results of this questionnaire point out that social activists (NGOs) are not necessarily seen as stakeholders by the private sector. Only 25% of respondents observed activists as influential regarding their decision-making processes. This supports the theoretical argument of Robert Phillips (2003) that social activists and the natural environment are not real (normative) stakeholders for business. The picture

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concerning the natural environment⁴ is quite different; 62.9% of the respondents state that the natural environment is influential or very influential. Though the natural environment is not an individual with the opportunity with a direct say in decision-making, business perceives it as important even though nature is unable to defend its interests. What leads to this managerial discretion regarding the environment is open for debate. Different factors are conceivable for triggering this high degree of discretion towards the environment reaching from personal moralistic reflections to business considerations and external pressure from other stakeholders. Figure 12 provides a good overview of the results for the different potential stakeholder groups.

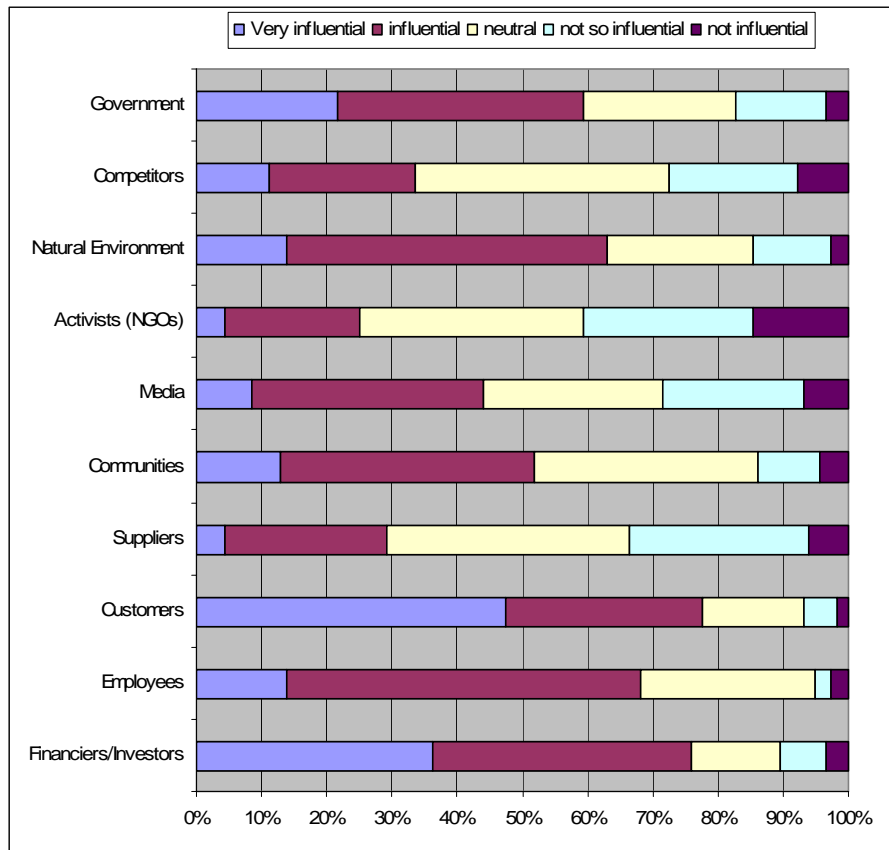


Figure 12: Perception of stakeholder groups' influence on a company's decision-making process

⁴ The term 'natural environment' could be potentially misleading for the respondents if it is associated with production factors such as resources. However, the pre-tests showed that the term 'natural environment' was associated with notions of protecting and taking into account the natural environment surrounding us as intended by the author.

Companies were asked to rank a number of potential driving forces behind CSR according to their significance for internal CSR development (from 1 for least important to 6 for most important). The main driving forces behind internal CSR development are seen in the boards of directors (Mean 4.38) and to a lesser extent in the middle management (Mean 3.44). Employees as a driving force come third with a mean level of 2.53. All these forces behind CSR come from within corporations; hence it can be argued that the driving forces behind internal CSR development are currently predominantly internal and top down. External forces play a minor role. Governments, NGOs, and communities have all mean levels of less than 2. Hence, external factors are by far less important for internal CSR diffusion and development than internal forces. It is important to keep in mind that external factors (customers and investors as important stakeholder groups and rising external expectations in general) are of importance for companies' decisions to start CSR engagement. Figure 13 illustrates the results.

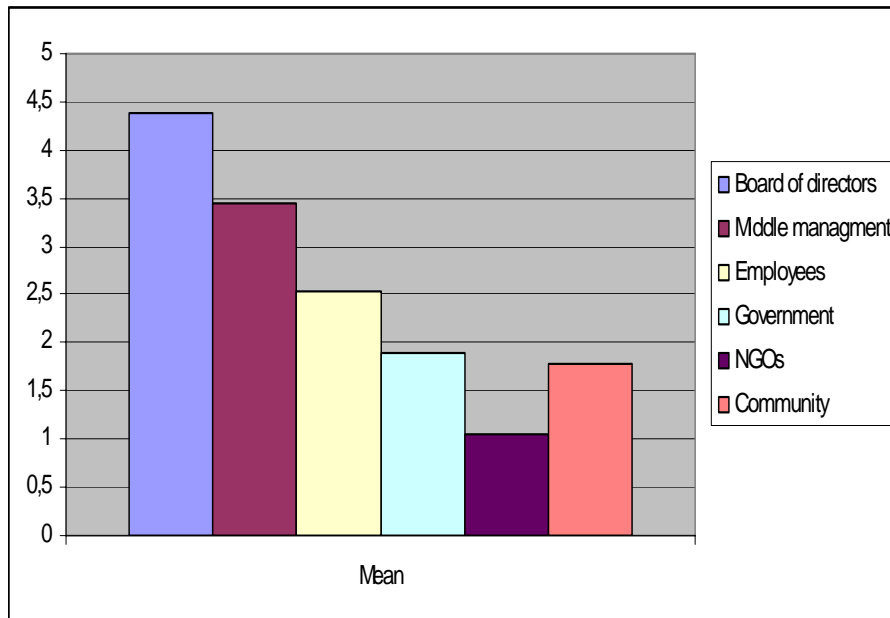


Figure 13: Main driving forces behind internal CSR development

The companies were also asked what instruments they have implemented to facilitate CSR. Management systems associated with CSR, such as specific standards and tools (ISO 14001, EMAS etc.) were by far the most frequently implemented scheme (89.7%). This supports to some extent the findings that the business world relates CSR to a high degree with environmental management and environmental concerns. Furthermore, dedicated programs and projects are in place (71.4%) to facilitate CSR development. It is interesting to notice that every single company of the target group has at least one instrument in place to facilitate CSR, again supporting the presumption that the target group should with varying degrees

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already be active with respect to CSR. Another interesting aspect is that triple-bottom-line reporting came last (46.8%) among the different options. Triple-bottom-line reporting, a term for taking into account not only financial but also social and environmental aspects of doing business, was introduced by John Elkington in his book *Cannibals with Forks* in 1997. The following table gives a better overview on the described findings.

	Yes %	No %	N
Management Systems, such as specific standards (ISO 14001, EMAS)	89,7	10,3	126
Dedicated programs or projects	71,4	28,6	126
Partnerships with stakeholders (NGOs, communities, suppliers)	61,1	38,9	126
External accountants involvement (independent verification)	57,9	42,1	126
Triple bottom line reporting (Global reporting initiative)	46,8	53,2	126
None	0	100	126

Table 9: Instruments implemented to facilitate CSR

On the other hand it can be argued that almost half the target group already performs triple-bottom-line reports on a regular basis. However, one should not be tempted to overestimate the sheer number of companies because reporting can also mean printing a highly polished yearly report with little substance. Companies can use such reports to some extent to ‘green-wash’ their overall business activities. However, respondents confronted with the question of how they would characterise their company’s triple-bottom-line reporting mechanisms and procedures showed a more positive picture: 45.7% stated that they have implemented triple-bottom-line reporting in a systematic way. Table 10 illustrates the findings.

	Frequency	Percent
Systematic	53	45,7
As needed	23	19,8
Occasional	5	4,3
Not yet implemented	35	30,2
Total N	116	100

Table 10: Level of Triple bottom-line: Reporting Mechanisms and Procedures

If one interprets the result of the former question in the way that respondents only marked yes, they do triple-bottom line reporting if they do it in a systematic way, then it perfectly matches (46.8% to 45.7%) the results of this question.

4.3.3 Measurability and impact of CSR

The impact of CSR on the private sector is disputed. Advocates of CSR activities argue that such policies or schemes would benefit engaging corporations in the long run on grounds of reduced long term costs, better brand image, and reduced business risk for example. However, CSR is also criticised as expensive (at least in the short run) or even as a new form of window-dressing. Everything comes down to: Does CSR make a difference for a company’s core business and if so, is it measurable? In other words, is the impact of CSR measurable for a company in concrete terms? The results of this question are telling: only 37.3% of the respondents answered with yes and 62.7% with a clear no. Hence, one would tend to argue that the impact of current CSR schemes and strategies on a company’s core business is not yet really measurable at the moment.

Although the level of companies with a measurable impact of CSR schemes is rather low, it is still worth studying changes that do occur. Respondents were asked to what extent the implementation of CSR changed their company’s core business. The results show some interesting details. Reductions in pollution (75.2%) could be identified most easily by the companies, followed by more efficient usage of resources (59.3%) and more efficient forms of production (45.1%). According to the questionnaire, CSR schemes rarely have an impact on developing new products or additional products. Interestingly, the costs for paying fines and penalties were not reduced in the course of CSR engagement. One would assume that practicing CSR would reduce fines in the first place; however, the target group of the questionnaire is forerunners. It is possible that these forerunners have not had to deal with such fines or penalties as a normal sample of companies. Figure 14 illustrates the described findings.

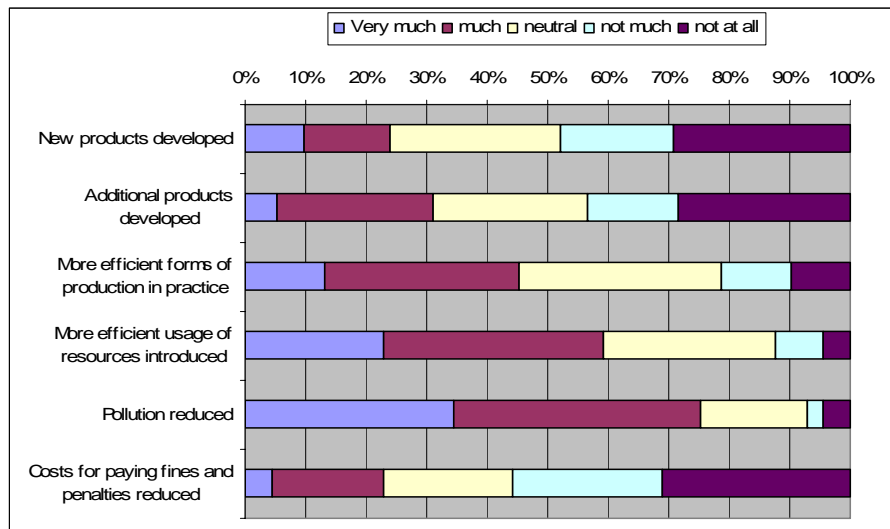


Figure 14: Impact of implemented CSR on a company’s core business

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4.4 Brief summary and general discussion of the results

It is important to emphasise again that this chapter attempts to paint a picture of CSR perceptions and practices by business forerunners. The aim has not been to draw on a randomly selected sample of business capable of representing what is happening on average but to consciously represent the activities of leading companies with respect to CSR. One must also be aware that since the research was concluded in an impersonal, quantitative form, the interpretation of the different questions might have been different in some cases.

The goal of reaching business forerunners with regard to CSR was achieved. Almost three quarters of the companies are actively engaged in CSR schemes and activities. According to the questionnaire, environmental management characterises CSR in the most appropriate way. However, it has to be stated that the general thinking and, consequently, also the formulation of the questionnaire, was coined by more environmental aspects of CSR than social ones. Nevertheless, respondents were free to choose and the fact that 91.9% of the companies find CSR best characterised by environmental management is telling. CSR has been a buzzword in the business world since at least the mid 1990s. The results of the questionnaire indicate that CSR activities began to a large proportion much earlier. Almost two thirds of the respondents stated that they have had CSR schemes in place for more than 11 years (including 32.5% with a CSR history of more than 25 years). A long tradition in CSR was also the most prominent answer on the question on what the reasons for CSR engagement were. All these findings support the conclusion that CSR is not seen as a new phenomenon, but rather a continuation of existing schemes and activities under a new term.

General expectations of corporations with regard to CSR have risen according to questionnaire results. More than two thirds (71.4%) of respondents see higher expectations on companies. The reasons for these higher expectations are predominantly external to the companies. Legal requirements, general external pressure (NGOs, globalisation) and media coverage and campaigning are responsible factors for rising expectations on corporations to adopt CSR schemes. Internal aspects such as productivity considerations are only secondary factors for change according to the questionnaire.

CSR is most important to a number of business responsibilities such as attracting and retaining a quality workforce and enhancing brand images and sales. Moral considerations are also important. Business core interests, such as improved financial performance and increased shareholder value, are seen as less relevant.

Stakeholder management, a key concept of CSR, is not as widespread as one might expect, even among potential business forerunners; 43.2% of the companies use stakeholder management and 26.4% do not. The most influential stakeholder groups are customers, followed by investors, and employees. NGOs are the least influential stakeholder. The environment as stakeholder received a surprisingly high approval rate of 62.9%.

The main driving forces behind internal CSR development are the board of directors and the middle management, two internal forces. So far we have identified external forces being overwhelmingly responsible for change in the business world towards more CSR activities and schemes. At first glance these two findings seem contradictory. However, the results can be interpreted as external factors trigger change in the business world towards CSR, but when initial CSR policies and schemes are under discussion, internal forces take over and lead the process. Furthermore, the results of the questionnaire show that external forces such as government, NGOs, and communities, are not relevant with respect to driving internal CSR development forward.

In general, the business forerunners are actively engaged in CSR policies. All companies have one instrument or another in place to facilitate CSR, reaching from management systems (ISO 140001, EMAS), to dedicated programs and projects. Triple-bottom-line reporting, another key concept of CSR, is the least proliferated instrument with 46.8%. Triple-bottom-line reporting is systematically implemented within 45.7% of the companies. It is interesting to notice that both stakeholder management and triple-bottom-line reporting, two key concepts connected to CSR, are implemented by less than half of the respondents. Since this research draws on business forerunners, we can assume that the results for a randomly selected sample would be much lower. One could argue that these two key concepts connected to CSR are still not accepted and implemented by the business world.

The measurability of CSR on a company's core business is also a critical point regarding the usefulness of CSR. According to the questionnaire responses only 37.3% of the companies are able to measure the impact of CSR and 62.7% are not. This might be explained in two ways. The first explanation could be that scientific knowledge and tools to evaluate the impact of CSR are not developed enough or that the existing theoretical tools are not diffused enough within the business world. The second explanation could be that current CSR policies and schemes are not making a real difference in the day to day functioning of a company. This would mean that current CSR schemes are insufficient and don't really deserve the name. However, there are a number of impacts due to CSR policies that are noticeable. Reductions in pollution and more efficient usage of resources are seen as direct impacts of CSR engagement by the respondents.

Corporate Social Responsibility is a broad and dynamic field with many different approaches, interpretations, and practices. The research on CSR perceptions in Europe brought some interesting insights. Now it makes sense to compare the more normative working definition from of the previous chapter with the findings of the questionnaire. The key points of the working definition will be numbered and then compared to the results of the questionnaire. The *working definition was as follows:*

CSR is the voluntary commitment (1) (within a regulatory/reference framework) by business to add economic, social, and environmental value to societies at large in a transparent and accountable manner (2). CSR implies the recognition that business

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activities can affect the interests of all normative and derivative stakeholders (3), including employees (4), communities (5), customers (6), and the natural environment (7) and, therefore should be reflected in the company's policies and actions.

Voluntary commitment (1) is an integral part of the business driven concept of CSR and stressed in almost all definitions by the business world. The questionnaire results are significantly different in this respect. Only 24.6% (ranked 1 or 2) of the respondents stated that voluntary initiatives and market mechanisms are sufficient to mobilise the majority of companies to improve their ethical, social, and environmental performance. In contrast, 50% of the companies indicate that such schemes are not sufficient. Such results would have been expected with a sample of civil society organisations; it comes as a surprise to see such results from the business world. It might well be that a random sample of companies would have led to results more in favour of voluntarism. Apparently, business forerunners with respect to CSR perceive the current dominating voluntary approach to CSR as insufficient if the overall breakthrough of CSR is to be achieved in the near future. The working definition needs to be amended with respect to voluntary commitment driving CSR diffusion and development based on the results of the questionnaire and supplemented with a regulatory framework for CSR.

To add economic, social, and environmental value to societies at large in a transparent and accountable manner (2) is a wide-ranging formulation and can mean many things. However, current definitions and approaches to CSR are usually formulated in such broad terms. It is therefore difficult to evaluate the actual substance behind such broad statements of actors, in this case from business forerunners with respect to CSR. The results of the questionnaire indicate that the companies of the sample do not fully support the idea of triple-bottom-line reporting which means in turn that the normative baseline to add economic, social, and environmental value to societies at large is seriously questioned. This is especially true if we connect triple-bottom-line reporting with transparency and accountability. Reporting on environmental, social, and economic performances should ideally lead to an improvement in all three sides of CSR but also in more transparency and accountability in general. The results on implementation levels of external verification by independent external accountants and triple-bottom-line reporting schemes are relatively moderate (both around 50 percent implementation rates) which means that about half the sample does not emphasise transparency and accountability. Moreover, if transparency and accountability are related to 'not to participate in bribery and corruption' and 'behave socially responsible and to provide transparency' reveals similar results. The questionnaire results indicate that respondents honour these ethical values on a moderate level compared to other values. Figure 15 illustrates the findings.

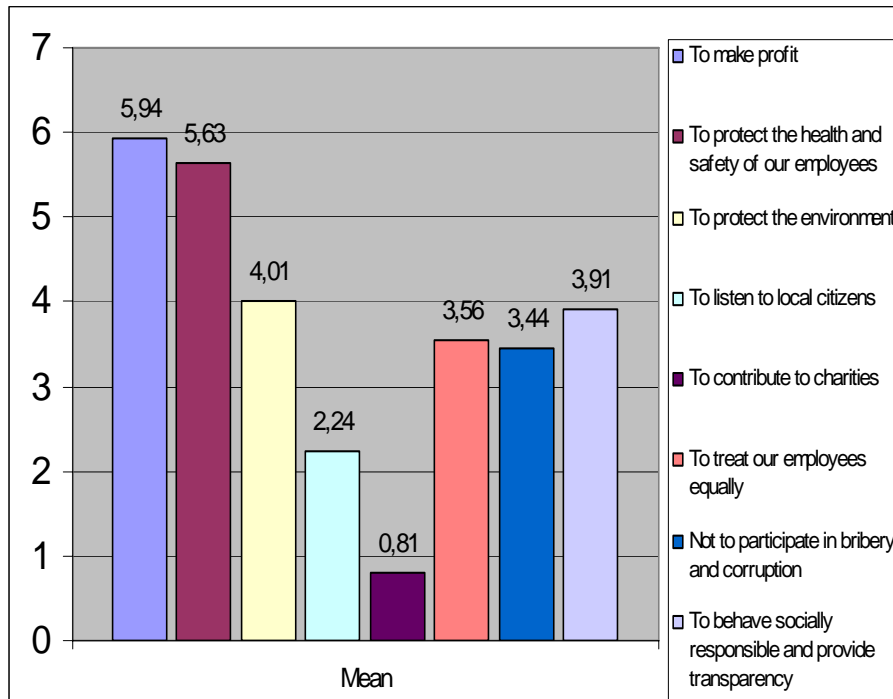


Figure 15: Importance of business responsibilities

Stakeholder management (3) is of considerable importance according to the definitions and descriptions of relevant, mainly European actors analysed in the previous chapter, which culminated in the prominence of the term in the working definition. However, the questionnaire results do not fully support this. Only 43.2% of respondents indicate that they use stakeholder management, whereas 26.4% stated they do not. Hence, it can be argued that the theoretical concept of stakeholder management is somewhat overestimated and overemphasised in the general debate on CSR. The relatively low level of respondents using stakeholder management could also be interpreted to mean the concept is not really accepted and diffused in the business world yet.

To respect the interests of *employees* (4) and be responsive is part of a company's active stakeholder management. The employees are the most important stakeholder group according to the results of the previous chapter: 68.1% of the companies report that they see employees as influential in their decision-making processes with only customers and investors receiving slightly higher results. This means that normative expectations and assumptions find a pretty well matching counterpart in actual business practices. Employees are important for companies' CSR activities and influence a company's decision-making.

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To respect the interests of *communities* (5) is also part of stakeholder management. Results on respecting the community are surprisingly low. Only 51.7% of the respondents (ranked very influential or influential) see the community as an influential stakeholder group. Among a long list of different stakeholder groups (government, investors, suppliers, activists, natural environment, customers etc.), community ranks in the middle. To listen to local citizens as a business responsibility ranked second to last (see previous figure), which also supports the previous findings. There is apparently a slight misconception that business takes the interests of communities especially into account. The results of the questionnaire indicate clearly that business first looks at other stakeholder groups such as customers, investors, and employees before the interests of communities. Hence, the orthodox assumption that companies are especially committed to communities in which they are active is wrong. Communities come into the focus of companies only after the interests of a number of other, apparently more important stakeholders, are considered.

Business perceives *customers* (6) as the most important stakeholder group; 77.6% of the respondents perceive customers as influential in their decision-making processes. On this stakeholder group, normative assumptions and expectations about CSR and stakeholder management match quite accurately with existing CSR perceptions and practices in the actual business world. To see the stakeholder group customers in a more prominent position among business forerunners than in the content analysis on CSR definitions and descriptions by relevant actors from all parts of society is most likely connected to the fact that companies have to be focused on the needs and demands of customers whereas civil society organisations have more freedom and might perceive the company-customer relationship in more relaxed terms.

As pointed out, views on the *natural environment* (7) and its stakeholder status vary among scholars. However, the results of the questionnaire point in the direction that the business world accepts the natural environment as a valid stakeholder. 62.9% (ranked very influential or influential) of the respondents stated that the natural environment is an influential stakeholder in their company's decision making process. The natural environment comes third among the different business responsibilities, which reflects its rather high level of importance. Hence, it can be argued that business recognises the natural environment as a legitimate stakeholder despite the fact that it has no 'direct' interaction capacity. The latest development with respect to new scientific evidence on climate change and the reaction of large multinational companies can be seen as additional supportive evidence that the environment is perceived as an important stakeholder. As a noteworthy step toward tackling climate change, a significant group of companies and organisations from around the world, known as the Global Roundtable on Climate Change, have endorsed a post-Kyoto framework for affecting change at the levels of policy and

industry, particularly in regard to creating sustainable energy systems necessary for achieving economic growth.⁵

The results of the previous chapter indicated that *investors* (8) are not as prominent with regard to CSR as might have been expected and should therefore not be part of the elaboration here. However, the sample for the content analysis of the previous chapter consisted of actors from all parts of society- a possible reason for the rather low status of investors versus other stakeholder groups. Hence, it does not come as a big surprise that according to the results of the questionnaire study investors are very influential for companies because the focus of the study was exclusively on the business sector. Three quarters (75.9%) of respondents indicate that investors are very influential or influential with regard to their decision-making processes. However, the situation is not so straightforward; business forerunners also indicated they do not perceive 'improved financial performance and access to capital' as an important business opportunity related to CSR. Hence, business is unclear about the relevance of CSR with respect to the stakeholder group investors. It could be argued that investors are important for companies in general while the influence of CSR on the company - investor relationship is rather limited. Nevertheless, investors have to be part of an approach to CSR based on the results of the questionnaire research.

A summary of the questionnaire results and the previous elaboration on similarities and differences compared to the CSR definition based on the content analysis of the previous chapter could result in the following *amended working definition on CSR*:

CSR is the voluntary commitment by business, assisted a by legal framework⁶, to manage environmental risks and opportunities and to respect the interests of all by business activities concerned normative stakeholder/interest groups including customers, investors, employees, and the natural environment which gets reflected in the company's policies and actions.

When we compare the original working definition directly with the CSR definition resulting from the questionnaire results, we observe some similarities and some differences. The development of CSR policies is not as far progressed as we would like to believe if we only look at stated CSR definitions of relevant actors with respect to CSR in Europe. However, academia also draws a more positive picture of CSR perceptions and practices in the actual business world. CSR in the current business world is much narrower with regard to stakeholder influence, triple-bottom-line reporting, and ethical values related to transparency and accountability. CSR should however, be seen as a process with the potential to lead the business world in a more sustainable and responsible direction and CSR as a modern and

⁵ For more information on the initiative see The Earth Institute (2007). Global Roundtable on Climate Change: Companies From Around the World Lay Out Groundbreaking Global Framework to Fight Climate Change. <http://www.earthinstitute.columbia.edu/grocc/>; accessed February 22, 2007.

⁶ To motivate laggards and provide additional incentives.

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dynamic concept is certainly able to develop and adjust to additional demands and requirements.

4.5 Conclusion

The results provided in this chapter help connect normative CSR expectations and assumptions with actual CSR perceptions and practices in the business world. The empirical data indicate some interesting tendencies. CSR as perceived within the business community is strongly related to environmental management and has a longer history than might have been expected. While external factors such as legal requirements, general external pressure (NGOs, globalisation) and media coverage and campaigning, have triggered changes in the business world towards CSR, when CSR policies and schemes are initially under discussion, internal forces such as the board of directors and the middle management take over and lead the process.

The key concepts of stakeholder management and triple-bottom line reporting connected to CSR are not as well known and, hence, not implemented as one might have expected. As far as the impact CSR has on a company's core business, the questionnaire results reveal some remarkable information: companies find it difficult to measure CSR activities in their day-to-day functioning. This fuels the debate on whether current CSR policies and practices make a real difference in the functioning of a corporation. One should always keep in mind that the concept of CSR is in constant development and flux. As a concept in a steady transition process CSR may, with the cooperation of business practitioners and academic scholars, develop measurement tools and more sophisticated policies and schemes to accomplish the ambition of a more responsible and sustainable business world.

The next chapter focuses on whether there is a correlation between certain CSR perceptions and practices and the organisational structure of a company. In other words, does it make a difference for CSR perceptions and practices if a company is family owned, privately owned, or a shareholder company?

**Ownership characteristics
of companies and CSR -
Drivers for, perceptions of, and practices of
CSR in listed and private companies**

This chapter examines whether organisational characteristics of companies have an impact on drivers, perceptions, and practices of CSR. The survey data on CSR perceptions and practices presented in the previous chapter forms the basis of the analysis. Using survey data that focused on potential forerunner companies includes the possibility of biased results towards a higher representation of SMEs with high CSR engagement. SMEs with strong CSR performance might be more ready to fill out a survey than other companies because of a higher and more direct sense (owner and manager often overlap) of pride. However, the general assumption that larger companies have more resources available to engage in CSR compensates for such a bias. Smaller companies are usually limited in their capacity to employ personnel specifically for CSR development and implementation, not to mention capacities to respond to scientific questionnaires.

To determine the main research focus with respect to organisational characteristics of companies affecting CSR, the survey results are differentiated according to ownership structure and company size.¹ The preliminary results to determine the research focus identified an interesting relationship: results based on shareholder companies and companies with more than 10,000 employees were very similar. For instance, the results are the same on the influence of communities as stakeholders on company decision-making, on the usage of social and environmental reporting, and on the implementation of triple bottom line reporting procedures. These findings highlight that resources of a company are connected to company size, and company size is related to the ownership structure. In this case, larger companies to a great extent overlap with shareholder companies (only one large company of the sample did not belong to the group of shareholder companies) commanding considerable resources for CSR engagement. However, this is not true for smaller companies compared to family owned companies. Family owned companies are usually smaller; though the pattern with respect to the usage of resources for CSR differs. An explanation is the impact of family ownership of a firm which apparently leads to different results with respect to CSR policies and instruments compared to other smaller companies. It is more fruitful to investigate what impact different ownership structures of companies (with an emphasis on family businesses) have on CSR engagement. Based on these preliminary results, two basic research focuses are possible to be chosen: first, a focus on company size affecting CSR policies and activities, and second, ownership structure of a company determining CSR engagement. It is basically up to the researcher to decide which approach is capable of creating more new insights into what drives companies to implement CSR.² I focus my analysis on the results according to differentiated ownership structure of companies because this adds potential new factors to the phenomena of CSR such as personal values of the owner and other aspects of a long term nature (close ties to

¹ Company size is of importance for the CSR engagement of companies. More information on company size as a factor influencing CSR will be presented later in this chapter.

² Johan Wiklund (2006) argues that the topic is nontraditional in the family business context. He states that the focus is relevant because it is linked to a wider debate on the consequences of corporate ownership structures in the Swedish context.

local communities etc.). There is a great deal of literature on CSR and differences between Small and Medium Sized Enterprises (SMEs) and larger corporations (Fox, 2005; Haywood, 2002; Graafland et al. 2003; Orlitzky, 2001; Maximiano, 2006). However, there is only scarce literature on CSR and the impact of different ownership structures of companies such as family owned businesses, co-operatives, and stock market companies (Uhlener et al. 2004, Déniz et al. 2005). In fact, SMEs, of which family owned businesses represent a considerable share, have a considerable share of the total employment and wealth creation in our economies. Fox (2005) states that SMEs are the backbone of most economies. On average, they represent over 90% of companies and account for 50-60% of national employment (Luetkenhorst, 2004). Hence, it is only rational to focus on SMEs (including family businesses) in comparison to listed companies; this will give us new insights into how CSR can be further spread among SMEs, which in turn substantially consist of family businesses.

It would have been ideal and only consequent to focus on co-operatives as well as family owned businesses. At the time the survey research was conducted in 2004, the main focus of the dissertation was not yet on co-operatives as company case studies. Consequently, the survey sample does not have a sufficient number of co-operatives included. However, to include some insights on how co-operatives perceive and practice CSR, a literature overview including information on questions addressed in the survey research will be provided. In the upcoming sections I refer to different ownership structures of companies with different types/kinds of companies to increase the readability of the text. The next section provides some insights from literature on CSR within different organisational/ownership structures of companies.

5.1 Theoretical insights

Drivers for CSR can be quite different for different types of companies with respect to the ownership structure. The literature on drivers for CSR usually encompasses elements such as the pursuit of new business opportunities through social and environmental innovation, cost savings, easier staff recruitment and retention, access to institutional investment funds, reputational risk management, campaign pressure from NGOs, media exposure, regulation, and litigation (Business for Social Responsibility, 2005; CSR Campaign, 2005; Fox, 2005; Frooman, 1997; Hopkins, 2003; Zyglidopoulos, 2001). However, it is obvious that not all of these elements have the capability to function as drivers for SMEs as they do for larger corporations. For instance, issues such as media exposure, campaign pressure from NGOs, and easier access to institutional investment funds are less important for SMEs for several reasons: first, SMEs are usually not big enough to protect their brand reputation or public profile in general. Media exposure and NGO campaigning are therefore less of an issue for small and medium sized companies (Fox, 2005; Orlitzky, 2001). Institutional investment funds are usually focused on listed companies and larger companies in general. Hence, it is unlikely to find easier access to such investors as a key driver for CSR among SMEs. On the other hand, to

attract and retain a quality workforce and have good relations with the local community might be more important for SMEs compared to larger companies with operations around the world. Community involvement usually includes donations of money or company resources to various groups or causes. A number of studies show that different motives lay behind these philanthropic activities such as family or religious values (Graafland et al. 2005; Wood, 1996), childhood experiences of an owner (Nichols, 1996), or commitment to a particular industry that has been favourable to a business (Nozar, 1998). Furthermore, SMEs are often managed by their owners which consequently increases the opportunity that personal values and ethics come into play. A publicly listed company is usually led by managers who are more restricted by the 'standard' target of making profit for the owners. For many SMEs this agency problem is not an issue because they are owned and managed by the same people. It becomes clear that CSR and the drivers behind CSR are quite different for different kinds of companies. The next paragraph provides a more detailed description of what differentiates family businesses from other organisational styles in the business world.

The literature on family businesses states a number of special characteristics that make this organisational structure unique: first, there is the direct influence of a family group on the ownership, governance, management, and succession in the company. Second, the family group directly influences the objectives, strategies, and the structure of the company. Third, the way in which these are formulated, designed, and implemented is also directly influenced by the family group (Chua et al. 1999; Déniz et al. 2005; Neubauer et al. 1998). The direct link from company owners to decision making within a company provides the opportunity for long term planning and the implementation of, at first sight, contra profit values such as high loyalty to employees and substantial financial support for community issues. For instance, family businesses are unlikely to move their employees and usually maintain their production sites in the original places (also in the sense of shifting production to locations with cheaper labour costs). Furthermore, the owner families generally sit on the boards of hospitals, churches, schools, and charities that contribute to the welfare of the local community (Déniz et al. 2005; Gnan et al. 2002; Graafland, 2002; Lansberg, 1999).

These organisational characteristics associated with family businesses are commonly connected to a number of positive effects³ such as product quality;

³ The literature on family businesses also posits a number of arguments on why family businesses are not in line with the modern conceptualisation of CSR. The main arguments are that family members put their interest before that of the company, there is a lack of discipline about benefits and results, secretiveness, difficulties in adapting to the market, lack of preparation for succession, lack of fairness if employees who are members of the owner family are promoted faster leading to a situation that hinders the overall development of all employees (Danco, 1992; Neubauer et al., 1998; Beehr et al., 1997; Poza et al., 1997). The purpose of this research is to find differences in the level of CSR engagement and differences with respect to CSR practices among different organisational styles. Hence, it is not necessary to present the full discussion on advantages and disadvantages of family businesses; the results of the analysis indicate immediately which perspective on family business is more accurate with respect to CSR.

respect for, and protection of employees even when it is counterproductive not to lay off employees in times of crisis; involvement with the community; family sacrifice to support the company financially; continuity and integrity in management policies; concern for reputation in narrow sense (not necessarily including the broad concept of CSR); long-term orientation; and respect for tradition and family values (Miller et al. 2003; Neubauer et al. 1998; Poza, 1995; Uhlaner et al. 2004; Ward, 1987). According to Gersick (2002) these additional activities by family businesses are based on a system of values whose rewards have a social and interpersonal, rather than a financial character. Déniz et al. (2005) argue that these positive elements of family businesses represent a broad vision of CSR including the full variety of issues from the economic, environmental, and social spheres. According to them family businesses show concern for society in general, not only for serving the family's own interest. As Dyer et al. (2006) point out however, reputation is important to family owned companies and therefore, family companies are likely to invest resources in areas such as CSR to build and maintain a good reputation. Interestingly, Dyer et al. (2006) found that family owned firms do not engage more in positive social initiatives but to a greater extent refrain from actions that could be regarded as socially irresponsible. It will be interesting to see if this line of argumentation and stated results is supported by the results of the actual survey research.

Co-operatives represent yet another type of private company with specific organisational characteristics. A co-operative is an enterprise that exists to serve the needs of the members who own and control it, rather than solely to provide a return on investment. All enterprises exist to serve the interests of their cardinal stakeholder groups. For traditional companies that usually means investors; in a co-operative returns on capital must always be subordinated to other interests. In fact a listed company might be called an association of capital whereas a co-operative is an association of people (European Commission, 2001: 6). The International Co-Operative Alliance (2007) defines co-operatives as "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise." An additional defining characteristic for a co-operative is open and voluntary membership. Co-operatives are voluntary organisations open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination. Another important feature of co-operatives is the democratic structure. Co-operatives are controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives (constituted of individual – physical or legal – persons) members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner (European Commission, 2001: 6-7). With respect to CSR, there are two other important key characteristics associated with co-operatives: first, education, training, and information are provided for members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly

young people and opinion leaders - about the nature and benefits of co-operation. Education and Training are considered to be key social responsibilities of companies and are hence, cornerstones of CSR. Second, co-operatives work for the sustainable development of their communities through policies approved by their members. The International Co-Operative Alliance (2007b) emphasises that co-operatives operate under the values of solidarity and social responsibility - they care about their members and their communities. Co-operatives demonstrate on a daily basis their concern for people whether it is by addressing environmental issues or strengthening the capacities of their communities to better cater to economic, social or cultural needs. Community engagement is also considered a cornerstone of CSR. Co-operatives inherently have important features of CSR because of their organisational structure and governance principles (Belhouari et al. 2005). Arther et al. (2004) concluded that co-operatives are more likely to be both accountable and responsive to local communities. They give the example of Tower Colliery, whose license to exist is the maintenance of good quality, high-paid jobs in a depressed local economy, and which has demonstrated genuine commitment to community enhancement. The European Commission (2001: 26) also recognises the contribution of co-operatives to achieving social and employment objectives.

Connected to the organisational structure of co-operatives are a number of problems which have an impact on CSR performance. For instance, globalisation and growing international competition resulted in a situation for co-operatives that required substantial scaling up and concentrations to stay competitive in the markets. This process of concentration and growth can lead to governance problems because large co-operatives need salaried managers which can sometimes lose sight of the interests of members. In such large co-operatives where many thousands of members each have a very small stake in the capital, their interest in, and influence over, the board and management may not be sufficient to ensure good governance (European Commission, 2001: 9-10). Corporate governance in the context of co-operatives defines how owners of an enterprise supervise management of that enterprise to obtain the maximum benefit. They specify the rights and responsibilities of the board, managers, members (shareholders), and other stakeholders. For co-operatives the situation is not so straightforward because the maximum benefit for members does not equal profit. Corporate governance structures in co-operatives must balance a wider variety of stakeholder interests and measure the achievement of wider objectives than in investor-driven enterprises. Stakeholder management, a key concept of CSR, is also inherently connected to the organisational structure of co-operatives. The European Commission's 'Green Paper on Corporate Social Responsibility' recognised as well that co-operatives can "structurally integrate other stakeholder interests and take up spontaneous social and civil responsibilities" (European Commission, 2001b: 7). Transparency can also be a problem because member shares cannot be traded in markets and there is potentially a lack of control that comes from the absence of daily monitoring of public listings by analysts, the media, and institutional investors. Consequently, to compensate this lack of stock market indices for assessing performance, members must either be very active in their monitoring and participation in general meetings (despite the fact that they have comparably small power), or find alternative signals

(European Commission, 2001: 14-15). Transparency of businesses is potentially problematic for all organisational structures of companies. The collapses of WorldCom and Enron, to name two examples, represent transparency problems in companies listed at stock markets. Hence, it would be unfair to overemphasise corporate governance problems in the case of co-operatives.

Cooperatives Europe, a facilitator organisation for co-operatives, emphasised in the European Multi-stakeholder Forum on CSR that stakeholder dialogue is crucial for the success of CSR activities (European Commission, 2006b). For instance, dialogue with experts and universities was perceived as very helpful to improve the CSR performance. However, when co-operatives talk about stakeholder management they usually focus on social aspects of CSR such as employee issues. Reporting was also identified as an issue which needs more attention in the future. Furthermore, it was stated that it is better to rely on internal training aimed at middle management to develop the capacities and competences to help mainstream CSR (European Commission, 2006b). Cooperatives Europe also emphasised the importance of leaders' involvement in the diffusion and implementation of CSR schemes which is very much in line with the findings of the previous chapter. The involvement of – ideally – the CEO and the board is vital for the success of CSR policies in a company. Support by public authorities to further diffuse CSR among co-operatives was also seen as essential. Cooperatives Europe (2005) advocated for European standards on reporting, transparency, and standards on CSR in general during the Multi-stakeholder Forum on CSR. The organisation got the impression however, that the European Union does not want to become the leader of the CSR movement in Europe and that business leads the development. Furthermore, and very critical for co-operatives, the leading business organisations responsible to steer CSR development are Business Europe (formerly Unice), European Association of Craft Small and Medium-sized Enterprises (Ueapme), and CSR Europe, all organisations which do not necessarily represent the interests of co-operatives. Cooperatives Europe (2005) asserts that these organisations “seem to have a quasi monopoly in representing the enterprises. In this context, there is a risk for co-operatives to be considered like a marginal type of organisation and to be not fully involved in the process”.

According to several studies, company size and the level of CSR activities by companies is positively connected. Patten (1991) found that larger companies report more on CSR activities in their Annual Reports than smaller companies. Maximiano (2006) states that there is a significant relationship between the extent of CSR integration of a company and company size. “...test results show that large corporations tend to have higher mean ratings than micro, small, and medium size companies for all five components of CSR integration, such as leadership, program development, systems installation, and measurement” (19). Chen and Metcalf (1980) also concluded that firm size and the level of CSR in a company are positively linked. A report in the Journal of the Institute of Directors (2002) states that SMEs do not perceive the environment and human rights issues as key CSR areas whereas the environment is seen as one of the most important CSR issues by listed companies in the London stock market FTSE. The same report states that

SMEs keep a lower profile with respect to CSR, with 20% not promoting their social responsibility credentials at all and a further 50% doing so only in a limited way. In line with these results, perception is far more important to big business than to SMEs. Of the companies listed in the London FTSE index, 90% stated that they needed to enhance the perception of their company as socially responsible whereas only half of the SMEs worry about how they are seen (Haywood, 2002). In line with these results are the findings of Graafland et al. (2003). According to this study the size of a firm has a positive impact on the use of several instruments such as codes of conduct, ISO certifications, social reporting, social handbooks, and confidential persons⁴. The instruments mentioned demand a certain resource capacity of a company to become feasible and implemented. Larger companies are usually in a better position with respect to resources and therefore, more likely to implement such instruments. It is also often claimed that SMEs perform certain CSR elements without knowing it (Fox, 2005).

Orlitzky (2001) studied the relationship between company size and social and financial performance of a company and concluded that company size does not serve as an indicator for the level of CSR engagement. According to his findings, both large and small firms can benefit from CSR. This contrasts the results stated earlier, though it becomes clear again that CSR is an issue for all kinds of companies and that all different types of companies can benefit from engagement. Orlitzky's finding may be a fact for SMEs in general and larger companies while the results focused on family businesses might be different. This is another reason to focus the analysis on the ownership type of companies instead of only company size. Additionally, Graafland (2002) concludes that family businesses in the Netherlands assume a positive relationship between long-term added value and actions concerning CSR and show more concern for CSR than non-family companies. He also states that this behaviour is less observable with small Dutch family companies with less than 100 employees. The cost issue probably becomes dominant for these companies over classic CSR issues. In other words, the smaller the family companies become, the more they focus on the economic bottom line to survive in the market (Ahmed et al. 1998; Graafland et al. 2003). A study by Uhlaner et al. (2004) found that family businesses have stronger links to employees, customers, and suppliers. This would indicate that family businesses focus most on the classic management model- to value the relationships with primary stakeholders (employees, suppliers, customers, and investors) and disregard secondary stakeholders (community, environment, social activists etc.). However, the sample of the study was more focused on small companies with less than 50 employees. This might explain why only primary stakeholders are emphasised by family businesses because if we follow the argumentation of Ahmed et al. (1998) and Graafland et al (2003) these stakeholders are most important to survive in the market.

⁴ I return to the study of Graafland et al. (2003) in the section on the actual survey results and the following analysis.

5.2 Empirical Results⁵

We now turn to the results of the survey. The original survey data are differentiated into four categories (family owned business, private company, owned by others – subsidiary, shareholder company). A firm is categorised as family owned if members of the founding family are still present on the board of directors. Private companies are defined as not owned or run by a single family, not being listed in stock indices, and being part of a larger corporation. The category ‘owned by others’ means that a company is not independent but part of a larger corporation. To qualify for a shareholder company a firm has to be listed in a stock market and must issue tradable shares. The differentiation process was done by desk research (newspapers, business journals, and internet).

The survey results based on the whole sample indicate that CSR activities of companies are primarily driven by employee issues (to attract and retain a quality workforce), moral considerations, and legitimistic/instrumental reasons (to enhance the brand reputation and sales). The result differentiated according to ownership structure of the companies shows a somewhat different picture: to attract and retain a quality workforce is important for all different types of companies, however family owned companies emphasise this even more than other types. With respect to moral considerations, brand image, and enhanced sales no significant difference could be observed among the different types of companies. However, significant differences (0.42) between the various types of companies with respect to ownership structure exist when companies are asked to associate CSR with improved financial performance and better access to capital. Of the listed companies, 46% state that they improved their financial performance and access to capital while only 26% of the other private companies said so (with only 21% of the family owned businesses).

The reasons to initiate CSR activities also vary among the different types of companies. Expectations from outside the company rose over the last decade, though listed companies emphasise this much stronger (88% vs. 51% of the private and family owned businesses). External pressure from NGOs and globalisation in general (78%) and new legal requirements (78%) are responsible factors for this change with regard to expectations on listed companies. Interestingly, private and family owned businesses do not perceive these factors as responsible for substantial change (42 and 46%) with respect to expectations on corporations. This is in line with the result on stakeholder pressure being responsible for CSR engagement. Generally, listed companies perceive stakeholder pressure more of a reason for starting CSR activities than private companies. Internal factors are less relevant when it comes to explaining CSR engagement. Internal pressure by employees is not seen as a driver for CSR. However, leadership by the board or CEO is a crucial aspect for the implementation of CSR strategies within a company. All categories of

⁵ All correlations presented in the empirical section are significant unless stated differently.

companies (listed, owned by others, private, and family owned) state that leadership from the top is a necessary precondition for the success of CSR strategies and activities. However, family owned businesses emphasise this point more than the other categories of companies.

The different types of companies also show interesting results with respect to when they started CSR activities. Listed companies state to a larger degree (20%) that they became active only within the last five years whereas none of the family owned businesses say so (significantly correlated by 0.47). At the same time it is somewhat surprising to see that all types of companies state to the same degree that they have a long tradition in CSR.

We now turn to how CSR is perceived among the different company types with respect to ownership structure. All the different sorts of companies have more or less the same results with respect to their level of CSR engagement. This is a somewhat surprising finding because it is also argued that smaller companies including family owned and private companies are sometimes not aware of the fact that they actually perform certain CSR activities (Fox, 2005: 6; Prinicic, 2003). All types of companies associate CSR mainly with environmental management systems and practises. There are differences (both significant) in the perception of what CSR is with respect to risk management and charity and sponsoring good projects. Listed companies associate CSR more with these issues than family owned businesses. We can say that listed companies perceive CSR more as strategic tool to achieve business success by means other than direct financial terms. Risk management deals with threats and risks that could potentially confront a company and CSR can be seen as a tool to handle this risk in a more long term perspective. This finding has to be seen in the context of increased stakeholder pressure and high external expectations on corporations. SMEs and private companies in general feel less external pressure and expectations and hence, associate risk management to a lesser extent with CSR than listed companies do. These external factors force companies to behave more pro-actively with respect to environmental and social issues; otherwise the economic foundation of businesses might fade. The same can be said about charity and the sponsoring of good projects because these can be used by companies to improve their reputation to protect the company in times of crisis.

Stakeholder management schemes are more common among listed companies (57% vs. 26% for private companies). The results of the total sample indicate that investors, customers, and employees are most important for internal decision making within companies. Customers and employees are of similar importance for all types of companies. However, this is different with respect to investors because listed companies perceive this stakeholder group as more important than the other categories of companies. This is a somewhat expected result because listed companies are naturally more focused on investors due to their organisational structure. Significant differences with respect to the importance of various stakeholder groups are noticeable with governments, NGOs, and communities. Listed companies perceive these stakeholder groups as more important than family and privately owned companies. The differences in the results between family

owned and listed companies is especially large. Only 14% of the family businesses perceive governments as important stakeholders compared to 68% of the listed companies. Only 7% of the family owned businesses perceive NGOs as important stakeholders compared to 30% of the listed companies. This is of course an expected result because family businesses are usually smaller than listed companies and hence, not in the prime focus of NGOs which in turn supports the arguments stated by Orlitzky (2001) and Fox (2005). Consequently, family businesses are less concerned with NGOs when it comes to internal decision making.

Interestingly, listed companies perceive communities as much more important stakeholders than family owned firms. It is normally assumed that family businesses have a stronger link to their surroundings and feel a stronger sense of commitment to the needs and expectations of their neighbouring community (Déniz, 2005; Gnan et al. 2002; Graafland, 2002). This assumption is not supported by the results. Only 21% of the family businesses see their communities as important stakeholders compared to 59% of the listed companies. Listed companies apparently translate the need to be accepted around their business sites with a different perception of stakeholders. Local initiatives ('think global, act local' is an often used phrase) are nowadays almost a standard tool of listed companies to enhance their position in local communities all over the world. It might well be that family businesses have more an old-fashioned perception of communities because they have dealt with their local surroundings the entire existence of the company, meaning that they perceive their local surroundings as important but not in the classical sense as stakeholders; they take it as a given. Furthermore, the results support the findings of Graafland et al. (2003) that SMEs concentrate their attention on primary stakeholders and pay less attention to the interests of secondary stakeholders such as communities. This does not necessarily mean that SMEs do not interact with their surrounding communities, only that the style of interaction might differ from our present understanding of stakeholder dialogue. It is possible that a large share of SMEs still has a paternalistic approach to communities and community issues. Paternalism in this respect means that SMEs interact with their surroundings in a one-way dialogue and not in a real stakeholder dialogue mode.

The respondents were asked to indicate where CSR becomes visible and noticeable in the companies. The results were generally higher for the listed companies on all answering options compared to family businesses (in a mission statement, through social and environmental reporting, through internal guidelines, through practical guidelines, through ethical principles and related business values). However, the only real significant difference (0.00) observable was in the category through social and environmental reporting. Of the listed companies, 95% stated that one way with which CSR becomes noticeable is their reporting activity while only 57% of the family owned companies do so. Social and environmental reporting has recently become a standard tool for larger, easily visible companies. Hence, it is not surprising to observe higher numbers on reporting for the listed companies than for the usually smaller family companies. However, it is interesting to see that the percentages on the usage of internal guidelines are not significantly different. The

implementation of internal CSR guidelines is therefore not really different in diverse company types.

We now turn to the usage of CSR instruments and schemes. The results on the answering options 'CSR gets facilitated through dedicated programs or projects' and 'through partnerships with stakeholders' (NGOs, communities, suppliers) differ between listed companies and family businesses. Listed companies use these types of instruments to a higher degree (78 and 70% vs. 57 and 50%) than family companies.⁶ This finding is in line with the findings of Graafland et al. (2003) that the use of more specific instruments is related to the company size. However, the actual survey results do not support the findings of Graafland et al. (2003) on family businesses because a positive impact on the use of instruments compared to companies with other private ownership structures was not observed in the data.

Finally, a difference is also noticeable with respect to triple bottom line reporting (TBL).⁷ Half of the listed companies perform triple bottom line reporting (TBL) compared to only 29% of the family businesses. This finding is supported by the result that 50% of the family owned companies have not implemented any scheme in the broadest sense associated with TBL.⁸ This can partly be explained by the general notion that additional reporting efforts are not viable for smaller companies because they do not have the necessary resources available (Graafland, 2003). On the other hand, only 22% of the listed companies state that they have not implemented TBL and 71% have a systematic, occasional, or causal TBL in place. We can say that a strong majority of listed companies has implemented some sense of triple bottom line reporting in their normal reporting procedures, a quite remarkable finding. In contrast, the total sample results on TBL were only 47%. It can be concluded that TBL is nowadays well accepted in the business world of listed companies, while the opposite is true for family owned businesses.

⁶ However, the correlations are not significant for the stated CSR instruments and schemes.

⁷ Although the difference is not significant.

⁸ The percentages are based on the question of what instruments are implemented to facilitate CSR and triple bottom line reporting was one answer option. At first glance there is a mismatch between the figures on triple bottom line reporting usage within listed companies (50% and 71%). This is because the percentages are based on two different questions. While triple bottom line reporting was one answering option in one question battery, the other focused exclusively on triple bottom line reporting and aimed at getting information on organisational aspects of the reporting. The reason why it seems more listed companies perform some kind of triple bottom line reporting when asked specifically in the second question might be related to the answering categories 'occasional and causal'. It is possible that companies deny having triple bottom line reporting implemented to facilitate CSR, though they might declare that they occasionally or causally (context bound) perform it.

5.3 Conclusion

The results of the survey show a number of interesting differences among companies differentiated according to ownership structure. First, motivation for companies to engage in CSR varies to some extent. Family businesses perform CSR predominantly to attract and retain a quality workforce while listed companies' emphases are more widespread and include improved financial performance and easier access to capital. In addition, external factors play a role in the diffusion of CSR in the business world. However, external pressure as a stimulating factor for CSR is far more significant for listed companies than for private companies. Furthermore, listed companies feel stakeholder pressure much more. The use of stakeholder management schemes among listed companies is, consequently, far more common than among private companies. With respect to specific stakeholder groups, listed companies perceive governments and communities as more important for their business conduct. Another interesting finding was that 20% of the listed companies state that they initiated CSR activities only in the last five years whereas all of the family businesses declared to have been involved in CSR for a longer period.

The self-assessment of all companies in the sample with respect to their level of CSR engagement also showed some remarkable results. The results did not differ among the different organisational types of companies; this means that SMEs are aware of CSR and is noteworthy because it is often stated that SMEs might perform CSR without knowing it. According to the results of the survey this is not the case. Listed and private companies associate environmental management most with CSR, in line with the total results of the survey. However, listed companies associate CSR more with risk management and charity activities than private companies. Finally, the analysis showed that triple bottom line reporting has become very common among listed companies with almost three out of four performing some form of differentiated reporting with respect to economic, environmental, and social impacts. TBL is still not widely implemented among family businesses. Finally, listed companies use dedicated projects or programs and partnerships with stakeholders to a substantially larger extent than family businesses.

The general picture after differentiating the survey data based on ownership structure of the firms is that CSR is as widely known among SMEs as among listed companies. The drivers and motives for CSR vary depending on the ownership structure of a company. There is no standard driver or motive applicable for all company types. The usage of classic CSR instruments and schemes such as stakeholder dialogue and triple bottom line reporting is much more common among listed companies. Smaller companies often do not have the necessary resources to perform these CSR elements whereas larger companies regularly control much more resources and are more capable to implement these schemes. CSR is nowadays a well-known concept in the business world, both among listed companies and SMEs including family businesses. However, CSR in the broad sense encompassing a great variety of activities and schemes is still more common and implemented among listed companies compared to private companies.

The next section of the dissertation focuses on companies and their internal and external CSR engagement. A special focus is on the question of whether CSR engagement by a company including active stakeholder management has an impact on the interaction with public authorities. The next chapter first presents the underlying theory and methodology for the subsequent four case studies.

**Applied theory and methodology
in the case studies**

6.1 Theoretical approach to stakeholder management and CSR underlying the case study research¹

Business is but one element of society among others such as governments, civil society, and organisations. As part of society, business impacts other members of society, and society also impacts business. In other words, business constantly interacts with various societal actors. Organisations involved in these interactions are called stakeholders in the management literature. Two streams in the management literature addresses the question to whom, or what, the firm should be responsible (Lawrence et al. 2005: 5-15): First, in the ownership theory (also called property theory) the firm is seen as the property of its owners. The purpose of the firm is to maximise returns to these owners. Managers and boards of directors are agents of the owners and have no obligations to others, other than specified by law. Milton Friedman (1962) is a prominent advocate of this approach to business responsibilities. The second approach conceives business responsibilities much more broadly. These authors present stakeholder theory to argue that business has multiple obligations and all stakeholder interests must be taken into account. However, the theory does not imply that all stakeholders should be equally involved in all processes and decisions. Accordingly, a company can have various approaches to stakeholders, ranging from inactive to interactive management. When a company decides to *actively* manage the interests of stakeholders, then we can talk of stakeholder management, which is widely seen as a key concept of CSR (Donaldson et al. 1995). Active stakeholder management can have various expressions such as conducting meetings, reporting on stakeholder specific issues, or inviting societal actors to discuss upcoming issues of general concern.

The range of stakeholders referred to in stakeholder theory usually includes customers, investors, suppliers, competitors, the media, NGOs, employees, communities, the environment (through green activists), and public authorities. Active stakeholder management or dialogue provides the company with crucial information which can serve as a kind of wide-screen radar to detect potential upcoming problems. Additionally, active and open dialogue provides stakeholders with more and better access points to companies and hence, a better position at the bargaining table. The literature on CSR generally assumes that there is a positive correlation between CSR performance of a company and financial performance (Orlitzky, 2001; Ullmann, 1985; Waddock et al. 1997; Wartick et al. 1985; Wood et al. 1995)². In addition, numerous studies also argue that stakeholder management helps a company's profitability (Donaldson et al. 1995: 72-74; Wood et al. 1995). Given these two propositions, one can assume that if a company performs at a

¹ The theory was presented and discussed in chapter two, however a brief recall of the main ideas and assumptions is provided here with a special focus on the case studies to be presented.

² There are also studies with mixed results. For more information see the studies conducted by Ruf (2001), Hillman et al. (2001) and Lawrence et al. (2005).

certain level of CSR, the company must also be engaged in some stakeholder management because response to stakeholder interests is an integral part of CSR.

Stakeholder management should ideally encompass all business activities which affect stakeholders; however, the main focus in this research is on the relationship between companies and public authorities. Actively practiced stakeholder management should lead to a better relationship with all concerned stakeholders because of more intense contacts and more transparent information exchange (Lawrence et al. 2005: 55)³. The hypothesis (1) guiding the research is formulated as follows:

The higher levels of stakeholder management due to higher levels of CSR engagement are, the better (more intense and better mutual understanding) the relationship with public authorities should be.

The more intense and better general relationship with public authorities should increase a company's ability to influence the general policy-making process. The rationale behind this assumption is that the increased number of access points (direct information exchange links and a potential sharing of resources of some kind) of proactive companies with respect to CSR provides companies with ample opportunities in the policymaking process to have a say, but also to be heard. This culminates in the following hypothesis (2):

The capacity of actors to influence the general policy-making process increases the more access points (direct links or even shared resources) actors have to public authorities.

The Advocacy Coalition Framework (ACF) provides an additional theoretical lens. The ACF assumes that actors do not act individually in the policy-making process but organise themselves in advocacy coalitions. These advocacy coalitions manage to stay together because actors share similar beliefs (Sabatier, 1999). In this study, it is assumed that actors with similar belief systems should have more and closer links to each other than with other actors of the focused sectors. The extent to which an actor's belief system also determines the policy-making process in the focused sectors will also be analysed. These theoretical insights on actor behaviour applied to CSR culminate in the subsequent hypothesis (3):

In CSR, coalitions form in line with actors' policy core beliefs.

Another inherent consequence of CSR engagement, including active stakeholder management, is that companies become more transparent, and hence more

³ More on stakeholder management and potential consequences for companies will be presented later in this chapter in the methodological approach to evaluating stakeholder management strategies of companies.

accountable to the outside world. Governments are in a constant struggle for information from companies to be able to control business and, if necessary, draft new regulation. The more and better information available to governments, the easier it is for governments to take the appropriate steps to tackle a perceived problem. Hence, if the government faces open and active companies in a problematic policy field, they will be more likely to perceive measures taken by companies as cooperative. It can be assumed that governments confronted with cooperation by companies do not use direct regulation (the stick) to tackle a perceived problem. On the other hand, governments confronted with an opaque and passive private sector might more readily use coercion to guarantee policy implementation.

The emergence of new types of regulation (self- and co-regulation) in the late 1980s and early 1990s can be interpreted as a first sign of change in the interaction process. It is assumed that the sharing of responsibilities and tasks in a business sector in the form of self- and co-regulation policy schemes impacts the general level of CSR engagement in the business sector. The sharing of tasks and responsibilities between the private and public sectors is assumed to lead to higher levels of CSR engagement in the private sector due to more freedom in decision-making to solve and tackle set issues and targets. Specifically, business sectors that have self- or co-regulation schemes implemented are assumed to show higher levels of CSR performance. The soft policy instruments implemented by public authorities are assumed to result in higher CSR performance and proactive stakeholder management by companies and a generally better relationship with public authorities leading to a mutual trust relationship based on transparency and openness. These basic assumptions lead to the following hypotheses (4 & 5):

The more freedom governmental authorities provide a business sector in the form of self- and co-regulation policy schemes to deal with a given policy problem, the more the concerned private sector should be willing to accept additional responsibilities and tasks resulting in higher levels of CSR engagement by companies (macro level).

The higher the CSR performance and stakeholder management of a company, the easier it is for the company to get not only access to public authorities, but also to get licences, permits, and other official documents from the authorities which results in lower bureaucratic costs (micro level).

A number of hypotheses however, can only be tested using more qualitative data, especially concerning hypotheses one and five. Qualitative data was necessary because quantitative data was unavailable for hypothesis five and the nature of questions in hypothesis one precluded quantification. Specifically, it was impossible to gather quantitative data with respect to hypothesis five because of incomparable

data due to various mergers, splits, and acquisitions of the focused companies in the past 10 years.⁴ The stated hypotheses guided the analysis.

6.1.1 **Predetermining factors in the policymaking process – the structural environment**

An important aspect sometimes overlooked in the network approaches to policymaking is the structural environment in which a policy system is embedded. This needs to be emphasised here because the applied methodology (social network analysis) invites overlooking structural constraints and opportunities influencing the room to maneuver of actors. In this respect one has to keep in mind that the constitution of the actor set and the power positions are shaped by general features of the political, economic, and cultural systems of a nation state. Without reference to these general features, one cannot understand the prominent positions of actors identified in the research. With respect to CSR and related policies the study identified three relevant systemic variables:

- The political culture and tradition
- Basic constitutional and institutional structure
- The level of trust within a society

The full model on CSR and policy-making can be illustrated in the manner shown in Figure 16.

The elements of stakeholder theory applied to the research focus and the structural environment characteristics form the theoretical basis of the case studies. However, an introduction of the applied methodology is necessary before we turn to the empirical results of the case studies. The presentation of the methodology is split into two because the case studies have two focus points: one is on the CSR performance of companies and the second is on consequences for the positioning of companies due to certain levels of CSR and stakeholder management in the specific sectors. The first methodology section focuses on internal aspects of CSR and the second on external aspects which is predominantly stakeholder management by companies.

⁴ For instance, the split of the *Gasunie* into *Gasunie Trade and Supply* and *Gasunie Transport* in 2005 made the accessibility of quantitative data considerably more difficult.

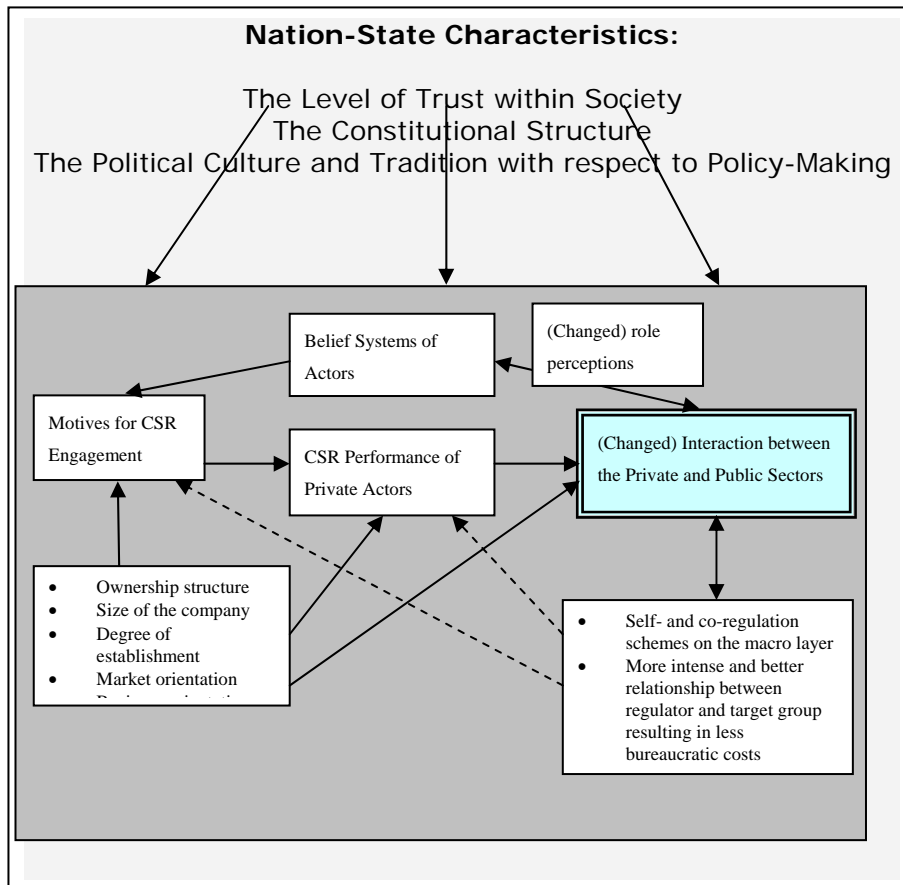


Figure 16: Model on CSR and policy-making incorporating the relevant actor specific and structural variables

6.2 Case study methodology on internal CSR performance

6.2.1 Case study selection

The case study data gathering process is based on guidelines developed by Yin (2003). The company Campina in both the Netherlands and Germany (two cases: one company operating in two countries), Gasunie Transport, and Milk Link have been selected for the case study research. Campina in the Netherlands and Germany and Gasunie Transport represent potential CSR forerunners. It is assumed that forerunners with respect to CSR have more to tell about potential changes in interaction patterns due to CSR engagement than inactive CSR companies. Milk Link was selected as the contrasting case.⁵ Milk Link only recently became active in

⁵ The study differentiates four categories of companies with respect to CSR engagement that are actually observable:

CSR two years ago and is about to start first initiatives. It will be interesting to study if the different levels of CSR engagement by companies impact the interaction patterns observable with external stakeholders, and especially with public authorities. The differentiation of corporations with respect to CSR engagement is of considerable importance for selecting the methodology suitable for the study. Case study selection becomes crucial at this stage. Yin (2003) argues that case study selection must be carefully done so that it either (a) predicts similar results (a literal replication) or (b) predicts contrasting results but for predictable reasons (a theoretical replication) (47). A case study selection based on different levels of CSR engagement by companies provides the necessary variations to carry out literal and theoretical replication. Literal replication is achieved by selecting three similar cases. Theoretical replication is realised by contrasting the CSR forerunner cases with the CSR laggard case. Using replication logic for the multiple-case studies is an additional assurance for valid generalisations because of a higher external validity.

Furthermore, focusing on two companies (Campina and Gasunie Transport) active in the Netherlands provides additional external validity because the institutional structures and factors potentially influencing CSR and policymaking are analysed in two different national policy subsystems. To compare different business sectors and CSR in different European nation states (the Netherlands, the UK, and Germany), adds substantially to the new insights to be gained in the study. By using the comparative approach, national (cultural) differences with respect to CSR perceptions, practices, and impact on private-public interaction will be revealed most clearly. Companies operating in these three countries can have similar but different procedures with respect to CSR. How (different) CSR perceptions and practices then translate into potential changes in the interaction between the private and public sectors can be studied in this way. Comparing one company (Campina) across two countries gives the study an additional flavour because external (institutional setting and events) factors become incorporated in the focus of the study. The company remains the same in both countries but the national contexts become much more important for the analysis. This approach is very much in line with institutionalist approaches where the structure is superior to agency. However, the approach selected in this study is more actor-centric and less based on structural

- On the one extreme, companies can use the concept of CSR for purely public relations purposes, not even attempting to improve their CSR record – *The Greenwashers*
- On the other extreme, there are companies (potential forerunners) committed and engaged in CSR activities since many years and communicate these activities to the public to get a competitive advantage – *The Forerunners*
- And there is a middle path, meaning companies that are doing business as usual without adjusting their internal and external processes and activities because of CSR – *The Indifferent*
- Finally, there are companies which do not communicate their CSR activities because they are not conscious of the concept of CSR and, hence, not able to communicate under the relatively new label/notion of CSR – *The Unaware*

influences. Structure is not neglected but the point of departure is the individual actor, specifically the company.

The case study research included the drafting of a case study protocol and the preparation of interview guidelines for the various target groups. However, it turned out that the usefulness of the interview guidelines was rather limited and the prepared interview questions became secondary very soon in the case study research process. Consequently, the case study research was conducted in a more flexible approach with the most important research questions addressed in the appropriate moment but otherwise letting the interviewee talk about issues of concern. The researcher only interfered in the interviews when the interviewee started to discuss issues of no concern for the research. The developed interview guidelines can be seen in the appendix.

The next section provides a methodological approach to assessing a company's internal CSR performance. However, CSR performance assessments can be done in various ways leading to different results.

6.2.2 A characterisation of CSR

CSR is characterised in various ways. The fact that no common definition by a central authority is available makes the issue of characterising CSR so contentious. The modern concept of CSR encompasses various issues such as treating the employees in a responsible manner, to protect the environment, to respect the interests of communities, suppliers, competitors, governments, and consumers. Furthermore, a company should be transparent and accountable and not participate in bad business practices such as fraud, bribery, or corruption. In addition to these more standardised indicators of CSR, this study also focuses on a company's total programs, projects, and initiatives in the field, especially with respect to activities aimed to improve ways of production and service delivery. The purpose of this encompassing approach is to see if the CSR activities really go to the heart of a company's business conduct. Otherwise, CSR is simply an add-on to business as usual without changing anything for affected groups in society. The literature (see Leipziger, 2003; Hopkins, 2003) does not provide us with a common definition or description of what CSR is, hence, the evaluation of companies' activities is partly based on the working definition presented in chapter 3. It can be said that CSR policies and activities always revolve around three basic issues:

- Transparency and Accountability of Business
- Internal Business Processes (Production, Service Delivery)
- Participation (Stakeholder Management in CSR Terms)

This study uses these key elements to characterise the modern conception of CSR. A company's CSR efforts are evaluated based on the three basic characterisations. To limit the CSR characterisation to three factors means that the evaluation process will be more transparent and easier for the reader to follow while retaining important key CSR aspects. This CSR characterisation represents the basis for evaluating a

company's CSR performance and the impact of that performance on interaction with external stakeholders. The CSR characterisation fits into the theoretical conceptualisation as follows:

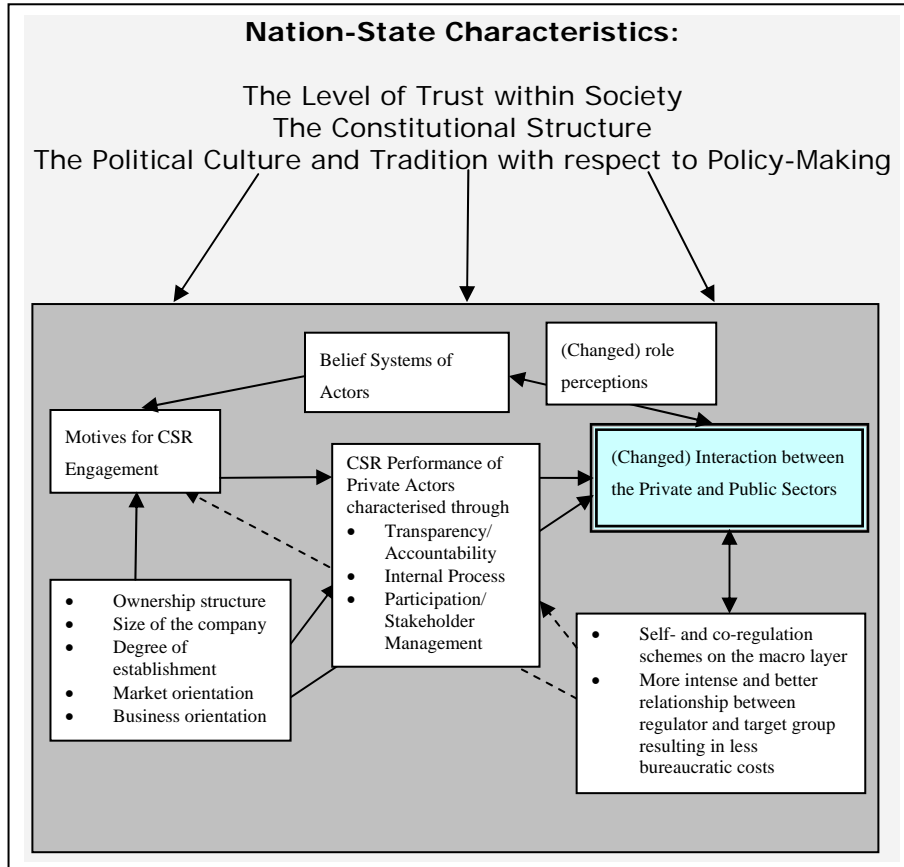


Figure 17: CSR performance evaluation in the theoretical conceptualisation

6.2.2.1 Transparency and accountability

Transparency and accountability are key aspects of CSR and can be evaluated in various ways. Transparency and accountability with respect to CSR are usually associated with the quantity and quality of information provided in annual or specific reports published by companies. However, this study associates the indicators accessibility and readability of information with transparency and accountability. It became a common standard in the economic world to publish data and information on social and environmental issues, especially for larger companies. The companies fulfil that new societal obligation in diverse ways: The range of different expressions begins by mentioning social and environmental issues in annual reports, continues with separate environmental reports, and finally culminates in highly polished CSR reports. Today it is common for a CSR

committed company to publish not only a pure financial report, but also to include social and environmental information or to publish an environmental and/or social report. However, the quantity of material provided does not always go hand in hand with the usefulness of that information for interested readers. Concerning the accessibility of information, the focus is on how easy it is for interested readers to get the information and concerning readability, the focus is on how easily understandable the information provided is for different audiences.

The readability of annual reports was first researched in the early 1950s. Since then research on readability of annual reports has spread around the globe.⁶ Results have shown that annual reports are consistently written in a difficult or very difficult manner and beyond the fluent comprehension skills of about 90% of the adult population and about 40% of the investor population. John K. Curtis (1995) summarised these findings by saying that those responsible for narrative sections of the annual report typically write corporate messages at a reading level beyond the educational skills of their target audience (5).

This article uses formula-based readability measures to analyse company reports with respect to CSR reports' transparency and accountability. About 70 readability formulas have been developed in recent decades to analyse the readability of texts. Within the context of annual reports, two variables have emerged as good indices of estimating readability difficulty: word length and sentence length. According to Curtis (1995: 4-17), the understanding is that word length is related to a reader's speed of recognition, while sentence length is related to memory span, that is, words recalled. We use the following definition of readability as an evaluation criterion with respect to transparency and accountability:

Readability of prose passages within accounting communications is concerned with the matching of reader ability and degree of reading difficulty of text. A readability formula is an objective and quantitative method of predicting whether narratives are likely to be readable by a target audience.(Curtis, 1995: 5).

The potential audiences of CSR reporting encompass not only the financial sector but all stakeholders affected by the company, or who can affect the company. Hence, the requirements with respect to readability of the provided information on the company's business conduct, and more specifically on the company's activities with respect to CSR, are not easy to fulfil. The information provided should consist of short, simple, and familiar words and most importantly, should avoid business jargon. To remain readable and understandable for such a broad audience ranging

⁶ For a more comprehensive overview on the development of research activities with respect to readability of annual reports see: Curtis, J.K. (1986); Jones, M.J. (1988); Lewis, N.R./Parker, L.D./Pound, G.D. (1986); Parker, L.D. (1982); Pound, G.D. (1981); Schroeder, N./Gibson, C. (1990); Smith, M./Taffler, R. (1992).

from farmers, to neighbours, to financial experts, it requires a very careful presentation of information in order to not irritate or deter readers.

The two formulas with respect to readability used here are the Flesch formula and the Dale-Chall formula. The Flesch formula represents one of the most popular readability indices, is straightforward and easy to apply. The reading ease formula of Flesch uses only two variables, the number of syllables and the number of sentences for each 100- word sample. It predicts reading ease on a scale from 1 to 100 where 100 indicates reading matter understood by readers who have completed the fourth grade and are, in the language of the U.S. Census barely functionally literate (DuBay, 2004). The following table provides Flesch’s full categorisation of reading ease:

Reading Ease Score	Style Description	Estimated Reading Grade
0 to 30	Very Difficult	College graduate
30 to 40	Difficult	13 th to 16 th grade
50 to 60	Fairly Difficult	10 th to 12 th grade
60 to 70	Standard	8 th to 9 th grade
70 to 80	Fairly Easy	7 th grade
80 to 90	Easy	6 th grade
90 to 100	Very Easy	5 th grade

Table 11: Flesch’s Reading Ease Scores

The Dale-Chall formula uses a sentence length variable plus a percentage of ‘hard words’ – words not found on the Dale-Chall list of 3.000 easy words, 80% of which are known to fourth-grade readers. Hence, the latter methodology focuses not only on rather abstract indicators such as sentence length and number of syllables per word, but also on what words have been used in a text (DuBay, 2004). The next table shows the categorisation of the Dale-Call formula:

Raw Score	Dale-Call Score
4.9 to below	Grade 4 and below
5.0 to 5.9	Grades 5 – 6
6.0 to 6.9	Grades 7 – 8
7.0 to 7.9	Grades 9 – 10
8.0 to 8.9	Grades 11 – 12
9.0 to 9.9	Grades 13 – 15
10 and above	Grades 16 and above (college graduate)

Table 12: Dale-Call score chart

Combining both formulas with text support factors (the use of illustrations, document length, and format with respect to page layout, type size, and spacing) forms a comprehensive evaluation of a company’s CSR reporting readability. Five 100-word passages were randomly selected from each section of CSR reports and Flesch and Dale-Chall readability measures were calculated for each of these sections.

6.2.2.2 *Internal business processes*

CSR is about two things: how business behaves vis-à-vis its internal and external stakeholders and how production schemes and service delivery patterns in general can be more sustainable and less harmful (or even improving the situation) for all affected groups in society, all done in a socially responsible way. What concerns us here is saying something about the social and environmental impact of business conduct. How do we measure and categorise a company's internal efforts to become more sustainable by changing its production and service delivery modes? The use of reporting standards and certification schemes to benchmark companies is the usual approach to such questions. There are various CSR related standards and certifications schemes in place around the globe.

The most prominent examples of a long list of certificates are EMAS (EU Eco-Management and Audit Scheme) and ISO 14001. Important CSR standards are, for instance, the AccountAbility 1000 Framework, the Global Reporting Initiative, and the Social Accountability A8000. There are also sustainability indexes such as the Dow Jones Sustainability Index, the London FTSE4Good Index, and the BITC Corporate Responsibility Index, all attempts to evaluate listed companies according to their sustainability/CSR performance (Leipziger, 2003). In addition to these, the United Nations (UN Global Compact) and the Organisation for Economic Co-operation and Development (OECD Guidelines for Multinational Enterprises) developed guidelines to advance the comparability of CSR.

I argue that the most relevant CSR standardisation and reporting instrument developed so far is the Global Reporting Initiative (GRI) because it provides the most concrete and demanding indicators to be evaluated against. The GRI is the only internationally accepted instrument currently available which allows for benchmarking and comparing companies on various social and environmental indicators. The International Standardisation Organisation (ISO) started working on an international standard for CSR due for completion in 2008 which might also result in a promising approach to further improve the transparency and accountability of company's CSR efforts.⁷ Discussions are under way among practitioners and scholars concerning the overall usefulness of such evaluation schemes for advancing sustainable practices in the business world. Pro arguments for standardisation schemes for measuring purposes normally revolve around the following issues:

⁷ See International Standardisation Organisation (2004). ISO to go ahead with guidelines for social responsibility. Press Release 924. www.iso.org/iso/en/commcentre/pressreleases/2004/Ref924.html; accessed April 25, 2005. There is also considerable criticism connected to standardisation. The main argument is that CSR schemes and practices around the world are different and hard to compare. There is no "one standard fits all" solution possible according to critics. Leipziger (2003) summarises the point in her instructive and informative book on CSR codes, norms, and standards: "Given the significant differences between companies, arising from sectoral, regional, cultural, and historical differences, it is unlikely that standardisation is possible or even desirable." *The Corporate Responsibility Code Book*. Greenleaf Publishing Ltd, Sheffield, p. 37.

- Making the company more attractive to investors,
- Attracting more customers,
- Lowering insurance premiums,
- Improving relations with business partners such as suppliers,
- Improving relations with workers and with the local communities,
- Improving relations with governments and non-governmental organisations,
- Reducing the likelihood of costly accidents. (Business and Sustainable Development, 2005).

A second argument is that such standards and certification schemes would be too expensive for corporations. Thirdly, there are only a few professional services organisations equipped or qualified to conduct CSR audits and help companies create CSR strategies, although many accounting and PR firms are now preparing to offer these services. Here lays the principal problem connected to CSR standards: Who is actually measuring and analysing the CSR efforts by companies? Many are rightly sceptical about the influence of PR firms in social responsibility reporting. Accountants have historically been seen as the ideal institution to conduct CSR audits and determine the effectiveness of certain CSR parameters at least in financial terms. Recent events (Enron, WorldCom) in the United States indicate that accountant's current practices do not guarantee good business practices (Arthur W. Page Society, 2005: 10-12). More and more actors in the field have begun searching for new institutions and organisations to competently and ethically address the issues of CSR. Institutions and organisations with the capacity and credibility necessary for fulfilling the high demands are difficult to find. At first glance, non-governmental organisations seem to be equipped with the necessary resources; however, cooperation with business actors can prove very difficult for various reasons. Cooperation between NGOs and business actors requires a certain level of trust which is not always in place. Trust is significant because business actors have to grant access to potentially valuable information to get the outside-verification by an NGO. Another option would be to use the capacities of public authorities for standard granting and verification purposes. However, this would mean public authorities would have to take on additional responsibilities due to CSR. Inherent in the second approach is a paradox, namely that the business-driven concept CSR adds additional responsibilities for state authorities whereas the concept was intended to reduce governments responsibilities. For the purpose of this thesis, it is important to keep in mind that CSR standardisation is a contentious issue with several pros and cons. The next section presents the evaluation scheme applied to assess the internal CSR efforts of companies.

There are already plenty of CSR standards, codes of conduct, initiatives, and guidelines in place around the globe. In addition to these more or less established schemes, there are innumerable examples of CSR rating, screening, and other index services available. For instance, KLD Research & Analytics, Inc. is a well established company in the field of company screening and rating and a leading provider of social research for institutional investors who wish to integrate social

criteria into their investment decisions. Among the services the company provides are various indexes focussing on issues such as sustainability and the impact of social screening on financial performance. Furthermore, KLD provides in-depth company profiles, comprehensive industry involvement reports, and detailed social ratings. Of special interest to the researcher is the company's online database Socrates which contains social records on more than 3,000 US and international firms. The reason KLD Research & Analytics, Inc. is presented in this lengthy manner is that to develop a new evaluation tool for assessing a company's environmental and social performance does not add many new insights into CSR practices and impacts. Hence, the author strives not to reinvent the wheel but to look for some common criteria for assessing a company's efforts with respect to CSR. A literature review on established standards, certificates, codes of conduct, and other initiatives and guidelines led to the following methodology to evaluate a company's internal processes regarding CSR efforts.

	Category (examples)	Indicators (examples)	Information provided by the company	Assessment score
A) Internal Social Aspects:	Labour Practices and Decent Work	Employment		
B) Environmental Aspects:		Compliance		
C) External Social Aspects:⁸	General	Social responsibility and new opportunities		

Table 13: Categorisation of CSR data based on GRI

The methodology applied to evaluate internal business processes is based on the methodology of the Global Reporting Initiative, a CSR assessment scheme developed by Kok, van der Wiele, McKenna, and Brown, and an assessment tool developed by Prosus at the University of Oslo (See: GRI, 2005; Kok, McKenna, Van der Wiele, Brown, 2001; Ruud, Jelstad, Ehrenclou, Vormedal, 2005). Choosing the Global Reporting Initiative (GRI) has many advantages: GRI's indicators are aligned with international standards and allow for a high degree of comparability but also flexibility. Although the GRI guidelines are not a code of conduct, a management system, or a standard, they are very useful for companies working on code implementation because they encourage companies to report on actions taken to improve economic, environmental and social performance and to provide information on outcomes of such actions. Furthermore, GRI is forward oriented because it stimulates companies to report on future strategies for improvement. The GRI guidelines are structured so that all organisations, from beginners to sophisticated reporters, can easily find a comfortable place along the continuum of options. If it is supposed to be easy to use for reporters (companies), it

⁸ External environment aspects such as community, consumer, public sector, investor and supplier relations are addressed in the sections on transparency/accountability and participation.

should also be easy to use as a tool to evaluate companies for researchers. The GRI Framework is supposed to be a process-oriented tool which encourages companies to set targets and then to report on whether those targets have been met. If the company has not met the targets, it should give reasons. By encouraging companies to set and report on targets, stakeholders have benchmarks to which they can hold the company accountable (Leipziger, 2003: 26). Another reason for using the GRI framework is the fact that GRI is a major player in the field of CSR standards and reporting initiatives and increasingly accepted by the business world as a key reporting guideline. The Table 13 illustrates how the information provided by a company is structured and categorised.

The second applied methodology is a CSR assessment developed by Kok, van der Wiele, McKenna, and Brown (2001) and represents an evaluation scheme based on quality management framework content. They distinguish between audit and assessment by saying that an audit is quite often related to standards with which the organisation has to be in compliance. Audits in this perspective are backwards-oriented, because the company only needs to stay above the minimal requirements defined by the standard. The authors intended to develop an assessment scheme which emphasises the notion of process and further options for improvement. Instead of focusing on minimal standards and compliance, the focus is on a review of the strengths and weaknesses of the organisation and aimed at defining opportunities for improvement.

The methodology developed by Prosus evaluates transparency by looking at how companies report on CSR in general and on three specific variables: Management Systems, Codes of Conduct, and Supply Chain Management. The analysis is consistent with the triple bottom line perspective by looking at environmental, social, and economic issues (Jelstad and Gjølborg, 2005; Ruud, Jelstad, Ehrenclou, and Vormedal, 2005). The methodology assessing the CSR performance applied in this dissertation uses the Prosus evaluation tool. The author participated in an international research project using the same methodology (Mathis and De Bruijn, 2006). The internal CSR performance of a company is evaluated based on the scale in Table 14.

Information and data on internal business processes are based on published material in annual and CSR reports and online information. The information provided was then filtered according to the categories of the GRI guideline. The assessment of the company was then divided into three larger thematic sections: internal social aspects, environmental aspects, and external social aspects. These three sections contain a number of more specific content-related indicators on which the company was evaluated. The sum of the scores on the more specific indicators then represents a general assessment of each of the three larger thematic sections. The aggregate of the scores of the three larger sections divided by 3 gives the final assessment for the company with respect to internal processes.

Category 0: Not mentioned	Theme not mentioned.
Category 1: Mentioned	Theme briefly mentioned in general terms, but minimal reporting on own operations. Alternatively, theme dismissed as irrelevant.
Category 2: Insufficient	Theme described with reference to own enterprise, but reporting has major deficiencies with respect to content and presentation.
Category 3: Satisfactory	Theme described and analysed with respect to own operations. Problems are identified and challenges and solutions are considered, but reporting has some deficiencies with respect to content and presentation.
Category 4: Very satisfactory	Theme is described and analysed systematically and comprehensively with respect to the company's operations. The company demonstrates an integrated and overall perspective.

Table 14: Evaluation scale for internal CSR performance

Thematic Section	Score	Overall performance score
Internal Social Performance		
Environmental Performance		
External Social Performance		

Table 15: Overall score scheme resulting in the final score

6.2.2.3 Participation or stakeholder management

Stakeholder management is an integral concept of CSR. The literature regularly associates stakeholder management with good CSR schemes and practices (Kok, McKenna, Van der Wiele, and Brown, 2001). Proactive companies are assumed to perform a certain level of interaction with their stakeholders. However, only a few studies show a direct connection between stakeholder management and business success, especially with regard to financial success. Kotter and Heskett (1992) show in *Corporate Culture and Performance* that over an eleven year period, sales and employment growth at stakeholder oriented companies were significantly higher than at shareholder focused companies. De Geus (1997) reinforced this finding in his book *The Living Company*. A study by Max Clarkson, former director of the Clarkson Centre for Business Ethics at the University of Toronto, indicates that companies that place a premium on ethics and social performance are more profitable than companies focused on the bottom line. The arguments Clarkson used are in line with the two basic advantages of stakeholder management highlighted in the next section (1991: 28).

Management theorist Prakash Sethi developed a three tier model for corporate social responsibility which formed the basis for several newer models of CSR (Bowd, Harris, and Cornelissen, 2003). He distinguished between social obligation (a response to legal and market constraints), social responsibility (congruent with

societal norms), and social responsiveness (adaptive, anticipatory, and preventive). Stakeholder management is about the third tier. To be adaptive, anticipatory, and preventive means a company has to be open to stakeholder demands. Companies can have different reasons to engage in CSR activities which determine to some extent the approach to stakeholder management. A study on 'Building Collective Competencies for CSR' distinguished three types of stakeholder management: First, companies can be inside-out oriented, meaning that the company performs internally focused stakeholder management to establish a better sense of corporate identity. Second, companies can be outside-in oriented, meaning that the company performs stakeholder management with the focus on outside the company affected actors. A third version represents an integrated stakeholder management system which works both ways (De Bruijn, Nijhof, and Schoemaker, 2004). Sethi's third level requires that a company develops the competence to navigate uncertainty, maximise opportunity, and engage effectively with external stakeholders on issues and concern (Abbott, Boutilier, Svendsen, and Wheeler, 2004). To engage with the outside world in an active and open way offers a number of potential advantages for the company, and the involved stakeholders. There are two basic advantages to applying an integrated stakeholder management mechanism:

- the competence to navigate uncertainty
- and the ability to maximise opportunity

The aim of evaluating a company's CSR performance under this point does not only encompass an inwards directed examination of a company's stakeholder management schemes and activities. In other words, the focus is exclusively on a company's stakeholder management schemes and instruments from the company perspective. The perspective of other stakeholders engaging with the company will not be studied here. The analysis participation is based on desk research and information gathered during interviews with company officials.

6.3 Social Network Analysis – A methodological overview of applied elements in the case studies

Social network analysis is an interdisciplinary method with roots in social theory and application, formal mathematics, statistical and computing methodology. The pioneers of social network analysis came from sociology, social psychology, and anthropology. Key persons for the development of the methodology were Moreno, Cartwright, Barnes, Bavelas, Newcomb, Mitchell, Freeman, Laumann, and White among others (Freeman, 2004). A crucial step in the development of social network analysis as we know it today was the invention of sociometry by Jacob Levy Moreno⁹ in the 1930s. Around the same time a group of scientists (Warner, Homans

⁹ Linton C. Freeman (2004) describes Moreno: "He was an enigmatic figure. He was bright – perhaps brilliant- he was widely creative, he was entertaining and he was blessed with boundless energy. Like many Viennese intellectuals of the early twentieth century he had a dark side. He was self-centred, self-

among others) came together at Harvard and had an impact on the development of the new methodology. The group was unable however, to generate enough long-term commitment to be able to form, and convince others that they had formed a general paradigm for research. The group fell apart because of people leaving and of internal conflict. The early days of social network analysis are according to Freeman (2004) characterised by Moreno's and the Harvard group's work; after these two separate endeavours social network analysis seemed to pass into a period that might be called dark ages. From the 1940s until the 1970s no major centres of social network research emerged. Freeman continues his treatise on the history of the methodology by stating that the 1980s and 90s witnessed the integration of the several 'schools' of social network analysis that emerged earlier. He argues that most of the integration resulted from conscious attempts by various individuals to bridge the potentially competing 'schools'. He goes on by saying that without a great deal of effort toward developing general-purpose computer programs (UCINET, Payek, STRUCTURE, GRADAP, SONIS), organising face-to-face (Sun Belt and European meetings) and computer-mediated conferences (EIES- The Electronic Information Exchange System), and producing core publications (Social Networks), the scientific community interested in the social network approach would not have been able to develop the kind of intellectual and social community that exists today (2004, pp. 129-158).

6.3.1 Social network analysis and testing stakeholder theory

Network models can be used to test theories about relational processes or structure. Such theories posit specific structural outcomes which may then be evaluated against observed network data. In the research on CSR's impact on the interaction between corporations and public authorities this means that the formulated hypotheses on the impact of CSR on interaction patterns of actors due to proactive stakeholder management was tested against observed communication patterns (including the sharing of some kind of resources) between actors of a given network (dairy sectors in the UK, Germany, and the Netherlands as well as the Dutch gas sector). Stakeholder theory assumes that companies that are proactive with respect to CSR have implemented a stakeholder management scheme that allows them to interact with their stakeholders in various ways on various issues and concerns. Hence, in line with social network theories, stakeholder theory requires processes in which social units are linked to one another by various relations. Wassermann et al. (1994) argue that both statistical and descriptive uses of network analysis are distinct from more standard social science analysis and require concepts and analytic procedures different from traditional statistics and data analysis.

...serving, and by his own description, megalomaniacal. He admitted hearing voices, he sometimes thought he was God and he was convinced that others were always stealing credit for ideas that were his. Moreno, then, was both a dynamic intellectual innovator and a severely troubled human being. His role in the development of social network analysis can be understood only by considering both facets of his personality.”

To fully understand the impact of CSR on the interaction between corporations and public authorities we have to look at the broader context of relationships and transactions of any kind (communication and/or resources) between business, civil, and public actors involved; only by looking at the broader structure of interactions can we observe a potential impact of CSR, and see structural reasons for that impact. Studies on CSR are usually focused on a company. However, limiting the focus to the company under study the research is unable to observe impact on the interaction with other stakeholders. A broader focus has to be applied to see the full spectrum of CSR impacts. Social network analysis offers that broad approach because the methodology does not focus on the whole network structure consisting of a collection of individuals with linkages among them (Wassermann et al. 1994: 5). Other key features of social network analysis are that:

- actors and their actions are viewed as interdependent rather than independent, autonomous units;
- relational ties (linkages) between actors are channels for transfer or flow of resources (either material or nonmaterial);
- network models focusing on individuals view the network structural environment as providing opportunities for or constraints on individual action;
- network models conceptualise structure (social, economic, political, and so forth) as lasting patterns of relations among actors (Wassermann et al. 1994:4).

The third point is of special interest for CSR research. Corporations are confronted with a network structural environment of stakeholders from the business, civil, and public spheres. These stakeholders provide corporations with opportunities but can also constrain them. The previous section presented the theory underlying the case study research including the core hypotheses. The following sections present the data gathering process and the elements of social network analysis applied to gain further insight into whether CSR including stakeholder management impacts the interaction with stakeholders, especially with respect to public authorities.

6.3.2 Methodology on identifying and demarcating networks

A written survey was designed to assess levels of communication and coordination among actors consisting of businesses, civil organisations, and public authorities. Identifying and demarcating relevant actors is very important because the further results of the analysis depend on the reliability and validity of this procedure. A number of organisations for each case study (depending on the specifics of the cases such as sector type and size, involvement of civil organisation, government structures, and national variations) were identified through the following procedure: As a first step, companies identify their stakeholders in the sector, leading to a considerably long list of actors. A second step analysed information from the branch organisations of the industries. That process helped identify a number of actors with links to the sectors studied in the research. The same procedure was done with all

identified actors which led mostly to repetitions; however, a few new organisations could be added to the lists. During data gathering, the identified organisations named additional relevant actors of the sectors; however no new actors were named frequently enough to be added to the lists. A specific actor would have to be named at least five times by others to be important for the sector themselves. Data was gathered using standardised questionnaires. In addition to the purely quantitative methodology, a number of interviews were conducted with the most important actors, such as the involved ministries, NGOs, environmental inspectorates, representatives of the companies, and representatives of the companies' work councils.

A survey questionnaire was designed to elicit information from which a matrix could be constructed of inter-organisational relations encompassing communication and sharing of resources. Respondents – usually CSR managers or persons responsible for CSR and/or communication in the organisations – completed the five page questionnaire by stating their communication links to other organisations of the sector's actor list and their potential sharing of some resource(s) (joint funding, shared equipment, personnel, and shared facilities) with other organisations. Relational data such as communication exchange or exchange of resources formed adjacency matrices which are the basis for the social network analysis. The following is an example of an adjacency matrix:

	A	B	C
A	0	1	1
B	1	0	0
C	0	1	0

Table 16: Basic example of an adjacency matrix in social network analysis

The letters A, B, and C represent actors; the numbers represent the flow of information or resources. Zero indicates no exchange of information or resources between given actors and 1 signifies a relation between actors. The data gathered with surveys and interviews was put into adjacency matrices for each case study. After data input was completed, the analysis phase started with drawing the first social network in graph format. The graph for the presented data in the adjacency matrix is illustrated in Figure 18.

The questionnaire was administered between fall 2005 and spring 2007 by mail and email, with phone, email, and facsimile follow-ups. Responses were compiled in a step by step process, one case study after another with sometimes overlapping procedures. Results were collected into matrixes of network contacts for the individual case studies. It was intended that social network analysis be applied to

this matrix to identify levels of inter-organisational communication and sharing of resources, clusters of activity, and leading organisations. Four network measures were selected to obtain these objectives: The first step was to draw the communication networks combined with the shared resources networks of all actors, followed by a K-core analysis. As a second step, centrality measures such as closeness, betweenness, and *eigenvector* were calculated, followed by the computation of the status of actors in the networks. For the German and British case studies, degree centrality was measured to identify more important actors in the network.¹⁰ To include degree centrality for these cases was necessary because the centrality measures based on betweenness and closeness did not provide new insights for these two cases. Degree-centrality on the other hand, provides interesting results which help considerably to understand the dynamics in the German and British cases. Finally, the communication networks were combined with policy preferences of the involved actors (actor attributes). These network parameters are defined in the following section.

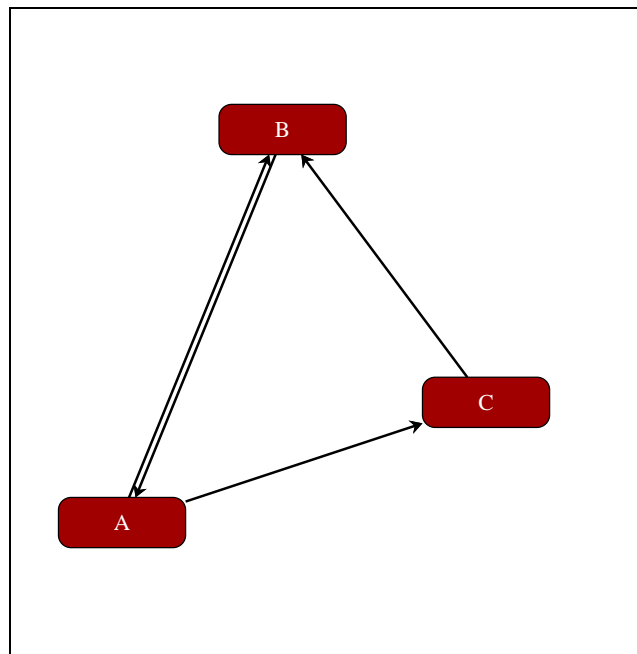


Figure 18: Basic example of social relations in a network presented in a graph

6.3.3 Information exchange, shared resources, and centrality

The exchange of information is an important aspect in policymaking and also with respect to CSR. Actors with direct communication links can spread information

¹⁰ Degree centrality was not measured in the other case studies.

faster and more efficiently than actors without. Furthermore, actors with direct communication lines have more potential to influence other actors in the policy subsystem. The communication network of the different sectors will be presented as a first step.

As a next step, shared resources such as equipment, personnel, funding, and facilities are added to the information exchange networks. This procedure identifies closer and more intense relationships within the networks. The presentation is based on multidimensional scaling of geodesic (the shortest path length between two nodes of a graph) distances. Finally, a K-core analysis (Seidman, 1983) is performed, which clearly distinguishes group boundaries. A K-core is a maximal group of actors, all of whom are connected to some number (K) of other members of the group. The K-core approach allows actors to join the group if they are connected to K members, regardless of how many other members they may not be connected to (Hanneman et al. 2005; Carrington et al. 2005; Wasserman et al. 1994). By varying K, researchers can set more and less restrictive criteria for including objects. Wasserman et al. (1994) define a K-core in the following manner: The degree of node (actor) i within a subgraph, $d_s(i)$, is the number of nodes within the subgraph that are adjacent to i . A K-core in terms of minimum nodal degree within a subgraph (Gs) is a K-core if

$$d_s(i) \geq k \text{ for all } n_i \in N_s.$$

Seidman (1983) and later also Wasserman et al. (1994) note that although K-cores themselves are not necessarily interesting cohesive subgroups, they are areas of a graph in which other interesting cohesive subgroups will be found. For instance, a K-core analysis might show several groups of actors indicated by different colours within a network. The core group of actors in our example consists of a relatively large number of actors (indicated with red circles). These actors belonging to the core group do not necessarily represent a cohesive subgroup but may represent two or more smaller interesting cohesive subgroups. The next graph will illustrate the point.

As can be seen in Figure 19, the core group of actors consists of four smaller subgroups. To talk about one core group of actors is the correct presentation of the K-cores results; however the actual meaning behind the results might differ. The members of the core group share close links to each other, though within the core group some actors are closer to each other than others depending on the type of organisation, the structural environment, and organisational preferences. Hence, the interpretation of results based on a K-cores analysis depends to some extent on how the results relate to other variables such as control over resources, organisational preferences, and structural and institutional influence.

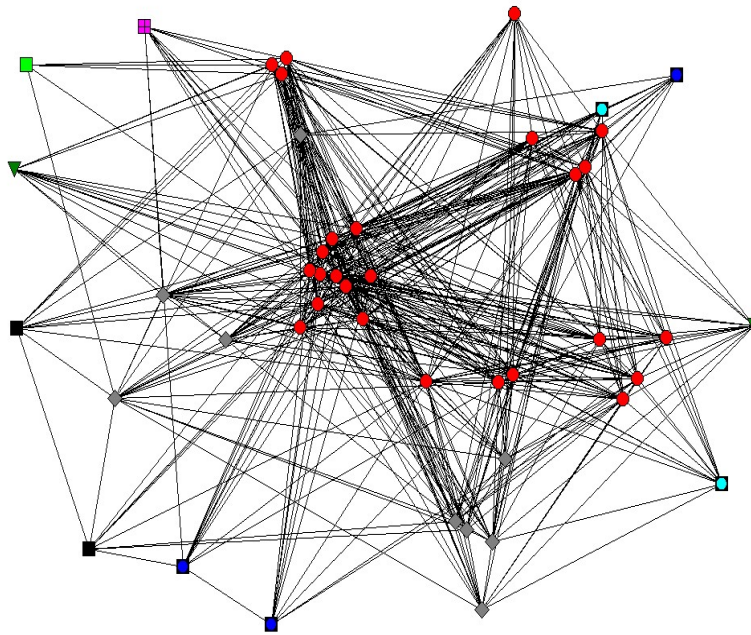


Figure 19: K-cores analysis leading to smaller, interesting cohesive subgroups

The faction approach corresponds to the intuitive notion that the groups of a graph can be defined by a combination of local high density, and the presence of ‘structural holes’ between some sets of actors and others. According to Hanneman et al. (2005) the picture among them not only identifies actual or potential factions, but also tells us about the relations among the factions – potential allies and enemies, in some cases. The factions approach is a useful tool in exploratory research when the number of factions in a network is not immediately clear. The research on CSR’s influence on interaction patterns within different business sectors is to a large extent of an exploratory nature and hence, a suitable approach to gain information on network dynamics. In the UK case study the faction approach led to four meaningful factions after several runs.

The position of actors in a network with respect to communication flows is of great interest for this study; the position (central or more peripheral in the communications network) of an actor reveals something about the communication practices of the actor but also about the general importance of the actor in the network. Centrality measures are commonly used to identify network leaders. High centrality of actors in a network is associated with reputations of power and influence over community affairs or economic sectors (Hagen et al., 1997). An actor can be sender and/or a receiver of information. However, to send a lot of information does not necessarily mean that an actor is of importance in a network. For instance, an NGO which sees its prime function in campaigning has a lot of outgoing links to other actors. However, that does not say anything about the

importance of that information (or of the actor) for the other actors of the network. Centrality positions in a network can be measured in several ways. The first centrality index was developed in 1950 by Bavelas. This centrality concept not only counts the direct relationships (as degree centrality does) in which an actor is involved but also takes the indirect relationships between all indirectly connected actors into account. This index has been labelled '*centrality based on closeness*' (Freeman, 1979). This approach to centrality of actors tells us not only about direct communication activities in the network but also about which actors in a communication network are in a favourable position to the extent that they can reach the other actors in a minimal number of steps. This concept is operationalised by calculating path distances for each pair of actors. The smaller the number of steps it takes for an actor to reach all other actors, the more central the actor (Carrington et al. 2005; Wasserman et al. 1994; Degenne et al. 1999; Trappmann et al. 2005; Schneider, 2005). The centrality graphs are undirected in the analysis; we call d_{ij} the number of nodes in the geodesic (the shortest path length between two nodes of a graph) that connects i and j ¹¹. Sabidussi (1966) proposes the following formula to measure the closeness of node i as the sum of geodesics to all other nodes:

$$C_{APi}^{-1} = \sum_{j=1}^n d_{ij}$$

The resulting value expresses absolute closeness which Freeman (1979) uses to calculate relative closeness with the same principle that applies to degree centrality, that is comparison with maximum centrality which once again becomes equal to $C_{\max} = n - 1$. Thus

$$C_{NPi} = \frac{n-1}{C_{APi}^{-1}}$$

C_{NPi} is the index of weighted closeness expressed as a percentage between 0 and 1. Knoke et al. (1983) and Wasserman et al (1994) accentuate that sociological and economic concepts such as access and control over resources, and brokerage of information, are well suited for measurement. Assuming that one studies a communication network, those actors with the most access or most control or who are the most active brokers will be the most central actors in the network. Degenne et al (1999) state that centrally positioned actors definitely enjoy a position of privilege over those relegated to the circumference. They are hubs, where we can reasonably expect power to concentrate. Furthermore, actors with a high closeness level to other actors have better access to information (Leavitt, 1951), power

¹¹ The formula descriptions with respect to the different centrality measures are derived from Degenne et al. (1999).

(Coleman, 1973), prestige (Burt, 1982), influence (Friedkin, 1991), and higher social status (Katz, 1953).

A related and more sophisticated concept relates centrality not just to the reach of each actor's personal network, but rather to the extent an actor is able to intermediate and possibly control communications between all pairs of actors. As stated in the previous paragraph on closeness centrality, the reach of other actors on the shortest paths is not always a good indicator for really powerful actors in a (communications) network. There might be actors who do not belong to the core group based on closeness centrality; however these actors have links to actors which makes them to key actors for information distribution (Freeman, 1979). This is particularly true when an actor not only has many outgoing communication links but also many incoming links, which gives an actor the potential to filter information. For instance, actor x might send and receive information from many other actors. However, information from some actors might only reach others by way of actor x. Hence, actor x can, to some extent, control the flow of information between actors. This idea, called '*centrality based on betweenness*', is operationalised through counting the number of intermediate position an actor occupies (Degenne et al. 1999; Freeman, 1977). An actor exhibits high betweenness if he is often positioned on the shortest indirect connections by which all other actors are linked to each other (Carrington et al. 2005; Trappmann et al. 2005; Schneider, 2005). Degenne et al. (1999) define betweenness centrality in the following manner: If nodes j and k can use any of the several geodesics, the probability they will use a specific one is $1/g_{jk}$, where g_{jk} is the number of geodesics between j and k. The capacity of a third point i to control communication between j and k is given by $b_{jk}(i)$, that is i's probability of standing along any geodesic that j and k have selected. It varies with the total number of geodesics between j and k that contain i, which is expressed as $g_{jk}(i)$ and equals $b_{jk}(i) = g_{jk}(i) / g_{jk}$. To calculate absolute betweenness centrality for i, it only remains to add up its betweenness for all dyads (consists of a pair of actors and the 'possible' tie(s) between them) on the graph:

$$C_{ABi} = \sum_j^n \sum_k^n b_{jk}(i), \quad j \neq k \neq i \text{ and } j < k$$

As above, this result should be complemented by a weighted index. Here the maximum centrality of the point is given by $C_{\max} = (n^2 - 3n + 2) / 2$. Consequently, relative betweenness centrality is given by

$$C_{NBi} = \frac{2C_{ABi}}{n^2 - 3n + 2}$$

Values for this index again vary between 0 and 1 and are comparable between different networks.

Another popular measure of centrality is '*eigenvector centrality*' (Bonacich, 1972). *Eigenvector* centrality is defined as the principal *eigenvector* of the adjacency matrix defining the network. The idea behind this centrality concept is that an actor has a high *eigenvector* score if the actor is adjacent to actors that have themselves high *eigenvector* scores (Borgatti, 2005). If we denote the centrality of node i by x_i , then we can allow for this effect by making x_i proportional to the average of the centralities of i 's network neighbours:

$$x_i = \frac{1}{\lambda} \sum_{j=1}^n A_{ij}x_j,$$

where λ is a constant. We then see that x is an *eigenvector* of the adjacency matrix with *eigenvalue* λ . The equation lends itself to the interpretation that a node that has a high *eigenvector* score is one that is adjacent to nodes that are themselves high scorers. The idea is that even if a node influences just one other node, if that node influences many others (who themselves influence still more others), then the first node in that chain is highly influential (Borgatti, 2005). More specifically, Newman (in press) defines *eigenvector* centrality by saying that each node receives a centrality that depends both on the number and the quality of its connections: having a large number of connections still counts for something, but a node with a smaller number of high quality contacts may outrank one with a larger number of mediocre contacts. As mentioned earlier, the case studies on Germany and the UK use one additional social network analysis measurement: *degree centrality*. This was deemed necessary because the results based on closeness and betweenness of actors did not provide helpful new insights into network dynamics of the German and British cases.¹²

Hanneman et al. (2005) describe degree centrality along the following lines. Actors who have more ties to other actors may have advantaged positions. Because they have many ties, they may have alternative ways to satisfy needs, and hence are less dependent on other individuals. Because they have many ties, they may have access to, and be able to call on more of the resources of the network as a whole. Because they have many ties, they are often third-parties and deal makers in exchanges among others, and are able to benefit from this brokerage. So, a very simple, but often very effective measure of an actor's centrality and power potential is their degree centrality with respect to incoming and/or outgoing links from/to other actors.

¹² Degree centrality was not measured in the other case studies.

In undirected data, actors differ from one another only in how many connections they have. With directed data however, it can be important to distinguish centrality based on 'in-degree' from centrality based on 'out-degree'. If an actor receives many ties, they are often said to be 'prominent', or to have high 'prestige'. That is, many other actors seek to direct ties to them, and this may indicate their importance. Actors who have unusually high out-degree are actors who are able to exchange with many others, or make many others aware of their views. Actors who display high out-degree centrality are often said to be 'influential' actors. However, a high out-degree is not necessarily a good indicator for influence in a network. For instance, NGOs usually have a high out-degree due to their campaigning or other awareness raising activities. They use all kinds of channels to achieve the greatest possible diffusion of information possible. However, the spreading of information should not be equated with influence; receiving actors might filter out incoming information from such NGOs. Hence, despite having a high out-degree, the influence of such actors can be rather limited.¹³ All centrality calculations were executed with Visone, a software program specialised on network calculations (Brandes et al. 2003).

6.3.4 Who is really important here – looking at the status of actors

The matrix of information exchange can be used for a further analysis locating actors' positions in a status system. However, we focus now on directed links between actors, specifically, we concentrate on incoming information (in-degree). Closeness, betweenness, and *eigenvector* centrality look at undirected information exchange. Bonacich (1972) and Degenne et al. (1999) assert these indices measure an actor's power and indeed, a central actor connected to other central actors (*eigenvector* centrality) can certainly be considered powerful. Knoke et al. (1983) argue that *eigenvector* centrality measures centrality or power satisfactory in an undirected network, but simply measures actor prestige or status in a direct context because it only includes received information for each actor. Degenne et al. (1999) state that an actor's status or prestige rises with the number of individuals or organisations who cite him and the amount of status or prestige they enjoy themselves. According to this concept an actor receives a high status in a network when he or she is highly regarded by actors that are also recognised and appreciated. The status measurement combines the numbers of direct incoming links (choices) to a specific actor with the status or rank of the actors involved. If an actor's influence domain is full of prestigious actors then the actor's status or prestige should also be high. If, however, an actor's domain contains only peripheral, or marginally important, actors, then the status of this actor should be low (Wassermann et al. 1994). Just as with centrality measures, the status index results from the sum of relationships in which an actor is directly and indirectly involved. These

¹³ For a more detailed elaboration on degree centrality see Wasserman et al. (1994) and Borgatti (2005).

relationships are not taken as such for all actors, but are weighted with the status of the sending actor (Schneider, 2005). The following formula for calculating the status of actors was used in the analysis (Brandes et al. 2006):

$$C_v = \alpha \cdot \sum (1+c_u)$$

$$\text{where } \alpha = \min \left\{ \max_{v \in V} \text{indeg}(v), \max_{v \in V} \text{outdeg}(v) \right\}^{-1}$$

According to Roy et al. (1985) and Degenne et al. (1999) power cannot be defined merely in terms of a dyadic relation, except in certain cases. Degenne et al. (1999) state Weber with arguing that power can be defined as the probability that an order will be executed. In this sense, power is not an independent entity or individual attribute; it needs a relation to exist. Furthermore, attention should also be paid to whether an actor's powerful relations buttress his or her position or undermine it, remembering that any balance of power is dynamic and subject to change. The position of an actor z in a network is important in this respect. Actor z can be part of a coalition consisting of only less powerful actors. Consequently, actor z is in a powerful position to influence his or her coalition members to behave in a certain way favourable for actor z. However, actor z can also be part of coalition consisting of powerful actors. In such a scenario actor z might face potential resistance because these other powerful actors themselves have too many relational options at hand to avoid actor z in the network. In the context of nation states and their governance patterns, a comparable, and for this research relevant, scenario appears as the following: The UK is a highly centralised country (with a tendency towards more decentralisation in recent years) with a very strong national government, whose power is reinforced by that of local government. The opposite is the case for Germany; the federal structure, including strong regional and local governmental layers, is considerably weakening the national government in Berlin. In other words, while the British centralised structure strengthens the national government, the German decentralised structure weakens the federal government. It will be interesting to analyse how the national governance patterns with respect to the levels of centralisation affect the positions of actors in the networks and also if they influence CSR and the movements' ability to impact interaction processes between companies and public authorities.

6.3.5 Interest positions of actors incorporated in the communications network

It is difficult, arguably impossible, to narrow CSR to a few issues. The issues related to CSR vary based on factors such as industry type, company type and size, and location of the company. Admittedly, there are standard indicators associated with CSR available such as the Global Reporting Initiative, the Global Compact, and the OECD Guide Lines for Multinational Corporations, to name a few. However, these standard indicators are not always easily applicable to different business contexts. It

was not possible to focus on the same CSR issues and related interest positions in all different case studies. The differences between the case studies did not allow using the same CSR issues and the different national contexts including different high profile CSR issues. This was primarily because of the different industry types. For instance, companies active in the gas sector are confronted with different CSR related issues than companies in the dairy sector. The analyses on interest positions of actors with respect to CSR relevant issues for the various case studies are hence not based on the same CSR indicators.

Within all case studies, a number of CSR issues could be identified which are of relevance for the involved actors. However, it needs to be emphasised at this point that this part of the analysis is not so much concerned about the issues themselves. Rather, the selected issues are used to differentiate actors based on their opinion of the question of whether they prefer direct or voluntary regulation on those particular issues. The analysis focused very much on the perception of self- and co-regulation because these policy instruments are associated with CSR. For instance, in the case study on the Dutch dairy company Campina, the analysis focused on four CSR issues to which respondents could identify their opinion. One question posed to the respondents was if they agree that ‘pesticide exposure is an important topic in the Dutch agriculture sector and should be treated with high priority’. The respondents were also asked to indicate if they prefer direct regulation or voluntary approaches to deal with the issue. This was done with all four CSR issues (pesticide exposure, restoration of water systems, use of fertiliser, and ammonia emissions)¹⁴. The actors’ communication exchange network could then be further differentiated according to these answers into a policy position network based on preferences with respect to regulation styles. With only four CSR issues, the very complex nature of CSR is clearly not covered in every aspect. For pragmatic reasons it was necessary to restrict the analysis to a couple of key issues in the sector. The same analytical approach was applied for the other case studies.

6.3.6 Belief systems of actors and interaction patterns in social networks – do they match?

The research also gathered data on the belief systems of actors with respect to actor’s opinions on issues related to CSR. The respondents were asked to indicate if they agree or disagree in the form of Likert-scale with a number of statements. For instance, ‘business initiatives are better able to improve social and environmental standards than governmental policies’ was one of the statements on the questionnaire¹⁵. Through a hierarchical cluster analysis the various actors could be assigned to different clusters of actors. One assumption tested in the research was that actors will group according to their belief systems to a large extent. To test this,

¹⁴ The complete list of questions on CSR policy issues for the case studies in the Netherlands and Germany can be found in the appendix.

¹⁵ The full list of statements can also be seen in the appendix.

the results of the cluster analysis were compared with the results of the K-cores analysis of the communication exchange combined with shared resources network data.

The following chapters focus directly on whether CSR engagement by companies impacts interaction with external stakeholders with a special focus on interaction with public authorities. Four case studies are presented which focus on CSR practices in companies and consequences of CSR for the interaction with stakeholders in their sectors.

Appendix

Interview guidelines:

A1. Description of selected Case Studies

- What is the turnover, number of employees, organisational structure, and position of the company within the industrial sector? (desk research as far as possible)
- Are there any recent events or developments related to the company observable with respect to CSR, and if so, what were these events and developments and how did they affect the company under examination?
- Are there any obvious and observable connections between the company and other actors in place, and if so, who are these other actors and how could the relationship be defined? (answered by desk research)
- What is the personal background of the interviewee (education, working experience)? How long did the interviewee work for the organisation (including differentiation with respect to function within the organisation)?
- How does the interviewee describe his/her current function?

A2. Motives of Business Actors to engage in CSR activities

- What are the motives and reasons for corporations to engage in CSR policies? (all-encompassing question not to be raised directly)
- Did external expectations rise in the last couple of years and lead to a higher degree of CSR engagement?
- Can CSR be characterised with charity and sponsoring of good projects (altruism)?

The following table encompasses all assumable reasons for engaging in CSR activities. The interviewee is confronted with the table during the interview situation to gain a comprehensive picture of the company's CSR motives.

CSR is an important movement and provides companies with

	completely agree		completely disagree		
better risk and crisis management,	1	2	3	4	5
increased worker commitment,	1	2	3	4	5
improved financial performance,	1	2	3	4	5
reduced operating costs,	1	2	3	4	5
enhanced brand value and reputation,	1	2	3	4	5
good relations with government and communities,	1	2	3	4	5
long-term return on investments,	1	2	3	4	5
the right approach to its new responsibilities in the post-Cold War world,	1	2	3	4	5
and with long-term sustainability through transparency and accountable management with sensitivity to societal expectations.	1	2	3	4	5
Instrumental reasoning: Companies engage in CSR because they see business benefits and a competitive advantage in doing so (positive reasoning).	1	2	3	4	5
Legitimistic reasoning: Companies engage in CSR activities because of demands by the financial (investment) sector (passive reasoning).	1	2	3	4	5
Legitimistic reasoning: Companies engage in CSR activities because of risk aversiveness with regard to brand reputation (passive reasoning).	1	2	3	4	5
Instrumental reasoning: Companies engage in CSR activities because companies use CSR engagement as a tool to get better access to public authorities and to advance their business interests in the political process (passive reasoning).	1	2	3	4	5

A3. CSR characterisations by companies

A3.1 Transparency and Accountability

- Why did the company choose for the reporting strategy in place?
- Where there external or internal drivers which demanded a more differentiated (triple-bottom-line reporting) reporting procedure?
- What general experiences did the company make with respect to CSR reporting?

A3.2 Internal Business Process

- How many employees did the company have over the past 15 years? In case of employee reductions, what are the causes for these reductions? (**employment**)

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- According to you, how involved are employees in your company's decision-making structure/procedures? (**labor/management relations**)
- How many accidents and diseases occurred over the last 15 years?
Do you have special health and safety policies in place (on HIV etc.)? (**healthy and safety**)
- How many hours on average of training per year per employee does your company provide?
Does your company pay special attention to needs of employees?
Does your company have a review procedure of the employee training in place with the aim of quality assurance and evaluation of training results? (**training and education**)
- How much attention does your company give to minorities, diversity, and multiculturalism?
Are there any special programs implemented which support these issues? (**diversity, non-discrimination, and opportunity**)
- Does your company have any special programs in place with regard to bribery and corruption?
Did your company have any experience with bribery and corruption in the past?
(**bribery and corruption**)
- Does your company contribute money or other forms of donations to political parties or institutions, and if, are these expenses declared in a transparent way?
Do you see a connection between political contributions and CSR activities by your company? (**political contributions**)
- What general policies on customer health and safety does your company have in place?
To your knowledge, are the taken measures and implemented policies sufficient to achieve the aim of customer safety or are there some shortcomings observable?
What experiences does your company have with regard to customer safety issues in the last 15 years? (**customer health and safety**)
- How much energy did your company use for its own operations (if possible for all of the last 15 years in order to have a comparison over time)?
Does your company have any specific initiatives in place to increase the proportion coming from renewable energy sources and to increase energy efficiency? (**energy**)

- How much water did your company use for its own operations (if possible for all of the last 15 years in order to have a comparison over time)?
What is the amount of total recycling and reuse of water (including wastewater and other used water)? **(water)**
- Were there any spills of chemicals, oils, and fuels in the last 15 years due to activities by your company?
If yes, how many and how significant were they?
Did you introduce specific policies or measures to prevent things like that from happening again?
If yes, what are these measures and policies and what are your experiences so far? **(disasters)**
- Does your company have a recycling or reuse scheme in place with respect to your products and services?
If yes, does your company has information on the percentage of the weight of products sold that are reclaimable at the end of the product's useful life?
If yes, what percentage is actually reclaimed after a product reaches end-of-use status?
Did your company change its forms of production or service delivery to improve the mentioned issues?
Does your company have new forms of production close to implementation or planned in the upcoming years?
If yes, what does your company expect from these changes?
(products and services)
- Are there any incidents of and fines for non-compliance with all applicable international declarations/conventions/treaties, and national, sub-national, regional, and local regulations associated with environmental and social issues?
If yes, what where these incidents and how much were the fines for non-compliance?
What were the reasons for this non-compliance?
What conclusions did your company derive from this incident(s)?
(compliance)
- To your knowledge, what are the total environmental expenditures of your company? **(overall)**
- Does your company have any policies concerning reducing societal problems in place?
If yes, with what kind of policies or programs is your company engaged with?
Since when and why did your company start these external activities?
(social responsibility and new opportunities)

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- How important are ethical subjects such as codes of behaviour, values, and ethical codes for your company?
How much attention is given to development, training, and communication for ethical subjects and aspects in relation to work and the business?
Are the company's employees involved in the development of such ethical codes and practices? (**ethics**)

A3.3 Participation or Stakeholder Management

- Does your company perform stakeholder management/stakeholder dialogue?
- How would you describe the stakeholder dialogue implemented in your company?
Do you actively engage in a dialogue with your stakeholders or does your company remain more passive but open for potential stakeholder initiatives?
- How long has your company performed stakeholder dialogue and what were the responsible factors/drivers for that engagement?
How important are internal drivers (values, strengthening organisational identity, top management plans, or employees will to do more than to make only profit) for stakeholder engagement?
How important are external drivers (demands by external stakeholders, reputation a consideration, visibility of the company makes it unavoidable to engage in stakeholder dialogue etc.) for stakeholder engagement?
- Did your company change its strategy with respect to stakeholder management in the last couple of years?
If yes, why?
- What are the main stakeholders that your company deals with?

Which stakeholders in your area do you consider as important/powerful and why?

How often do you make a phone call or write an email to the organisation?

How often do you have meetings with the organisation?

How would you describe these contacts in terms of quality/substance and influence on your company?

Did the stakeholder engagement of your company result in a different relationship with public authorities compared to before you started stakeholder dialogue in the way you do it today?

If yes, what is different now and how do you explain this change?

In general, how would you describe your company's stakeholder activities (open vs. closed, active vs. passive, responsive vs. irresponsible, etc.)?

Are there stakeholders whom you consider allies?

Are there stakeholders whom you consider opponents?

A4. Positions and perceptions of the company concerning the policy subsystem CSR

- What are major issues related to CSR for your company?
- How does the company perceive its role in the policy subsystem (network)?
- How does the company perceive the roles of other actors in the subsystem?
- Around which issues related to CSR are coalitions of actors constructed?
- Does the company perceive certain actors as policy brokers with respect to CSR issues, and if, who are these actors?

A5. Companies' deep core beliefs, policy beliefs, and secondary aspects (belief systems)

- How is the belief system set up by the company?

Policy Core Beliefs (more on normative axioms close to deep core beliefs):

Please say to what extent your organisation agrees with each of the following statements:

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Governmental intervention is bad for the economy.	1	2	3	4	5
Business initiatives are better able to improve social and environmental standards than governmental policies.	1	2	3	4	5
Governmental intervention in markets is legitimate and sometimes necessary.	1	2	3	4	5
Governmental initiatives are better able to improve social and environmental standards than business driven policies.	1	2	3	4	5
Economic prosperity leads to increased	1	2	3	4	5

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societal welfare and should be the overall target of private and public organisations.					
Economic prosperity and increased societal welfare should have first priority compared to environmental concerns.	1	2	3	4	5
Environmental protection has to be first priority compared to economic interests if societal welfare is to be secured for future generations.	1	2	3	4	5
Environmental protection should have a stronger role in private and public decisions-making vis-à-vis profit considerations.	1	2	3	4	5
Social issues are best dealt with governmental regulation.	1	2	3	4	5
Social issues are best dealt with private organisations and less state.	1	2	3	4	5
Social issues are underemphasised in the discourse on responsibilities of business compared to environmental ones.	1	2	3	4	5
Social issues should be regulated by the government and, hence do not represent a major issue in the debate on business responsibilities.	1	2	3	4	5
Economic growth and environmental protection are achievable at the same time.	1	2	3	4	5
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Corporate social (ir)responsibility is a severe problem and should be high on the agenda.	1	2	3	4	5
Corporate social (ir)responsibility is not as severe as it might seem. Societal actors like the media created a bubble of hot air around it.	1	2	3	4	5
Corporate social (ir)responsibility does not deserve that much attention. There are other issues that are much more pressing and need to be addressed.	1	2	3	4	5
One cause of the problem(s) related to corporate social responsibility is the dominant economic system (short term perspective based on profitability).	1	2	3	4	5
One cause of the problem(s) related to corporate social responsibility is the organisational structure of companies (shareholder).	1	2	3	4	5
One cause of the problem(s) related to corporate social responsibility is the uneven playing field (where is the	1	2	3	4	5

benefit).					
Direct-regulation is the best method to address the problem(s) related to corporate social responsibility.	1	2	3	4	5
Co-regulation (negotiated agreements) is the best method to address the problem(s) related to corporate social responsibility.	1	2	3	4	5
Self-regulation (voluntary agreements) is the best method to address the problem(s) related to corporate social responsibility.	1	2	3	4	5
Incentives (positive in the form of tax cuts, subsidies, etc) are the best method to address the problem(s) related to corporate social responsibility.	1	2	3	4	5
Fines are the best method to address the problem(s) related to corporate social responsibility.	1	2	3	4	5

- Did the setup of the belief system change during the observation period, and if, which aspects of the beliefs system changed (critical incident method)?
- How did this change come about and why (what were the crucial factors)?
- Were the drivers for this change internal, external, or both?
- Did the change in the belief system influence the company's position in the policy subsystem with respect to coalition membership or established interaction patterns?

A6. Policy change

- From the company's perspective, did policy change (minor and major change) take place due to the diffusion of the modern concept of CSR?
- If yes, how can this policy change be best explained or described?
- Were more internal (turnover in personnel or policy learning resulting in changes in the belief system) or external (or both) factors important for this change?
- Was the policy change (or stability on the other hand) more driven by system-wide, institutional factors or more by external (system) events?
- Which external factors to the subsystem (stable parameters and external events) were responsible for policy change and why?

Concluding questions and remarks:

- Are there additional documents of relevance available that provide supplementary information on the theme?
- Which other persons should I talk to in order to increase my knowledge on this subject?

**Campina:
Internal and external facets of
Corporate Social Responsibility**

7.1 Introduction

This chapter contains two related research focuses: First, an in-depth assessment of Campina's CSR performance; second, consequences due to Campina's CSR performance for the company's interaction with external stakeholders with a special focus on public authorities. The study on Campina's CSR performance is structured as follows. The company is introduced and put in the business context with respect to the Dutch dairy sector. Second, we present current CSR issues in the Dutch dairy sector to put the company's specific development into a broader CSR context. Third, Campina's internal approach towards CSR is presented with special attention to relevant historical decisions, development steps, and motivations. Fourth, Campina's current CSR performance is analysed based on the indicators of the Global Reporting Initiative (GRI).¹

7.2 Campina – corporate overview and business context

Campina is an international co-operative dairy company, which means that its responsibilities stretch beyond the production and marketing of good quality and reliable products. Campina's member farmers (8,794 member farmers in 2005) supply milk to the co-operative. They are members of the co-operative, which creates long-term ties with the company. The Campina member farmers finance the company and depend largely on its performance for their income. Hence, it should be noticed that the company structure of Campina (co-operative) makes the farmers owners and suppliers at the same time. The ties with the company's owners – 8,794 member farmers in the Netherlands, Germany, and Belgium – are notably close. This relationship means that Campina and its member farmers closely share the responsibility for the quality of the milk and the end-products, from the cow to the consumer. Through the close association with its owners, Campina tries to look beyond today's results and focus on future performance. The company has a turnover of €3,559 million (2004) and 7,099 employees. Campina's core activities in Europe are liquid milk, dairy drinks, yoghurts, desserts, and cheese and butter products. Additionally, the company produces ingredients for the international food and pharmaceutical industries, milk powder, butter oil, cream products, and caseinate. The company is active in over 100 countries; the head office is located in Zaltbommel in the Netherlands.

The Netherlands have a long history of producing dairy products. The first dairy factory was established in 1871; by 1910 there were 958 butter factories and 291 cheese factories operating in the Netherlands. An ongoing process of concentration and enlargement of scale has since been evident in the processing industry as well. Today the Dutch dairy industry is one of the most highly concentrated in the world,

¹ The outline of the second part on consequences of Campina's CSR performance for the interaction with other stakeholders is provided later in the chapter.

with 14 companies running a total of 55 factories (Productschap Zuivel, 2006). It is dominated by the co-operative structure. This stems from a longstanding tradition in the Netherlands: co-operatives owned by dairy farmers have been in place since the early days of the dairy industry. The largest companies in the Netherlands are Royal Friesland Foods (formerly known as Friesland Coberco Dairy Foods) and Campina, both co-operatives. These two companies are among the world's largest companies and process almost 80% of the milk delivered to factories in the Netherlands. Of the 55 dairy factories operating in the Netherlands, 37 belong to the two leading companies. For historic reasons, production facilities of the Royal Friesland Foods are mainly located in the northern and eastern parts of the country while the Campina dominates the southern and western parts of the country.

Leading dairy companies in the Netherlands by turnover (2004)			
	Company	Structure	Turnover (€ million)
1.	Royal Friesland Foods	Cooperative	4,400
2.	Campina	Cooperative	3,600
3.	Nestlé Nederland	Private	0,400 ²
4.	Leerdammer Company (Fromageries Bel)	Private	0,300
5.	D.O.C. Hoogeveen	Cooperative	0,300

Table 17: Leading dairy companies in the Netherlands by turnover (2004)³

In general it can be said that the Netherlands are amongst the largest producers of dairy products in Europe. Furthermore, the Netherlands have become a major exporter of dairy products, selling about 60% of domestic milk production abroad. The EU is the most important export market for Dutch dairy products, accounting for more than two thirds of total dairy export value generated in 2004. Nowadays the Dutch dairy sector has 24,000 dairy farms with 1.5 million dairy cows. Some 300 wholesalers and 6,000 sales outlets are involved in the trade and sales of dairy products. The dairy sector as a whole provides over 50,000 jobs (Productschap Zuivel, 2006).

7.3 CSR issues related to the dairy sector

The agriculture sector in the Netherlands is unsustainable according to the Dutch government VROM (2006: 48). Agricultural practices are in conflict with the desired direction by government of development of nature and biodiversity. Intensification of agriculture has led to environmental problems and an extremely fragile system. Connected to direct environmental concerns are growing doubts about the safety of the food supply. Nature and natural processes are important to

² Nestlé sold its factories in the meantime.

³ Productschap Zuivel (2006). The Dutch Dairy Sector: Dairy processing industry; www.produivel.nl/; accessed April 5, 2006.

agricultural production, while the converse is true for preserving nature, biodiversity, and landscape.

The government sees its principal role in the process towards sustainable agriculture in guiding development. The short-term government policy by until 2010 emphasises environmental issues such as groundwater depletion, acidification, and phosphates. Furthermore, the Dutch government will focus on a general tightening up of environmental requirements. More long-term targets (by 2030) are to reduce ammonia emissions by 75 to 85% based on 1990 levels; to proceed in the restoration of water systems; to establish target values for emissions correlated with fertiliser use (nitrates, phosphates, and heavy metals) for groundwater, surface water and the soil; and to bring down the exposure level to pesticides to a negligible risk. To succeed in this long term targets the government is aware of the necessity to include all involved stakeholders:

The support of farmers, consumers, nature and environmental organisations and various government agencies is needed to achieve sustainable agriculture, so a discussion between all parties in the production chain is being started. Rendering agriculture sustainable cannot be viewed separately from the entire chain from production to consumption. All parties have to shoulder their share of responsibility. Animal and environment-friendliness of processes as well as healthy and safe food production are vital aspects of this. (VROM, 2006: 48).

The 4th National Environmental Policy Plan is very much in line with basic principles of the CSR movement such as a comprehensive and interactive stakeholder approach to tackle perceived problems and the recognition of the triple bottom line nature of the problems. Campina is part of this production chain and hence, also has its share of responsibility with respect to sustainable agriculture. In addition to the environmental issues related to Campina's business conduct, there are of course social issues inherent in the modern conception of CSR. Social aspects of CSR usually revolve around issues such as health and safety of employees, the working environment, training opportunities for employees, gender equality and diversity, stakeholder dialogue, human right issues etc. Campina is just as confronted with the people side of the triple bottom line as with the planet side, though the social aspects might not be visible at first glance and hence, may appear not so pressing. The dairy company nevertheless has to deal with all issues connected to CSR in order to really face and shoulder its responsibilities in modern Dutch society. Campina must not forget the economic side including the economic impact on stakeholders and business ethics (corporate governance, corruption, and bribery). However, it has to be emphasised that the vagueness and diverse nature of CSR makes it very difficult, if not impossible, to draft general policies or programs encompassing the whole business sector.⁴ Hence, the study does not focus on CSR

⁴ Personal interview with Bonny Donders, Ministry of the Environment, responsible for governmental CSR procurement and the covenants in the dairy sector. February 16, 2006.

policy-making specifically, but on how CSR issues are discussed and approached by private and public actors in the dairy sector.

7.4 Campina's journey towards CSR

The 1990s saw a continuous concentration of the dairy sector, including the merger of Campina with other companies such as Melkunie. Campina owned about 25 production sites and developed a general environmental policy for the first time. In the early 1990s, the most pressing items were mainly legal issues such as pollution with respect to local sites, noise, and water pollution. Hence, it can be said that Campina started its CSR activities in a rather reactive manner and not with the aim to do more than expected by public authorities. A concerted strategy towards CSR at that time was difficult to establish within Campina. The company started its CSR engagement in 1993; however the policies focused mainly on the planet side of the triple bottom line. The people side came much later into consideration. The strategy Campina chose throughout the 1990s with respect to CSR can be characterised as very pragmatic and hands-on. The full concept of CSR including environmental and social issues came into existence within Campina after a series of incremental steps. Since the beginning of the new millennium the company has also concentrated on supply chain issues.

A crucial factor for the increased momentum towards CSR within Campina around the year 2000 was the appointment of J.J.G.M. Sanders as chairman. The new CEO meant a significant change with respect to CSR. According to multiple employees the CEO is crucial for getting things started with respect to CSR. The company became better structured in dealing with CSR issues, especially in dealing with its external stakeholders. Furthermore, the company began to develop its green profile to the outside world which is also manifested in the Campina logo. Hans de Graaf, Chairman of the employee delegation to the International Consultative Committee and of the Central Works Council in the Netherlands, believes that there is a strong relation between the new CEO Sanders and the CSR policies of Campina.⁵

How important the CEO was for the start and diffusion of CSR policies within the company is best illustrated with the following anecdote: Campina was involved in talks concerning a partnership within the 'Economy light' project with *Stichting Natuur en Milieu*, an important environmental NGO within the Netherlands, for a period of a year. No substantial progress could be reached between the two actors in that negotiation process. When the situation became totally unclear from the perspective of *Stichting Natuur en Milieu*, the NGO wrote a direct letter to the CEO

⁵ Personal interview with Hans de Graaf, Campina - Chairman of the employee delegation to the International Consultative Committee and of the Central Works Council in the Netherlands. January 18th, 2006. The literature on CSR and stakeholder management generally supports the notion of the crucial importance of the CEO for CSR diffusion within a company. For instance, see Wood & Jones (1995).

of Campina asking if the company was interested in starting the partnership at all. After a year of mostly stalemate in negotiations, the CEO agreed within a couple of days also in the form of a letter and things got off the ground with considerable speed. After the CEO and the board of Campina were on board, things developed in a rapid pace with a lot of enthusiasm. From the perspective of the NGO, it very much seemed that the employees (including the middle management) were ready to start and waited only for the signature of the top.⁶ The perspective of the NGO was confirmed by Campina. However, Jaap Petraeus, involved in the talks on the side of Campina, added that a lot of work needed to be done to prepare the company in advance of the CEO's signature. For instance, the sustainability group set up to organise CSR issues was working with the member farmers of Campina to get a feeling of how they look at CSR. Jaap Petraeus indicated that it takes quite a long time to discuss and prepare the necessary moves because CSR is a new step; CSR is working in the total value chain from farmers to consumers.

It [CSR] is not only in the production facilities of Campina, it is also working at the agriculture side; it is also working in the retailer side. It is a whole chain approach. It is very difficult when you work always in just the production areas, if you can take a next step in the total chain. We have worked in a small group within Campina to find out if we can have success with that comprehensive approach.⁷

Nevertheless, the CEO was of indisputable importance for the development of the process within Campina. The negotiations taking place before the partnership was signed at the end of 2005 can be summarised as a process of preparation on the side of the company without permission to go ahead, and as a process of uncertainty (including different levels of frustration) on the side of the NGO. The next quotation shows in a very clear way how bilateral negotiations (company – NGO) can interplay with internal processes:

When the letter of Hans Muilerman came we were convinced that that was a good step. We had discussions with our member farmers and they also thought it is the right thing to do but they did also not know how to do it. So the reaction of the member farmers was that we go further in CSR on the agriculture side but don't go forward too fast. Our job was (of the sustainability group) to prepare the letter of the CEO, I wrote the letter of the CEO, all I needed was the signature of the CEO. We were ready within the group to go the next step to operate CSR in the total chain. The other side was *Stichting Natuur en*

⁶ Personal interview with Hans Muilerman, *Stichting Natuur en Milieu* – Responsible for CSR and the Economy light project. December 13, 2005. Hans Muilerman himself wrote the letter to the CEO of Campina.

⁷ Personal interview with Jaap J. Petraeus, Corporate Environmental Affairs Manager of Campina. January 18th, 2006.

Milieu coming in and asking if we (CEO) are still interested in the partnership. It came together in a good moment. But the signature of the CEO is very important.⁸

Stakeholder dialogue became an issue in 2000 because outside demands increased substantially. The reasons for this increased interest by the public were mainly based on the generally rising interest in food safety due to scandals in the past (BSE), but also because of the significant increase in company size during the 1990s due to mergers with other companies. Transparency in the food sector was high on the public agenda and Campina had to adjust to this new external demand. However, it took the company three years until the first triple bottom line report was published. In 2003, when Jaap J. Petraeus began working for Campina as the Corporate Environmental Affairs Manager, he introduced triple bottom line reporting through a combined initiative with the communications department.

The main reasons to engage in CSR policies apart from higher external demands were to improve the level of trust consumers have in Campina's products, but also to keep the dairy market profitable for the future. Cost reductions were also connected to CSR as well as the notion of pride and having more productive employees. A moral aspect was also identified as relevant for starting CSR, namely the general notion of 'doing good'. In combination with these reasons for CSR engagement, Campina's approach to CSR could also be termed 'doing well by doing good', which is a well known slogan in the pro-CSR community. Nevertheless, the main reason for CSR activities can be found outside the company: brand reputation and trust in the company are crucial and strongly connected to the CSR policies of the company. On the other hand, Petraeus made it clear that charity and sponsoring good projects are definitely not what Campina associates with CSR. CSR is positioned at Campina's core business activities whereas charity activities have to be seen as add-on programs.⁹

7.5 CSR at Campina

This section evaluates Campina's actual CSR performance. As stated in chapter 6, the applied methodology focuses on the following three key CSR issues:

- Transparency and Accountability of Business
- Internal Business Processes (Production, Service Delivery)
- Participation (Stakeholder Management in CSR terms)

The methodology will not be presented here again; the focus will entirely be on the results and consequences for the assessment of Campina's CSR performance.

⁸ Personal interview with Jaap J. Petraeus, Corporate Environmental Affairs Manager of Campina. January 18th, 2006.

⁹ Personal interview with Jaap J. Petraeus, Corporate Environmental Affairs Manager of Campina. January 18th, 2006.

7.5.1 Transparency and accountability of Campina

Five 100-word passages were randomly selected from each section of the Corporate Social Responsibility Report 2004.¹⁰ Flesch and Dale-Chall readability measures were calculated for each of these sections and results are summarised in Table 18.

Report Section	Flesch – Reading Ease	Flesch – Flesch-Kincaid Grade Level	Passive Sentences	Dale-Chall – Readability Index	Dale-Chall – Grade Level
Company profile	40,0	11,2	0 %	10.66	16
Chairmen's address	21,9	14,9	0 %	10.51	16
Employees	26,7	15,3	0 %	10.90	16
Environment	38,4	13,2	40 %	9.67	13-15
Society	12,1	15,7	0 %	10.29	16

Table 18: Readability of the Campina CSR report 2004 based on Flesch and Dale-Chall (DuBay, 2004)

The results show that Campina's CSR report is difficult or very difficult to read. All sections of the report have a score of college level or near college level. The only significant difference in the results between the Flesch and Dale-Chall methodologies is on the company profile. The reason is mainly based the Dale-Chall formula's focus on the 3,000 'easy' words which represent the main factor in determining if a text passage is considered easy or difficult to read. The passage selected with respect to the company profile consists of a lot of Campina specific words which are unlikely to be part of the Dale-Chall list. Hence, according to that formula the readability score has to be lower.

Despite the fact that the readability score of Campina's CSR reporting is rather low, the general presentation of the information with respect to the use of illustrations, document length, and the used format can be evaluated very positively. These text support factors are used in a way that invites the reader to read further. Furthermore, the combination of limiting the report length and using clarifying illustrations makes it easy for readers to find their way through the report without losing themselves. Campina's strategy to provide only the most interesting and relevant information in a hard copy version and all additional information digitally on a website provides various stakeholders with varying interests a good variety of information. Campina also still falls into the trap which Courtis (1995) emphasised: The narrative sections of the CSR report are written at a reading level beyond the educational skills of large parts of their target audience. Hence, it can be difficult for Campina to relate the stakeholders the corporate messages which really matter for the company.

¹⁰ The CSR report 2004 was the most recent one available at the time of the study. To use a more recent CSR report for the final analysis is not possible because it would change the subsequent analysis and results on the impact different levels of CSR engagement have on the interaction with other stakeholders.

The accessibility of the information is mainly concerned with access limitations and the dissemination type(s) used. As previously mentioned, Campina chose a semi-hard copy approach of providing CSR information. The company publishes a comprehensive report in a hard copy which contains relevant information with respect to the social and environmental dimension of CSR. Additional information is provided on the company website. The online information portal is clear and straightforward and provides the reader with easy access to further information. The online presentation of information related to CSR also provides interested people with various interactive tools to respond to issues raised by the company. Apart from the specific CSR report, the company publishes the obligatory annual report. Additionally, Campina publishes several magazines for close stakeholders such as the employees (*Focus*) and the member farmers (*Actueel*).

Campina’s policy with respect to transparency and accountability does not have any significant accessibility limitations. Furthermore, the company uses a good mix of modern and old fashioned technology to disseminate information. This lowers the potential (technological) access barriers to information for interested readers. Generally speaking, Campina offers easily accessible information which demands considerable skills from the reader to be understood. There is certainly enough room for improvement to make it easier for the reader to comprehend the information provided.

7.5.2 Internal business processes

This section contains the results of the assessment on Campina’s CSR policies and activities. Due to space limitations only a few indicators and results are shown here in detail.¹¹

	Category	Indicators	Information provided by Campina	Assessment score ¹²
A) Internal Social Aspects:	Labour Practices and Decent Work	Employment	In recent years there has been a slight increase in the number of staff on the back of several smaller acquisitions and the expansion of activities outside the Netherlands. Number of employees: 2000: 7.615 2001: 7.114 2002: 6872 2003: 6.940 2004: 7.099	3

¹¹ See the appendix for the assessment on all indicators.

¹² Score scale ranges from 0 to 4. For instance, 0 indicates that the company does nothing and 4 means that the company has a well structured policy in place.

	Category	Indicators	Information provided by Campina	Assessment score ¹²
			Campina did not provide information on social programs for laid off employees.	
		Health and safety	<p>Absenteeism: 2001: 5.7 % 2002: 5.2 % 2003: 4.7 % 2004: 4.1 %</p> <p>The reduction in absences due to illness is due partly to the way in which managers and employees deal with sick leave: by focusing on the reintegration of employees who are out sick, but also on measures to ensure healthy and safe working conditions. The Industrial Products group is entering a new phase of its 'Awareness' program, in which employees themselves will be explicitly involved in the safety of their working environment. Measures and investments in working conditions are and will remain necessary, but without employee awareness of their own contribution to safe and healthy work, these investments are often useless.</p>	4
	Business Ethics and Corporate Governance	Ethics	Campina did not provide specific information with respect to the development, training, and communication of ethical subjects and aspects in relation to work and the business and involvement of employees in developing codes of behaviour, values, and ethical codes.	0
B) Environmental Aspects:		Transport	<p>Campina aims to realise the lowest possible number of kilometres per ton of product. In the Netherlands, relatively fewer kilometres were travelled per ton of product. The highest transport efficiency for end products was achieved in the Netherlands. Through more efficient loading, the number of kilometres per ton of product was reduced by 3% in comparison with 2003.</p> <p>Number of kilometres per production ton in the Netherlands: 1999: 7,119 2000: 7,198 2001: 7,104 2002: 7,152 2003: 7,258 2004: 7,141</p>	3

Campina: Internal and external facets of Corporate Social Responsibility

	Category	Indicators	Information provided by Campina	Assessment score ¹²
		Overall	Environmental expenditures of Campina: 2002: 3.9 million 2003: 6 million 2004: 2.45 million Operational costs for the environment: 2003: €12 million 2004: €16.2 million In 2004, Campina's units in the Netherlands, Germany and Belgium invested some EUR 2.5 million in projects directly related to the environment. This was considerably less than in 2003 and 2002.	3

Table 19: Campina's CSR performance with respect to internal processes¹³

The aggregate of the scores on the three larger sections (internal social performance, environmental performance, external social performance) gives the final assessment for the company with respect to internal processes. Campina's overall CSR performance with regard to internal processes is as follows:

Thematic Section	Score	Overall performance score
Internal Social Performance	2.25	2.75
Environmental Performance	3	
External Social Performance	3	

Table 20: Campina's overall CSR performance with respect to internal processes

The overall performance score of Campina with respect to the company's internal processes is 2.75 out of potential 4 points.¹⁴ At first glance, this score seems to indicate that the company is not doing a satisfactory job with regard to its social responsibilities. However, major deficiencies the company has are mainly concentrated around human rights and business ethics issues. This does not mean that those issues are less important than the other indicators. However, for the business operations of Campina, human right issues are not greatly relevant because the company is mainly located in the Netherlands, Germany, and Belgium. Nevertheless, to improve the performance in all aspects of CSR, Campina should draft and implement a clear-cut policy on human rights issues. Business ethics are

¹³ The complete table including all indicators and remarks can be found in the appendix. The indicators are to a large extent based on definitions provided by the Global Reporting Initiative. For more information see GRI (2005). Sustainability Reporting Guidelines. www.globalreporting.org/guidelines/2002/gri_2002_guidelines.pdf; accessed May 3, 2005.

¹⁴ As has been mentioned earlier, the results are based on data and information of 2004. However, Campina improved its CSR performance considerably in 2005 which would have led to a higher score than 2.75. Hence, it is fair to say that despite the score of 2.75, Campina is on the way to become a full CSR forerunner.

relevant for all businesses, no matter where they are located. Hence, there is considerable room for improvements in the field of business ethics. On the other hand, one should not underemphasise that Campina has an outstanding compliance level and no past or current scandals whatsoever with respect to business ethics. According to the methodology of Kok et al. Campina is currently on level 3 (out of 4).¹⁵ Campina's performance with respect to internal processes is in general satisfactory with room for improvement particularly in the fields of business ethics and human rights.¹⁶

7.5.3 Participation or Stakeholder Management

As emphasised earlier, the aim of evaluating a company's CSR performance at this point only encompasses an inwards-directed examination of a company's stakeholder management schemes and activities. In other words, the focus at this point is exclusively on Campina's stakeholder management schemes and instruments from the company perspective. The perspective of other stakeholders engaging with the company is not studied here but appears in the second part of the chapter on the external consequences of Campina's CSR engagement.

Campina Corporate Environmental Affairs Manager Jaap Petraeus indicated that the company performs proactive stakeholder management depending on the stakeholder group. The purpose of stakeholder management for the company is basically to scan society for relevant topics and developments with regard to Campina. The aim is to look 6 to 10 years ahead in all relevant markets of Campina. This is done at various levels reaching from regional, to national, to European, and to international. Campina is nowadays more open for stakeholder demands in order to be transparent. During the 1990s stakeholder groups such as NGOs were interested but did not engage in a real dialogue with the company. The role of NGOs also changed to some extent in the last couple of years. Especially *Stichting Natuur en Milieu*, a Dutch environmental NGO, is now interested in Campina and engages in real dialogue with the company. Other NGOs such as Greenpeace remain in the name-and-blame-it role and do not participate in open dialogues according to Jaap Petraeus.¹⁷

¹⁵ Kok et al. (2001) describe Level 3 as planned policy: "Not only is the law followed by the company, also attention is given to other needs from society. There is no deep understanding and development of the company's own social responsibility and no interaction with all potential stakeholders in society. Only those stakeholders who have social claims that directly relate to the business performance are involved in the discussions. Or in other words, the company has a semi-structured approach to CSR issues with no substantial organisational impacts. Furthermore, a company at this level has some commitment to CSR what includes stakeholder management in a more restricted sense."

¹⁶ Other CSR evaluations concerning Campina brought similar results. For instance, see LEI (2003), and LEI (2002).

¹⁷ Personal interview with Jaap J. Petraeus, Corporate Environmental Affairs Manager of Campina. October 18th, 2005.

Campina has improved its stakeholder management system substantially over the last years. The company, without explicitly stating, distinguishes between primary and secondary stakeholders. For instance, own employees, member farmers (representing the suppliers and investors), retailers, and the government are treated as primary stakeholders whereas NGOs and customers are treated as secondary stakeholders. This resembles very much to the ordinary management model where the company is in the centre and deals more or less exclusively with the interests of employees, suppliers, investors, and government. Stakeholder interests outside this inner circle are more dealt with in the form of pragmatic and ad-hoc decisions. However, the company has well developed early warning sensors in place through good relations to communities close to production sites, public authorities, and NGOs. Campina has frequent contacts with public authorities on all layers and since last year, two partnerships running with NGOs. Campina has opted for a step-by-step approach, with the emphasis on initiating talks in the Netherlands. A choice has also been made for NGOs that support structured improvements in sustainability. For these reasons, Campina talks with NGOs such as the World Wildlife Fund, *Stichting Natuur en Milieu*, *Dierenbescherming* (a Dutch animal welfare organisation), and *Solidaridad*. With respect to communities close to production sites of Campina, the company performs a proactive stakeholder management. The production site manager of Campina Lutjewinkel highlighted the importance of good community relationships:

It is important to make our neighbours part of what we are doing. We inform and confront them in an early stage to give them time to think about it and adjust to it but also our plans and help us to do it in the best way. By doing that, we try to avoid unnecessary long term problems. For instance, it would have been impossible to rebuild the factory within a year (after a fire destroyed the former factory). If you look at regulation it should have taken us 2 to 3 years to rebuild the factory. And this was due to our good relationship with the neighbours, the community and the province.¹⁸

It can be said that the company comes closer to a fully-fledged stakeholder management system capable of dealing with multiple interests outside the inner circle of primary stakeholders. Campina is increasingly in the position to provide sufficient transparency on the company's operations and has the internal organisational structure necessary to be responsive to various stakeholders. However, the company could still improve its internal organisation and consequently, be even more responsive; multiple stakeholder demands are still not dealt with in a central, integrated CSR department. Instead the departments for communications, the environment, and human resources deal with CSR issues individually which can lead to longer response times and disorganised responses all together.¹⁹ The company has made several incremental steps over the last years in

¹⁸ Personal interview with Fred R., Production site manager of Campina Lutjewinkel. January 10th, 2006.

¹⁹ Personal interview with Jaap J. Petraeus, Corporate Environmental Affairs Manager of Campina. October 18th, 2005.

improving its stakeholder management schemes and there is no reason why Campina should not be able to make another step in the process towards a full-blown stakeholder management system.

7.5.4 Conclusions

The purpose of this section was partly to see if CSR activities reach the heart of Campina's business conduct. The evaluation is based on transparency and accountability of business, the internal business process, and participation/stakeholder management to characterise the modern conception of CSR. Campina's score on transparency and accountability was mixed because the company offers easily accessible information that unfortunately demands considerable skills from the reader to be understood. The score on internal business processes was satisfactory, with room for improvement especially in the fields of business ethics and human rights. Finally, it can be said that Campina is on the way to a full-blown stakeholder management system. Although they still use a decentralised approach which includes the cooperation of different corporate departments, they are already able to coordinate the stakeholder interests in an effective and responsive manner. Therefore, Campina has substantial competencies at its disposal to navigate uncertainties and maximise potential opportunities.

Despite this strict and rigid assessment of Campina's CSR policies and efforts, it has to be emphasised that the company is on the right track and already quite high on the ladder towards becoming a 'real' CSR forerunner. Furthermore, the company already has a number of strong points in place, especially with respect to the environment. Campina is not yet a classic forerunner company, but what distinguishes them from other companies is their open and proactive approach to CSR issues. Campina has a very good reputation concerning CSR and sustainability issues. Throughout numerous interviews with governmental officials, but also in conversations with NGOs, the notion of Campina as a proactive CSR company came up again and again. Despite the current findings that Campina is not yet a classic CSR forerunner company, they were able to establish a very positive reputation with respect to CSR which in turn provides the company with substantial beneficial opportunities.

The next section provides more insights on the consequences of Campina's CSR engagement on the company's position in the Dutch dairy sector. Specifically, we analyse the impact of CSR activities by Campina on the interaction with other stakeholders, with a particular focus on the consequences in the interactions between the company and public authorities.

7.6 Corporate Social Responsibility and policy-making – What role does communication play?

7.6.1 Introduction

As shown in the previous section, Campina is on the way to become a classic CSR forerunner company. The company has initiated numerous activities and policies, implemented management systems that support the implementation of such programs, and produces informative and well structured annual reports on CSR. Using Carroll's (1991) conceptualisation of CSR, it can be said that Campina has reached the third layer (the company is responsive and proactive towards socially expected ethical responsibilities) of the pyramid with clear signals pointing into the direction of further progress to reach the fourth and final layer (Carroll, 1991):



Figure 20: Carroll's CSR pyramid

The underlying theory and methodology will not be presented again. Stakeholder theory and some components of the Advocacy Coalition Framework form the theoretical basis for the analysis, and network methodology is applied to gain further insights into stakeholder and policy-making dynamics. Thus, the next section presents information on the Dutch dairy sector relevant for the study using social network analysis. Afterwards, we concentrate on interactions involving all identified actors of the sector and consequences of these social interactions for the positions of these actors in the network. Groups of actors are identified with closer links and the centrality (power of actors) and status (prestige) of actors is determined. The last part of the chapter looks specifically at the relationship between the company and public authorities and if CSR engagement has an impact on the policy-making process in the dairy sector.

7.6.2 The Dutch dairy sector – identifying the main actors

The identification and demarcation of relevant actors in a sector is very important because the further results of the analysis depend on the reliability and validity of this procedure. In addition to the purely quantitative methodology applied²⁰ to identify actors in the dairy sector, a number of interviews were conducted with the most important actors such as the involved ministries, one NGO, member farmers of Campina, the chairman of Campina’s work council, Campina HQ, and one Campina production site. The identification process determined that the Dutch dairy sector consists of the following actors:

Type of Organisation	Organisation Name	Abbreviation	
Governmental:	Ministry of Environment	VROM	
	Ministry of Economic Affairs	EZ	
	- SenterNovem Agency for Sustainable Innovation	SN	
	Ministry of Agriculture, Nature, and Food Quality	LNV	
	Ministry of Social Affairs and Employment	SZW	
	Ministry of Health, Welfare, and Sport	VWS	
	Social Economic Council	SER	
Sector organisations:	Dutch Controlling Authority for Milk and Milk Products	COKZ	
	Dutch Organisation for Certification of Dairy Farms	OCM	
	Dutch Dairy Board	PZ	
	Dutch Dairy Organisation	NZO	
	Dutch Dairy Bureau	NZB	
	<i>Werkgeversvereniging VNO/NCW</i>	VON/NCW	
	<i>Federatie Nederlandse Levensmiddelenindustrie</i>	FNLI	
National Cooperative Council for Agriculture and Horticulture		NCR	
	National Federation of Christian Trade Unions	CNV	
Employee organisations:	Dutch Trade Union Confederation	FNV	
	Dutch Organisation for Agriculture and Horticulture	LTO	
Supplier organisation:	Joint Dairy Federation	GemZu	
	Dutch Bureau for Provision Trade	CBL	
Customer organisations:	Albert Heijn	AH	
	Laurus	Laurus	
	Friesland Foods	FF	
	Nestle Nederland	NN	
	Cono Kaasmakers	CK	
Companies:	Leerdammer Company	L	
	Campina	Campina	
	Unilever	Unilever	
	NGOs:	<i>Stichting Natuur en Milieu</i>	SNenM
		<i>Consumentenbond</i>	Cb
		<i>Dierenbescherming</i>	Db
		Greenpeace Nederland	GpN
<i>Milieudefensie</i>	Md		
Media:	Agriculture Journals such as	Boerderij	

²⁰ See chapter 6, page 172 for the full description of the identification and demarcation process.

	- Boerderij	
	- Agrarisch Dagblad	AD
Others:	Stichting Duurzame Voedingsmiddelenketen	DuVo
	Centrum voor Landbouw en Milieu	CLM
	Rijksinstituut voor Volksgezondheid en Milieu	RIVM
	Waterboards	Wbs
	Confederation of the Food and Drink Industries in the EU	CIAA

Table 21: The Dutch dairy sector and its main actors

The Dutch dairy sector is highly organised, with each segment in the production chain having its own organisation to represent its interests. Farmers are represented by the Dutch Organisation for Agriculture and Horticulture (LTO Nederland), the dairy industry by the Dutch Dairy Organisation (NZO), traders by the Joint Dairy Federation (Gemzu), and the retail by the Dutch bureau for Provisions Trade (CBL). The trade unions FNV *Bondgenoten*, CNV *Bedrijvenbond* and *Dienstenbond* represent the workforce. All the above mentioned organisations are represented in the board of the Dutch Dairy Board. The Dairy Board is a sector-wide organisation and the agency designated by the Dutch Government for executing EU dairy-policy regulations, such as managing the quota system and export restitutions (*Productschap Zuivel*, 2006).

7.6.3 Interaction in the Dutch dairy sector – empirical results

The content of the empirical section is primarily devoted to a detailed description of various network characteristics of the Dutch dairy sector and a thorough analysis of various relational structures. The analysis focuses on the following aspects of the policy system:

- The exchange of general information related to the dairy sector and issues related to CSR (communication network)
- The exchange of resources in the form of joint funding, shared equipment, shared personnel, or shared facilities (resource exchange network)
- Policy preferences with respect to four CSR issues in the dairy sector of the Netherlands
- A comparison of actors' belief systems with actors' positions in the communication and shared resources network

7.6.3.1 Information exchange and shared resources

Figure 21 shows the information exchange network of the entire Dutch dairy sector. The figure shows the general pattern of communication lines in the Dutch dairy sector. Since there is only partial information on information exchange due to the incomplete response rate for the overall network, the data are symmetrised with the maximum approach, which means that a link between two actors exists if at least one member of a dyad reports such an exchange. One can already see that a couple of actors are more central in the network than others. To shed more light on the network dynamics of the Dutch dairy sector, Figure 22 adds shared resources to the communication network.

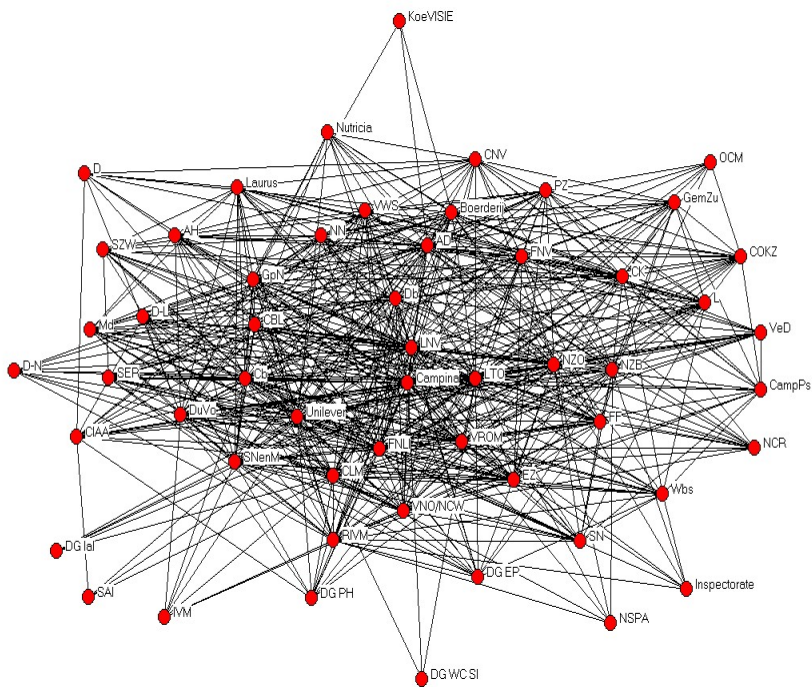


Figure 21: Information exchange network of the entire Dutch dairy sector²¹

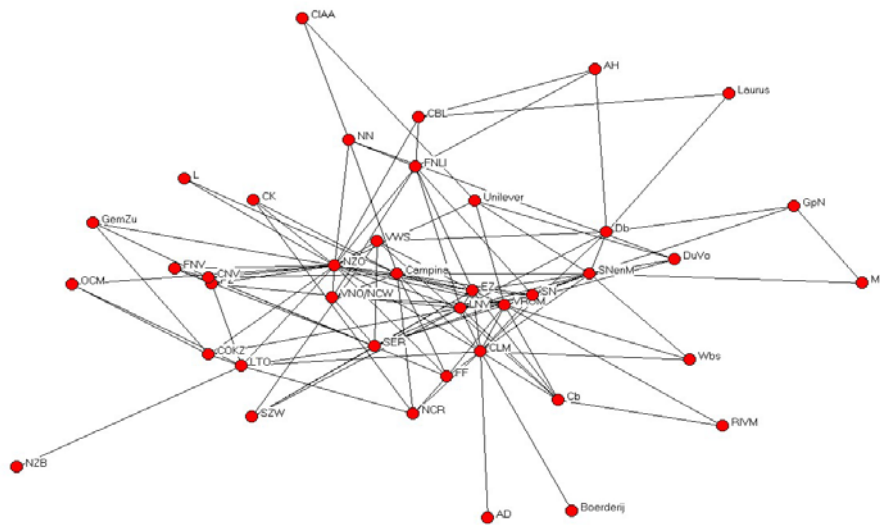


Figure 22: Information exchange network and shared resources of actors

²¹ All information exchange and shared resources figures are based on Ucinet. Borgatti, S.P./Everett, M.G./Freeman, L.C. (2002). Ucinet for Windows: Software for Social Network Analysis. Harvard: Analytic Technologies.

Figure 22 is based on confirmed information exchange and the sharing of some kind of resource (financial, personnel, equipment, and/or facilities) between actors. The underlying assumption behind the variable ‘shared resources’ is that actors in the network who share some kind of resources have a stronger and more intense interaction leading to potential interdependencies between concerned constellations of actors. It is interesting to note that two groups of actors have close links to each other: The first group basically consists of ministries- Finance (EZ), the Environment (VROM), and Agriculture (LNV). In addition, SenterNovem and the Social Economic Council (SER), two organisations closely related to government, are part of this group. *Stichting Natuur en Milieu*, an environmental NGO, is also relatively close to the mentioned actors in the first group. The second cluster of actors consists of Campina, the Dutch dairy organisation (NZO), and the most important Dutch employer association (VNO/NCW). It is interesting to notice that Friesland Foods, the main competitor of Campina, is not directly part of the inner circle of actors close to the NZO and its distance from the first group of actors is also greater. However, a next step in the analysis makes the distinctions between group boundaries clearer and more transparent:

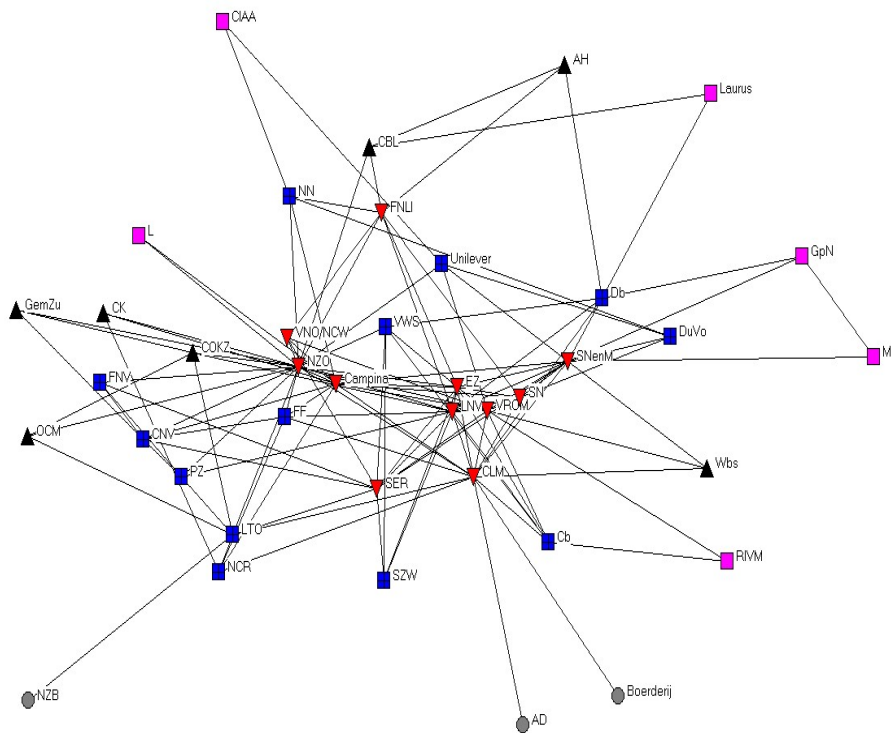


Figure 23: Communication and shared resources network after K-cores identification

Figure 23 is very interesting because the core group of actors in the Dutch dairy sector with respect to policy-making is clearly visible for the first time. The actors indicated with red triangles are the most important actors in the Dutch dairy sector regarding policy formulation and implementation. Based on network analysis results still to come, and conducted expert interviews, the ministries of Agriculture, Nature, and Food Quality (LNV), the Environment (VROM), and Economic Affairs (EZ) are the most important and powerful governmental actors. SenterNovem and the Social Economic Council (SER) are also closely related to the ministries and fulfil a supportive function. *Stichting Natuur en Milieu* is a very interesting case because it is rather surprising to find an environmental NGO in the core group of actors. However, the NGO functions in cooperation, not in opposition to governmental authorities. Part of the explanation is that *Stichting Natuur en Milieu* is involved in a partnership with government and business (Economy light project) that involves not only close communication links but resource sharing. The Centre for Agriculture and the Environment (CLM), an important advisory organisation, has close links with ministries and fulfils a consultancy function. Despite the fact CLM is well embedded in the information and shared resources network, the organisation does not have substantial political or economical power.

The group around the Dutch dairy organisation is also part of this inner circle of network actors. This is no surprise; the Dutch dairy sector is highly concentrated and involves few actors. Because of the high concentration in the dairy sector, policy-making covenants are processes that involve only a handful of actors. Involved are Campina, Friesland Foods, the Dutch dairy organisation (NZO), the Ministry of Agriculture, Nature, and Food Quality, the Ministry of the Environment (VROM), and the province of Friesland. As we can see, the NZO and Campina are part of core group with red triangles. The employer organisation (VNO/NCW) and the Federation of the Dutch food industry (FNLI) are also part of the core group which is also expected. Employer organisations and industry associations are usually rather powerful actors with considerable access points to other important actors such as ministries.

The fact that Friesland Foods is not part of the core group with respect to information exchange and shared resources is very interesting. As mentioned earlier, Friesland Foods is part of the same covenant negotiation committee as Campina. One would assume that both companies belong to the core group of actors in the dairy sector. However, Friesland Foods is not as proactive with respect to CSR as Campina (Stiekema et al. 2006).²² According to the theory underlying this research a proactive company with respect to CSR should find easier access to policy-making than less active ones. So far in the analysis, Campina has at least better access points

²² Studies by LEI (2002), a research institute of the University of Wageningen, support the finding that Campina is more engaged in CSR activities than Friesland Foods. Furthermore, a case study on Friesland Foods supervised by the author came also to the conclusion that they lag considerably behind Campina with respect to implemented CSR policies and activities.

to other actors, which gives the company a stronger role in the network compared to Friesland Foods.

The actors indicated in the blue boxes are also important though they do not belong to the inner circle of actors in the dairy sector. As seen in figure 23, the blue boxes are arranged around the inner circle of red triangles. Based on this network structure, we can say that the actors with blue boxes do have direct contacts with some central actors, and they also share resources to some extent. Nonetheless, these actors have less capacity to influence other actors in the Dutch dairy sector. Looking a little closer at the actors belonging to this secondary group, they consist primarily of five types of organisations: Ministries (VWS and SZW) of less importance in the dairy sector, companies, branch organisations, trade unions, and a number of NGOs (*Consumentenbond* and *Dierenbescherming*). The actors belonging to the red triangles, and to some extent also the blue boxes, are predominantly important in the Dutch dairy sector. Based on the network structure with respect to information exchange and shared resources it is assumed that these organisations should have capacities to influence the policy-making process in the dairy sector.

7.6.3.2 *Who is really central here – centrality measures applied to the network*²³

Figure 24 presents the results on the first centrality measure based on closeness.

Figure 25 shows the analysis based on betweenness of actors in the network.

And figure 26 shows the *eigenvector* scores of actors of the dairy sector in the Netherlands.

The three centrality calculations show a number of interesting results. First, according to the centrality concepts closeness and betweenness, we see a pattern of central actors comprising the Ministry of Agriculture, Nature and Food Quality (LNV), the Dutch organisation for Agriculture and Horticulture (LTO), Campina, and Unilever. These actors are central in both centrality indexes and are supposed to be in a powerful position with respect to information diffusion or the withholding of information. However, the result on *eigenvector* centrality of actors shows a somewhat different picture: Central here are predominantly ministries (LNV, EZ, and VROM), the Dutch dairy organisation, and Campina. These actors are (except EZ, although indirectly through LNV) also involved in the formal legislative procedures of policy-making in the dairy sector. Findings of the information exchange combined with shared resources network are to a large extent supported by the centrality measures. It is again striking that Friesland Foods is not among the central players in the centrality calculations based on closeness and betweenness. However, Friesland Foods is far more central (or better positioned) in the *eigenvector* analysis. This confirms the finding the Friesland Foods is important in the network and has substantial links to other important actors of the network. The previous figures on different centrality measures also show that Friesland Foods is

²³ All centrality calculations are based on the information exchange network only looking at reciprocal information exchange.

much more focused on the key actors of the dairy sector compared to Campina. Friesland Foods is only in the core group based on *eigenvector* and not on closeness and betweenness which means that the company does not interact with more peripheral actors in the way Campina does. In other words, Campina manages its external stakeholder relationships in a much broader sense than Friesland Foods. Hence, it can be assumed that Campina should be much better positioned and also prepared to handle potential risks and uncertainties in the market (especially from an economic perspective, to a lesser extent with respect to politics as well).

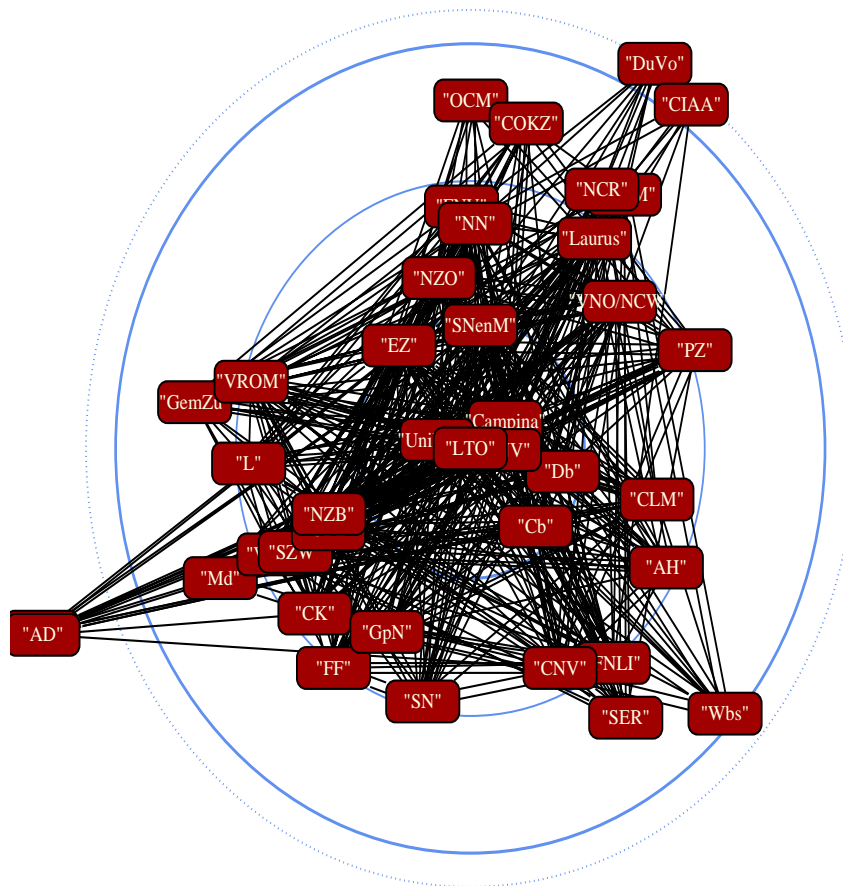


Figure 24: Closeness of actors in the Dutch dairy sector

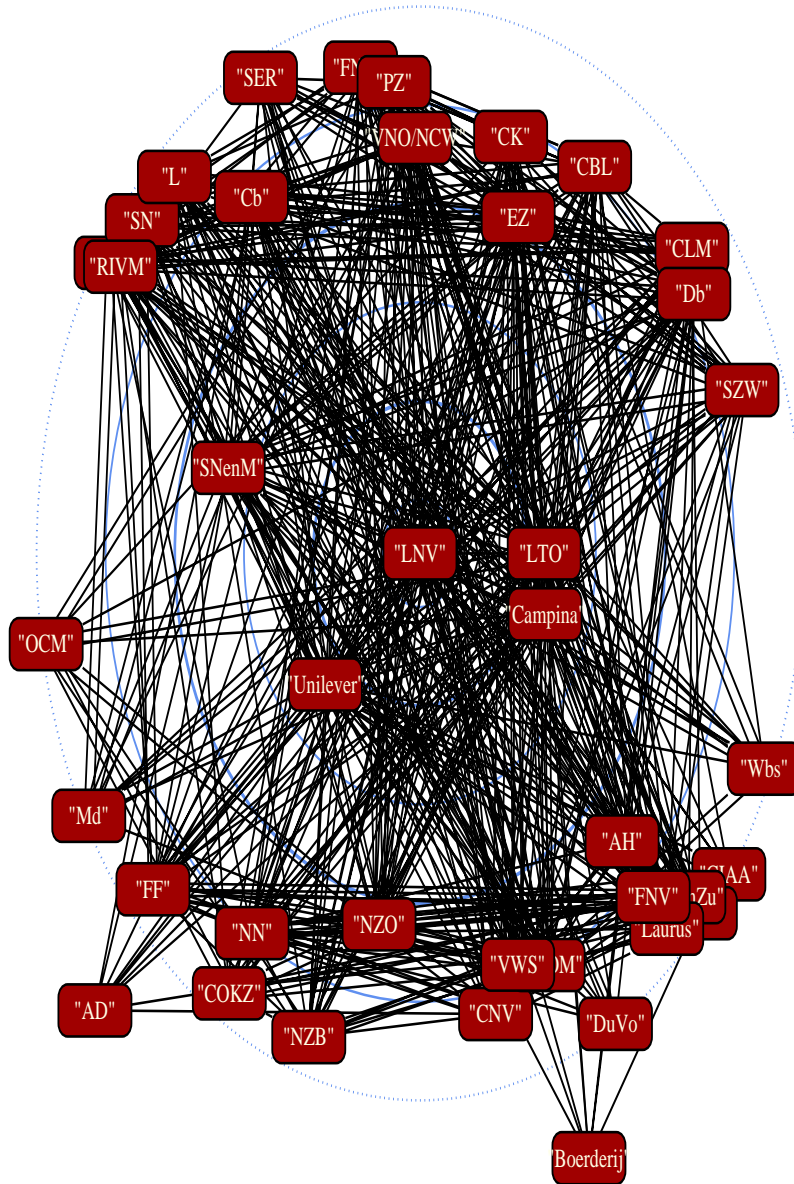


Figure 25: Betweenness of actors in the Dutch dairy sector

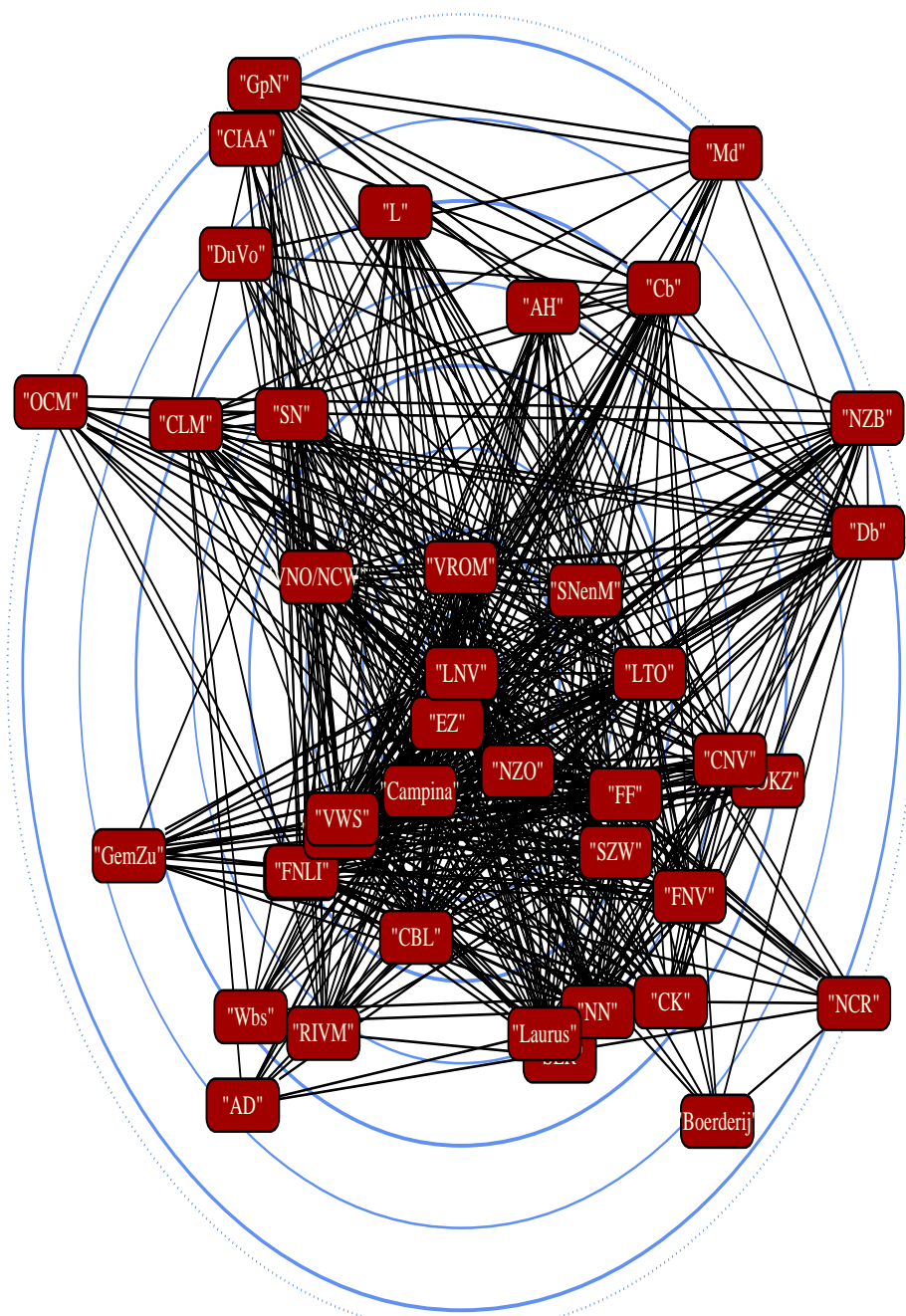


Figure 26: Eigenvector scores of actors in the Dutch dairy sector

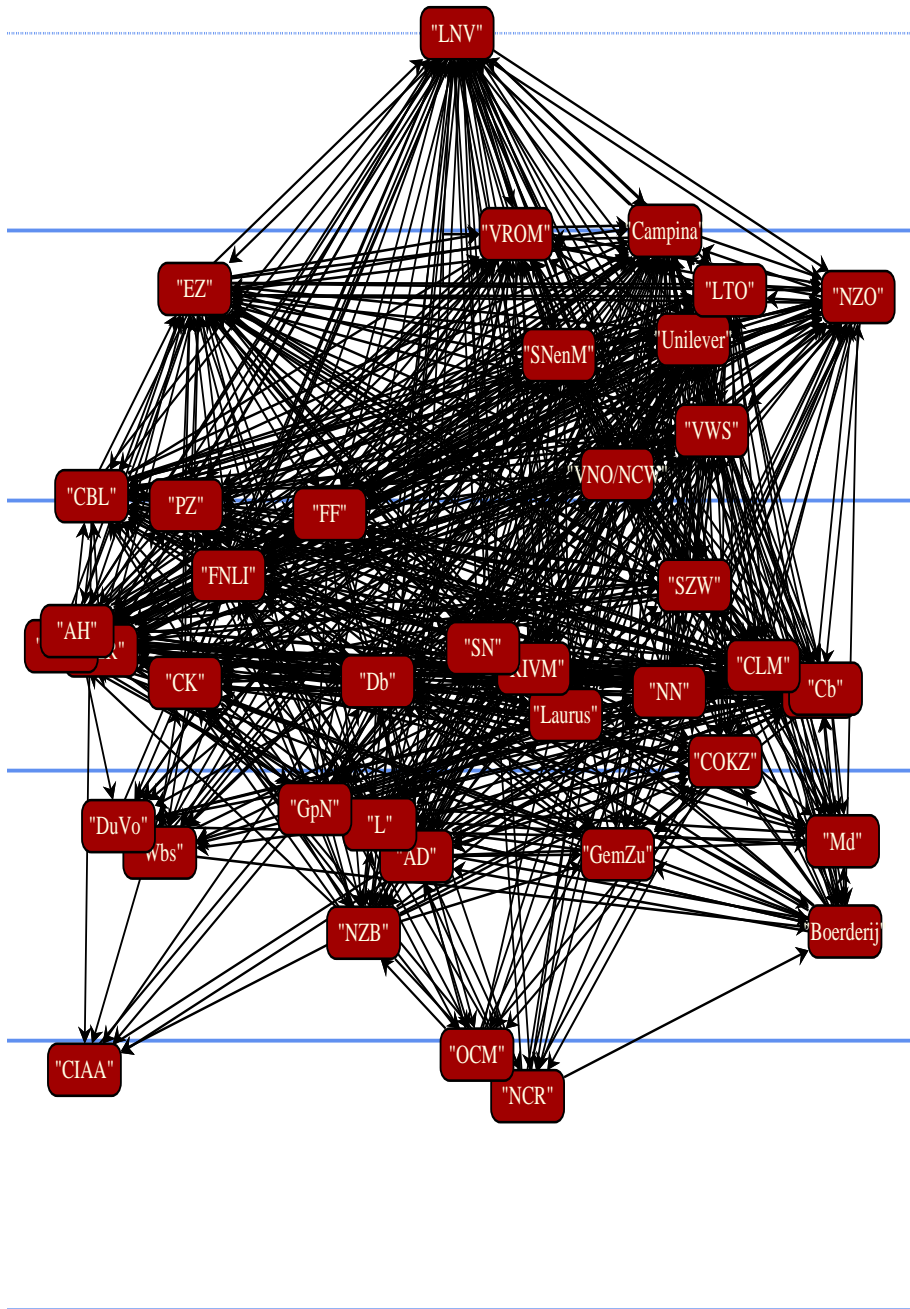


Figure 27: Status of actors in the Dutch dairy sector

7.6.3.3 *But who is really important here – looking at the status of actors*

Figure 27 is read from top to bottom. The organisations higher up have the greatest status in the network. This measurement can be interpreted as expressing the quality of actors as information sources. In this respect, the Ministry of Agriculture, Nature, and Food Quality (LNV) has the most prominent position. It is again striking that the status analysis also reveals a very similar pattern of actors that are among the most prominent actors of the network. LNV, VROM, EZ, LTO, NZO, and Campina are perceived as sources of valuable information in the dairy sector. Nevertheless, the status analysis on the dairy sector network, which emphasises the value of incoming information according to the sender's status, showed once more that the 'iron pentagon' of LNV, VROM, NZO, LTO, and Campina is of great importance in the sector. This policy-making core group of the sector is not surprisingly seen as the most valuable source of information.

7.6.4 **Interest positions of actors incorporated in the communications network**

The subsequent figure shows the information exchange network combined with the policy positions of actors with respect to self- and co-regulation:

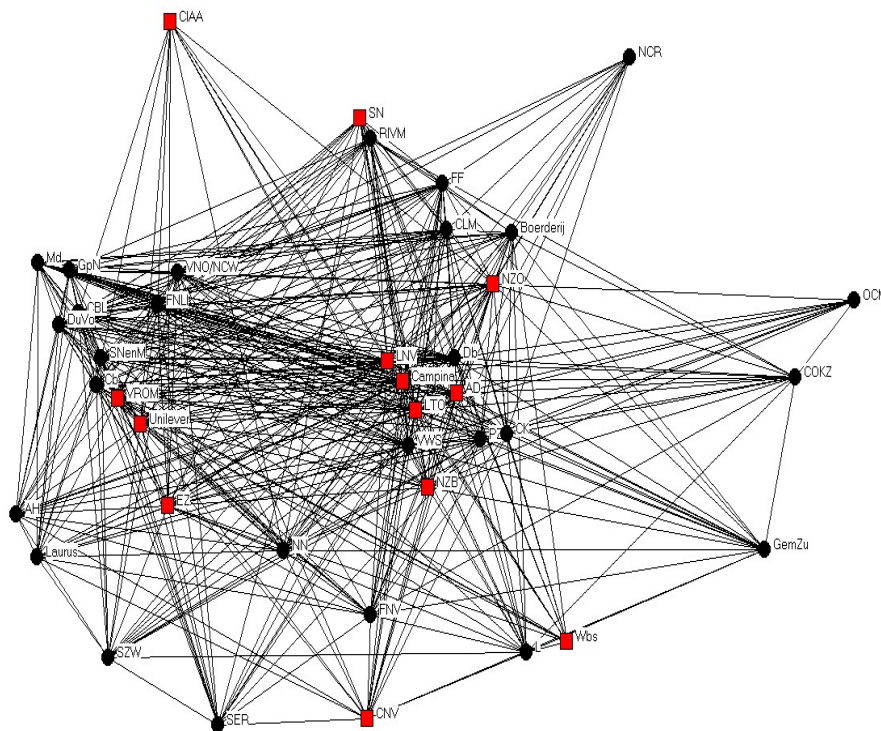


Figure 28: Information exchange network combined with one CSR related policy position

The red boxes in the figure indicate the pro self- and co-regulation actors of the communication exchange network. The black circles represent the neutral and contra self- and co-regulation actors. As seen in the figure, the red boxes correlate to a large extent with the findings based on communication exchange combined with shared resources network. The K-core analysis and the analysis focusing on actors' policy position with respect to self- and co-regulation show interesting similarities. Of the core group identified earlier the following actors also share the same positive approach to self- and co-regulation types of policies: LNV, VROM, NZO, EZ, LTO, SenterNovem, and Campina. A number of other actors also support such policy instruments. The three ministries (including SenterNovem), the dairy branch organisation (NZO), the Dutch organisation for Agriculture and Horticulture (LTO), and Campina form a core group in the network with a lot of direct communication links among themselves but also to other actors. They share resources with each other and have the same policy position with respect to a very important CSR issue. Together that makes them the key players in the dairy sector with respect to policy-making.

Friesland Foods by contrast, does not advocate self- and co-regulation policy schemes. This can be explained by the fact that Friesland Foods is not seen as a proactive leader with respect to CSR. Friesland Foods became engaged in CSR policies only very recently and is in the process of defining the first serious steps towards becoming a proactive CSR company.²⁴ Self- and co-regulation schemes are widely associated with CSR because advocates stress the importance of the voluntary nature of the concept. More top-down and direct regulation schemes do not fit with a voluntary nature. Hence, because Friesland Foods is not a proactive forerunner with respect to CSR, the company might find it difficult to deal with these softer steering instruments. Campina on the other hand, with its reputation as a CSR leader, might perceive these soft instruments as a chance to benefit even more from their knowledge and capabilities. It is then perfectly understandable to see Campina supporting self- and co-regulation policies while Friesland Foods would prefer more top-down regulation, which would not allow its competitors (mainly Campina) to take advantage of individual CSR capacities.

7.6.5 Belief systems of actors and the network structure – do they match?

The research also gathered data on the belief systems of actors with respect to opinions on CSR issues. The observable patterns of actors' belief systems and their grouping in the communication exchange combined with shared resources network did not match. In other words, no connection exists between beliefs of actors and how actors communicate and share resources. Table 22 shows the results of the hierarchical cluster analysis.

²⁴ The author supervised a case study on Friesland Foods and the company's CSR engagement by a group of master students. The results of the case study also point towards the fact that Friesland Foods cannot be considered as a CSR proactive company. The company is only defining its CSR approach and has not yet implemented a comprehensive strategy.

Cluster Membership			
Case Number	Cluster	Case Number	Cluster
FNV	1	NZB	3
Province	2	RIVM	1
Farmer	3	Agrarisc	1
Eco-Farm	3	CLM	1
Greenpea	1	CIAA	3
CBL	4	Cemploye	3
CampLutj	3	Cosument	1
Dierenbe	3	VROM	1
LTOdairy	3	Gemeente	1
Campina	3	Friesland	3
CNV	4	FNLI	3
Waterboa	1	Unilever	3
Stichtin	1	LNV	3
NZO	3		

Table 22: Results of the hierarchical cluster analysis on actors' belief systems²⁵

Two large groups of actors are observable after the cluster analysis. The first group consists of all branch organisations, companies, farmer organisations, one NGO, and the Ministry of Agriculture, Nature, and Food Quality (LNV). The second group consists of most NGOs, a number of advisory organisations, the trade union FNV, and the Ministry of the Environment (VROM). Two minor groups were also identified; they are of less importance for the analysis and not discussed further. The group clustering based on belief systems of actors cannot be identified in the communication and shared resources networks. For instance, the Ministry of the Environment (VROM), *Stichting Natuur en Milieu* (SNenM), and CLM, all group members of the second belief system cluster, are positioned closer to members of the first group in the social network analysis. However, more importantly, there is no clear-cut division of the Dutch dairy sector into two groups observable in the social network analysis results. These results indicate that the Dutch dairy sector consists of four groups with the first being the core group as identified in the research, the second group surrounding the core group and basically consisting of the same types of actors (companies, branch organisations, and ministries of secondary importance in the sector, and trade unions), a third group that consists of specific (of administrative and technical nature) organisations important for the

²⁵ The analysis on observable clusters with respect to actors' belief systems does not include all actors of the study because of a relatively low response rate. Six actors (a farmer of Campina, a biological farmer of Campina, a production site of Campina in Lutjewinkel, a Campina employee representative, one province, and one *gemeente*) not included in the social network analysis on the Dutch dairy sector were incorporated in the hierarchical cluster analysis to gain more insights.

functioning of the dairy sector, and a fourth group consisting of NGOs and other organisations loosely connected to the dairy sector.²⁶ Hence, the social network results do not match with observed belief system patterns of studied actors. This finding does not help explain the communication and shared resource network, though it does tell us that belief systems of actors can largely be ruled out as an explaining variable in the research on CSR in the Dutch dairy sector.²⁷ The third hypothesis²⁸ is thus false. An explanation as to why the belief system of actors does not match with actor behaviour in communication and shared resources networks can be seen in the corporative structure and the high levels of interpersonal and institutional trust of the Netherlands. Lulofs et al. (2006) argue that corporatist structures of a country limit the room to manoeuvre for actors to build advocacy coalitions. However, the study on belief systems and the creation of advocacy coalitions in the European context identified the level of trust as an important factor in explaining the existence or non-existence of such belief system driven coalitions. The high levels of trust in the Netherlands allow (non-established) actors in a sector (policy subsystem) to engage in the policy-making process because the entry barriers are rather low. Hence, the boundaries between established actors in the sector and outsiders are more blurred compared to a country such as Germany with corporatist structures and lower levels of trust.²⁹ The blurred boundaries do not lead to clear-cut advocacy coalitions because the involved actors represent multiple interests and share beliefs only on specific issues. More on corporatism and the specific circumstances in the Netherlands is provided in the next section.

7.7 Predetermining factors in the policy-making process – the structural environment

It should be noted that network approaches to policy-making tend to overlook the importance of the structural environment in which a policy system is embedded. In this respect one has to keep in mind that the constitution of the actor set and the power positions are shaped by general features of the Dutch political, economic, and cultural systems. For instance, the corporatist structure of the Dutch political system is a well known feature, where business associations and trade unions play important roles. The Netherlands have a strong consensus culture in policy-making, in which long rounds of discussions involving various interest groups are quite common. Without reference to these general features, one cannot understand the prominent positions of actors identified in the research so far.

²⁶ The social network results with which the hierarchical cluster analysis results were compared can be found on page 212 of this chapter.

²⁷ Of course, some people will argue that one cannot measure people's beliefs and admittedly, it is especially difficult to measure values, ideas, and opinions of people on rather vague issues related to CSR. Nonetheless, this scenario would leave us with no research possibilities.

²⁸ Third hypothesis: *In CSR, coalitions form in line with actors' policy core beliefs.*

²⁹ More on Germany and the ACF will be provided in chapter 9.

The resource distribution between the actors of the Dutch dairy sector is important when it comes to influence in the policy-making process. However, apart from this more actor specific variable, structural features also play a very important role. With respect to CSR and related policies the study identified three relevant systemic variables:

- The political culture and tradition of the Netherlands
- Basic institutional structure
- The level of trust within the Netherlands

The last part of the study concentrates on the interplay between the dynamic interaction patterns of actors and the more static structural variables of the policy arena.

7.7.1 The political culture and tradition of the Netherlands

The Dutch political culture until the 1960s is usually characterised as highly fragmented, and referred to in the literature as pillarisation (*verzuiling*). Pillarisation refers to the fact that the Netherlands consisted of a number of minority groups, tightly organised social groups or subcultures that structured not just politics, but nearly every aspect of social life in the Netherlands in the first half of the 20th century (Andeweg et al. 2005: 23). However, the pillarisation of society weakened during the 1960s and old institutions were transformed. In the long run, the integrated pillars dissolved, making way for sectoral concentrations of interrelated organisations that teamed up with specific governmental departments and services in municipal administrations (Van der Wusten et al. 1997: 37). Despite the fact that Dutch society was depillarised in recent decades, the segmented nature of society still remains. As Andeweg et al. (2005: 220) point out: “depillarisation has broken up these social segments into numerous smaller fragments, without replacing the former intrapillar mechanisms of integration with some functional equivalent.”

Dutch society has a long history of fragmentation. The fragmented society broke down into even smaller segments during the 1960s, leading to the development of the consensus democracy. In fact, the Netherlands are often characterised by the three C's of consensus, compromise, and consultation (Hendriks et al. 2001). Van der Wusten et al. (1997: 40) describe the current stage of Dutch political culture as still deeply imprinted with the tradition of pragmatic, broad compromise after principled stands. They continue by stating that in the current period the number of interested professional parties in very major decisions is very large indeed and that technical arguments have replaced debates in small elite circles, which were common in the era of pillarisation. Andeweg and Irwin (2005: 224) argue that because of the heterogeneity and fragmentation, the number of veto points is considerable: policy-making moves slowly, if at all. In the Netherlands this is known as the ‘viscosity’ (*stropgerigheid*) of policy-making or on a more systemic

level, as the 'viscous state'. The mentioned authors refer to a great number of examples to show the problems associated with the Dutch consensus democracy.³⁰

Dutch political culture is also often characterised by the polder model. A post-modern description of the polder model usually refers to complexity, diversity, and horizontal decision-making structures compared to more linear, government focused, and vertical decision-making structures. The regular Dutch polder model focuses on the interaction between employers and employees. However, there are also more diverse versions of the model in place nowadays, such as the green polder model which focuses on the interaction between economy and ecology.³¹ Defenders of the polder model stress the advantages of intensive interaction between government and organised interest groups and the stronger political involvement for community representatives (Hendriks, 2001: 36). However, as pointed out earlier, the criticism associated with the Dutch political culture is exactly about the dense political arena with respect to decision-making. What should be noticed for the research here is that the Dutch political culture is very much dominated by consensus and compromise and the involvement of large numbers of actors. The Dutch attitude of avoiding conflicts and striving for consensus has resulted in low numbers of strikes and other work-related conflicts. The other side of the coin however, is the relatively inflexible labour market. Dutch society is a consensus society, which implies that confrontations are generally avoided and disputes settled through instant meetings, in which everyone has his or her say (Hovius, 2000).

The structure of the dairy sector with respect to communication is very much in line with the notion of consensus, compromise, and consultation. The number of actors in the dairy sector is rather huge despite the fact that only a handful of companies are active. However, the formal policy-making process in the dairy sector involves only a small number of actors and does not support the notion of consultation and the involvement of many actors. However, the policy-making style can be characterised as consensus and compromise seeking because the government does not use direct regulation instruments to tackle problematic issues of the sector. Instead more soft-regulation instruments are selected such as covenants (voluntary agreement with firm targets set by the government) which give the companies enough flexibility to find their own solutions. The covenants in the dairy sector give the companies enough flexibility to meet government targets because the companies can decide for themselves how they want to reach the targets. One can say that the covenant as a policy instrument type includes a strong sense of consensus and

³⁰ G.R. Teisman (2001) is another author with a strong opinion on the efficiency of the Dutch political system and culture: "Sluggishness is a characteristic of the bureaucratic, administrative and political culture of the Netherlands. Top three of the sluggishness Hit Parade: the slow adoption of innovative ideas, the long-winded administrative/bureaucratic process, both within government organisations and between them, and little effective political guidance." (p. 133)

³¹ The OECD (2003) also perceives the Dutch polder model approach of dialogue between the government and stakeholders to develop environmental policy as successful.

compromise because otherwise such a flexible policy would not be feasible. The next section on basic constitutional and institutional structures sheds more light on more static external factors influencing interaction in the Dutch dairy sector.

7.7.2 The basic constitutional and institutional structure of the Netherlands with a focus on the dairy sector

The Netherlands is a constitutional monarchy, a parliamentary system with Queen Beatrix serving as the official head of state. The prime minister is the head of the cabinet. There are three layers of government – the national government, the provincial governments, and the local or municipal councils. Parliament consists of two houses, the lower house and the senate. The lower house supervises the government but the government exercises power and is responsible for governing the nation. The senate has only limited powers; it can however, veto legislation passed in the lower house. Lijphart (1999) argues that the Netherlands represent a medium-strength bicameral legislature. The Netherlands have so far always been governed by a coalition government. The reason for that is the large number of parties (due to low entry barriers) resulting from the highly fragmented society (Andeweg et al. 2005).

Dutch political culture can be characterised as consensus and compromise seeking with a strong touch of consultation. Policy-making in the Netherlands is not exclusively determined by the stated basic political institutions and rules. A number of features connected with Dutch policy-making need to be addressed to tell the whole story. Corporatism has and still is a core attribute of the Netherlands.³² Lijphart (1999) defines corporatism as an interest group system

in which regular meetings take place between the representatives of the government, labour unions, and employers' organisations to seek agreement on socioeconomic policies; this process of coordination is often referred to as concertation, and the agreements reached are often called tripartite pacts. (16)

The Netherlands belongs to a group of countries which feature considerable corporatist structures. However, one classic indicator of corporatism, the number of members of trade unions, has weakened in recent decades.³³ On the other hand, the number of members of consumer organisations and other civil society organisations increased considerably. Hence, it can be said that corporatism in the Netherlands is

³² For a more detailed presentation of studies on corporatism in the Netherlands please see Andeweg et al. (2005), Lijphart (1999), and Siaroff, (1999).

³³ According to a study by the 'European industrial relations observatory on-line' the density of union membership in Western European countries dropped significantly over the last two decades. For instance, the density numbers for Germany, the Netherlands, and the UK (down from more than 50% %in the 1970s before Thatcher) are between 20%-29%. For more information see European industrial relations observatory on-line (2004). Trade union membership 1993-2003. www.eurofound.europa.eu/eiro/2004/03/update/tn0403105u.html; accessed May 21, 2007.

still strong, though the face of corporatism is becoming more liberal (Lijphart, 1999: 175). The Netherlands are described as semi-federal (Lijphart, 1999: 189). Lijphart utilises this blurred, intermediate category because a few democracies, he argues, cannot be unambiguously classified as either federal or unitary. Therefore, it is difficult to draw conclusions based on the Netherlands' degree of federalism on interaction patterns and consequences for CSR policies. The OECD (2003) however, remarks that there is a somewhat ambiguous split of enforcement and licensing responsibilities among the central, provincial, and municipal layers in the relatively small country, though administrative agreements have been signed to enhance co-operation among enforcement partners.

The analysis on the importance of actors in the dairy sector based on information and resource exchange identified a number of key actors, some strongly linked to the corporatist structure of the Netherlands. The most important employer organisation is VNO-NCW. Additionally, there are a number of branch organisations for various sectors such as LTO Nederland for farming, the NZO for the dairy sector, and the FNLI for the Dutch food producing industry. These organisations, especially VNO-NCW, enjoy a very strong position in the Dutch policy-making process (Andeweg et al. 2005). Hence, it does not come as a surprise to see VNO-NCW among the core actors in the Dutch dairy sector. The same goes for the branch organisation NZO and the food industry represented by FNLI. In addition to the purely employee and employer organisations, there is also the Social Economic Council (SER), a kind of prototype corporatist institution. The SER is the pivotal body in the corporatist bargaining structure and a central institution in any discussion in policy-making. It consists of three groups, each with 11 members, representing employers (mainly of VNO-NCW), the trade unions, and the crown members appointed by the central government. The SER provides the government with (non-binding) advice on socioeconomic issues. Andeweg et al. (2005: 153) argue that the SER plays no role when it comes to bargaining between the government and socioeconomic interests. The only significant role SER plays in policy-making is the institutions advisory role. The set up of SER's member structure and its advisory function (despite the fact that since 1995 the government is no longer obliged even to ask the SER for its advice before making a decision) explain why the SER belongs to the core group of actors also in the dairy sector. VNO-NCW, FNLI, NZO, and the SER control considerable power in the dairy sector, because of the corporatist structure and the interaction in the sector. In other words, external static and actor-specific dynamic factors together determine policy-making in the dairy sector.

7.7.3 The level of trust within the Netherlands

The Netherlands have a relatively high level of interpersonal trust (58.5%). This corresponds nicely with the results on institutional trust (49.2% in parliament, 51.4% in national court, 40 in national government, and 45 in large companies) which are also relatively high (Jowell, 2003; Schaik, 2002; European Commission,

2004, European Commission 2005). The Netherlands can arguably be characterised as a country with a high level of social bonds, reflected in relatively high levels of trust towards national institutions.

To see voluntary agreements, covenants, and other types of soft regulation in the Dutch context is not surprising. The high level of trust and social capital in the Netherlands is very important for the feasibility of such horizontal steering instruments. Interviews with governmental authorities and business representatives showed that the interaction between them is established on high levels of mutual understanding and trust. One governmental official even went so far as to say that he perceives his ministry as a partner of business with the main function to support business wherever possible (Stiekema et al. 2006). Such close links between 'sector ministries' (in the Dutch dairy sector this is the Ministry of Agriculture, Nature, and Food Quality (LNV)) and business might be expected; what makes this situation interesting is that the Ministry of the Environment (VROM) is also part of the core group in the dairy sector with close and supportive links to business. In other countries such as Germany, the Ministry of the Environment is not part of the core group and more critical towards business. Hence, the close links between governmental authorities and especially companies and business associations in the Dutch dairy sector are significantly influenced by the trust levels in the Netherlands. Soft regulation schemes associated with CSR fit nicely into the strong trust culture of the Netherlands. Proactive CSR companies in combination with high levels of interpersonal and institutional trust lead to an interaction climate favourable for CSR-typical policy instruments. The following section presents the findings on the main research question and the hypotheses which guided the study.

7.8 Corporate Social Responsibility and policy-making – does it make a difference?

Whether the modern conceptualisation of CSR impacts the interaction process between business and public authorities is a difficult question to answer. Based on the insights of the research it can be said that CSR positively impacts the interaction process. A general positive impact could be identified on the macro and on the micro level (although not confirmed from both sides). On the macro level a two-sided impact could be identified: more openness and transparency gives proactive CSR companies better access to public authorities. They have more contacts with governmental authorities and therefore the companies are able to discuss broader issues. This finding is in line with the first hypothesis that *the higher the levels of stakeholder management due to higher levels of CSR engagement are, the better (more intense and better mutual understanding) the relationship with public authorities should be*. As shown throughout this section, Campina is part of core group of actors in the dairy sector. The company has very good communication channels with public authorities, which result in various access points in the policy process. Another reason why broader issues are on the agenda in these more intense

contacts is that CSR covers so many policy fields; the issues on the agenda have to be broad. This gives the proactive CSR companies a chance to anticipate issues which might appear on the political agenda in the (midterm) future. This finding supports the second hypothesis³⁴:

I think there was an impact. We discussed CSR issues for two years. We recognised that we all are in kind of the same position because we don't know what targets to set and we want to do something but don't know what. I think that brought us more together. The closer relationship helps the private (anticipate policies beforehand) and public side (steer the industry). (Donders, 2006)

The fourth hypothesis³⁵ on the connection between self- and co-regulation types of policies and CSR engagement by companies is falsified because generally higher levels of CSR engagement were not observed. The Netherlands are a forerunner with respect to the use of self- and co-regulation schemes with experiences going back to the late 1980s. Seventy-two environmental covenants and 17 energy covenants have been implemented in the Netherlands since the late 1980s (Bressers et al. 2005b; Dinica et al. 2007; Gerrits et al. 2003; Price, 2005). The OECD (2003) also recognises the responsiveness and often proactive-ness of the Dutch industry in improving its environmental performance, particularly through environmental agreements (covenants), environmental management, and auditing. The motivation of sectors and companies to participate in the Dutch covenants is the result of a mixture of factors including a desire to influence or pre-empt regulatory policy, as well as the belief that non-participation and non-performance will lead to more costly regulation or legislative actions (Welch et al. 2003; Price, 2005). The Dutch covenants are largely successful because they include penalties such as more stringent environmental permitting requirements and increased regulations if a covenant is not fulfilled. The combination of incentives and penalties led to higher participation rates and better results compared to other purely voluntary policy schemes. Campina and Unilever, two companies considered CSR proactive, stated that they prefer soft types of regulation such as self- and co-regulation. The flexibility of these two steering instruments provides the companies with enough room to take advantage of their strengths with respect to CSR in order to comply with governmental demands. On the other hand, a company not engaged in CSR activities might find it difficult to use the room provided by these flexible approaches and prefer a more top-down policy instrument. Table 23 illustrates the CSR performance situation in the Dutch dairy sector:

³⁴ The capacity of actors to influence the general policy-making process increases the more access points (direct links or even shared resources) actors have to public authorities.

³⁵ Fourth hypothesis: "*The more freedom governmental authorities provide a business sector in the form of self- and co-regulation policy schemes to deal with a given policy problem, the more the concerned private sector should be willing to accept additional responsibilities and tasks resulting in higher levels of CSR engagement by companies (macro level).*"

The largest dairy companies in the Netherlands and their CSR performance			
Company	Structure	Turnover (billion € in 2006)	Overall CSR performance
1. Royal Friesland Foods	co-operative	4.7	X
2. Campina	co-operative	3.6	XXX
3. D.O.C. Hoogeveen	co-operative	0.4	-
4. Bel Leerdammer	private	0.3	-
5. Nestlé Nederland	private	0.2	x

Table 23: CSR performance of Dutch Dairy companies³⁶

Friesland Foods, the second major dairy company in the Netherlands, has to be characterised as a CSR laggard. The other small dairy companies (Cono Kaasmakers etc.) do also not show significant CSR policies and activities.

The strong Dutch governance preference for self- and co-regulation policy instruments did not lead to more CSR in the dairy sector. Consequently, the fourth hypothesis on the connection between self- and co-regulation types of policies and CSR engagement by companies is falsified.

On the micro level, a somewhat mixed picture develops with respect to change in the interaction process due to CSR. Evidence from the business side could point to a change in the relationship between business and governmental authorities; evidence from the governmental authorities could only partly support this notion. According to the business side, the CSR engagement made it easier and faster for them to get permits and licenses with the consequently less costs. Conversely, at the provincial level governmental authorities could not support this perspective. According to the provinces, CSR does not influence how they grant licenses and permits. They have to be neutral and treat different companies in the same manner (Leynse, 2006). However, the lowest level of governmental authorities, the municipalities, stated that CSR makes a difference in the way they deal with companies. This confirms the businesses perspective, which is noticeably able to identify a positive influence of CSR on the interaction between them and the local and provincial authorities. The following quotation illustrates the point very clearly:

I think doing CSR makes a difference but it is hard to measure. Doing more in the environmental field since the last 10 years helps us to have a good communication with the local government to get permits when we need the permits. We think it helps us to have a good performance in the field of environment and you show the government that you take steps and that you are pro-active in that field. I see other companies who don't and I think they have some problems more. (Petraeus, 2006)

³⁶ The assessment in brief of the companies is based on the methodology stated in chapter six. However, a full elaboration here is not necessary to make the point that CSR is not fully integrated in the business conduct of the Dutch dairy sector.

Despite the less than completely supportive findings on the micro level, it can be argued that the fifth hypothesis that *the higher the CSR performance and stakeholder management of a company is, the easier it is for the company to get not only access to public authorities, but also to get licences, permits, and other official documents from the authorities which results in lower bureaucratic costs*, is confirmed. CSR engagement by business provides not only access to public authorities, but makes getting licences and permits easier and faster from at least local authorities, which results in lower bureaucratic costs.

7.9 Conclusion

Does CSR engagement by companies impact interaction, especially with public authorities? The study attempts to answer the question by applying quantitative and qualitative research methodology. However, as seen in the latter sections of the analysis, it is difficult to find clear conclusions. The main points clarified through the study are: the assumption that higher levels of stakeholder management due to higher levels of CSR engagement lead to better relationships with public authorities is confirmed. Proactive CSR companies, in this case the dairy company Campina, have closer and more intense links to public authorities. It can be argued that the capacity of actors to influence the general policy-making process is positively correlated to the number of access points actors have to public authorities. Campina has a considerable number of access points to public authorities mainly because of the company's advanced CSR policies and size. The size of the company (second biggest dairy company in the Netherlands) makes it almost impossible not have various links to governmental officials. However, as pointed out several times during the study, the main competitor of Campina has fewer access options to public authorities despite its even bigger size. The proactive reputation of Campina makes the company a leading example in the eyes of the public authorities with respect to CSR policies. Hence, public officials turn to Campina when they consider implementing new policy, especially with regard to CSR. In turn, Campina is in a position which gives the company the capability to anticipate issues which may appear on the political agenda in the (midterm) future.

The strong policy preference in the Netherlands for self- and co-regulation policy schemes such as covenants did not lead to more CSR in the dairy sector. Companies taking up the idea of CSR and implementing policies and activities were observable as well as companies that do not show substantial signals of becoming active. Apart from this limited impact of governmental policies on the macro layer, influences are found on the micro or company level. The higher the CSR performance and stakeholder management of a company, the easier the company gains access to public authorities and processes licences, permits, and other official documents from authorities, which in turn results in lower bureaucratic costs. This is probably the most important finding of the study with respect to the impact of CSR on business and their relations to public authorities. Lower bureaucratic costs represent a strong

incentive for companies to engage in CSR activities. The last finding of the study was that belief systems of actors (with respect to CSR related issues) do not tell us how actors behave in communications and shared resources networks. No overlapping of belief systems of actors and their grouping in the communication combined with shared resources network could be found. This finding does not help explain the set up of the communication and shared resource network though it at least tells us that belief systems of actors can be ruled out as an explaining variable in the research on CSR, at least in the Netherlands with its limitations and fixations on actors due to the country's corporatist structure.

Interviews:

Personal interview with Bonny Donders, Ministry of the Environment, responsible for governmental CSR procurement and the covenants in the dairy sector. February 16, 2006.

Personal interview with Hans de Graaf, Campina - Chairman of the employee delegation to the International Consultative Committee and of the Central Works Council in the Netherlands. January 18, 2006.

Personal interview with Leo Leynse, Province of Zeeland, Department for Ruimte, Milieu en Water. January 27, 2006.

Personal interview with Hans Muilerman, *Stichting Natuur en Milieu* – Responsible for CSR and the Economy light project. December 13, 2005.

Personal interview with Jaap J. Petraeus, Corporate Environmental Affairs Manager of Campina. January 18, 2006.

Personal interview with Jaap J. Petraeus, Corporate Environmental Affairs Manager of Campina. October 18, 2005.

Personal interview with Fred R., Production site manager of Campina Lutjewinkel. January 10, 2006.

Personal interview with Gert Stiekema and Marloes Rotmeijer, Ministry of Agriculture, Nature and Food Quality. February 24, 2006.

Appendix

Sections selected for the readability analysis (CSR report 2004):

Sustainable production is a key theme at Campina, without losing sight of reality – the need for a commercially sound enterprise. Economic sustainability, in the form of results, income and continuity, is a precondition for the responsible treatment of employees, the environment and society. At the same time, Campina is more aware than most that responsible treatment of employees, the environment and society is, in turn, a condition for its future economic performance. Working together, with shared responsibility and shared commitment. Obviously, a company that supports these principles will give high priority to dialogue and consultation.

The conditions of employment, in combination with a competitive compensation and benefits package, receive permanent attention, as does a balanced workload for staff. The ongoing growth and development of employees is vital for a company committed to constantly improving its performance. However, the recruitment of young well-trained staff is also an absolute precondition for securing the success to which Campina aspires. In this connection, employees who show no prospect of making further progress within the company or who are not performing to the required standard will inevitably be required to leave the company.

In the dairy industry, the availability of clean water is of major importance. Partly because of the increasingly stringent hygiene requirements, cleaning (storage tanks and production equipment) is one of the main applications of water in dairy businesses. Campina's companies are expected to use water as efficiently as possible, and tough targets are set to that end. The targets vary from one location to another, because water consumption depends heavily on the product range of the plant in question. Special products such as desserts are produced on a relatively small scale, so equipment must be rinsed more often compared to the production of basic products such as milk.

In Campina's eyes, CSR also means being transparent and telling all of the company's stakeholders what Campina does and why. That goes for consumers, employees, member-farmers and, of course, for (local) authorities and social organisations. This dialogue takes place in many different forms. The principle, however, is always the same: an honest explanation of Campina's operations. Opting for dialogue also means close co-operation, or at least, consultation with social organisations and local, national and international authorities. Campina therefore has representatives in steering and working groups of national and international sectoral organisations engaged in issues touching on matters associated with sustainable entrepreneurship.

European consumers appreciate Campina's dairy products. This is why Campina is one of the top three dairy companies in Germany, Europe's largest consumer market, and is the market leader there for desserts. The company has also captured the hearts of Russian consumers with, for example, its Campina Fruttis brand (fruit yoghurt). In the Netherlands, Campina is the leading supermarket brand. In Asia, Campina is active in the consumer products segment in Thailand and Vietnam. Campina's customers not only include the food trade and consumers. World-wide, Campina supplies leading multinationals that achieve success with their products partly thanks to our ingredients.

	Category	Indicators	Information provided by Campina	Assessment score
A) Internal Social Aspects:	Labour Practices and Decent Work	Employment	<p>In recent years there has been a slight increase in the number of staff on the back of several smaller acquisitions and the expansion of activities outside the Netherlands.</p> <p>Number of employees: 2000: 7.615 2001: 7.114 2002: 6872 2003: 6.940 2004: 7.099</p> <p>Campina did not provide information on social programs for laid off employees.</p>	3
		Labour/ management relations	<p>Employee participation plays a significant role in Campina's business operations. Consultation and talks with the works councils at the local, group, and national levels is an important part of the decision-making process.</p> <p>Professionalising employee participation has high priority. Four key themes have been identified for that purpose: quality improvement, efficiency, communications and the support base. In four Campina groups, managers and works council representatives consider ways to make improvements in all these areas, ranging from training for works council members to the structure of employee participation, budgets and plans for works council activities and the preparation of guidelines for working meetings.</p>	4
		Health and safety	<p>Absenteeism: 2001: 5.7 % 2002: 5.2 % 2003: 4.7 % 2004: 4.1 %</p> <p>The reduction in absences due to illness is due partly to the way in which managers and</p>	4

	Category	Indicators	Information provided by Campina	Assessment score
			employees deal with sick leave: by focusing on the reintegration of employees who are out sick, but also on measures to ensure healthy and safe working conditions. The Industrial Products group is entering a new phase of its 'Awareness' program, in which employees themselves will be explicitly involved in the safety of their working environment. Measures and investments in working conditions are and will remain necessary, but without employee awareness of their own contribution to safe and healthy work, these investments are often useless.	
		Training and Education	For several years now, Campina's training budget has fluctuated at around €3 million, representing slightly more than 1% of turnover. No reference with respect to level of attention paid to needs of employees, review of training budget, quality assurance of training process, and evaluation of training results could be found.	3
		Diversity, non-discrimination, and opportunity	No information provided by Campina.	0
	Human Rights	Freedom of association and collective bargaining	No information provided by Campina.	0
		Child Labour	No information provided by Campina.	0
		Forced and compulsory labour	No information provided by Campina.	0
	Business Ethics and Corporate Governance	Bribery and corruption	No information provided by Campina. Campina provides some general information on corporate governance.	0
		Political contributions	No information provided by Campina.	0
		Ethics	Campina did not provide specific information with respect to the development, training, and communication of ethical subjects and aspects in relation to work and the business and involvement of employees in developing codes of behaviour, values, and ethical	0

	Category	Indicators	Information provided by Campina	Assessment score
	Product Responsibility	Customer health and safety	<p data-bbox="1005 365 1066 384">codes.</p> <p data-bbox="1005 389 1756 576">Campina is aware of the problems connected to health and safety issues: We eat too much and badly. Consumers in Western Europe and many other countries are overweight and take too little exercise. Around 50% of all adults are overweight. Health and weight control is an important topic to Campina and above all, an issue for the future. Low-fat concepts receive close attention in the development and production of all sorts of dairy products. Milk, yoghurt, quark, pudding, cheese and butter were all introduced to the market in a variety of different flavors, with little or no fat. In this way, Campina meets the need of many consumers who are very conscious of their energy intake.</p> <p data-bbox="1005 612 1756 842">Campina and its member-farmers took many initiatives in 2004 that lead to further improvement of the quality of the production processes and products. As part of the company-wide Q2 project launched in 2003, Campina invested in further quality improvements in the production processes during 2004, with an emphasis on hygiene and process security. Product safety and hygiene are an integrated part of other improvements in major construction and renovation projects. During the year, Campina again held an international internal Q2 contest. The jury not only considered the quality audits, but also performance in the field of handling and reducing complaints, the reduction of lower quality output and the implementation of Best Proven Practices.</p> <p data-bbox="1005 879 1756 1139">Almost all Campina farmers in the Netherlands and Belgium retained their KKM/IKM certification. Campina successfully completed the 'Supply Chain Assurance' trial project in the Netherlands during 2004. Around 60 dairy farmers in the Rijkevoort region (near Boxmeer in the Netherlands), milk transporters and Campina's plant in Rijkevoort took part in this project to investigate the practical feasibility of optimum security for farm milk during storage and transportation to the plant. The results were promising. Campina's Board has decided to introduce parts of the trial project throughout the company on a voluntary basis in the coming years. The quality of the farm milk supplied by Campina's members further improved during 2004. Further progress was made in relation to the cell count and absence of substances that inhibit bacterial growth. In the Netherlands, the</p>	4

	Category	Indicators	Information provided by Campina	Assessment score
			<p>sterility and butyric acid factors also improved.</p> <p>During 2004, Campina once again devoted close attention to further quality assurance in milk collection, as an essential link between the dairy farms and the production companies. As a spin-off of the 'Delivery Chain Assurance' trial project, extra locks were fitted to all the trailers of the mobile milk collection units (RMOs) in the Netherlands. In 2004, Campina was the only dairy company in the Netherlands to again obtain certification from an independent certifying institution for the transportation of milk, skimmed milk, cream, and whey between the plants.</p>	
B) Environmental Aspects:		Energy	<p>Energy consumption (power and heat):</p> <p>2002: 8.956 2003: 8.714 2004: 8.837</p> <p>Energy consumption amounted to 8.59 PJ, 1.4% less than the reported energy consumption in 2003. Extra hygiene requirements and more specialty products (lower volumes per production run) make it more difficult to realise the aim of lower energy consumption.</p> <p>Campina developed a meat substitute (Valeless), based on dairy proteins and dietary fibre. In the development and launch of Valeless, Campina commissioned an environmental study. 'That showed that the environmental burden caused by Valeless is less than that of meat by a factor 3 to 7, in terms of emissions of greenhouse gases, energy consumption and land use. There were no major differences compared to other meat substitutes, but Valeless is clearly less pollutant than meat.</p> <p>Energy efficiency index for Campina in the Netherlands (%) 1998: 100 1999: 103.1</p>	3

	Category	Indicators	Information provided by Campina	Assessment score
			<p>2000: 100.7 2001: 98.3 2002: 95.3 2003: 93.1 2004: 92.2</p> <p>Energy efficiency has been measured in the Netherlands for many years now. This is part of the Long-Term Agreements on energy efficiency improvement made with the government. Campina's Energy Efficiency Index (EEI) in the Netherlands in 2004 was 92.2 (reference year 1998= 100). This is a 3.1% improvement in comparison with 2002.</p>	
		Water	<p>Water consumption:</p> <p>2003: 10.39 million m³ 2004: 11.65 million m³</p> <p>Total consumption of groundwater and tap water amounted to some 11.65 million m³ in 2004, an increase of about 12% in comparison with 2003. The reported increase arose partly because the plants in Delhi (US) and the recently acquired business in Bangkok (Thailand) were included in the overall report for the first time. More intensive cleaning in combination with small production batches (production volumes) also led to higher water consumption. The modernisation of the clean water unit in Veghel (the Netherlands) and the calibration and testing of this unit led to a temporary increase in water consumption.</p> <p>Campina did not provide information on total recycling and reuse of water (include wastewater and other used water).</p>	2
		Emissions, Effluents, and Soil	<p>Emissions of carbon dioxide:</p> <p>Campina has already achieved considerable success in this field. In 2004, CO₂ emissions resulting from the burning of fossil fuels amounted to 280,000 tons, which was about 1.0% lower than in 2003. Properly adjusted and annually inspected burners enable emissions of</p>	3

	Category	Indicators	Information provided by Campina	Assessment score
			<p>carbon monoxide to be minimised, and this aspect is being continuously monitored.</p> <p>Emissions of nitrogen oxides and sulphur oxides:</p> <p>The fuel used by Campina companies in the Netherlands is almost always natural gas, whereas the activities in Germany and Central and Eastern Europe still use large amounts of oil, albeit generally with a low sulphur content. Campina has established a detailed overview of its NOx emissions in the Netherlands over the past few years, while this process is still underway for some of the activities in Germany and Belgium and is scheduled to be completed during the next few years. Emissions of NOx have been greatly reduced in recent years thanks to burners being adjusted. Nevertheless, NOx emissions in the Netherlands rose 5% in 2004 in comparison with 2003, to 157 tonnes. This increase was primarily the result of higher production in the Industrial Products group.</p> <p>Soil:</p> <p>Soil investigations have been carried out at the Campina locations over the past few years to establish the condition of the soil. In some cases, an initial inventory gave no cause for further investigation, while other cases required further investigation in order to identify and map out any pollution and determine the extent of any clean-up operations needed. The clean-up measures required have been completed at virtually all the locations, with only a few locations still having cleaning work in progress.</p> <p>All the measures needed to avoid pollution in the future are now in place, while soil risk reports have been drawn up for all locations in the Netherlands. Measures have been devised for situations in which there is a potential risk of soil contamination, although in many cases these have proved to be unnecessary. The planned measures have been included in the company environmental plans and will be phased in over the coming years. The term 'dust-tight floor' gave rise to discussions at several locations, but a practical solution to this problem was identified during the course of constructive consultations with the authorities.</p>	

	Category	Indicators	Information provided by Campina	Assessment score
			Campina did not mention any kind of greenhouse gas emissions.	
		Waste	<p>All residue flows are registered to provide accurate information on the volumes of waste flows and the costs involved. The volume of mixed corporate waste disposed of in 2004 ran to about 6,800 tonnes, while useful applications were found for almost all the waste collected separately. The volume of hazardous waste (i.e., processed oil) amounted to 104 tonnes in 2004, representing a 13% reduction in comparison with 2003. A fairly large proportion of this consisted of used oil, but there were also residues of detergents and laboratory chemicals and small hazardous waste such as batteries.</p> <p>Non-hazardous waste (x 1,000 kg): 2003: 18,317 2004: 19,383</p> <p>Hazardous waste: 2003: 120 2004: 104</p> <p>Waste policy focusing on preventing waste</p> <p>Waste avoidance, internal and external recycling and, finally, burning waste, while recovering the energy generated is the order of preference that Campina follows in its waste policy. One example of the measures taken to avoid waste is the installation of a sugar and starch silo at the liquid milk facility in Heiloo (Netherlands), which has resulted in lower volumes of packaging waste being generated at this location.</p> <p>Campina's objective is to reduce the amount of waste to be disposed of by preventing waste creation, increasing recycling and burning waste, while recovering the energy generated. The various policies applied have resulted in increasing volumes of separated waste in recent years.</p>	3

	Category	Indicators	Information provided by Campina	Assessment score
			<p>Most of Campina's waste consists of used ancillary materials and supplies and discarded packaging. All the locations now separate non-hazardous waste at source into ferrous metals, non-ferrous metals, wood, glass, synthetics and paper/cardboard, and this process is now being implemented on an ever-wider scale. Alongside these forms of waste, there are also non-recurring flows such as building and demolition debris, as well as specific waste flows, such as plaster and filter press waste, generated at a few locations. As is common practice, waste flows such as glass, metals and paper/cardboard are already fully recycled. In addition to the large-scale separation of its waste, Campina is also seeking to establish environmentally friendly processing methods for all its residue flows.</p> <p>The residue flows arising from milk processing are relatively limited in volume terms. Almost all the raw milk is used in the end product. The proportion of milk products in the flow of solid residues is, therefore, very low. Against this, however, there is an ongoing trend towards further product diversification, which results in a growing number of product changes and a corresponding increase in product waste. Product diversification can also lead to more product returns from the market because of sell-by dates expiring. This problem can be resolved to a certain extent if products have longer shelf-lives.</p> <p>During 2004, four Campina locations in the Netherlands took part in a waste reduction survey. The survey results could lead to better segregation of waste flows, which will enable waste costs to be reduced.</p>	
		Transport	<p>Campina aims to realise the lowest possible number of kilometres per ton of product. In the Netherlands, relatively fewer kilometres were traveled per ton of product. The highest transport efficiency for end products was achieved in the Netherlands. Through more efficient loading, the number of kilometres per ton of product was reduced by 3% in comparison with 2003.</p> <p>Number of kilometres per production ton in the Netherlands:</p>	3

	Category	Indicators	Information provided by Campina	Assessment score
			1999: 7,119 2000: 7,198 2001: 7,104 2002: 7,152 2003: 7,258 2004: 7,141	
		Disasters	Campina did not mention any kind of disaster related to its business operations.	4
		Products and Services	Campina did not provide specific information with respect to %age of the weight of products sold that is reclaimable at the end of the product's useful life and %age that is actually reclaimed. The company provides information related information in the section on waste.	2
		Compliance	Campina did not provide specific information on incidents of and fines for non-compliance with all applicable international declarations/conventions/treaties, and national, sub-national, regional and local regulations associated with environmental issues. It can be concluded that there were no such incidents.	4
		Overall	Environmental expenditures of Campina: 2002: 3.9 million 2003: 6 million 2004: 2.45 million Operational costs for the environment: 2003: 12 million euros 2004: 16.2 million euros In 2004, Campina's units in the Netherlands, Germany and Belgium invested some EUR 2.5 million in projects directly related to the environment. This was considerably less than in 2003 and 2002.	3

	Category	Indicators	Information provided by Campina	Assessment score
C) External Social Aspects: ³⁷	General	Social responsibility and new opportunities	<p>Care for people is in our nature:</p> <p>In the US, for example, employees of DMV International join a large walking event, the 'Relay for Life', every year to sponsor cancer research. Campina Russia employees took part in a cycling marathon in Moscow to raise funds for children with Downs syndrome. And at DMV International in Veghel (the Netherlands) employees joined the 'Ride for the Roses' cycling event to raise funds for 'support points' for the families of cancer patients. Immediately after the tsunami disaster in Asia at the end of December, spontaneous collections were organised for the victims. During the '<i>Gläserne Produktion</i>', an informative event for residents of Heilbronn, Campina Germany in Heilbronn contributed to a collection for 'People in Need'. All the proceeds of sales during the event went to this foundation.</p> <p>During 2004, Campina frequently sponsored schools and associations working for the handicapped and deprived youth with product donations. At summer camps and holiday weeks for children, Campina provided tasty and healthy dairy products. At the local level, we supported countless sporting events and charity campaigns. Campina's close involvement in society is also shown by Campina Germany's initiative to renovate playgrounds in deprived areas in major cities.</p>	3

Table on Campina's CSR performance with respect to internal processes³⁸

³⁷ External environmental aspects such as community, consumer, public sector, investor and supplier relations are addressed in the sections on transparency/accountability and participation.

³⁸ The indicators are to a large extent based on definitions provided by the Global Reporting Initiative. For more information see GRI (2005). Sustainability Reporting Guidelines. http://www.globalreporting.org/guidelines/2002/gri_2002_guidelines.pdf; accessed May 3, 2005.

Score of 0	Not mentioned	Theme not mentioned.
Score of 1	Mentioned	Theme briefly mentioned in general terms, but minimal information on own operations. Alternatively, theme dismissed as irrelevant.
Score of 2	Insufficient	Theme described with reference to own enterprise, but information has major deficiencies with respect to content and presentation.
Score of 3	Satisfactory	Theme described and analysed with respect to own operations. Problems are identified and challenges and solutions are considered, but information has some deficiencies with respect to content and presentation.
Score of 4	Very satisfactory	Theme is described and analysed systematically and comprehensively with respect to the company's operations. The company demonstrates an integrated and overall perspective.

Table on assessment score and interpretation

Larger Thematic Sections	Scores on individual indicators	Aggregated score	Score on larger Thematic Section	Overall Score
Internal Social Aspects	3/4/4/3/0/0 ³⁹ /0 ⁴⁰ /4	18	2.25 (18:8)	2.75 [(2.25+3+3):3]=2.75
Environmental Aspects	3/2/3/3/3/4/2/4/3	27	3 (27:9)	
External Social Aspects	3	3	3 (3:1)	

Table on calculating the overall performance score of Campina

³⁹ Score on human rights is based on the average score of the indicators 'freedom of association and collective bargaining, child labour, and forced and compulsory labour'.

⁴⁰ Score on business ethics and corporate governance is based on the average score of the indicators 'bribery and corruption, political contributions, and ethics'.

**Gasunie Transport:
Internal and external facets of
Corporate Social Responsibility**

8.1 Introduction

This chapter contains two related research focuses: a thorough assessment of Gasunie Transport's CSR performance and second, consequences due to this performance for the company's interaction with external stakeholders with a special focus on public authorities. The study is structured in the same way as the Campina case study: an introduction and placement of the company in the business context with respect to the Dutch gas sector is followed by a presentation of current CSR issues in the gas sector to put the company's specific development into the broader CSR context. Third, Gasunie Transport's internal approach towards CSR is presented with special attention to relevant historical decisions, development steps, and motivations. Fourth, Gasunie Transport's current CSR performance is analysed and presented in a comprehensive way. The outline of the second part of the chapter is provided in the introduction to the second larger thematic section of the chapter.

8.2 Gasunie Transport – corporate overview and business context

Gasunie Transport is the leading gas transport company in the Netherlands with increasing ambitions throughout Europe, which means that its responsibilities stretch beyond the safe transport of gas from one place to another. The transport of gas includes managing, maintaining, and improving the gas transmission system. Gasunie has an extensive gas transmission system for implementing its transport activities. This comprises an underground pipeline network with a total length of approximately 11,600 kilometres, plus several dozen installations and over 1,000 stations. Nine compressor stations provide the correct level of compression needed to transport the gas to its customers. Approximately 1,100 custody transfer stations and 14 export stations supply gas to the end user.

Until 2005 Gasunie Transport was part of the N.V. Nederlandse Gasunie, the key gas trading and transport company of the Netherlands. *N.V. Nederlandse Gasunie* was owned by the Dutch state (10%), by *Energie Beheer Nederland* (40%), and by Shell and ExxonMobil (25% each). The Dutch government decided to restructure and split the company into a trading arm and a transport unit which operate as legally separate entities. This study focuses on the transport arm. Due to the recent restructuring of the company, it is more difficult to gather the necessary data for an accurate evaluation of the company's efforts with respect to CSR. The split of the company was to some extent also problematic during the interviews because the employees of Gasunie Transport sometimes found it difficult to differentiate the new situation from the previous situation. Despite these difficulties, Gasunie Transport is particularly interesting because of the ownership structure of the company. Gasunie Transport's only shareholder is the Ministry of Finance. Hence, the company remains under full control of the state. This ownership structure makes an interesting case compared to privately owned enterprises with respect to social

and environmental responsibilities because the drivers, motives, but also performances with regard to CSR might be different compared to private companies.

Through the special ownership structure, Gasunie Transport tries to look beyond today's results and focus on the performance and position of the company of tomorrow. The company has a turnover of €1.23 billion (2006) and 1,461 employees. Gasunie Transport's core activities are primarily focused on the Netherlands. The company's primary function is the safe transport of gas. Additionally, Gasunie Transport is positioning itself as a European player in the gas transport business. The company, but also the province of Groningen, is very interested in establishing a gas junction (rotunda) in the province which would guarantee a strong position for the company and long term employment for the province. Gasunie Transport has various sites throughout the Netherlands with the head office located in Groningen, in the North of the Netherlands.

Before the split into a trading and a transport arm, *N.V. Nederlandse Gasunie* was the strongest player with respect to gas supply in the Netherlands. Fifty-one percent of Dutch gas was provided by the company. Nowadays, Gasunie Trade and Supply (the trading arm) has an intermediary function in the gas market. In other words, mainly Esso and Shell provide the company with gas which is traded by Gasunie Trade and Supply to distributors such as Essent, Nuon, Eneco, Delta, and Centrica. Gasunie Transport is responsible for the safe transport of the gas from Shell or any other gas producer to the gas distributors. Key players in the Dutch gas market are the producers ExxonMobil, Shell (including Nam), Total, BP, and the distributors (ordered according to turnover) Essent, Nuon, Eneco, Delta, and Centrica (*Het Financieele Dagblad*, 2006). Additionally, there are a number of sector specific organisations active such as the *Koninklijke Vereniging van Gasfabrikanten* (KVGN); the Federation of Energy Companies in the Netherlands (EnergieNed) is the representative body for all companies in the Netherlands playing an active role in the production, transport, trade or supply of gas; the Association of Dutch Suppliers in the Oil and Gas Industry (IRO); and the Netherlands Oil and Gas Exploration and Production Association (NOGEP). Additional important actors with respect to information supply in the gas sector are the Ministry of Economic Affairs, TNO-NITG, State Supervision of Mines (SodM), and *Energie Beheer Nederland* (EBN).

In general it can be said that the Dutch gas sector is characterised by a liberalised market structure when it comes to trading and distribution of gas. The situation with respect to gas production in the Netherlands is somewhat more complicated because of the small fields policy (Gas Act) which obligates Gasunie Trade and Supply to purchase all gas produced from small fields (Ministry of Economic Affairs, 2006)¹. The transport of gas remains in the hands of the state. The general tendency towards

¹ For a more information on the small field policy in the Netherlands see Ministry of Economic Affairs (2006). Gas production in the Netherlands: importance and policy, Den Haag.

more privatisation has not yet affected the transport of gas in the Netherlands. Gasunie Transport, with the Ministry of Finance as the company's only shareholder, therefore stands out from privately owned companies with all existent (strong and close principal-agent relationship) and potential implications for CSR (access points to governmental decision making, more long term targets with respect to CSR, different responsibilities). For this reason, Gasunie Transport represents a very interesting case study.

8.3 CSR issues related to the gas sector

Gas production and transportation are regularly in the spotlight in the Netherlands. The giant Groningen gas field is of considerable importance for the Dutch energy supply but also for general economic and social policies within the Netherlands. The Groningen gas field was discovered in 1959. Since that period the Dutch gas supply has depended to a large extent on this field. The Dutch government (Ministry of Economic Affairs, 2006: 8) is well aware of the importance of the gas resources within the country:

It contributes to the security of supply in Europe and also considerably to the economy and prosperity of the Netherlands. Moreover, domestic gas production is subject to stringent environmental criteria, and for the time being prevents large scale, less efficient and/or less clean, imports of gas that would otherwise be needed.

The Dutch government argues that continued gas production in the Netherlands is important for the security of supply, the Dutch economy, and sustainability. The government is convinced that energy from fossil fuels will continue to dominate in the coming decades and that the role of gas among the various fossil fuels will become increasingly important. Furthermore, the government supports gas because it is the cleanest fossil fuel and, hence most appropriate during the transition period to a more sustainable energy supply. From an economic perspective, gas production has contributed significantly to the prosperity of the Netherlands and is still contributing approximately five billion euros annually in state revenues. (Ministry of Economic Affairs, 2006).

However, there are a number of CSR related issues connected to the production and transportation of gas. Environmental issues related to CSR in the gas sector are noise contours, visual intrusion, lighting, traffic, fire prevention, waste management, and energy management. There are also two potentially dangerous effects of gas production: subsidence, a gradual process which impacts the water balance and thus vegetation and the environment as well as buildings and infrastructure, might get set off due to gas production. The second risk is that earthquakes may occur with considerable consequences for buildings and infrastructure. Social issues revolve mainly around health and safety because of the dangerous nature of the gas production and transportation businesses. Accidents in connection with gas

production and transportation have happened in the past and showed how dangerous the business is. The reason the study does not exclusively concentrate on issues connected to the gas transportation business is that the gas sector should be seen as a whole. In the eyes of the wider public the gas transportation business is perceived as dependent on the other parts of the gas production value chain. Hence, if an accident or environmental disaster happens at a production site or at a gas distribution centre, the gas transportation sector is also affected. The various parts of the gas production value chain are widely perceived as interdependent. Therefore, the CSR issues connected to the gas sector encompass specific transportation issues (primarily health and safety of the pipeline) but also general gas production issues.

Gasunie Transport is part of the gas production chain and has to shoulder its share of responsibility in the sector. The picture is similar to the Campina case because in addition to the environmental issues related to the sectors specifically, there are of course social issues inherent in the modern conception of CSR. Social aspects of CSR usually revolve around issues such as health and safety of employees, the working environment, training opportunities for employees, gender equality and diversity, stakeholder dialogue, human right issues etc. Gasunie Transport is as confronted with the people side of the triple bottom line as it is with the planet side, though social aspects are often overshadowed by environmental issues. Health and safety of the employees is time and again at the forefront of public attention because of (rare) severe accidents connected to gas production and transport. Hence, the case study on Gasunie Transport offers interesting situations on all dimensions of the triple bottom line because the company is confronted with sensitive questions on the planet side, critical questions on the people side, and with an interesting, nowadays abnormal profit side due to the ownership structure. It should be re-emphasised however, that the vagueness and diverse nature of CSR makes it very difficult, if not impossible, to draft general policies or programs encompassing the entire business sector. Hence, the study does not focus on CSR policy-making specifically, but on how CSR issues are discussed and approached by private and public actors in the gas (transportation) sector.

8.4 Gasunie Transport's journey towards CSR

N.V. Nederlandse Gasunie was founded in 1963. In several publications the company states that they are strongly committed to safety, health, and environmental issues since the foundation. The interviewees of the company also indicated that these themes are of great importance for the business conduct of Gasunie. According to several interviews with employees, the strong role of the state due the company's ownership structure made it obligatory from the start in the 1960s for the company to engage in CSR related issues such operating with the lowest possible emissions and highest safety standards. Employees of Gasunie integrated the proactive approach to CSR related issues stated in the several company publications and documents. However, a more structured and systematic development of internal CSR activities only began about 10 years ago when the first health, safety, and the

environment reports were published. The reporting however, only encompassed environmental issues in the early years of reporting; broader social and economic issues came in later.

Gasunie Transport reported before it was legally obligatory because of the company value of being a prudent operator (van der Velde, 2006). Another reason for starting reporting in more a triple bottom line fashion was that the general public began asking questions such as how Gasunie was using funds. In the very beginning of reporting activities, the company published an internal report for two years. After experience was gathered on how to report on relevant issues, the company published the first report dedicated to external readers- a classic environmental report. Safety issues were included as a next step in the form of broad health and safety aspects and with local community issues. The notion of sustainability was finally introduced in 2001. The driver for the reporting activities was predominantly the middle management. Top management was not crucial with respect to get the reporting procedures started. The obligation to report was on the horizon when Gasunie Transport started its reporting activities. Nevertheless, the company decided to become active in advance. Gasunie Transport is now considering implementing CSR reporting instead of the HSE/Sustainability reports. The reporting is already based on the Global Reporting Initiative framework. However, not all indicators of the framework are used because some issues such as child labour are no issue for the company due to its Western European business context. Gasunie Transport applies the indicators in a flexible manner, a common approach to the Global Reporting Initiative. However, to change the reporting structure to cover all relevant CSR aspects requires the support from the top management to be successful. To convince the other relevant departments of the company to provide information on CSR policies and activities, support from the top (CEO) is necessary, otherwise they will not cooperate to provide more soft material for the report (Veenstra, 2006a). It can be concluded that the reporting activities of Gasunie were partly internally (company values) and externally (public interest in the company's operations and upcoming regulation) driven.

From an organisational perspective, CSR related initiatives started in a decentralised fashion in various departments within Gasunie Transport. A platform for sustainability issues was set up in 2003 with the aim to create a forum for discussion and, consequently, the development of more streamlined CSR strategies. Issues discussed on this platform revolved around how to achieve the transition from fossil to non-fossil fuel sources of energy. More specifically, issues such as bio gas, static gas, hydrogen, mobility in general, and decentralisation (combined heat and power – CHP) were on the platform's agenda. The roots of these initiatives go back to the 1980s when Gasunie had already training programs in place for its employees to advice other companies to use less gas. Of course, Gasunie is a company in the gas market and, hence not aiming at driving itself out of the market with total gas abandoning strategies and initiatives. The aim of the company is to make gas an interesting energy option in the long run to defend its strong core business as long as

possible. Gasunie Transport however started to look beyond gas as the only market for the future (Veenstra, 2006a). As a next internal step towards integrating CSR in the company structure, right after the company split Gasunie Transport positioned the health, safety, and the environment (HSE) department directly under the top management. This department is now responsible for environmental and social issues connected to Gasunie Transport's business conduct. This means that almost all CSR issues related to the company are now concentrated in one department. The main driver for the internal restructuring of the company with respect to CSR is the new CEO Marcel Kramer. He became the new CEO of Gasunie Transport after the split of Gasunie in 2005. Marcel Kramer has the reputation of being very proactive with respect to CSR issues because he recognised the increased importance of the company's reputation when it comes to building new pipelines (van der Velde, 2006)².

Gasunie pointed out that incidents like the Brent Spar did not have an effect on the company. In other words, external pressure due to especially high profile incidents was according to Gasunie not a driver for becoming more active in the field of CSR. The reason for that is that the company tries to keep a low profile in general but also with respect to social and environmental issues. Tjerk Veenstra (2006a), senior HSE advisor, expressed Gasunie Transport's strategy in the following manner:

There is no pressure to have a high profile. We are not involved in the exploitation of gas (dirty business). We are not a company with a lot of impact on the environment. We only transport gas. There was never the necessity to expose ourselves as a green company.

There was never pressure from NGOs to do so. In the press Gasunie was always a boring, low profile company with no big issues, no scandals, no Brent Spars.

The general strategy to remain a low profile company because of the 'cosy' intermediary position of Gasunie Transport between gas producer and gas distribution companies is however, not unchallenged. The company is nowadays increasingly confronted with raising external demands when it comes to new pipeline projects. Bauke van der Velde, an employee representative of Gasunie Transport, stated that in the past, when Gasunie had to lay new pipelines it was always easy to do so. Nowadays it is much more difficult to get a permit to lay a new pipeline. Gasunie Transport is now aware that it is very important to have a good reputation. He went on with stating that within Gasunie Transport, a proposal for a new pipeline usually took about one and half years to get started. Nowadays, it can take up to four to five years to lay a pipeline. The main factors delaying the projects are the opposition of municipalities, provinces, and NGOs. Van der Velde

² As pointed out elsewhere in the dissertation, the literature on CSR and stakeholder management generally supports the notion of the crucial importance of the CEO for CSR diffusion within a company. For instance, see Wood, D.J./Jones, R.E. (1995). Stakeholder Mismatching: A Theoretical Problem in Empirical Research on Corporate Social Performance, in: *The International Journal of Organisational Analysis*, Vol. 3, No. 3, 1995; pp. 229-267.

concludes that external factors were mainly responsible for Gasunie Transport's CSR engagement in the last couple of years (van der Velde, 2006). Tjerk Veenstra, added to the issue of reputation that external demands on the company have risen due to the raising awareness of the general public of the shortage of fossil fuels in the long run and due to safety problems connected to an aging pipeline infrastructure. Nevertheless, Veenstra (2006b) again differentiates Gasunie Transport from other companies in the gas sector:

We are only interest in preventing negative reputation. Positive reputation is an issue for Unilever and Shell. We do not advertise our CSR activities to sell more gas. We are here on the world for transporting gas to industry and households. Therefore, brand reputation is not a motive for us. CSR is therefore almost a kind of risk management instrument (Veenstra, 2006b).

Finally, the question remains if Gasunie Transport as a state owned company receives directives or guidelines with respect to CSR from governmental authorities? Gasunie representatives declined the question and stated that there are no obligations from government with regard to CSR. Before Gasunie Transport started its own activities in the field of CSR, the company used to look at Shell (had 25% share of the former integrated N.V. Nederlandse Gasunie). Shell needed information related to environmental and social issues for their own reports and, hence put pressure on Gasunie to become active too (Veenstra, 2006a). Governmental authorities also stated that there is no special directive or guideline for the company in place. The governmental policy is it that stated owned companies should not do more or go further with respect to CSR than other private companies in the market. The approach of governmental authorities to Gasunie Transport's social and environmental responsibilities is best articulated by the following quotation:

We do not have the knowledge within the ministry to deal with such issues. It is also depending on the industry sector. It is very important to have high safety standards in the gas sector; Gasunie should be top of the bill. It is good if they have it, but we do not actively support the company. We would do so if something would go wrong with respect to CSR issues (Hoevers, 2006).

Gasunie Transport's ambitions with respect to CSR are, hence, coming from inside the company as has been pointed out already (mainly company values and new CEO as a key driver of the internal development) and from the outside due to increasing external demands on pipeline projects. The face of the company's CSR initiatives changed over the years from sponsoring and charity activities to more core aspects of Gasunie Transports business conduct such as health and safety issues. The infrastructure is aging; therefore Gasunie Transport needs to spend more money on employees' health and safety, and especially external safety on the infrastructure itself. Furthermore, the company is opening up to other actors on the public and private side to start bigger projects in the field of more sustainable energy solutions.

The company's strategy with regard to CSR can be described as a low profile but proactive tool of risk management with a strong foundation in company values such as to operate with the lowest possible emissions and with highest safety standards.

Safety, security of supply, reliability, high quality, and environmentally friendliness are the motives for Gasunie [to do CSR]. What we call now CSR is to keep a safe infrastructure and guarantee security of supply. CSR means cooperation with other actors. (Veenstra, 2006a).

8.5 CSR at Gasunie Transport

This section evaluates Gasunie Transport's actual CSR performance. The self-perception of the company was presented in the previous section. According to several employees, Gasunie Transport has a long history as a proactive, value-driven CSR company. Whether this picture drawn by the company holds against a thorough assessment of the company's current CSR policies and activities will be in the focus of this section. As mentioned in chapter 6, the applied methodology focuses on the following three key CSR issues:

- Transparency and Accountability of Business
- Internal Business Processes (Production, Service Delivery)
- Participation (Stakeholder Management in CSR terms)

The methodology will not be presented here again; the focus will entirely be on the results and consequences for the assessment of Gasunie Transport's CSR performance.

8.5.1 Transparency and accountability of Gasunie Transport

Six 100-word passages were randomly selected from each section of the Health, Safety, and the Environment Report (HSE) 2004.³ Flesch and Dale-Chall readability measures were calculated for each; results are summarised in Table 24.

The results show that Gasunie Transport's HSE report is difficult or very difficult to read. Both readability methodologies show very similar results with respect to the reading ease of the selected text. All sections of the report have a score of college or near college level. Gasunie Transport arguably presents its CSR related information in a manner that is difficult or very difficult to understand.

³ When the research was conducted the CSR report 2004 was the most recent. To use a more recent CSR report for the final analysis is not possible because it would change the subsequent analysis and results on the impact different levels of CSR engagement have on the interaction with other stakeholders.

Report Section	Flesch – Reading Ease	Flesch – Flesch-Kincaid Grade Level	Passive Sentences	Dale-Chall – Readability Index	Dale-Chall – Grade Level
Company profile	28,7	15,3	25 %	11,08	16
Sustainable Business	14,4	17,8	0 %	12,63	16
Safety, health and environment - general	22,4	14,4	33 %	9,50	13-15
Safety	25,1	14,3	40 %	10,50	16
Health	31,6	12,2	33 %	9,58	13-15
Environment	32,5	12,9	83 %	9,89	13-15

Table 24: Readability of the Gasunie Transport's HSE report 2004 based on Flesch and Dale-Chall (DuBay, 2004)

As was the case with Campina's presentation of CSR related information, the general presentation of the information with respect to the use of illustrations, document length, and the used format can be evaluated quite positively despite the overall low readability level. Illustrations, tables, and figures are used in a way that invites further reading. The combination of limiting the report length (56 pages) and the use of clarifying figures makes it easy for readers to find their way without losing themselves. However, the restructuring of the company had a negative effect on the transparency of the company. The split led to a situation in which the level of provided information for external stakeholders decreased significantly. For instance, the Health, Safety, and the Environment (HSE) reports produced previously were not continued. Currently there is no Gasunie Transport report available with detailed information related to CSR. The only information (related to the safety and reliability of the transport of gas through the transmission system operated by Gasunie Transport and derived from the company's quality control system) published that relates to CSR is included in *Rapportage Kwaliteitsindicatoren 2006*⁴. The company publishes the obligatory annual report in Dutch and English. Yet, the fact that the company publishes an annual report in English does not overshadow the fact that currently no website is available in English which limits the readability of the provided information drastically.⁵ Before the company was restructured at the beginning of 2005, Gasunie presented HSE reports written at a reading level beyond the educational skills of large parts of their target audience which means that the company still faces the challenge to improve its readability for all potential audiences.

⁴ For the full report see Gasunie Transport Services (2006). *Rapportage Kwaliteitsindicatoren 2006*. www.gastransportservices.nl/corporate/publicaties/rapporten/; accessed April 5th, 2007.

⁵ It should be mentioned that in the meantime, Gasunie Transport has provided an English language homepage as well.

Based on the current situation with respect to the availability and readability of CSR information, it is difficult for Gasunie Transport to tell its stakeholders the corporate messages which really matter to the company. The accessibility of information on CSR has been substantially limited since the split in 2005, especially with respect to non-Dutch speakers. It can be argued that Gasunie Transport’s policy with respect to transparency and accountability does have significant accessibility limitations because of the abandoning of HSE reports which covered a lot of CSR related issues. Gasunie Transport offers limited information that is difficult to obtain and demands considerable comprehension skills (if at all because of the language barrier). There is certainly enough room for improvement to make it easier for the reader to get and comprehend the information provided.

8.5.2 Internal business processes

The next section contains the results of the assessment on Gasunie Transport’s CSR policies and activities. Due to space limitations only a few indicators and results are shown in detail.⁶

	Indicators	Information provided by Gasunie Transport	Score ⁷
A) Internal Social Aspects:	Employment	<p>The number of employees has been very stable over the last nine years. There has been no significant fluctuation, not even after the split of the company in 2005.</p> <p>Number of employees:</p> <p style="padding-left: 40px;">1997: 1,639 1998: 1,635 1999: 1,553 2000: 1,464 2001: 1,389 2002: 1,390 2003: 1,446 2004: 1,477 2005: 1,425</p> <p>Gasunie Transport did not provide information on social programs for laid off employees. However, the company stated that there was intensive contact with the Employee Council during the period of restructuring.</p>	4
B) Environmental Aspects:	Energy	<p>Gas is used to power gas turbines and drivers for transportation. Gasunie Transport also uses it for heating. The gas</p>	3

⁶ See the appendix for the assessment on all indicators.

⁷ Score scale reaches from 0 to 4. For instance, 0 indicates that the company is not doing anything and 4 means that the company has a well structured policy in place.

	Indicators	Information provided by Gasunie Transport	Score ⁷
		<p>required is taken from the company's own reserves. The electricity for all its installations, equipment and lighting is drawn from the mains supply.</p> <p>Gas consumption (in million m3):</p> <p style="text-align: center;">2000: 130 2001: 145 2002: 135 2003: 160 2004: 205</p> <p>Gas consumption depends largely on the deployment of the equipment used to help transport the gas. This in turn is largely dependent on the weather. Other factors include levels of supply, demand, and transport capacity. The relative increase in the number of changes in supply and demand in recent years is partly due to the liberalisation of the gas market. Gasunie Transport's own gas consumption has risen compared with previous years. This is mainly a result of increased use of the compressor stations in Ommen and Ravenstein.</p> <p>Electricity consumption (in million kWh):</p> <p style="text-align: center;">2000: 305 2001: 230 2002: 280 2003: 320 2004: 270</p> <p>Electricity consumption has declined compared with 2003. This is due to two factors: reduced deployment of the nitrogen installation in Ommen, and in 2003, the LNG tanks on the Maasvlakte, used to store liquid methane, were replenished. As a result, they did not need to be filled as often during 2004.</p>	

Table 25: Gasunie Transport's CSR performance with respect to internal processes⁸

⁸ The complete table including all indicators and remarks can be found in the appendix. The indicators are to a large extent based on definitions provided by the Global Reporting Initiative. For more information

The aggregate of the scores on the three larger sections (internal social performance, environmental performance, external social performance) gives the final assessment for the company with respect to internal processes. Gasunie Transport’s overall CSR performance with regard to internal processes appears as follows:

Larger Thematic Sections	Score	Overall performance score
Internal Social Aspects	2.19	2.56
Environmental Aspects	3.50	
External Social Aspects	2	

Table 26: Gasunie Transport’s overall CSR performance with respect to internal processes

The overall performance score of Gasunie Transport with respect to the company’s internal processes is 2.56 out of a potential 4 points. At first glance, this score seems to indicate that the company is barely doing a satisfactory job with regard to its social responsibilities. However, this is not the whole story because the major deficiencies are mainly concentrated around human rights, diversity, non-discrimination, and business ethics issues. This does not mean that those issues are less important than the other indicators. The results are quite similar to the results of Campina. Human rights issues and business ethics are apparently not seen as important enough to report on for external stakeholders. These issues are usually more in the spotlight of large multinational corporations which act globally and include areas with lower human rights and business ethics standards. A reason why these issues are not of much concern so far for Gasunie Transport and Campina can be seen in the ownership structure of the companies. Western co-operatives and state-owned companies are expected to obey high human rights and business ethics standards. As stated in chapter five in the discussion on different company types’ impact on CSR, co-operatives can be characterised by especially two features: first, as voluntary organisations open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination. Second, co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership (European Commission, 2001, pp. 6-7).⁹ State-owned companies in Western Europe are expected to obey the highest human rights and business ethics standards manifested through the control by ministries with supervision powers, which are in turn controlled by the parliaments.¹⁰

Human right issues are of no great relevance for the business operations of Gasunie Transport because the company and its core business are mainly located in the

see GRI (2005). Sustainability Reporting Guidelines.

www.globalreporting.org/guidelines/2002/gri_2002_guidelines.pdf; accessed May 3, 2005.

⁹ Governance and transparency problems connected to co-operatives are presented in chapter 5.

¹⁰ Governance problems connected to state-owned companies are presented later in this chapter.

Netherlands. Nevertheless, to improve the performance in all aspects of CSR and to avoid potential irritations connected to human rights issues and the company's business conduct, Gasunie Transport should draft and implement a clear-cut policy on human rights issues. Business ethics are relevant for all businesses, no matter where they are located and which organisational structure a company has. Gasunie Transport is conscious of its ethical responsibility; however the company does not provide detailed public information on the issues such as political contributions, corruption, and bribery. The company stresses the special ownership structure which makes political contributions highly unlikely (Veenstra, 2006a). Furthermore, one should not underemphasise the fact that Gasunie Transport has an outstanding compliance level and no scandals whatsoever with respect to past business ethics. Nevertheless, more transparency with respect to business ethics issues should be on the agenda of Gasunie Transport for the upcoming years because of the special owner structure. Otherwise the company runs the risk of criticism for being privileged and under the patronage of the state. The company also has a number of strong points such as health and safety issues and environmental issues in general. The performance on those indicators is overwhelmingly satisfactory or even very satisfactory. Gasunie Transport's safety performance with respect to incidents involving gas leaks over the last 30 years is consistently better than the industry's average.¹¹ It should also be noticed that Gasunie Transport received the ISO 14001 certificate for successfully securing its environmental management system in 2005. With this, the company demonstrates its willingness and ability to take care of its environmental responsibility. According to the methodology of Kok et al. Gasunie Transport is currently on the way to level 3 (out of 4)¹². Gasunie Transport's performance with respect to internal processes is on the way to becoming satisfactory with room for improvement especially in the fields of human rights, diversity, non-discrimination, and business ethics.

8.5.3 Participation or stakeholder management

Tjerk Veenstra, Corporate Coordinator of HSE policies within Gasunie Transport, indicated that Gasunie Transport performs no proactive stakeholder management. The stakeholder management is done in an ad-hoc manner. Stakeholder dialogue is

¹¹ The comparison of the data of Gasunie Transport and the sector's average shows that Gasunie Transport has a better safety record with respect to pipeline incidents over the last 30 years. For a more detailed presentation of the data see Gasunie (2001). V,G & M – jaarverslag 2000. Groningen, Gasunie; and EGIG (2004). 6th EGIG-report 1970-2004. Gas Pipeline Incidents. www.egig.nl/downloads/6th%20Report%20EGIG.pdf; accessed May 17th, 2006.

¹² Kok et al. (2001) describe Level 3 as planned policy: "Not only is the law followed by the company, also attention is given to other needs from society. There is no deep understanding and development of the company's own social responsibility and no interaction with all potential stakeholders in society. Only those stakeholders who have social claims that directly relate to the business performance are involved in the discussions. Or in other words, the company has a semi-structured approach to CSR issues with no substantial organisational impacts. Furthermore, a company at this level has some commitment to CSR what includes stakeholder management in a more restricted sense."

performed in the form of bilateral contacts on the basis of projects or specific issues. The company deals with commercial and non-commercial stakeholders. The company engages stakeholders actively and is also contacted. Gasunie Transport indicated that it always has open doors for stakeholders. A dialogue forms the basis for potential further steps in the interaction with involved stakeholders. However, a management structure with respect to stakeholder management is not in place. The company indicated that active stakeholder dialogue by Gasunie Transport is common practice with respect to business partners, but not the case with non-commercial stakeholders (NGOs). *Stichting Milieu en Natuur* contacted Gasunie in connection with the Economy Light Project. This represents the first cooperation with an NGO. However, the potential of such cooperation depends on the perspectives of involved actors. If the positions are too far apart from each other than cooperation becomes more unlikely (Veenstra, 2006a, 2006b). Gasunie Transport is thus involved in proactive stakeholder management with respect to commercial business partners. Contacts to non-commercial stakeholders are not managed and can be characterised as ad-hoc.

Gasunie Transport manages its stakeholder contacts in a decentralised manner. The various specialised departments deal with their specific stakeholders directly. For instance, the human resource department deals with employee issues, the HSE department deals with HSE issues connected to the day-to-day business conduct etc. The local departments of the company also deal directly with their stakeholders and do not get in contact with the company headquarter. A central department organising stakeholder dialogue does not exist. Tjerk Veenstra describes the situation:

The public relations department has all kinds of contacts with the press and the media. People of the finance department have lots of contacts with the Ministries of Finance and Economic Affairs. The local departments have a lot of contacts with local authorities and provinces. There must be some kind of overview in the public relations department. (Veenstra, 2006a)

Gasunie Transport uses a more centralised approach to stakeholder management when bigger projects are on the corporate agenda such as laying a new pipeline. A temporary 'construction' department leads the project including the dialogue with affected stakeholder groups. The reason is simply that the number of affected stakeholders is considerably larger in projects involving more provinces (Veenstra, 2006a). For instance, a project in North Holland involved the *Rijkswaterstaat* (authority responsible for water issues), two provinces, 16 municipalities, and 400 farmers. Many environmental issues had to be dealt with to get all necessary permits (Van der Velde, 2006). However, all normal day-to-day issues are dealt with in a decentralised manner without a specific organising or coordination body.

Gasunie Transport has not yet implemented a fully-fledged stakeholder management system capable of dealing with multiple interests outside the inner

circle of primary stakeholders (business partners). This is especially true with respect to non-commercial stakeholder groups and normal day-to-day business conduct. Part of the reason is that the company has no CSR department or permanent stakeholder coordination department which could fulfil this organising function within the company. Instead, all departments from HSE and public relations to finance and construction deal with CSR issues individually when it comes to external stakeholder contacts.

8.5.4 Conclusions

The purpose of this chapter was partly to see if the CSR activities really go to the heart of Gasunie Transport's business conduct. The evaluation is based on transparency and accountability of business, the internal business process, and participation/stakeholder management to characterise the modern conception of CSR. The analysis on Gasunie Transport's performance on transparency and accountability showed significant accessibility limitations because of the abandonment of HSE reports which covered a lot of CSR related issues. Gasunie Transport offers limited information that is difficult to obtain and demands considerable skills from the reader to be understood. The score on internal business processes was not yet fully satisfactory, with room for improvement especially in the fields of human rights, diversity, non-discrimination, and business ethics. Finally, it can be said that Gasunie Transport has not yet implemented a full-fledged stakeholder management system, especially with respect to day-to-day stakeholder contacts. Instead, the company uses a decentralised approach which does not allow the company to coordinate the stakeholder interests in an effective manner. The company uses a more centralised management scheme only for bigger projects such as laying new pipelines. Therefore, Gasunie Transport has only reduced competencies at its disposal to navigate uncertainties and/or maximise potential opportunities. Despite this strict and rigid assessment of Gasunie Transport's CSR policies and efforts, it has to be emphasised that the company has been considerably affected by the organisational restructuring after 2005. If the company is able to reconnect to the once established CSR routines (HSE reports) and policies (information provided in English) of the past than Gasunie Transport should be able to quickly improve its performance. Furthermore, the company already has a number of strong points in place, especially with respect to the environment and health and safety issues.

Gasunie Transport has a very good reputation concerning CSR and sustainability issues. Throughout numerous interviews with governmental officials the notion of Gasunie Transport as a proactive company in the field of CSR was often repeated. Despite the current findings that the company is not yet a CSR forerunner, Gasunie Transport was able to establish a very positive reputation with respect to CSR which in turn provides the company with substantial beneficial opportunities. The positive CSR reputation of the company can lead to favourable outcomes at the bargaining table with public authorities in general, but also when it comes to concrete projects

and required consent on aims (financial) and means (permits). A good reputation with respect to CSR in combination with a good performance on CSR indicators in the environmental and health and safety field should ideally lead to better and more intense contacts with various stakeholder groups, among them and very importantly, governmental authorities. These favourable contacts with governmental authorities potentially lead to regulation climate which gives the company enough freedom and flexibility to deal with public demands in the most efficient and creative way which benefits the company and society at large. In addition to these CSR specific factors affecting the company's interaction with external stakeholders, the special position of the company due to its ownership structure (100% state owned) and the near-monopoly status as the major high pressure gas transporting company in the Netherlands, should also positively affect Gasunie Transport's interaction with other stakeholders.

The next section analyses if and how the stated company characteristics and CSR performance impact Gasunie Transport's position in the Dutch gas sector. More specifically, we analyse to what extent Gasunie Transport's CSR activities impact interaction with other stakeholders, with a particular focus on the consequences for the interactions between the company and public authorities and the role the company ownership structure plays.

8.6 Corporate Social Responsibility and policy-making in the Gas Sector – What role does communication play?

8.6.1 Introduction

The previous section showed that Gasunie Transport provides a mixed picture with respect to its CSR performance. It has to be noticed that the company was considerably affected by the organisational restructuring after 2005. If the company is able to reconnect to previously established CSR routines and policies of the past then Gasunie Transport should be able to quickly improve its performance. Furthermore, the company already has a number of strong points, especially with respect to the environment and health and safety issues. Again using Archie B. Carroll's (1991) conceptualisation of CSR, it can be said that Gasunie Transport has currently lost its focus to reach the third layer (the company fulfils its required economic and legal responsibilities with only limited steps towards socially expected ethical responsibilities) of the pyramid with no current observable signs pointing towards further progress (Carroll, 1991).

The upcoming sections focuses on the main research question, namely how Gasunie Transport's interaction with various stakeholders affects the company's position in the network and its ability to influence public authorities. The underlying theory and methodology of the chapter will not be presented here again. Stakeholder theory and some components of the Advocacy Coalition Framework form the theoretical basis

for the analysis, and network methodology is applied to gain further insights into stakeholder and policy-making dynamics. Thus, the next section presents information on the Dutch gas sector relevant for the study using social network analysis. We concentrate on interactions involving all identified actors of the sector and consequences of these social interactions for the positions of these actors in the network. Groups of actors are identified with closer links and the centrality (power of actors) and status (prestige) of actors are determined. The last section of the chapter looks specifically at the relationship between Gasunie Transport and public authorities and whether Gasunie Transport's CSR engagement impacts the policy-making process in the gas sector.

8.6.2 The Dutch gas sector – identifying the main actors

As pointed out in previous chapters, identifying and demarcating relevant actors is very important because the further results of the analysis depend on the reliability and validity of this procedure. In addition to the survey methodology, a number of interviews were conducted with the most important actors including the involved ministries, one NGO, an environmental inspectorate in the north of the Netherlands, one representative of Gasunie Transport's work council, and several with the Gasunie Transport HQ in Groningen. Based on this identification process, it was determined that the Dutch gas sector consists of the actors stated in Table 27.

The Dutch gas sector is highly organised; each segment in the production chain has its own organisation to represent its interests. Gas exploration and production companies are represented by the Netherlands Oil and Gas Exploration and Production Association (NOGEPa); the manufacturers of gas turbines are represented by the Dutch Gas Turbine Association (VGT); Dutch supply and service companies in the upstream oil and gas industry are represented by the Association of Dutch Suppliers in the Oil and Gas industry (IRO); gas suppliers and distributors are represented by the Royal Dutch Gas Association (KVGn); the Federation of Energy Companies in the Netherlands (EnergieNed) is the representative body for all companies in the Netherlands playing an active role in the production, transport, trade or supply of gas; and finally, the Foundation Cooperation for Security (SSVV) represents organisation in the gas sector with the aim to promote security and improve the working conditions, the environment, and the quality of its member organisations. The trade unions *FNV Bondgenoten*, *CNV Bedrijvenbond* and *Dienstenbond* represent the workforce. The gas sector is a very sensitive sector for various reasons such as security of supply and competition. The Dutch government is on the way to privatise (exception: transmission and distribution companies are only allowed partial privatisation) and liberalise the gas market. The split of Gasunie into two legally separated companies has to be seen in this light. Furthermore, to guarantee adequate conditions for competition in the gas market the government set up an organisation (Dte) responsible for this task. The Office of Energy Regulation (Dte) is included as a chamber within the Netherlands Competition Authority (not included in the research). Dte and the Netherlands Competition Authority have set

Gasunie Transport: Internal and external facets of Corporate Social Responsibility

Type of Organisation	Organisation Name	Abbreviation	
Governmental:	Ministry of the Environment	VROM	
	Ministry of Finance	MinFin	
	Ministry of Economic Affairs	EZ	
	- State Supervision of Mines	SodM	
	- Office of Energy Regulation	Dte	
	- SenterNovem Agency for Sustainable Innovation	SN	
	Ministry of Social Affairs and Employment	SZW	
	Ministry of Agriculture, Nature, and Food Quality	LNv	
	Ministry of Transport, Public Works, and Water Management	MinTr	
	Province (Groningen)	ProvGr	
	Social and Economic Council	SER	
	Royal Dutch Gas Association	KVGN	
	Sector organisations:	Dutch Gas Turbine Association	VGT
		Association of Dutch Suppliers in the Oil and Gas Industry	IRO
Federation of Energy Companies in the Netherlands		EnergieNed	
Netherlands Oil and Gas Exploration and Production Association		NOGEPa	
<i>Stichting Samenwerken Voor Veiligheid</i>		SSVV	
National federation of Christian Trade Unions		CNV	
Employee organisations:	Netherlands Trade Union Confederation	FNV	
	Gasunie Transport	Gasunie	
Companies:	BP	BP	
	Shell	Shell	
	ExxonMobil	EM	
	NAM	NAM	
	Nuon	Nuon	
	Eneco	Eneco	
	Essent	Essent	
	Delta	Delta	
	Gasunie Trade and Supply	GTS	
	NGOs:	<i>Waddenvereniging</i>	W-vereniging
		<i>Waddenzee</i>	Waddenzee
Greenpeace Nederland		GpN	
<i>Wereld Natuur Fonds</i>		WNF	
<i>Milieudefensie</i>		Md	
<i>Miliefederatie Groningen</i>		MfGr	
<i>Stichting Natuur en Milieu</i>		SNenM	
Media:	<i>Dagblad van het Noorden</i>	DvhN	
	<i>De Telegraaf</i>	DeT	
	<i>Algemeen Dagblad</i>	A-D	
	<i>De Volkskrant</i>	DeVolksk	
	<i>NRC Handelsblad</i>	NRC-H	
	<i>Reformatisch Dagblad</i>	R-Db	
	<i>Nederlands Dagblad</i>	N-Db	
	Television/Radio	T/R	
Knowledge organisations:	TNO-NITG: Netherlands Institute of Applied Geosciences TNO	TNO-NITG	
	IMSA Amsterdam	IMSA	
	<i>Rijksinstituut voor Volksgezondheid en Milieu</i>	RIVM	

Table 27: The Dutch gas sector and its main actors

up a joint monitoring system ('Market Surveillance Committee'). The Market Surveillance Committee follows the developments on the electricity market in the Netherlands. Hence, Dte is of considerable importance for the business conduct in the Dutch gas sector. Finally, the province of Groningen is an important actor for Gasunie Transport and for the entire gas sector in the Netherlands. The largest gas deposit of the country is located in Groningen which gives the province a prominent position in the gas sector. The province established itself as the centre of the Dutch gas sector. This makes the province an important actor for the companies located in the region due to environmental licensing etc.

8.6.3 Interaction in the Dutch gas sector – empirical results

The content of the empirical section is primarily devoted to a detailed description of various network characteristics of the Dutch gas sector. Furthermore, a thorough analysis of various relational structures will be presented. The analysis will focus on the following aspects of the policy system:

- The exchange of general information related to the gas sector and issues related to CSR (communication network);
- The exchange of resources in the form of joint funding, shared equipment, shared personnel, or shared facilities (resource exchange network);
- Policy preferences with respect to six CSR issues in the gas sector of the Netherlands;
- A comparison of actors' belief systems with actors' positions in the communication and shared resources network.

8.6.3.1 Information exchange and shared resources

Figure 29 shows the general pattern of communication links in the Dutch gas sector. The actors are indicated with the red nodes. The black lines indicate communication activity between the actors. Since there is only partial information on information exchange due to the incomplete response rate for the overall network, the data were symmetrised with the maximum approach, which means that a link between two actors exists if at least one in a dyad reported such an exchange. One can already see that a couple of actors are more central in the communications network than others.

To shed more light on the network dynamics of the Dutch gas sector, figure 30 adds shared resources to the communication network.

Gasunie Transport: Internal and external facets of Corporate Social Responsibility

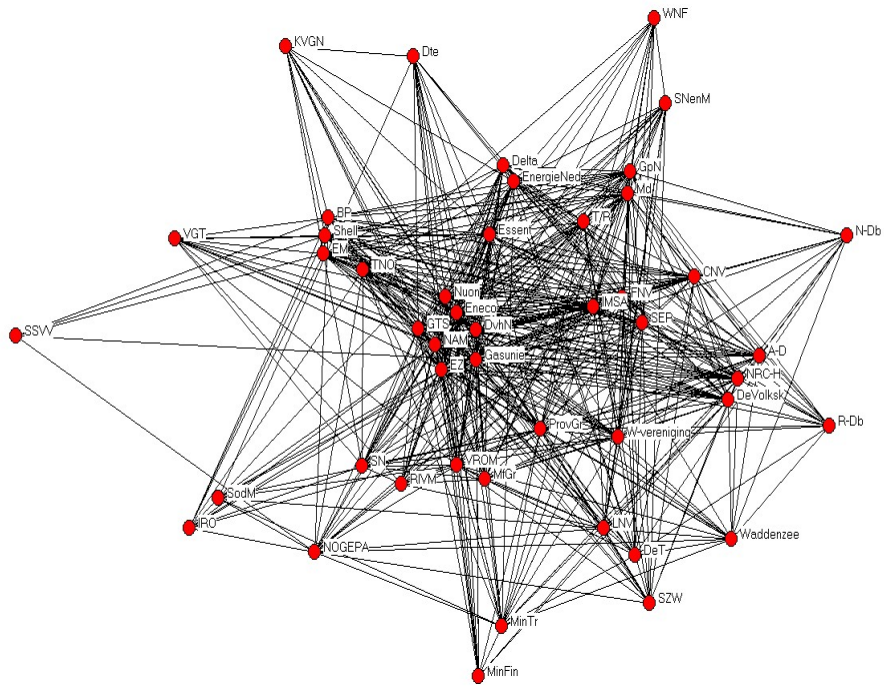


Figure 29: Information exchange network of the Dutch gas sector¹³

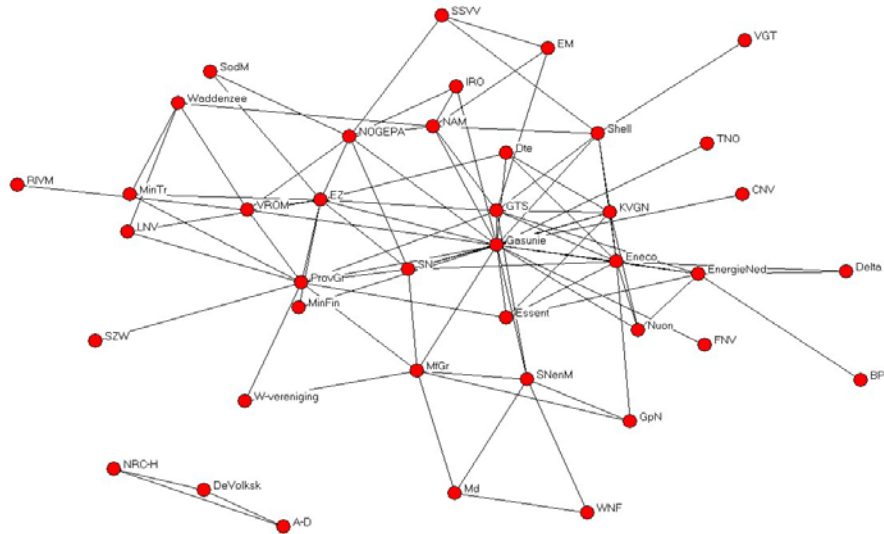


Figure 30: Information exchange network and shared resources of actors¹⁴

¹³ All information exchange and shared resources figures are based on Ucinet. Borgatti, S.P./Everett, M.G./Freeman, L.C. (2002). Ucinet for Windows: Software for Social Network Analysis. Harvard: Analytic Technologies.

Figure 30 is based on confirmed information exchange and the sharing of some kind of resource (financial, personnel, equipment, and/or facilities) between actors. The underlying assumption behind the variable ‘shared resources’ is that actors in the network who share some kind of resources have a stronger and more intense interaction leading to potential interdependencies between concerned constellations of actors. It is interesting to note that companies, sector organisations, and governmental authorities are in the more central positions of the network: Companies such as Shell, Gasunie Transport, Gasunie Trade and Supply (GTS), Eneco, Essent, Nuon, and NAM and sector organisations such as NOGEPa and KVGn have close communication links and a high degree of shared resources. In addition, the ministries of Economic Affairs (EZ) and of the Environment (VROM), Dte, the Province of Groningen, and Senter Novem (SN) are part of the inner circle of the network based on communications and shared resources. It is also interesting to notice, that the ministries of Social Affairs (SZW), Agriculture (LNV), and Transport (MinTr) are all positioned at some distance to the core of the communications and shared resources network in the gas sector. Furthermore, there is a separate group existing without direct links to the main network consisting of the newspapers *Algemeen Dagblad*, *De Volkskrant*, and *NRC Handelsblad*. The next step in the analysis makes the distinctions between group boundaries clearer and more transparent:

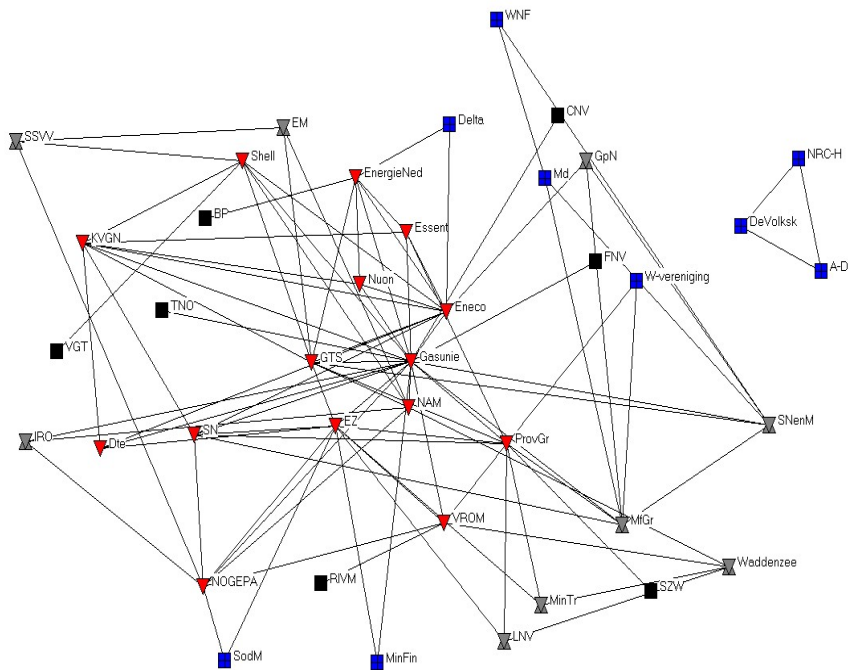


Figure 31: Communication and shared resources network after K-cores identification

¹⁴ Figure is based on node repulsion and equal edge length bias procedure.

The K-core analysis shows that the Dutch gas sector is concentrated around a rather large core group of actors (indicated with red triangles) consisting of mainly companies such as Shell, Gasunie Trade and Supply (GTS), NAM, Gasunie Transport, Essent, Nuon, and Eneco. In addition, there are a number of governmental organisations in the core group such as the ministries of Economic Affairs (EZ), the Environment (VROM), and the Province of Groningen (ProvGr). Furthermore, the Royal Dutch Gas Association (KVGn), the Federation of Energy Companies in the Netherlands (EnergieNed), and the Netherlands Oil and Gas Exploration and Production Association (NOGEPa), three organisations representing companies of the gas sector, are also part of the inner circle of actors in the Dutch gas sector. It becomes visible again that the ministries of Transport (MinTr), Agriculture (LNV), and Social Affairs (SZW) are not part of the inner circle of actors. NGOs are also more peripheral in the communications and shared resources network. An important aspect which deserves some attention is the fact that the Ministry of Finance (MinFin) is not part of the inner group of actors and also not closely connected to the other ministries (exception: Ministry of Economic Affairs) within the sector. The Ministry of Finance is the only shareholder of Gasunie Transport and in principal has strong links to the gas sector. However, the ministry perceives its role as separated from the company's normal business conduct. The ministry restricts itself to a kind of oversight function without interfering into the company's decisions:

We try to keep some distance from all kinds of regulation. We don't interfere into policy-making with respect to Gasunie Transport. (Hoevers, 2006)

The Ministry of Finance however, does assist the company in times of disputes or crisis. In other words, the ministry defends its interest in the company actively if it considers its interests questioned. Despite the fact that the Ministry of Finance is not part of the core group, they are of considerable importance because of their ownership of Gasunie Transport.

We only interfere if the company [Gasunie Transport] rings the alarm bell and approaches us with a request to assist them in a dispute with another ministry which could include considerable additional costs for the company. Then we make contact with the concerned ministry. (Hoevers, 2006)

The main governmental actor in the Dutch gas sector is the Ministry of Economic Affairs, which comprises a Directorate-General for Energy and the agencies of 'Office of Energy Regulation', 'SenterNovem Agency for Sustainable Innovation', and 'State Supervision of Mines'. The ministry pursues the optimum organisation and working of the energy market, including a good position for consumers. Furthermore, the ministry strives for retention of the level of security of supply in the short and long terms, while devoting attention to confidence, safety, continuity, and availability. Incentives for making the modernisations necessary to address issues such as energy transition and sustainable energy management are also on the

agenda of the Ministry of Economic Affairs. To see the ministry in such a central position in the communications and shared resources network does not therefore come as a surprise. The agencies ‘Office of Energy Regulation’ (DTe) and ‘SenterNovem’ (SN) of the ministry also belong to the core group of actors with the agency ‘State Supervision of Mines’ (SodM) the only exception. The agencies fulfil important roles in the gas market; it is also an expected result to see them in the core group of actors. It is interesting to notice that both major trade unions are positioned at the periphery without strong links to major players of the sector. The newspapers (*Algemeen Dagblad*, *De Volkskrant*, and *NRC Handelsblad*) share resources only between each other as the three newspapers are owned by the same publisher.

8.6.3.2 *Who is really central here – centrality measures applied to the network*¹⁵

The following figure (32) shows the analysis based on closeness of actors in the network:

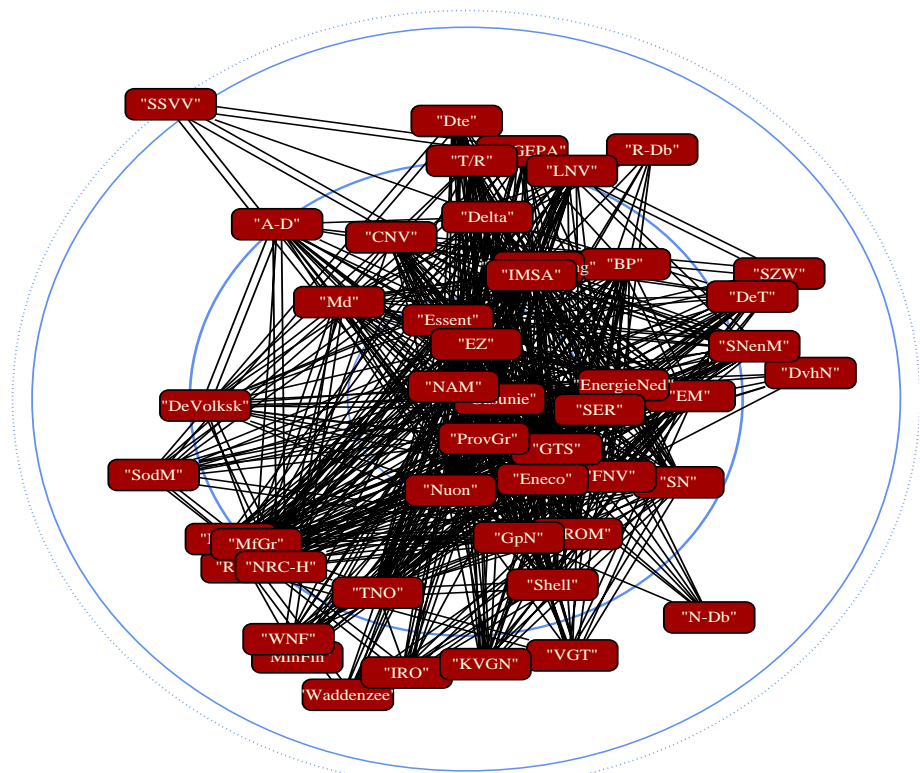


Figure 32: Closeness of Actors in the Dutch Gas Sector

¹⁵ It has to be emphasised that all centrality calculations are based on the information exchange network using only outgoing information. To use reciprocal links would have only distorted the results because the newspapers indicated that they receive information from all other organisations.

The following figure (33) shows the analysis based on betweenness of actors in the network:

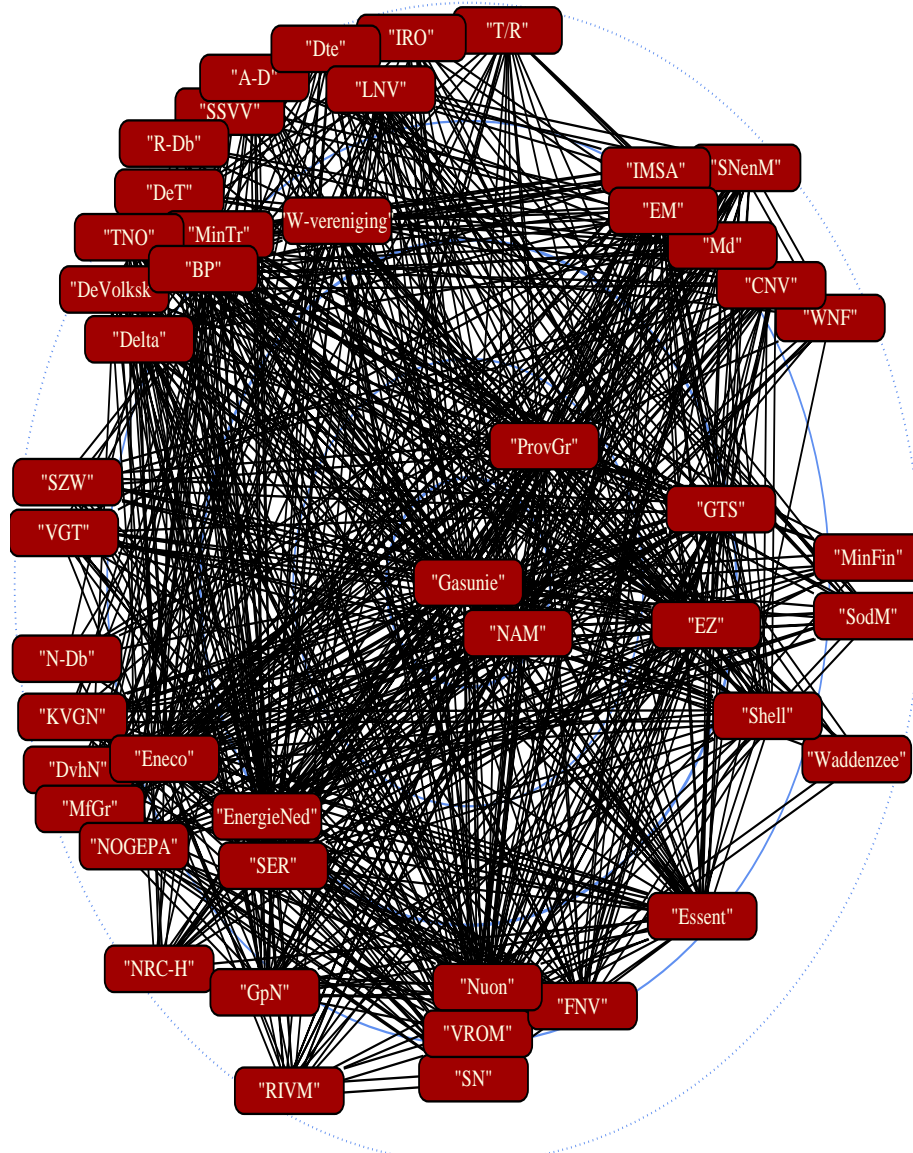


Figure 33: Betweenness of actors in the Dutch gas sector

The subsequent figure shows the eigenvector scores of actors of the gas sector in the Netherlands:

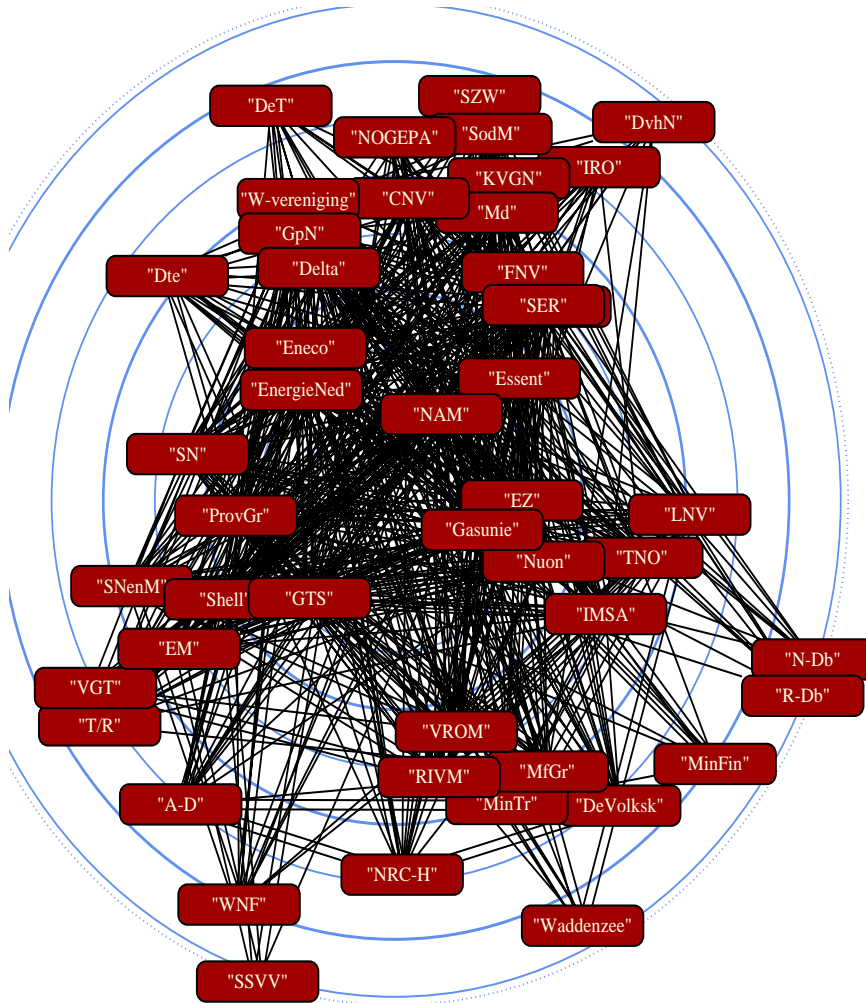


Figure 34: Eigenvector scores of actors in the Dutch gas sector

The three centrality calculations show a number of interesting results. First, according to the centrality concepts closeness and betweenness, Gasunie Transport, NAM, and the Province of Groningen are positioned close to the centre. As indicated earlier, these actors are supposed to be in a powerful position with respect to information diffusion or the withholding of information. However, the result on eigenvector centrality of actors shows a somewhat different picture: Central here are a number of actors such as Gasunie Transport, the Ministry of Economic Affairs, the Province of Groningen, NAM, EnergieNed, Eneco, Nuon, and Essent. The finding correlates to a large extent with the results on communication and shared resources links in the gas sector presented earlier.

All three centrality measures again show that with the exception of the Ministry of Economic Affairs, the ministries do not play a central role in the Dutch gas market's communications. This does not mean that the ministries are not important in the gas sector; they control considerable power with respect to various policy issues such as environmental and safety issues. The ministries do not however, interfere in the gas market in a strong manner. Another interesting finding is that the ministries of the Environment (VROM) and Economic Affairs (EZ) are considerably more central in the centrality indexes on closeness and eigenvector than in the betweenness calculation which means that the ministries do not interact with more peripheral actors in the way Gasunie Transport, NAM, and the Province of Groningen do. In other words, Gasunie Transport, NAM and the Province of Groningen manage their external stakeholder relationships in a much broader sense than, for example, the ministries but also other companies of the sector. The focus of the study is on Gasunie Transport's CSR engagement and related impacts on the external relations to other actors in the sector. So far in the analysis it can be said that Gasunie Transport is well positioned in the gas sector compared to other companies. It can be assumed that Gasunie Transport should be much better positioned and also prepared to handle potential risks and uncertainties in the market than other companies in the sector. However, it remains to be seen whether the company's CSR engagement is predominantly responsible for Gasunie Transport's good positioning in the gas sector or if other factors (strong market position as the major high pressure gas transporting company in the Netherlands and ownership structure) are more influential in explaining the observed network structures.

8.6.3.3 *Who is really important here – looking at the status of actors*

Figure 35 is read from top to bottom. The organisations higher up have the greatest status or prestige (as sources of information) in the network. This measurement can be interpreted as expressing the quality of actors as information sources. In this respect, the Ministry of Economic Affairs (EZ), Gasunie Transport (the only stockholder of the company is the state in the form of the Ministry of Finance), Gasunie Trade and Supply (GTS), the Province of Groningen, the trade union FNV, EnergieNed, and VROM have the most prominent positions in the gas network. It is again striking that the status analysis also reveals a very similar pattern of central actors in the network. The other ministries are again not in prominent positions according to the status analysis. The sector associations such as KVG, IRO, VGT, and NOGEP are also not positioned in higher positions in the status analysis. It is striking that the other important companies such as Eneco, Essent, Nuon, and NAM are positioned above these sector organisations. This means that the companies have a lot of direct communications links with other organisations and do not rely too much on the capacities of their sector associations. The only sector organisation perceived as a quality source of information is EnergieNed, the Federation of Energy Companies in the Netherlands. EnergieNed is important in the formal and informal policy-making process in the gas sector because the sector organisation has

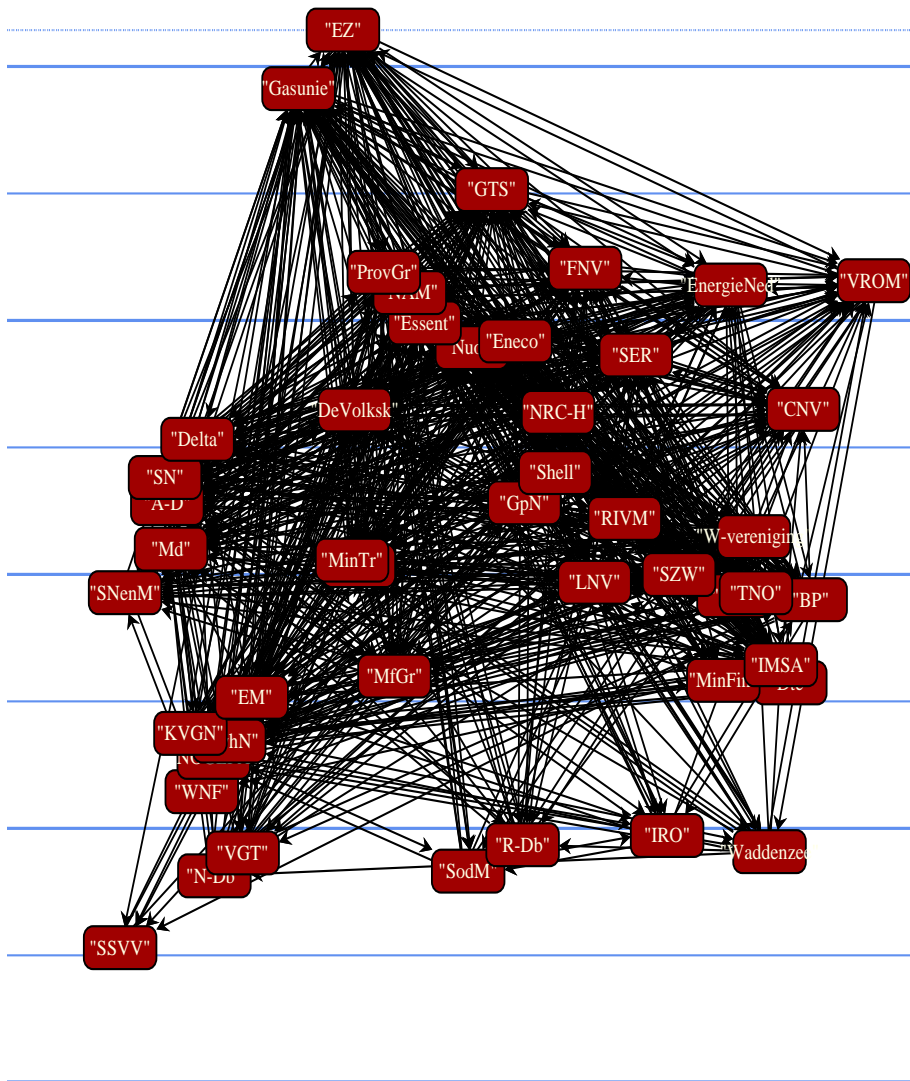


Figure 35: Status of actors in the Dutch gas sector

a strong consultative function in the consultation rounds in the early stages of the policy-making process. Nevertheless, the status analysis on the gas sector network, which emphasises the value of incoming information according to the sender's status, showed once more that the Ministry of Economic Affairs (EZ) is very significant in the sector. As we have seen in this analysis, the Ministry of Economic Affairs is widely seen as a valuable source of information while the other ministries are ranked much further below, especially the ministries of Transport and Finance.

8.6.4 Interest positions of actors incorporated in the communications network

The subsequent figure shows the information exchange network combined with the policy positions of actors with respect to self- and co-regulation:

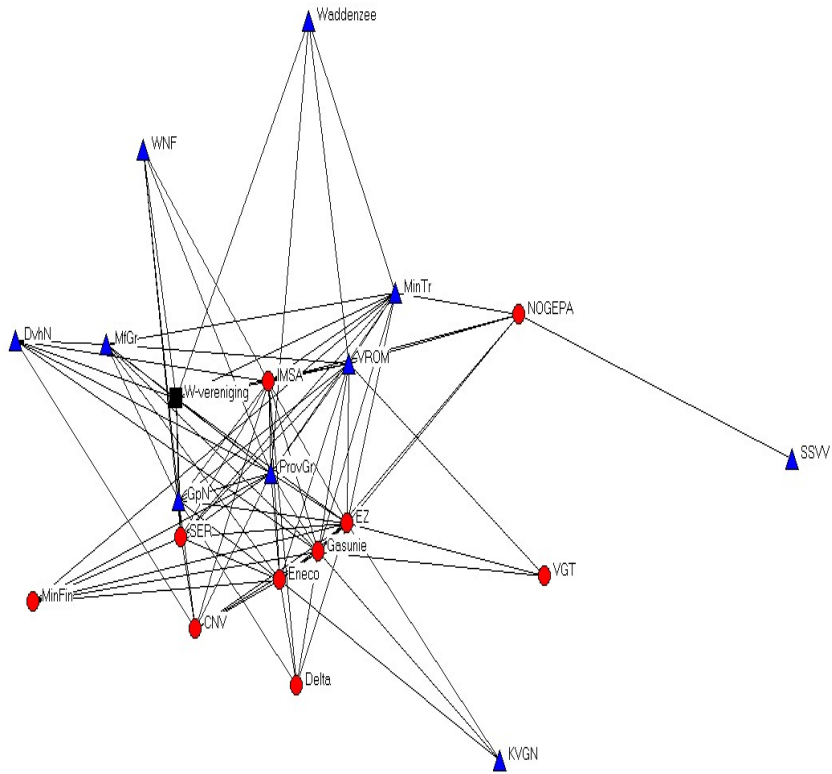


Figure 36: Information exchange network combined with the actors' policy instrument preference¹⁶

The red circles in the figure indicate the pro self- and co-regulation actors of the communication exchange network. The black squares represent contra self- and co-regulation actors and the blue triangles represent the actors with a neutral position on the issue. The figure shows that the gas sector in the Netherlands is rather positive towards self- and co-regulation types of policy instruments. Only one actor (*Waddenvereniging*) is explicitly against these soft governmental steering

¹⁶ Not all actors could be included in the analysis on policy positions of actors because of the unavailability of data.

instruments. On the other hand, there is a coalition of supporting actors with powerful members such as the ministries of Finance (MinFin) and Economic Affairs (EZ), the Social Economic Council (SER), the Netherlands Oil and Gas Exploration and Production Association (NOGEP), the manufacturers of gas turbines represented by the Dutch Gas Turbine Association (VGT), as well as Gasunie Transport, Eneco, and Delta. It can be said that such a coalition of important and powerful governmental and business actors has the capacity to heavily influence the choice of policy instruments for the Dutch gas sector. The ministries of the Environment (VROM) and Transport (MinTr) are not part of the supporting coalition. The ministries do support co-regulation schemes but do not support self-regulation schemes. This was also the case with a couple of other neutral actors of the sector, though the general picture of the sector is positive towards self- and co-regulation types of policy instruments. However, the EU directive 2003/55/EC concerning common rules for the internal market in natural gas (and repealing directive 98/30/EC) also changed the situation significantly in the Netherlands because there is not much room left for national regulation or for alternative self-regulation schemes. Nevertheless, it should be noted that corporate social responsibility is associated with such soft regulation schemes because a considerable portion of responsibility is supposed to be with the private sector and not with the state. A sector dominated by a coalition of actors that prefers direct regulation is usually not the environment for CSR policies by either governmental or private sector (companies) organisations.

Gasunie Transport and the other companies prefer soft regulation schemes. As stated earlier in the analysis, Gasunie Transport fulfils its economic and legal requirements but is not yet a CSR forerunner. It is remarkable that the company supports self- and co-regulation policy schemes despite considerable deficiencies on key CSR issues. Two lines of reasoning are possible here. First, Gasunie Transport perceives self- and co-regulation policy schemes generally as more beneficial for its business conduct because it provides the company with more flexibility. Second, the company has substantial experience with CSR policies and activities based on recent years; it is possible that Gasunie Transport is still capable of using the provided flexibility to the company's advantage despite the turbulence connected to the split of the company in 2005.

Being open for CSR policies demands certain capacities to be effective including considerable management skills and a strong determination of the top management. On the other hand, the company's CSR policies need a flexible environment with respect to fields such as health, safety, the environment, and business ethics to be effective. Governmental policies in these fields should not be too restrictive but should give the company (the private sector) enough room to develop its own policies and solutions to specific problems. Gasunie is a company that seeks flexibility in policy fields associated with CSR and, hence it is not surprising to see them in the coalition of actors supporting soft regulation schemes (Veenstra, 2006a). The inclusion of the most relevant ministries (Economic Affairs and Finance) of the

gas sector in the same coalition makes it very likely to observe implemented CSR policies by involved organisations.

The most interesting results on the six different issues in the gas sector related to CSR are observable on the question of whether Dutch legislation increasingly takes nature and environmental aspects into account through impact assessments, mining environmental permits, and conservation act permits. All actors except the *Milieufederatie Groningen*, a regional NGO, stated that Dutch legislation is sufficient with respect to environmental aspects and nature in general. The following figure presents the results:

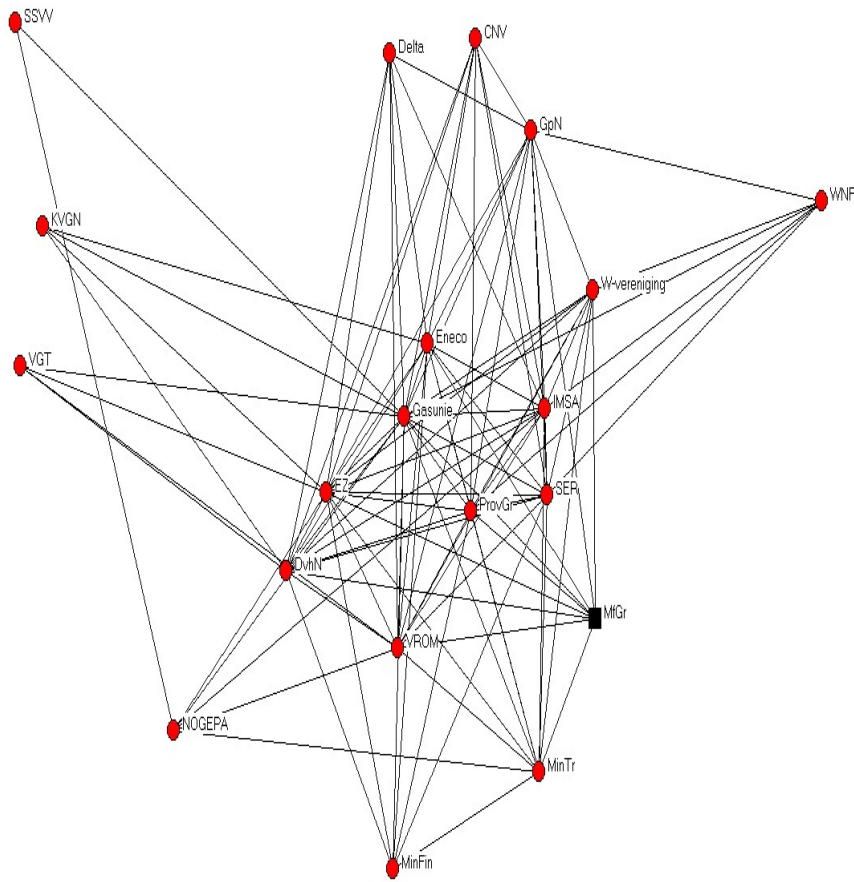


Figure 37: Information exchange network combined with the actors' opinion on the question of whether Dutch legislation with respect to environmental aspects is sufficient

It is maybe not surprising to find a strong coalition of actors comprising ministries and business supporting this position; however it is very surprising to see almost all NGOs in the same coalition of actors. This could mean that environmental issues in

general are not very contentious in the gas sector.¹⁷ However, the result can also be interpreted in the following manner: All actors including most NGOs are able to deal with environmental issues in the gas sector within the boundaries of existing legislation. The actors involved in the sector perceive established environmental legislation sufficient to deal with related problems. The implemented regulation in the Netherlands with respect to environmental issues in the gas sector is perceived by the involved actors as providing sufficient rights (power and veto points) to intervene in questions of concern if deemed necessary. Nevertheless, despite the problematic interpretation of the finding, it can be argued that Dutch legislation in the gas sector with respect to environmental issues is widely perceived as sufficient and appropriate and that problems can be solved from within the system. That indicates also that a strong sense of consensus is established among the actors in the gas sector. If one distinguishes between production and transmission and transport then an interesting new line of explanation becomes visible: Production locations are debated in the Netherlands but gas transmission and transport are among the 'best of class' with respect to safety and the environment in the world, given the high density of the gas pipeline system. We therefore interpret the findings in the following manner: NGOs focused more on the transport and transmission aspects of the gas sector than production and therefore, are satisfied with the status quo in Dutch legislation on environmental aspects.

8.6.5 Belief systems of actors and the network structure – do they match?

The research also gathered data on the belief systems of actors with respect to their opinions on CSR issues. Only one similarity could be found with respect to belief systems of actors and their grouping in the communication exchange combined with shared resources network: The *Waddenvereniging*, Greenpeace Nederland, the *Wereld Natuur Fonds*, and the *Milieufederatie Groningen* (all NGOs) share the same belief system and a similar position in the communication and shared resources network based on the K-cores analysis. The other groups identified by the K-cores analysis did not match with the clusters of actors calculated based on belief system information. Hence, it can be said that almost no connection exists between beliefs of actors and how actors communicate and share resources. The only exceptions are the four NGOs which share a common belief system and communicate and share resources at the same time.¹⁸ The following table shows the hierarchical cluster analysis results:

¹⁷ This result is somewhat surprising and difficult to interpret because there have been and are disputes about oil and gas drilling operations in the Wadden Sea.

¹⁸ The social network results with which the hierarchical cluster analysis results were compared can be found on page 269 of this chapter.

Cluster Membership			
Case Number	Cluster	Case Number	Cluster
VROM	1	SSVV	1
MinFin	2	CNV	1
EZ	1	Eneco	1
MinTr	1	Delta	1
ProvGr	1	W-vereni	3
SER	1	GpN	3
Gasunie	1	WNF	3
KVGN	1	MfGr	3
VGT	1	DvhN	1
NOGEPA	1	IMSA	1

Table 28: Results of the hierarchical cluster analysis on actors' belief systems¹⁹

This finding does not really help explain the communication and shared resource network, however, it at least tells us that belief systems of actors can to a large extent be ruled out as an explaining variable in the research.²⁰ Hence, the third hypothesis is false.²¹ An explanation as to why the belief system of actors does not correlate with actor behaviour in communication and shared resources networks is that (similar to the Campina case study) the corporate structure of the Netherlands limits the room to manoeuvre for actors in the policy-making process. More on the effects of corporatism and the specific circumstances in the Netherlands related to the gas sector is provided in the next section.

8.7 Predetermining factors in the policy-making process – the structural environment

As stated in the case study on Campina, the Netherlands have a strong consensus culture in policy-making, in which long rounds of discussions involving various interest groups are quite common. The roles and functions including the power capacities associated with ministries and other organisation in the Dutch gas sector are important when it comes to how influential various actors are in the policy-making process. However, apart from this more actor-specific variable, structural features also play a very important role. With respect to CSR and related policies the study focuses on the following three systemic variables:

¹⁹ The analysis on observable clusters with respect to actors' belief systems does not include all actors of the study because of a relatively low response rate.

²⁰ Of course, some people will argue that one cannot measure people's beliefs and admittedly, it is especially difficult to measure values, ideas, and opinions of people on rather vague issues related to CSR. Nonetheless, this scenario would leave us with no research possibilities.

²¹ Third hypothesis: *In CSR, coalitions form in line with actors' policy core beliefs.*

- The political culture and tradition of the Netherlands
- Basic institutional structure
- The level of trust within the Netherlands

This last part of the chapter concentrates on the interplay between the dynamic interaction patterns of actors and the more static structural variables of the policy arena.

8.7.1 The political culture and tradition of the Netherlands²²

The structure of the gas sector²³ with respect to communication is very much in line with the notion of consensus, compromise, and consultation. The number of actors in the gas sector is quite substantial, involving a considerable number of companies. The formal policy-making process in the gas sector involves a considerable number of actors and supports the notion of consultation and the involvement of a lot of actors. The polder model, the Dutch approach to policy-making which involves great numbers of actors, continuous rounds of talks, and the search for a compromise, is also characterises the gas sector (Arentsen et al. 2003). The policy-making style can be characterised as consensus and compromise seeking because the government does not use direct regulation instruments to tackle problematic issues of the sector. The actor network in the gas sector extended in recent years and was also more formalised. The branch organisation EnergieNed has a strong coordination role in the policy-making process because the organisation is capable of streamlining the interests of companies. The state's role in talks is more central as in the past due to privatisation and liberalisation of the sector. Liberalisation has strengthened the state's regulatory function in the gas sector and the state's centrality in decision-making. Formerly, the state was directly involved in the sector through Gasunie N.V. (transport and trading) and NAM (concession-holder of all gas drilling operations in the Netherlands). Gasunie N.V. was established in the 1960s as a joint venture owned by the Dutch State Mines (DSM) (40%), the Dutch state directly (10%), Exxon (25%), and Shell (25%). Gasunie was given the executive responsibility to coordinate the commercialisation of the Dutch natural gas resources on behalf of the state (Correljé, 2002). Liberalisation led to the split of Gasunie N.V. into two fully separated entities, one responsible for commercial tasks (Gasunie Trade and Supply) and one for gas transportation and related services (Gasunie Transport and Services). The measures connected to liberalisation of the gas sector introduced a new era of close relations, both in terms of control and decision making, between the state and the gas sector. The Dutch state remains in an important position, though the tasks and responsibilities are nowadays more connected to open and fair competition in the market. Several established policies such as the traditionally required ministerial approval for volumes, prices, and

²² The full elaboration on the systemic variables of the Netherlands can be found in chapter 7.

²³ For a comprehensive and in-depth overview about the changes and reforms in the Dutch gas sector please see Arentsen & Künneke, 2003.

destinations for gas to be exported have been withdrawn in the Gas Act (Tweede Kamer, 1999-2000). Gasunie Trade and Supply gained more freedom to act as a commercial organisation after liberalisation, though within certain restrictions. For instance, the Dutch state is still owner of the onshore gas field. Furthermore, the long-term security of supply objectives of the state have been weakened to give Gasunie Trade and Supply the necessary freedom to act as a strategic player in the European market (Correljé, 2002). Liberalisation of the Dutch gas sector led to significant changes in the sector's structure and in the policy-making features of the sector. Nevertheless, it can be argued that the policy-making in the Dutch gas sector is characterised by consultation and compromise with less a prominent state compared to previous decades.

The Dutch state makes use of soft-regulation instruments such as covenants (voluntary agreement with firm targets set by the government) to solve policy problems which give the companies enough flexibility to find their own solutions. The covenants in the gas sector give the companies enough flexibility to meet government targets because they can decide for themselves how they want to reach the targets set by the government (SenterNovem, 2006). For instance, agreements for methane reduction have been incorporated in a covenant made with the oil and gas industry (VROM, 2006). One can say that the covenant as a policy instrument type includes a strong sense of consensus and compromise because otherwise such a flexible policy would not be feasible. A sector characterised by dispute and rivalry would not be the typical environment for a covenant approach. However, it has to be mentioned that policy-making in the gas sector is heavily influenced by the European Union. EU directives are of considerable importance and national governments have only limited room for flexible implementation at hands. The next section on basic constitutional structures sheds more light on how more static external factors influence interaction in the Dutch gas sector.

8.7.2 The basic constitutional structure of the Netherlands with a focus on the gas sector

The analysis on the importance of actors in the gas sector based on information and resource exchange identified a number of key actors, and some of them are strongly linked to the corporatist structure of the Netherlands. The most important sector organisation is NOGEPa which represents the interests of the Dutch oil and gas exploration and production companies and EnergieNed, the representative for all energy companies in the Netherlands including those with active roles in the production, transport, trade, or supply of gas. There are a number of additional organisations in the sector with a similar function for other types of companies such as the VGT representing the manufacturers of gas turbines, the IRO representing Dutch supply and service companies in the upstream oil and gas industry, and the KVGn which represents the gas suppliers and distributors. These organisations, especially NOGEPa, EnergieNed, and KVGn, enjoy a very strong position in the Dutch policy-making process in the gas sector (Andeweg et al. 2005). Hence, it does

not come as a surprise to see NOGEPa, EnergieNed, and KVGn among the core actors in the Dutch gas sector. To see VGT and IRO in not such prominent positions in the actor network of the Dutch gas sector is also not surprising because the associations do not represent the main companies of the sector but rather specialised companies. Similar to the Campina case study, the Social Economic Council (SER) plays an active role and provides the government with (non-binding) advice on socioeconomic issues. As Andeweg et al. (2005, p. 153) argue, the SER plays no role when it comes to bargaining between the government and socioeconomic interests. The only significant role SER plays in policy-making is advisory. The set up of SER's member structure (three groups, each with 11 members, representing employers (mainly of VNO-NCW), the trade unions, and the crown members appointed by the central government) and its advisory function (despite the fact that since 1995 the government is no longer obliged even to ask the SER for its advice before taking a decision) can explain why the SER is of considerable importance for the Dutch socio-economic policy-making. However, in the gas sector the influence of SER is rather limited because the organisation focuses more on national, not sectoral socio-economic topics. NOGEPa, EnergieNed, and KVGn control considerable power in the gas sector, both because of the corporatist structure (static) and the interaction (dynamic, actor specific communication and shared resources pattern) in the sector.

8.7.3 The level of trust within the Netherlands

The Netherlands have a relatively high level of interpersonal trust (58.5%). This corresponds nicely with the results on institutional trust (49.2% in parliament, 51.4% in national court, 40 in national government, and 45 in large companies) which are also relatively high (Jowell, 2003; Schaik, 2002; European Commission, 2004, European Commission 2005). It can be argued that the Netherlands can be characterised as a country with a high level of social bonds, reflected in relatively high levels of trust towards national institutions.

Interviews with governmental authorities and business representatives showed that the interaction between them is established on high levels of mutual understanding and trust. Several governmental officials indicated that the general picture of Gasunie with respect to CSR is good and that therefore the relationship between the ministries and the company is also good and based on mutual trust. However, the ownership structure of the company is important because it can lead to a biased perception of Gasunie Transport's CSR activities by public authorities such as national ministries. Past experiences with the company are quite important in this respect. Hence, the close links between governmental authorities and especially companies and business associations in the Dutch gas sector are significantly influenced by the trust levels in the Netherlands. Soft regulation schemes associated with CSR therefore fit nicely into the strong trust culture of the Netherlands. Proactive CSR companies in combination with high levels of interpersonal and institutional trust lead to an interaction climate favourable for CSR-typical policy

instruments. The following section presents the findings on the main research question and the hypotheses which guided the study.

8.8 Corporate Social Responsibility and policy-making – does it make a difference?

The underlying research question of whether the modern conceptualisation of CSR impacts the interaction process between business and public authorities is difficult to answer. Based on the presented research it can be said that CSR is partly responsible for a positive impact on the interaction process. The qualifier ‘partly’ is necessary because Gasunie Transport represents a special case in the research on CSR as the company is owned by the state and has a very strong position in the gas market. Having the state as the single owner makes close ties and intense contacts with ministries unavoidable. It is difficult to argue that CSR is responsible for more intense contacts and better access options to public authorities. Furthermore, the elaboration on Gasunie Transport’s CSR performance in the first part of the chapter showed that the company’s CSR engagement is only moderate at the moment. Despite this moderate score, the research on external consequences of Gasunie Transport’s CSR engagement showed that the company is well positioned in the gas sector and has close relations and several beneficial access options to public authorities. Therefore, I argue that the reasons for these of good relations and access options to public authorities are based on the special ownership structure of the company and to a lesser extent on the CSR performance of the company. Consequently, the first hypothesis²⁴ cannot be confirmed or falsified. The next paragraphs elaborate the issue of better access options to and closer relationship with public authorities.

A generally positive impact of CSR on the interaction with public authorities could be identified on the macro and micro levels. On the macro level a one-sided (confirmed only from public side) impact could be identified: Gasunie Transport is not as transparent and open as before the company split in 2005; this should indicate that the company does not have better access to public authorities. However, public officials still perceive Gasunie Transport as open and transparent and reliable partner in the gas sector. The ‘natural’ bias because of the ownership structure works here in favour of the company and results in a mutual trust relationship with public authorities and consequently better access options that more than compensate for the moderate CSR performance. Hence, this finding partly supports the second hypothesis²⁵ because the company still benefits from its strong CSR record of the past years and its ownership structure which compensates for the currently lacking

²⁴ “The higher levels of stakeholder management due to higher levels of CSR engagement are, the better (more intense and better mutual understanding) the relationship with public authorities should be.”

²⁵ “The capacity of actors to influence the general policy-making process increases the more access points (direct links or even shared resources) actors have to public authorities.”

coherence of CSR activities. Furthermore, as shown throughout this section, Gasunie Transport is part of core group of actors in the gas sector. The company has very good communication channels with public authorities, which affords the company various access points in the policy process. It needs to be emphasised once more that the only shareholder of the company is the ministry of Finance, hence it can be expected to have closer and more intense communication (and shared resources) links to governmental authorities. The following quotation shows how strong the influence of the owner structure is with respect to communication links between the company and governmental authorities:

The new safety regulation VROM is thinking about could be something to discuss with them because it goes too far. We see that it is costing billions of tax payer's money. VROM argues that the additional costs will be covered by the company, but in the end it is the consumer who has to pay. If you let the consumer pay the safety regulation than you (VROM) have to rethink the issue. (Hoevers, 2006)

New safety regulation on pipelines is a policy issue discussed between Gasunie Transport and the ministries of Economic Affairs, Transport, and the Environment. The different ministries have different interest positions on the issue. The ministries of Economic Affairs and Transport share a similar position with Gasunie Transport about the overall aim not to make the new regulation too costly. On the other hand, the Ministry of the Environment has the overall target to make the transport of gas as safe as possible in order not to harm both human infrastructure and the environment. Hence, there is a clash of interests on the issue of pipeline safety between the involved actors. The special owner structure and the quasi-monopoly position of Gasunie Transport gives the company a strong position in the discussion.²⁶ The good CSR reputation of the company based on past experience results in an even stronger position in the discourse (EGIG, 2004; Kroes, 2006).

In addition to the special ownership structure, Gasunie Transport's quasi-monopoly position makes it impossible for any involved actor in the gas sector to avoid the company. Consequently, public authorities deal with Gasunie Transport closely because the demand for transparency and control of the company's market policies is considerable. The Ministry of Economic Affairs is the main ministry with respect to policy-making in the gas sector; hence close links can also be anticipated with this ministry which are also shown in the various analyses. The question that remains is to what extent is the positive CSR reputation of Gasunie Transport responsible for the close and intense communication links with public authorities? The question cannot be answered satisfactorily due to a lack of direct comparability with other similar cases. It can be concluded that the ownership structure and the strong market position are of considerable importance for an intense relationship with and ample access options to public authorities.

²⁶ Other international gas transport companies compete with Gasunie Transport for share in other European gas markets.

Excuse: The special ownership structure of Gasunie Transport includes a different principal/agent relationship than is normally the case with private companies or listed companies. However, does the different ownership structure of Gasunie Transport necessarily affect the company's CSR policies and activities and the company's external relationships? State owned companies have a number of special characteristics which distinguish them from private companies: Firstly, state owned companies are often protected from the threat of takeover and bankruptcy. Secondly, state owned companies often operate in sectors where they have been protected from competition. Thirdly, accounting and disclosure may not reach private sector standards but may rather be oriented towards public expenditure control, which may be at the same time more burdensome and not fulfil the requirements of timeliness and materiality central to private sector disclosure practices. Accounting and disclosure are comparable to private sector standards in the case of Gasunie Transport because state owned companies have the same rules as listed companies and publish the same specific issue reports. The Dutch approach to state ownership falls under a centralised model characterised by a strong centralisation of the ownership function. In this model, most state owned companies are put under the responsibility of a single Ministry or Agency. In the Netherlands, as in the most cases, this is the Ministry of Finance.²⁷ The principal in a state owned company such as Gasunie Transport is obviously the state; however states usually have various targets whereas for instance, listed companies have shareholders as the principal (at least in the neo-liberal approach to shareholder companies) with usually the clear cut target of making profits. State owned companies thus face the challenge of a principal that can have many different faces with respect to policy priorities (Heath et al. 2004). With state run businesses it might be the case that profit considerations do not always prevail over environmental or social considerations. If we follow the neo-liberal argumentation of business responsibilities, a company's principal is the shareholder. In the case of a state owned company the principal is the state. Hence, at first glance there is a clear difference in the principal-agent constellation between state owned and private companies. However, the difference becomes less important in the CSR context. CSR and stakeholder theory require companies, both private and state owned, to be responsive to all by the company affected stakeholders. Hence, the straightforward principal/agent relationships in both cases becomes complicated by the inclusion of multiple stakeholders (or principals). Profit is certainly the dominant aim for listed companies; the inclusion of additional stakeholders makes it a constant process of weighing multiple interests and targets. The situation is essentially similar to a state owned company confronted with multiple public interests and tasks. Consequently, the company structure does not represent a good indicator for judging a company's performance with respect to CSR, nor does the history of state owned companies.

As the case of Gasunie shows, state owned companies do not necessarily represent a special case with respect to the principal/agent problem or with respect to multiple targets such as public interests pulling the company in multiple directions. Multiple targets (security of supply, safe business conduct, and financial benefits for the state's budget) can be handled by managers as Gasunie has shown in recent decades. Multiple targets in the case of state owned companies can be compared with multiple stakeholders confronting a (state owned and private) company with different responsibilities, targets, and tasks. CSR and especially stakeholder management, require managers in state owned, private, and listed companies to deal with multiple targets at the same time. The example of Gasunie is thus a good example

²⁷ OECD (2005). Corporate Governance of State-Owned Enterprises. A Survey of OECD Countries. OECD Publishing: Paris.

for arguing that the ownership structure of a company does not necessarily complicate the principal/agent relationship. CSR and stakeholder management inherently include multiple targets and tasks and can be dealt with by managers in the private industry as well as in state owned companies, as long as their activities have a sound financial basis. Nevertheless, the fact that Gasunie Transport is state owned makes it unavoidable that the company has more in numbers and intense links to public authorities which limits the capacity of social network analysis to provide results because the methodology cannot differentiate between the influence coming from the ownership structure or due to CSR engagement of the company. Hence, despite having clarified the (non-existent) influence of the ownership structure for the CSR engagement of a state owned company, the additional complexity for the analysis remains.

Heath et al. (2004) argue that the primary reason for privatising state owned companies was to discontinue the practice of issuing multiple objectives to managers. Furthermore, they state that privatisation of state owned companies was the realisation that, not only were they consistently losing money, but they were often doing a worse job of promoting the public interest under the explicit mandate to do so, than privately owned firms. As a response they argue that in a sense, the history of nationalised industries in the 20th century suggests that CSR was tried (within state owned companies), and failed. The principal/agent problem including the multiple task issue was also dealt with by Easterbrook et al. (1991) who argue that a manager told to serve two masters has been freed of both and is answerable to neither. In the Gasunie Transport study, two masters do not exist, though the same master might have multiple targets that makes it also easy for the agent (manager) to defend inappropriate decisions. Gasunie (before the split of the company) was profitable since the founding of the company in the 1960s with the state owning a share in the profit of the company varying from 67 to 95% (CPB, 2006). Furthermore, Gasunie did serve the public interest in the form of security of supply, safe business conduct (very good safety records), and financial benefits for the state's budget. Hence, the general argument that state owned companies constantly lose money and do not serve the public interest as they should is too simple and certainly not true for Gasunie in the Netherlands.

The fourth hypothesis²⁸ on the influence self- and co-regulation type of policies have on the CSR diffusion and performance in the private sector is verified because CSR is widely diffused and integrated in the business conduct in the Dutch gas sector. The current dominant approach to policy-making in the Netherlands is covenants, which fall under the group of self- and co-regulation instruments (Bressers et al. 2005b; Dinica et al. 2007; Gerrits et al. 2003; OECD, 2003; Price, 2005; Welch et al. 2003). Gasunie Transport, Eneco, Delta, and the main sector organisations (NOGEPa and KVGn) state that they prefer soft types of regulation such as self- and co-regulation. As mentioned earlier, covenants have been implemented in the gas sector since the late 1980s that in turn influenced the gas sector to become generally more co-operative and proactive with respect to accepting and engaging in the private sector's responsibility to tackle societal

²⁸ "The more freedom governmental authorities provide a business sector in the form of self- and co-regulation policy schemes to deal with a given policy problem, the more the concerned private sector should be willing to accept additional responsibilities and tasks resulting in higher levels of CSR engagement by companies (macro level)."

problems in a common effort with public authorities and other stakeholders. The following table shows briefly the results on CSR engagement of the main companies' active in the Dutch gas sector:

Company	CSR performance
Gasunie Transport	XXx
BP	X
Shell	XXX
ExxonMobil	XX
NAM	X
Nuon	XXX
Eneco	XX
Essent	XXX
Delta	Xx

Table 29: CSR performance of companies active in the Dutch gas sector²⁹

The table clearly shows that the Dutch gas sector is overwhelmingly positive towards CSR and most companies are already engaged in CSR policies and activities. The implemented covenants in the gas and energy sectors resulted in an overall higher CSR performance of involved companies. It is remarkable that the Dutch gas sector shows such a responsive behaviour with respect to CSR engagement of companies while the Dutch dairy sector did not. The difference is partly explained by the business of the sectors themselves. The gas sector is highly sensitive to issues connected to CSR such as the environment and health and safety. The business conduct of companies active in the gas sector is constantly confronted with these issues and therefore, the sensitivity of the sector towards CSR issues is comparably higher than in the “relatively safe” dairy sector. Or in other words, the drivers for CSR in gas sector are inherently higher than in the dairy sector. This results in a situation in which all companies active in the gas sector show a relatively high level of CSR engagement. Nevertheless, it can be argued that the implemented covenants in the gas sector influenced the companies to take up CSR more proactively.

On the micro level, a somewhat mixed picture develops with respect to change in the interaction process due to CSR. Evidence from the business side points to a change in the relationship between business and governmental authorities due to CSR engagement; however, evidence from the governmental authorities could only partly support this notion. The qualifier ‘partly’ is necessary because officially regional public authorities (province) treat all companies in the same neutral manner. According to a regional officer, CSR policies and activities by companies do not affect the licensing of permits etc. However, the officer admitted that CSR proactiveness by companies does influence the relationship (ter Welle, 2006).

²⁹ The assessment in brief of the companies is based on the methodology stated in chapter 6. The point is that CSR is more or less fully integrated in the business conduct of the Dutch gas sector.

According to the business side, the CSR engagement made it easier and faster to get permits and licenses with the consequence of less costs (Veenstra, 2006a). The lowest level of governmental authorities, the municipalities, also stated that CSR makes a difference in the way they deal with companies.³⁰ This confirms the businesses perspective, which is noticeably able to identify a positive influence of CSR on the interaction between them and the local and provincial authorities. The following quotation illustrates the point very clearly:

You should have the good contacts before you are in the permits procedure. So that people know that they can trust you. If you have contacts only when you need people than the people trust you less. For instance, we have good contacts with the province of Groningen because we have our main office here. When we need a permit very quickly, we know the people in the office personally. Then we can get the things done in very short time which usually costs you months we can do it in a week or so. We have a trust relationship with them. People on the public and private sphere have different perceptions of each other because we have different interests. But because of our good relationship we understand each others problems and interests which help the involved organisations. (Veenstra, 2006a)

An important remark is necessary here. Gasunie Transport is very important for the region of Groningen because of the sheer size of the company. The company is of great economic importance for the region and that gives the company a strong bargaining position with public authorities. Hence, it is difficult to distinguish between the impact of the economic importance the company has for the region and the CSR reputation of the company with respect to change in the interaction between Gasunie Transport and regional and local public authorities.

Gasunie Transport is also involved in a pilot project on streamlining and simplifying bureaucratic procedures. The company approached the Dutch government to reduce the bureaucratic barriers the company faces in its activities all over the Netherlands. License permitting, maintaining and supervision in the field of environment, and spatial planning have not been efficiently regulated for nationally operating companies such as Gasunie Transport. The company is confronted daily with numerous pieces of legislation in called areas. The company has to deal with literally hundreds of licensing and maintaining agencies. This situation is not only a significant problem for the company but also for the public authorities in the Netherlands because the involved agencies appear insufficiently equipped and trained to fulfil the task. The agencies are very often not equipped with the appropriate resources (manpower and knowledge) and are, hence often not able to deal with Gasunie Transport's complex processes and problems in an appropriate manner. The results are substantive procedural and organisational problems (VROM Inspectorate, 2006). The aim of the pilot project is to reduce the bureaucratic costs

³⁰ Two interviewees agreed under the condition not to be named in later publications.

of the company by streamlining the communication lines between the two actors through the implementation of two intermediary bodies that function as the sole communication centres. All communication activities including license permitting, maintaining and supervision in the field of environment and spatial planning should go through these two bodies which in turn should improve the efficiency significantly for both the private and public side. The talks are now in the final phase and the results are positive from both sides (Kroes, 2006). It is only natural that a company wants to reduce the bureaucratic burden to a minimum, but there is one crucial criterion that needs to be fulfilled: The level of trust between the company and the involved public authorities needs to be high enough to streamline communication through two new bodies. It is not an easy task to convince all actors (from provincial to local layer plus water boards) to 'give up' some of their power in favour of a new body that has not yet proven to be successful. Arend Kroes (2006) pointed out several times that the commitment by all involved players is most important for the success of the pilot project. Commitment also includes a certain level of trust in other actors to fulfil their task.

Here we see the good reputation (with respect to CSR issues) of Gasunie Transport and the company's trust relationship with public authorities come into play again: a precondition for the pilot project to get started. If successful, it is very likely that other companies such as Shell, Philips, and Corus (all members of the steering committee of the project) will try to implement similar procedures for their businesses. However, it has to be pointed out again that a precondition for these encompassing activities with respect to lowering bureaucratic costs of a company is the levels of trust public actors have in the concerned company. The absence of trust would not be the appropriate ground for such wide reaching organisational changes on the public side. The Gasunie Transport pilot project is clearly supporting the fifth hypothesis on CSR and active stakeholder management leading to easier access to public authorities and to licences, permits, and other official documents from the authorities which results in lower bureaucratic costs. Despite the not entirely supportive findings on the micro level, it can be argued that the fifth hypothesis that *the higher the CSR performance and stakeholder management of a company is, the easier it is for the company to get not only access to public authorities, but also to get licences, permits, and other official documents from the authorities which results in lower bureaucratic costs* is confirmed. CSR engagement by business provides not only access to public authorities, but also makes getting licences and permits easier and faster from at least local authorities (from regional authorities as well in fact), which results in lower bureaucratic costs.

8.9 Conclusion

Does CSR engagement by companies impact interaction, especially with public authorities? The study tried to answer the question by applying quantitative and qualitative research methodology. However, as seen in the latter sections of the

analysis, it is difficult to find clear conclusions. The ownership structure of Gasunie Transport with the state as the owner of the company complicated the analysis substantially and made it difficult to state clear results. The main conclusions of the case study need to be seen in the specific ownership context: First, the assumption that higher levels of stakeholder management due to higher levels of CSR engagement lead to better relationships with public authorities could not get confirmed or falsified. This is because the study on Gasunie Transport involves complicating factors such as the ownership structure and the quasi-monopoly status of the company. These two interfering factors give the company a strong position in the sector which has an impact on the interaction patterns of the company with other stakeholders. It becomes difficult to differentiate between these interfering factors and the effect of the good CSR reputation of the company to determine what is responsible for the observed interaction patterns both on the macro and micro level.

Second, it can be argued that the capacity of actors to influence the general policy-making process is positively correlated to the number of access points actors have to public authorities. Gasunie Transport has a considerable number of access points to public authorities mainly because of the company's owner structure and strong market position. To have the ministry of Finance as the only shareholder and being the major gas transport company in the Netherlands makes it almost impossible not have various links to governmental officials. However, the company also has a very good reputation with respect to CSR efforts. The proactive reputation of Gasunie Transport makes the company a leading example in the eyes of the public authorities with respect to CSR policies. Hence, public officials turn to Gasunie Transport when they consider implementing new policy, especially with regard to CSR. In turn, Gasunie Transport is in a position which gives the company capabilities to anticipate issues which might get on the political agenda in the (midterm) future.

Third, the implemented covenants in the gas sector had a positive impact on the companies because the general CSR performance of the sector is comparably high. The Dutch government implemented the soft steering mechanism in the late 1980s which provide the involved companies with more freedom to achieve the selected targets but also with more responsibility. The private sector made use of the provided room and became as a result generally more proactive in issues associated with CSR. Apart from this impact of macro level policies on the CSR performance in the gas sector, influences are also found on the micro or company level. The higher the CSR performance and stakeholder management of a company (or the reputation), the easier the company gains access to public authorities and receives licences, permits, and other official documents from authorities, which in turn results in lower bureaucratic costs. This is probably the most important finding of the study with respect to the impact of CSR on business and their relations to public authorities. Lower bureaucratic costs represent a strong incentive for companies to engage in CSR activities. The special circumstances (ownership, quasi-monopoly status, and strong economic regional factor for the province of Groningen) of the case study on Gasunie Transport need to be taken into account here because the

company has a 'naturally' strong position at the bargaining table with public authorities.

The last finding of the study was that belief systems of actors (with respect to CSR related issues) do not tell us too much about how actors behave in communications and shared resources networks. No overlapping of belief systems of actors and their grouping in the communication combined with shared resources network could be found with the exception that a number of NGOs grouped together in the network according to their belief system. This does not help explain the set up of the communication and shared resource network. It at least tells us that belief systems of actors can be ruled out as an explaining variable in the research on CSR, at least in the Netherlands with its limitations and fixations on actors due to the country's corporatist structure.

Interviews

Personal interview with Bart Jan Hoevers, responsible for privatisation and participations, Ministry of Finance. April 18, 2006.

Personal interview with Bauke van der Velde, account manager and employee representative of GTS, Gasunie Transport. February 17, 2006.

Personal interview with Tjerk Veenstra (b), Corporate Coordinator of HSE policies within Gasunie Transport. February 3, 2006.

Personal interview with Tjerk Veenstra (a), Corporate Coordinator of HSE policies within Gasunie Transport. January 17, 2006.

Personal interview with Arend Kroes, VROM Inspectorate Noord - head of project team on Gasunie pilot II. August 10, 2006.

Personal interview with Hans ter Welle, deals with issues connected to the 'Energy Valley', province of Groningen. March 22, 2006.

Appendix

Sections selected for the readability analysis:

An installation in Ommen produces nitrogen which can be added to the gas to meet customers' quality specifications. There are metering and pressure regulating stations at 77 locations throughout the national gas transmission network, to transfer gas from the main pipeline network to the regional network, which has a lower transport pressure. Liquefied Natural Gas (LNG) is stored in an installation on the Maasvlakte (on very cold days, this LNG installation ensures that transport capacity to the Randstad can keep up with demand). Finally, approximately 1,100 custody transfer stations and 14 export stations supply gas to the end user.

As part of the Industry Environment Plan service programme, Gasunie issues advice to industrial consumers on energy conservation and emission reduction. This advice covers a broad range of topics, from the design and installation of a complete product and energy management system to a simple quick scan. In the domestic consumer market segment, Gasunie encourages the development and introduction of clean and efficient gas consumption appliances through demonstrations and by promoting new efficient products such as combined heat and power. In 2004, Gasunie also provided input for a national policy on climate and emissions as part of the Ministry of Economic Affairs' long-term Energy Research Strategy (ERS).

Gasunie takes full account of the need to meet safety, health and environment regulations when carrying out its tasks. It has therefore adopted specific policy goals and has also introduced a safety, health and environment assurance system, which is described below. Safety, health and environment protection are part of company policy. The safety, health and environment assurance system which is based on this strategy applies to all activities of Gasunie and its personnel. The departments are themselves responsible for the correct implementation of the safety, health and environment policy. Final responsibility for safety, health and environment assurance lies with the company's chief executive officer.

More and more construction work is being done in the immediate vicinity of gas transport pipelines, with all the associated risks. Much of this work involves excavation, which carries with it the risk of damage to pipelines. Gasunie monitors these activities closely and takes action where necessary. Enforcing spatial planning regulations in respect of existing gas pipelines is however the government's responsibility. Gasunie strongly believes that excavation companies should be obliged by law to notify the relevant authorities regarding proposed work, and has regularly urged the government to make this a statutory requirement.

Gasunie's occupational health care department works with an external health and safety service. This service registers whether an employee believes there is a link

between his or her absence and the work itself. This is referred to as work-related sickness absence. The incidence of work-related absence has been approximately 40 notifications per year for several years; there was no indication of any change in this incidence during 2004. In accordance with statutory guidelines, Gasunie notifies work-related sickness absence to the NCB. In 2004, two such notifications were made to the NBC following a more detailed examination.

The term 'removal' refers to preventing and limiting the creation of residues and the disposal of waste. Waste/residues such as chemicals, oils, fats and maintenance materials are found at many Gasunie locations. These substances are collected separately. They are then removed from the various locations by an accredited waste collection service and taken to a recognised waste processing company. The management, supervision and administration of this process is contracted out to three specifically licensed waste collection companies. In 2004, a new contract was signed with a waste management agency, which in 2005 will reduce the number of waste collection firms to two.

Gasunie Transport's CSR performance with respect to internal processes³¹

	Category	Indicators	Information provided by Gasunie Transport	Score
A) Internal Social Aspects:	Labour Practices and Decent Work	Employment	<p>The number of employees has been very stable over the last nine years. There has been no significant fluctuation, not even after the split of the company in 2005.</p> <p>Number of employees: 1997: 1,639 1998: 1,635 1999: 1,553 2000: 1,464 2001: 1,389 2002: 1,390 2003: 1,446 2004: 1,477 2005: 1,425</p> <p>Gasunie Transport did not provide information on social programs for laid off employees. However, the company stated there was intensive contact with the Employee Council during the period of restructuring.</p>	4
		Labour/ management relations	<p>Gasunie Transport pays a lot of attention to the interests of its employees. The Employee Council negotiates with the management about various issues. The employees of the company indicated that the relationship between management and employees is good and that the management is responsive to employee matters. Furthermore, the Social, Training, and Personnel (SOP) Committee dealt with less vital issues which are, however, often very important to employees. The Safety, Health, Welfare, and Environment (VGWM) Committee is actively involved in the comprehensive attention which Gasunie Transport pays to the safety aspects of the company's operations.</p>	3

³¹ The indicators are to a large extent based on definitions provided by the Global Reporting Initiative. For more information see GRI (2002). Sustainability Reporting Guidelines. http://www.globalreporting.org/guidelines/2002/gri_2002_guidelines.pdf; accessed May 3, 2005.

	Category	Indicators	Information provided by Gasunie Transport	Score
		Health and safety	<p>Accident frequency index at Gasunie Transport:</p> <p>2000: 0 2001: 0.14 2002: 0.7 2003: 0 2004: 0.14 2005: 0</p> <p>Safety: Accident frequency index among third party personnel:</p> <p>2000: 0.16 2001: 0.08 2002: 0.16 2003: 0.13 2004: 0 2005: 0.08</p> <p>Total accident frequency index:</p> <p>2000: 0.07 2001: 0.11 2002: 0.11 2003: 0.07 2004: 0.06 2005: 0.05</p> <p>The company also provides information on the number of injuries involving absence and the number of injuries without absence for the years 2000 to 2005.</p> <p>Health:</p>	4

	Category	Indicators	Information provided by Gasunie Transport	Score
			<p>Sickness absence at Gasunie Transport:</p> <p>2000: 4.5 % 2001: 3.8 % 2002: 3.3 % 2003: 3 % 2004: 2.9 % 2005: 3.3 %</p> <p>The company also provides information on the length of absence. The management of Gasunie Transport is responsible for the policy on safety and health. Furthermore, attention given to safety has greatly increased, particularly by the government, due to such events as the fireworks disaster in Enschede and the gas explosion in Ghislenghien (Belgium). Focussed involvement is important in such developments; adequate coordination of matters related to health and safety is a necessity. Such facts resulted in the creation of a department for health, safety, and the environment at corporate level when Gasunie Transport became an independent company, with a coordinating role and core tasks of policy and verification. Implementation of health and safety policy is incorporated into line organisation. Against this background a centralised safety team was set up at the beginning of 2006. This team was given the task of identifying, initiating, and implementing structural improvements with regard to safety. These improvements may relate to such aspects as risk awareness, procedures, organisation, and infrastructure.</p>	
		Training and Education	No specific information provided by Gasunie Transport. Employees indicated that there is a personal training system (POB) in place, however, no further data was provided.	1
		Diversity, non-discrimination, and opportunity	No information provided by Gasunie Transport.	0
	Human Rights	Freedom of association and collective bargaining	No information provided by Gasunie Transport.	0

	Category	Indicators	Information provided by Gasunie Transport	Score
		Child Labour	No information provided by Gasunie Transport.	0
		Forced and compulsory labour	No information provided by Gasunie Transport. The company indicated that human rights are not an issue for them because they are a national company with no links to problematic regions in the world.	0
	Business Ethics and Corporate Governance	Bribery and corruption	No direct information provided by Gasunie Transport. The company provides some general information on corporate governance.	1
		Political contributions	A stated owned company cannot make a political contribution to political parties. Even if a state owned company attempted to do so, political parties have to state were they receive money from. Hence, this indicator is excluded from the analysis on CSR performance in the case of Gasunie Transport.	Not assess-able
		Ethics	Gasunie Transport provided information with respect to the development, training, and communication of ethical subjects and aspects in relation to work and the business and involvement of employees in developing codes of behaviour, values, and ethical codes. For instance, there is an online system set up to help solving ethical dilemmas of employees.	2
	Product Responsibility	Customer health and safety	<p>Gasunie Transport is in a intermediary position between gas producers and gas distribution companies which almost neglects customer health and safety issues. Distribution companies are in principal the customers, except a few large companies like Akzo Nobel.</p> <p>External safety is an important issue for Gasunie Transport because the gas transport business involves a number of risks for potentially affected stakeholders such as customers. Gasunie Transport's safety policy is designed to manage and control activities which could pose a risk to the environment. It has two main aims: to ensure that there are no fatalities arising from an incident and to alleviate the effects of a disaster which may involve a large number of casualties. The company provides a detailed overview about its safety policy and the efforts undertaken in 2004. Furthermore, Gasunie Transport presents a comprehensive illustration of all damages to its pipelines in the last five years.</p> <p>Gasunie Transport attaches great value to guaranteeing the technical safety of its gas transmission system. It therefore has its own accredited inspection department to inspect and verify the technical</p>	4

	Category	Indicators	Information provided by Gasunie Transport	Score
			<p>integrity of its pipelines and installations, with special attention given to preventing over-pressurisation. These activities are carried out during manufacture, installation on the construction site, delivery and use of the pipeline systems and installations. The company provides a detailed summary about all activities with respect to technical safety.</p> <p>Gasunie is also committed to improving safety among its customers. This policy is supported by the existing Gas Act, Article 42 of which accords responsibility for doing so to the gas transport companies. However, the promotion of a safe and efficient consumption of gas was regarded by Gasunie Transport as a crucial task even before the Act took effect. Gasunie needs to be sure that its customers' installations cannot pose a threat to its transport responsibility. It has therefore drawn up a new connection contract. To maintain and encourage safety in industrial gas installations, Gasunie Transport has an accredited in-house department (the industrial safety department). This department evaluates whether the new and modified gas installations of transport customers comply with the relevant regulations. These installations are also visually inspected during the operational phase, and their maintenance reports and actual state of repair are checked. Customers are thus given help in meeting the relevant prescriptions and are given the assurance that their gas installations are safe and do not pose a risk to Gasunie Transport's security of transport and supply. The company also provides a detailed overview about its number of visual inspection over the last five years.</p>	
B) Environmental Aspects:		Energy	<p>Gas is used to power gas turbines and drivers for transportation. Gasunie Transport also uses it for heating. The gas required is taken from the company's own reserves. The electricity for all its installations, equipment and lighting is drawn from the mains supply.</p> <p>Gas consumption (in million m3):</p> <p>2000: 130 2001: 145 2002: 135 2003: 160 2004: 205</p>	3

	Category	Indicators	Information provided by Gasunie Transport	Score
			<p>Gas consumption depends largely on the deployment of the equipment used to help transport the gas. This in turn is largely dependent on the weather. Other factors include levels of supply, demand, and transport capacity. The relative increase in the number of changes in supply and demand in recent years is partly due to the liberalisation of the gas market. Gasunie Transport's own gas consumption has risen compared with previous years. This is mainly a result of increased use of the compressor stations in Ommen and Ravenstein.</p> <p>Electricity consumption (in million kWh):</p> <p>2000: 305 2001: 230 2002: 280 2003: 320 2004: 270</p> <p>Electricity consumption has declined compared with 2003. This is due to two factors: reduced deployment of the nitrogen installation in Ommen, and second, in 2003, the LNG tanks on the Maasvlakte used to store liquid methane were replenished. As a result, they did not need to be filled as often during 2004.</p>	
		Water	<p>Water is used mainly for cleaning and for sanitary facilities, and is supplied by the water companies.</p> <p>Water consumption (in 1,000 m3):</p> <p>2000: 44 2001: 46 2002: 38 2003: 41 2004: 39</p> <p>Water consumption was more or less unchanged from the previous year. In addition to mains water, the coolant process at the LNG installation on the Maasvlakte also abstracted and released coolant water</p>	3

	Category	Indicators	Information provided by Gasunie Transport	Score
			<p>from and into the port itself. The volume of coolant water consumed depends on how much LNG has to be produced. Last year this came to 4.6 million m3. In 2003 it was 6.6 million m3. The decline in water consumption was due to the LNG tanks needing to be filled less often.</p>	
		Emissions, Effluents, and Soil	<p>Emissions:</p> <p>Gasunie is aware of its environmental responsibility and focuses very much on global warming and climate change in general. Gasunie Transport's commercial activities are contributing to the Netherlands' national emission total. For example, the company uses compressors to transport gas under pressure; these are powered by gas turbines and gas drivers, the emissions produced contain CO2 and NOx. Uncombusted gas can also be released during the laying of gas transport pipelines and maintenance work. The latest data suggests that Gasunie Transport has been responsible for a share of approximately 0.2 % of CO2, 0.6 % of CH4, and 0.2 % of NOx respectively in the national emission total.</p> <p>CH4 emissions (in tonnes):</p> <p>2000: 4,500 2001: 4,400 2002: 5900 2003: 5800 2004: 5700</p> <p>The main constituent of gas is methane (CH4). CH4 emissions during 2004 were similar to those in the previous year. Methane emissions are produced partly by uncombusted hydrocarbons released during combustion processes in compressors, drivers and boilers. Methane can also be released during construction work on the pipeline network.</p> <p>In 2004, Gasunie Transport undertook to expand transport capacity on various pipeline projects (pipeline construction and alterations to an export station) in the north of the Netherlands. A mobile re-compressor was used to minimise methane emissions during this work by limiting the venting of gas during construction. The gas is brought to the required pressure by means of a re-compression unit and then pumped to another section of pipeline. Use of the mobile re-compressor prevented approximately 4</p>	4

	Category	Indicators	Information provided by Gasunie Transport	Score
			<p>million m3 gas from being vented. In addition to the environmental gains made, this was also more cost-effective.</p> <p>In addition to methane, gas emissions also release other alkanes (mainly ethane, propane, and butane) nitrogen, and carbon dioxide. These alkane gases (with the exception of methane) are known as 'non-methane volatile organic substances' (NMVOS). The volume of NMVOS emitted is estimated at approximately 500 tonnes a year.</p> <p>CO2 emissions (in Ktonnes):</p> <p>2000: 235 2001: 260 2002: 250 2003: 300 2004: 365</p> <p>This rise in Gasunie Transport's CO2 emissions in 2004 was largely due to higher fuel consumption by the compressor stations in Ommen and Ravenstein. These stations were deployed more frequently during that year to enable the company to meet its transport commitments. The CO2 equivalents indicator also rose during 2004. This means that more fuel was needed per million m3 of transported gas. This may have reduced energy efficiency since it was possible to use the compressors at Ommen and Ravenstein in particular in a less energy efficient way due to the sharply fluctuating supply of the gas to be transported (liberalisation effect). Further research will be carried out in the upcoming years.</p> <p>Acidification of the environment is caused by air pollution involving acidifying substances such as NOx. This is harmful both to the nature and to the built environment. The use of gas turbines and drivers to operate compressors inevitably releases NOx. The rise in NOx emissions during the reporting year (from 600 to 760 tonnes) can be explained by the increase in fuel consumption by the compressor stations. Although the level of the NOx emissions indicator in 2004 was lower than the target for 2010, the trend has been upward since 2002. In 2004, this rising trend was primarily due to the increased use of the</p>	

	Category	Indicators	Information provided by Gasunie Transport	Score
			<p>Information provided by Gasunie Transport</p> <p>compressor stations in Ravenstein and Ommen.</p> <p>Gasunie Transport also provides detailed information on the consumption of freons and on halon emissions (substances affecting the ozone layer).</p> <p>Effluents: No information provided.</p> <p>Soil: The environmental theme soil contamination refers to the soil pollution which sometimes affects Gasunie Transport locations despite the care taken to minimise it during commercial operations and maintenance activities. Soil surveys have been conducted since 1995, with 971 Gasunie Transport locations surveyed for soil contamination by the end of 2004. The pollutants consisted mainly of lubricating oil, diesel oil, polycyclic aromatics, and odorants.</p> <p>Gasunie Transport then used these results to assess the urgency of follow-up studies at the contaminated locations. It signed a participation agreement for all its locations with the BSB Drenthe and Groningen – organisation responsible for overseeing the decontamination of existing industrial sites in these two provinces. Thirteen decontamination exercises were carried out in 2004, eight of which were completed that year. Five clean-up operations continued in 2005. The expectation is that two of these five operations will take considerably longer since the pollution was found to be more extensive than had initially been anticipated. The company provides a comprehensive overview about the number of surveyed locations, the number of clean-up operations and finished clean-up operations, and the number of ongoing research for the last five years.</p>	
		Waste	<p>Waste/residues such as chemicals, oils, fats, and maintenance materials are found at many Gasunie Transport locations. These substances are collected separately. They are then removed from the various locations by an accredited waste collection service and taken to a recognised waste processing company. The management, supervision and administration of this process is contracted out to three specifically licensed waste collection companies. In 2004, a new contract was signed with a waste management agency, which in 2005 will reduce the number of waste collection firms to two.</p>	4

Category	Indicators	Information provided by Gasunie Transport	Score																																																											
		<table border="1"> <thead> <tr> <th rowspan="2">Waste streams</th> <th colspan="2">2003</th> <th colspan="2">2004</th> </tr> <tr> <th>Tonnes</th> <th>%</th> <th>Tonnes</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Paper and board</td> <td>101.2</td> <td>3.6</td> <td>141.3</td> <td>2.6</td> </tr> <tr> <td>Construction and demolition waste</td> <td>234.1</td> <td>8.4</td> <td>314.2</td> <td>5.8</td> </tr> <tr> <td>Clean rubble</td> <td>409.0</td> <td>14.6</td> <td>820.0</td> <td>15.2</td> </tr> <tr> <td>Gully cleaning waste</td> <td>16.7</td> <td>0.6</td> <td>4.5</td> <td>0.1</td> </tr> <tr> <td>Metals</td> <td>1,073.6</td> <td>38.4</td> <td>2,155.9</td> <td>40.1</td> </tr> <tr> <td>Cable waste</td> <td>4.6</td> <td>0.2</td> <td>35.3</td> <td>0.7</td> </tr> <tr> <td>Hazardous waste</td> <td>628.1</td> <td>22.5</td> <td>1,550.3</td> <td>28.8</td> </tr> <tr> <td>Kitchen and canteen waste</td> <td>34.4</td> <td>1.2</td> <td>47.1</td> <td>0.9</td> </tr> <tr> <td>Residue waste</td> <td>292.1</td> <td>10.5</td> <td>310.9</td> <td>5.8</td> </tr> <tr> <td>Total</td> <td>2,793.8</td> <td></td> <td>5,379.5</td> <td></td> </tr> </tbody> </table> <p>Gasunie Transport provides detailed descriptions of the different waste streams. The overall volume of waste went up by more than 90%, mainly due to an increase in the volume of metals, hazardous waste, scrap, and rubble released by the large number of projects undertaken. The environmental goal to limit the increase in the overall volume of waste to no more than 1% was not attained. The target for 2005 will therefore be tightened to enable a cleaner distinction to be made between the waste released during operational activities and specific projects. Approximately 65% of the waste produced was recycled in 2004. Although this represents a slight increase on 2003 levels, the target for 2010 (a minimum 80% recycling rate) was not met.</p>	Waste streams	2003		2004		Tonnes	%	Tonnes	%	Paper and board	101.2	3.6	141.3	2.6	Construction and demolition waste	234.1	8.4	314.2	5.8	Clean rubble	409.0	14.6	820.0	15.2	Gully cleaning waste	16.7	0.6	4.5	0.1	Metals	1,073.6	38.4	2,155.9	40.1	Cable waste	4.6	0.2	35.3	0.7	Hazardous waste	628.1	22.5	1,550.3	28.8	Kitchen and canteen waste	34.4	1.2	47.1	0.9	Residue waste	292.1	10.5	310.9	5.8	Total	2,793.8		5,379.5		
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	Transport	<p>Gasunie Transport's core business is to transport gas. This makes it more difficult to assess the company's performance with respect to transport because the focus has to be on two different aspects. First, the core business activities of the company have to be evaluated and second, issues related to transport such as kilometers driven by lorries to lay new pipelines or to do maintenance work. Gasunie provides information on their core business which was already stated under point customer health and safety because of the interrelated contents. However, Gasunie Transport does not provide specific information on transport issues connected to pipeline construction and maintenance. In other words, the company provides information on safety issues but not on environmental issues.</p>	2																																																											
	Disasters	<p>Gasunie Transport is taking steps to reduce harmful emissions into the soil, water, and atmosphere. It is</p>	4																																																											

	Category	Indicators	Information provided by Gasunie Transport	Score																														
			<p>also keeping detailed records of these environmental effects so that it can control them. The company takes extensive measures to optimally manage all the environmental aspects of the gas transmission system. Despite this, a small number of incidents in 2004 caused (or could have caused) disruption or damage to the environment. All these notified incidents were tackled immediately so as to limit any detrimental effects wherever possible. Internal reports were also compiled on these incidents, and they were entered in a registration system. This will allow the company to prevent similar occurrences in the future.</p> <p>Number of reported incidents:</p> <p>2000: 135 2001: 195 2002: 205 2003: 245 2004: 215</p> <p>The company provides also detailed information on environmental incidents specifically:</p> <table border="1" data-bbox="936 815 1671 1013"> <thead> <tr> <th data-bbox="936 815 1361 842">Environmental incidents</th> <th data-bbox="1361 815 1435 842">2001</th> <th data-bbox="1435 815 1509 842">2002</th> <th data-bbox="1509 815 1583 842">2003</th> <th data-bbox="1583 815 1671 842">2004</th> </tr> </thead> <tbody> <tr> <td data-bbox="936 842 1361 900">Departures from the environmental assurance system</td> <td data-bbox="1361 842 1435 900">0</td> <td data-bbox="1435 842 1509 900">0</td> <td data-bbox="1509 842 1583 900">0</td> <td data-bbox="1583 842 1671 900">0</td> </tr> <tr> <td data-bbox="936 900 1361 927">Infringements of legislation and regulations</td> <td data-bbox="1361 900 1435 927">0</td> <td data-bbox="1435 900 1509 927">0</td> <td data-bbox="1509 900 1583 927">2</td> <td data-bbox="1583 900 1671 927">0</td> </tr> <tr> <td data-bbox="936 927 1361 954">Environmental accidents</td> <td data-bbox="1361 927 1435 954">67</td> <td data-bbox="1435 927 1509 954">54</td> <td data-bbox="1509 927 1583 954">58</td> <td data-bbox="1583 927 1671 954">52</td> </tr> <tr> <td data-bbox="936 954 1361 981">Complaints about environmental accidents</td> <td data-bbox="1361 954 1435 981">3</td> <td data-bbox="1435 954 1509 981">9</td> <td data-bbox="1509 954 1583 981">13</td> <td data-bbox="1583 954 1671 981">14</td> </tr> <tr> <td data-bbox="936 981 1361 1013">Total</td> <td data-bbox="1361 981 1435 1013">70</td> <td data-bbox="1435 981 1509 1013">63</td> <td data-bbox="1509 981 1583 1013">73</td> <td data-bbox="1583 981 1671 1013">66</td> </tr> </tbody> </table> <p>When environmental incidents are detected, a variety of departments within Gasunie Transport are called in due to the fact that health and safety considerations may be involved. If warranted by the seriousness of an incident, external stakeholders may be notified. Furthermore, the company provides a</p>	Environmental incidents	2001	2002	2003	2004	Departures from the environmental assurance system	0	0	0	0	Infringements of legislation and regulations	0	0	2	0	Environmental accidents	67	54	58	52	Complaints about environmental accidents	3	9	13	14	Total	70	63	73	66	
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	Category	Indicators	Information provided by Gasunie Transport					Score	
			comprehensive overview about the environmental incidents in 2004 and provides a description of the measurement and registration system.						
		Products and Services	Gasunie Transport's core business is to transport gas. Because of that the company does not provide specific information with respect to percentage of the weight of products sold that is reclaimable at the end of the products useful life.					Not assess-able	
		Compliance	Gasunie Transport did not provide specific information on incidents of and fines for non-compliance with all applicable international declarations/conventions/treaties, and national, sub-national, regional and local regulations associated with environmental issues. The only information provided were costs of 15,000 euros for eco-fines or costs of rectifying environmental damage.					4	
		Overall environmental expenditures	Costs in 1,000 euros	2001	2002	2003	2004	Explanation	4
			Hazardous waste	1,008	834	926	909	e.g., disposal and/or processing costs.	
			Other waste	184	139	460	200	e.g., disposal and/or processing costs.	
			Water	68	62	72	62	e.g., costs of waste water and water/sewage charges.	
			Licenses	0	0	0	0	e.g., legal fees.	
			Environmental damage	0	0	0	15	e.g., eco-fines or cost of rectifying environmental damage.	
			Environmental measures	438	426	329	271	e.g., installing silent regulators.	
			Soil decontamination	771	519	626	381	e.g., cost of cleaning	

	Category	Indicators	Information provided by Gasunie Transport					Score	
							contaminated soil.		
			Environmental survey	218	402	628	488	e.g., noise emissions, methane emissions and energy consumption survey.	
			Environmental coordination	310	338	358	380	Personnel costs for environmental coordination.	
			Atmospheric emissions	1,424	2,374	2,463	2,474	e.g., venting of gas following incidents and pipeline repairs.	
			Total	4,421	5,094	5,862	5,180	(costs in 1,000 euros)	
C) External Social Aspects: ³²	General	Social responsibility and new opportunities	Gasunie Transport has a special team concerned with charity in place since the 1960s. The main focus is on community projects. Gasunie Transport has had its office and most of its staff in the city of Groningen since 1968. This makes the company not just a generator of employment and economic activity but also a source of revenue for the local community. Since it was founded in 1963, Gasunie Transport has been extremely conscious of the position it occupies within the community and has therefore, been closely involved in local activities. This sense of commitment has prompted the company to contribute to local					2	

³² External environment aspects such as community, consumer, public sector, investor and supplier relations are addressed in the sections on transparency/accountability and participation.

	Category	Indicators	Information provided by Gasunie Transport	Score
			and regional events and to lend its support to institutions in the field of health care, social work, culture, sports, recreation, education, and science.	

Table on Gasunie Transport's CSR performance with respect to internal processes

Score of 0	Not mentioned	Theme not mentioned.
Score of 1	Mentioned	Theme briefly mentioned in general terms, but minimal information on own operations. Alternatively, theme dismissed as irrelevant.
Score of 2	Insufficient	Theme described with reference to own enterprise, but information has major deficiencies with respect to content and presentation.
Score of 3	Satisfactory	Theme described and analysed with respect to own operations. Problems are identified and challenges and solutions are considered, but information has some deficiencies with respect to content and presentation.
Score of 4	Very satisfactory	Theme is described and analysed systematically and comprehensively with respect to the company's operations. The company demonstrates an integrated and overall perspective.

Table on assessment score and interpretation

Larger Thematic Sections	Scores on individual indicators	Aggregated score	Score on larger Thematic Section	Overall Score
Internal Social Aspects	4/3/4/1/0/0 ³³ /1,5 ³⁴ /4	17,5	2.19 (17,5:8)	2.56 [(2.19+3.5+2):3]=2.56
Environmental Aspects	3/3/4/4/2/4/4/4	28	3.50 (28:8)	
External Social Aspects	2	2	2.00 (2:1)	

Table on calculating the overall performance score of Gasunie Transport

³³ Score on human rights is based on the average score of the indicators 'freedom of association and collective bargaining, child labour, and forced and compulsory labour'.

³⁴ Score on business ethics and corporate governance is based on the average score of the indicators 'bribery and corruption, political contributions, and ethics'.

**Campina GmbH & Co. KG (Germany):
Internal and external facets of
Corporate Social Responsibility**

9.1 Introduction

The chapter contains an in-depth assessment of Campina GmbH & Co. KG's (referred to as Campina Germany) CSR performance and related impacts on interaction with external stakeholders, especially with respect to public authorities. The study on Campina Germany's CSR performance is structured in the following manner: First, we introduce the company and put it in the business context with respect to the German dairy sector. Second, current CSR issues in the German dairy sector are presented to put the company's specific development into the broader CSR context. Third, Campina Germany's internal CSR policies, programs, and initiatives are presented with special attention to relevant historical decisions, development steps, motivations, and internal management consequences. Fourth, we analyse Campina Germany's current CSR performance and presented it in a thorough manner by using the Global Reporting Initiative (GRI) and an assessment tool developed by PROSUS, a research group of the University of Oslo.¹

9.2 Campina GmbH & Co. KG – corporate overview and business context

As stated in the chapter on the company's operations in the Netherlands, Campina is an international co-operative dairy company with responsibilities that stretch beyond the production and marketing of good quality and reliable products. The company is active in over 100 countries and the head office is located in Zaltbommel in the Netherlands. However, the company's roots are in the Netherlands, Germany, and Belgium. This has predominantly to do with the fact that the company's owners (member farmers) are all located in those three countries. Germany is one of the most important countries for the business conduct of Campina because the company has a significant number of owner/member farmers. The company also has several production sites in Germany including management facilities and is hence, one of the largest and most important players on the German market for dairy products. Campina Germany operates production sites in Elsterwerda, Gütersloh, Heilbronn, Köln, Prenzlau, and Schefflenz. DMV International, part of the industrial products group of Campina, is located in Nörten-Hardenberg and produces pharmaceutical lactose. Campina Germany has about 2,200 employees, about 30% of Campina's worldwide employees. Germany not only represents an interesting market for Campina, but is crucial for the production and development of dairy products. Several brands of Campina for other European countries are produced in Germany such as Mona.

The dairy sector in Germany is traditionally dominated by medium sized companies (*Mittelstand*). Recent decades can be characterised by a steady concentration

¹ Similar to the previous cases, the outline of the second part on consequences of Campina Germany's CSR performance for the interaction with other stakeholders is provided later in the chapter.

process of the German dairy sector because of increased competition due to more global trade. The number of companies in the dairy sector dropped to 102 in 2005 from 3,000 in 1960. However, the process of further concentration in the German dairy sector is far from being over because the size of German dairy companies is still relatively small compared to their international competitors. Further mergers and strategic partnerships in the German dairy sector can be expected in years to come. The following illustration shows the concentration process over the last decades in more detail:

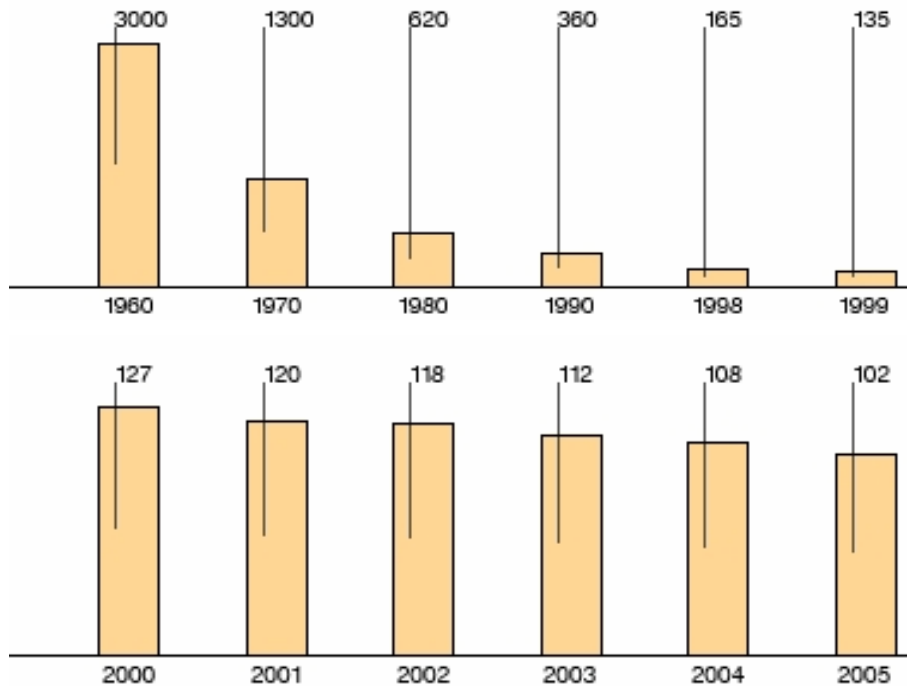


Figure 38: Number of dairy companies in Germany between 1960 and 2005²

Cooperatives have been the predominant organisational structure in the German dairy sector since the late 19th century. From time to time the dominance peaked in 80% share of all dairy companies in Germany. However, the concentration process throughout the last decades led also to the set up of other company structures such as major family owned businesses in the dairy sector (Klohn, 1999: 42-43). Nevertheless, cooperatives still dominate the dairy sector in Germany. Despite the fact that there are still numerous dairy companies in Germany, the sector is increasingly dominated by a handful of large companies such as Nordmilch,

² Milch Industrie Verband (2007). Strukturen der Milchindustrie in Bewegung. www.milchindustrie.de/de/milch/brancheninformationen/strukturen_milchindustrie.html; accessed January 24th, 2007.

Humana, Hochwald, Molkerei A. Müller, and Campina. All process more than 1,100 million kilograms of milk per year. The following table provides an overview about the leading dairy companies in Germany:

Leading dairy companies in Germany by turnover and milk processing output per year (2006)				
	Company	Structure	Turnover (€million)	Milk processing output (million kilograms)
1.	Nordmilch	Cooperative	2,031	4,352
2.	Humana Milchunion	Cooperative	1,800	2,665
3.	Molkerei A. Müller	Family owned	1,260	1,552
4.	Hochwald	Cooperative	968	1,781
5.	Campina GmbH & Co. KG	Cooperative	846	1,100

Table 30: Leading dairy companies in Germany by turnover and milk processing output per year (2006)³

The prime customers of dairy products in Germany are large retail companies (about 75%) and other larger consumers (25%). Since the large retail companies are very important customers of the dairy companies, they have significant leverage with respect to many issues including price and issues related to CSR. The most important retail companies with respect to dairy products are the Edeka Group, Rewe Zentral AG, Schwarz Gruppe (Lidl), Aldi Gruppe, and Metro (*Milch Industrie Verband*, 2007).

In general it can be said that Germany is the largest producer of dairy products in Europe (Agriculture and Agri-Food Canada, 2007). The value of German milk and milk products exported during 2004 was €3,830 million, excluding commercial turnover. This increase of 4.2% took exports to a record level, with German dairy processors and manufacturers achieving 21% of their revenues abroad. The dairy industry is the largest exporting sector in the food industry in Germany (*Milch Industrie Verband*, 2007b). The top 3 international exporters in terms of value are Germany (16%), France (13%), and the Netherlands (12%) (Agriculture and Agri-Food Canada, 2007b).

9.3 CSR Issues related to the German dairy sector

CSR (*soziale Verantwortung von Unternehmen*) is not a high profile issue in Germany. The term comes up in the media occasionally; however CSR does not have a substantial impact on political institutions in Germany. For instance, the German Ministry of the Environment publishes an annual report on the status of the environment (*Umweltbericht*). The report of 2006 is about 127 pages long; CSR comes up only in one short paragraph which contains broad statements of what CSR

³ Milch Industrie Verband (2007). Strukturen der Milchindustrie in Bewegung. www.milchindustrie.de/de/milch/brancheninformationen/strukturen_milchindustrie.html; accessed January 24th, 2007.

is and how the role of the private sector changed over the years (*Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit*, 2007). CSR as a term is not common in everyday life in Germany's media or politics. Sustainability is the "catch-all-term" in Germany when issues connected to CSR are discussed. The German government started becoming active with respect to CSR in 2001 with the set up of the German Council for Sustainable Development. It advises the government on its policy for sustainable development and, by presenting proposals for targets and indicators, seeks to contribute to the advancement of the strategy of sustainable development as well as propose projects designed to realise the strategy. The former German government under chancellor Schröder started a new initiative in 2002 called "Perspectives for Germany" which aimed to support the society's sustainable development. The initiative should be further developed and implemented in cooperation with important societal groups. The new German government under chancellor Merkel supports the initiative and agreed to develop the sustainable strategy further. The government recognises the importance to include various stakeholders from all parts of society. The notion of cooperation and the importance to take on responsibilities is emphasised numerous times in the publication. Sustainability (*Nachhaltigkeit*) and responsibility are prominent terms in "Perspectives for Germany" (*Die Bundesregierung*, 2007).

In August 2005 the German government adopted the "*Wegweiser Nachhaltigkeit 2005*" (sustainability guide 2005) in which the government describes the status of its policies on sustainable development on the national and international layer. One issue emphasised is CSR as the business contribution to sustainable development as defined by the German Council for Sustainable Development. The council continued its activities on CSR with a dialog started with a draft of recommendations put forward by the council to stimulate the discussion. At both a Leadership and a Multi-Stakeholder Forum, 110 representatives of trade and industry and society debated on the draft submitted by the council. The process resulted in the core document containing final recommendations (Corporate Responsibility in a Globalised World – A German Profile of Corporate Social Responsibility) to the German government and trade and industries which was presented by the end of September 2006. The report emphasised significant differences between Germany and Anglo-Saxon countries with respect to political structures and approaches to CSR issues. For instance, CSR was initiated in Anglo-Saxon countries under political omens which, due to lower social and environmental standards, cannot be immediately assigned to Germany in the same manner. The report argues that in comparison with the Anglo-Saxon economic culture, the notion of environmental protection has made good progress in Germany and Europe since 1970. Social standards have become a matter of course in the European social model, unlike in other models which are far from having achieved this. Whilst employee' rights abroad may well be the subject of CSR, this is not the case in Germany as they are specified under law and by virtue of collective bargaining policy. The same goes for environmental monitoring in and around a plant. Environmental issues are highly regulated in Germany and not a straightforward

CSR issue which is different in other countries (*Rat für Nachhaltige Entwicklung*, 2006). Hence, the room for improvements, especially with respect to environmental issues, is considerably smaller in Germany compared to Anglo-Saxon countries (*Bertelsmann Stiftung*, 2006). The main recommendations are to improve the transparency of CSR reporting (“the transparency, completeness, and verifiability of CSR information are imperative to having successful CSR activities” (*Rat für Nachhaltige Entwicklung*, 2006: 66)) and that the government should become more active in the discussion on CSR. The council recognises a looming blockade in the development of CSR in Germany because of a stalemate in the question on purely voluntary or regulated CSR. The German political culture is very much characterised by a legislative and top-down approach to policy-making including an emphasis on direct and strict regulation with clear rules, requirements, and guidelines. Co-regulation and self-regulation also exist in the German context; however, these instruments are often questioned for their effectiveness.⁴ Jörgens et al. (2005) studied the German end-of-life (ELV) vehicle program and came to the conclusion that it suffered significant shortcomings in its design. Specifically, the program lacked stringent and clear goals which could be measured for improving the recyclability of newly constructed automobiles. An interviewee (public official) also pointed out during a conversation that Germans are used to and maybe also prefer a culture of obeying orders from above, or in other words, Germans prefer security (also in the form of clear rules, regulation etc.) over freedom. A study by the *Bertelsmann Stiftung* describes the transition needed to make CSR policies workable in Germany in the following manner: ‘from a paternalistic state to a partner state’ (*vom Vater Staat zum Partner Staat*) (*Bertelsmann Stiftung*, 2006). The council identifies a number of CSR issues currently in the forefront such as international minimum social standards, sustainable supply chain, the combating of corruption, and the family-friendliness of enterprises. Furthermore, there is a wide range of ‘standard’ CSR issues mentioned which very much overlap with GRI’s CSR issues and indicators. The next section focuses more on sustainability issues in the agriculture sector to gain more insight into issues connected to the dairy sector.

Sustainable agriculture is associated with nature and environmental friendliness, the caring for animals, and precautionary consumer protection, especially with respect

⁴ The current discussion in Germany on EU legislation on the reduction of car emissions is a good example for the debate on the usefulness of self-regulation schemes. The automotive industry in Germany signed a voluntary agreement in 1998 to reduce CO² emissions to an average of 140 grams per kilometre by the end of 2008. However, it is most likely that the industry will not be able to fulfil their promise. Currently the average emissions of CO² are at 161 grams per kilometre; however the German car producers are way above the average because of their bias towards middle and upper class cars. This will most likely fuel the debate in Germany about the effectiveness of such voluntary agreements by companies or industry associations. For more information see *Handelsblatt* (2007): *EU-Einigung über Auto-Klimaauflagen gescheitert*. *Financial Times Deutschland* (2007). *Deutsche Autobauer am Klimapranger*. See also *Verband der Automobilindustrie* (2006). *Jahresbericht 2006. Umwelt und Technik. and Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit* (2007b). *Wirtschaft und Umwelt. Selbstverpflichtungen*.

to health (*Die Bundesregierung, 2007*). Consumer protection plays a key role in the government's approach to sustainability. The standards for food safety, animal protection, and quality oriented and environmentally friendly production are set and monitored by the state. However, the government stresses the importance of focusing on the entire supply chain, from the producers to the consumers. The engagement of the food industry and the retail sector is crucial for the introduction of quality labels, the monitoring of certified companies and farmers, and the market efficient presentation of high quality products in the shops. Furthermore, the basis for a sustainable agriculture sector and food industry is an efficient use of resources which does not harm the environment. Sustainable agriculture means that soil, water, air quality, the fertility of soil, and biodiversity have to be protected or rather improved (*Die Bundesregierung, 2007*).

Campina Germany is part of this production chain and hence, must also shoulder its share of responsibility with respect to sustainable agriculture. The emphases of Campina Germany's CSR activities are on both the environmental and the social aspects. Environmental activities focus predominantly on the efficient use of water, waste management, and the reduction of emissions. Social aspects of CSR revolve around issues such as health and safety of employees, the working environment, and training opportunities for employees. Campina Germany deals with environmental and social issues proactively for several reasons. The most important reason is to save money by reducing the amount of formal environmental inspections and reducing the insurance rate for the production sites. To be certified under EMAS⁵ and ISO 14001 reduces the amount of inspections by public authorities and the requirements with respect to regular reporting (*Industrie- und Handelskammer zu Köln, 2007*). More specifically, on the federal level in Germany, the environmental statement (*Umwelterklärung*) of EMAS is recognised as a waste management concept (*Abfallwirtschaftskonzept*, mandatory in Germany), licensing procedures and inspections with respect to emissions are reduced, and technical safety controls (*sicherheitstechnische Prüfungen*) can be done internally. To be certified under EMAS is also important with respect to state loans. However, most measures connected to EMAS are done at the Länder layer. For instance, some Länder have reduced the fee for site inspections. Bavaria has implemented an environmental pact (*Umweltpakt*) which involves public authorities and industry and guarantees easier and faster procedures with public authorities (*Ökomanagement-Club, 2007; Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit, 2006*). In addition to the advantages of being proactive with respect to environmental aspects of CSR, it also pays directly for Campina to steadily improve its health and safety standards because of reductions in payments for accident insurances.⁶ Campina

⁵ EMAS registered organisations are legally compliant and run an environmental management system. They report on their environmental performance through the publication of an independently verified environmental statement.

⁶ Participatory observation during a health and safety committee (*Arbeitsschutzausschuß*) meeting at Campina Elsterwerda, January 17th, 2007.

Germany is aware of its responsibilities and addresses them in a proactive manner. The next section presents Campina Germany's internal approach to CSR and highlights the main development steps of the company and of CSR within the company.

9.4 Campina's journey towards CSR

The 1990s saw a continuous concentration of the dairy sector in Germany with Campina buying a number of smaller German dairy companies. Campina's engagement to become a producer on the German market started in 1993 when Campina invested in Südmilch AG which became a part of Campina Germany in 1996. Subsequent years saw a series of acquisitions and organisational changes which ended with the acquisition of dairy company Strothmann in Gütersloh in 2002/2003. The process of acquiring all these German dairy companies made it difficult to focus on CSR issues right away. More pressing issues directly related to the economic bottom line were in the forefront during the 1990s. CSR as a concept or management approach was not as clearly formulated then as it is today. Hence, it does not come as a surprise that Campina Germany concentrated first on financial issues related to streamlining business conduct in all newly acquired sites. As mentioned in the chapter on Campina in the Netherlands, the company was also in a transition phase in the Netherlands (merger with Melkunie). These internal factors made it difficult for Campina Germany to establish a concerted strategy towards CSR at that time. However, it is fair to say that Campina was involved in CSR activities in the 1990s, although without a clear vision and management scheme. The applied approach throughout the 1990s with respect to CSR can be characterised as very pragmatic and of a hands-on nature. The full concept of CSR including environmental and social issues came about within Campina Germany after a series of incremental steps based on initiatives from the company HQ in the Netherlands.

The appointment of the new CEO J.J.G.M. Sanders in 2000 was also a crucial development for CSR within Campina Germany. All three bottom lines of CSR, (people, planet, and profit) were now the focus of the company's top management. Sanders started to improve the stakeholder communication of the company which led, among others, to better relationships with public authorities. Hence, it can be said Campina's new strategy to communicate to the outside world and increase transparency with respect to the good results in all three dimensions of CSR was internal and top-down.⁷ The new CEO made it clear that the new efforts by Campina needed to be documented and communicated to the outside world. Another reason for the CSR engagement of Campina in Germany came from outside the company. Insurance companies started to approach the company offering to reduce the annual

⁷ Interview with Horst Kuhnert, Campina GmbH & Co. KG – Responsible for Environmental Management in Germany. June 17th, 2006.

payment for their insurance contracts if Campina Germany could reduce the risks with respect to the environment, fire, and health and safety risks. To pay less for insurances can be a serious driver for change to improve the normal business conduct and reduce involved risks at the same time. To achieve these improvements it is necessary to implement a management structure that deals with issues related to the social and environmental bottom lines. In other words, to become proactive with respect to CSR also had a direct positive impact on the financial bottom line. To have management systems in place for all three areas of CSR is not only an economic advantage (it saves money directly), they are also an advantage or even a precondition for efficient communication with stakeholders. To have these management systems in place made it possible for Campina to become an open and transparent company.⁸

Campina Germany started its CSR reporting activities in 2004 when the company reported environmental performance figures to public authorities for the first time. In the future, the responsible environmental management system will allow Campina Germany to compare the results from year to year very effectively and improve its controlling measures. The central environmental data system of Campina is the basis of all reporting activities. Furthermore, Campina (including the German sites) adjusted its reporting format and content to the guidelines of the Global Reporting Initiative (GRI) in 2005. Subsequently, the reporting standard of Campina in general became considerably better compared to 2004. The information provided is much more in-depth and encompassing, providing the reader with a good overview of the company's business conduct, targets, management approaches to CSR issues, and the company's impact on the environment. However, the data is not always differentiated according to countries. Hence, it is not possible to analyse Campina Germany's environmental and social impact in all aspects. Nevertheless, the material provided by the company is sufficient to allow a fair assessment with respect to the company's CSR performance. The author was also allowed to participate in a quarterly health and safety committee meeting (including environmental issues) at a production site in Elsterwerda.

The overall CSR policy of Campina is drafted in Zaltbommel, the Netherlands, at the Campina headquarters. Campina assigned a CSR agent at the board level with the main task of dealing with ethical entrepreneurship. He functions as a facilitator of ethical behaviour within Campina. Furthermore, the company set up a steering committee ethical entrepreneurship consisting of members dealing with corporate environmental affairs, corporate science & research, corporate human resource management, corporate affairs and communication, co-operative issues, and transport. The committee is chaired by the board's CSR agent. Implementation of CSR projects and initiatives is done by CSR project teams set up in a pragmatic and ad hoc manner depending on the issue.

⁸ Interview with Horst Kuhnert, Campina GmbH & Co. KG – Responsible for Environmental Management in Germany. June 17th, 2006.

Campina Germany is one division within Campina. Within Campina, CSR can be structurally located at the HQ among the various corporate departments (affairs, human resources, etc.). All companies have a staff member who has special responsibility for the environment and reports directly to the plant manager. In Germany the plant manager is directly responsible for any violations of environmental legislation. The most important task of the employee responsible for the environment is to ensure compliance with legislation and regulation and maintain environmental licences and permits. At the next layer, an environmental coordinator has been appointed at a group level to provide support to local staff with respect to issues such as helping compile company environmental plans, collecting data on the environment, and providing training and education. Horst Kuhnert is the environmental coordinator in Germany and is responsible for the collection of relevant environmental data from the different business sites. The collected data is then sent to the division headquarters in Heilbronn and then further to the HQ where Jaap Petraeus accumulates all the data and prepares it for various reporting activities. This particular internal reporting structure explains the fact that environmental and social data are not differentiated in every respect based on national results. According to Horst Kuhnert, Campina Germany's environmental policy is based on four pillars:

- the minimal requirement is to comply with legislation;
- constant improvement and monitoring of progress;
- training and communication;
- responsibility in the full supply chain.

Despite the fact that the general guidelines for CSR come from the company headquarters in the Netherlands, the impact on CSR initiatives and projects in German Campina production sites is rather limited. The internal processes with respect to CSR are still characterised by a mix of bottom-up and top-down policies in Germany. Major projects and guidelines with respect to CSR come from the headquarters in the Netherlands or from the division headquarters in Heilbronn. Day-to-day issues related to CSR such as improving the safety standards of a production site are discussed and decided at the site level. The following quote illustrates how CSR guidelines are implemented in the top down manner:

To implement a new quality or environmental management system (ISO 9000 or 14001) is a target set by the HQ which is formulated in a directive. That directive goes to the division; the divisions then decide how to implement it. For instance, the divisions decided that ISO 9001 has to be implemented in every division and at every business site of Campina, for ISO 14001 the divisions decided to certify the management system only at one business site and not everywhere. The other locations have the same standards but do not get certified. This is a method to reduce the costs which are about 10 000 euros per location. Lloyds is our external controlling agency. The sites not certified with ISO

14001 get controlled by Horst Kuhnert and an external verifier. He has a budget of 5000 euros for these additional external controls.⁹

The following figure (39) illustrates Campina's management approach to CSR and the impact for German production sites:

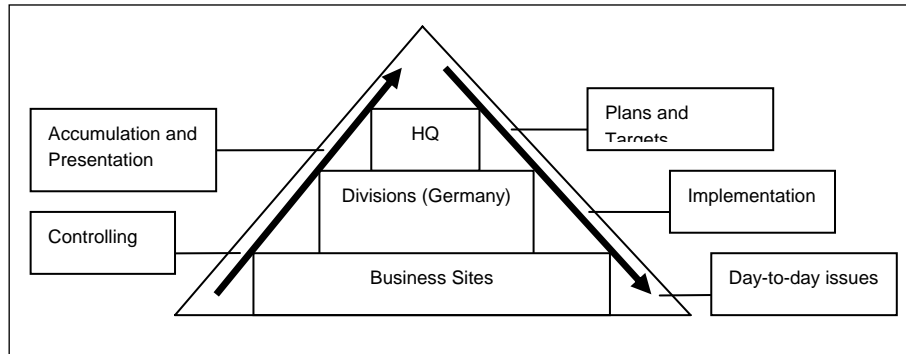


Figure 39: Campina's management approach to CSR

In contrast to the Netherlands, CSR is not high on the agenda in the German dairy sector. CSR related initiatives are implemented in the Germany dairy sector; however, these activities are not properly communicated at the moment. The profile of CSR is currently not high among German dairy companies.¹⁰ The communication within the dairy branch associations on CSR is not efficient because the issues currently discussed and presented in committees are too specific, meaning that, for instance, special waste treatment procedures are discussed without leaving any space for broader topics associated with CSR. The content of the communication platforms provided by the branch organisations is more technical. Due to lack of opportunity to present on broader concepts related to CSR, it takes about two years for a company to present its own approach to CSR within these branch organisations. Hence, it takes a lot of time to disseminate new initiatives and approaches in the German dairy sector.¹¹ Another reason why German dairy companies do not treat CSR as a high profile issue is connected to the supply chain. The dairy companies are very much focused on and influenced by the retail sector. The big discounter companies in Germany dictate the price which leads to enormous

⁹ Interview with Horst Kuhnert, Campina GmbH & Co. KG – Responsible for Environmental Management in Germany. August 28th, 2006.

¹⁰ Interview with Horst Kuhnert, Campina GmbH & Co. KG – Responsible for Environmental Management in Germany. August 28th, 2006; Interview with Michael Brandl, Milch Industrie Verband, November 6th, 2006; Interview with Dr.-Ing. Ines Coldewey, VDM - responsible for technology and environmental protection, November 7th, 2006.

Interview with Lars Dammann, Nordmilch - responsible for health, safety, and the environment. November 17th, 2006.

¹¹ Interview with Horst Kuhnert, Campina GmbH & Co. KG – Responsible for Environmental Management in Germany. August 28th, 2006.

price pressure. To be open and transparent with respect to CSR achievements including cost reductions by dairy companies might directly lead to more price pressure in negotiations with the retail companies. These companies always have an eye on their suppliers and reporting. Hence, it makes sense for the dairy companies to keep a low profile and be careful with what to communicate on CSR. However, it has to be said that external demands or pressure in general to publish and communicate more on CSR activities do not exist.¹² Probably the most important reason why CSR is not so prominent in the German dairy sector is because of its conservative. Lars Dammann, responsible for health, safety, and the environment at Humana dairy company describes the dairy sector in Germany along the following lines:

The dairy sector in Germany can be characterised as very conservative which means that environmental and social issues are dealt with by state regulation and not with proactive businesses approaches. State regulation is the common way to approach these issues and companies, as well as farmers, are not used to approach these issues more proactively.

Furthermore, the structure of the dairy sector in Germany with its great number of co-operative companies does not favour proactive strategies because it makes the coordination of interests much more difficult. In other words, the farmers have a lot of influence in the dairy sector; however, because they are structurally conservative they do not press for new, proactive approaches with respect to social and environmental issues.¹³

9.5 CSR at Campina

This section evaluates Campina Germany's CSR performance. The methodology applied is described in length in chapter 6. The analysis on the company's CSR performance concentrates around the following three points:

- Transparency and Accountability of Business;
- Internal Business Processes (Production, Service, Delivery);
- Participation (Stakeholder Management in CSR terms).

9.5.1 Transparency and Accountability of Campina Germany

Campina Germany does not publish its own CSR report; information is included in the company's general CSR report. Hence, it was not possible to do a comprehensive evaluation of Campina Germany's CSR performance. The general CSR report has information on the company's business impact in Germany and,

¹² Interview with Volker Glodde, Humana GmbH & Co. KG – Responsible for health, safety, and the environment. November 22th, 2006.

¹³ Interview with Michael Brandl, *Milch Industrie Verband*, November 6th, 2006.

therefore, it makes sense to include the latest general CSR report in the evaluation.¹⁴ In addition, Campina Germany also provides limited information on CSR related activities on the German company homepage. Information on specific German issues is available; however there is certainly room for improvements. German stakeholders are provided with information on the German page; other important information about recent developments concerning the company is only stated on the international homepage of Campina. This reduces the transparency of Campina Germany unnecessarily; it would be to the company's advantage to present all relevant information to interested stakeholders directly on Campina Germany's homepage without the detour of going to the international homepage. The presentation of the company to the outside world becomes unnecessary distorted. For instance, Campina started to cooperate with WWF, *Solidaridad*, and *Stichting Natuur en Milieu* to improve sustainability in the dairy chain and preserve primeval forests. The initiative is a good example of Campina's raising awareness of its impact on all three bottom lines and would certainly be of value for the company's reputation.¹⁵ However, the new initiative is not stated on Campina Germany's homepage which reduces the likelihood that the information reaches German stakeholders. A reason can be found in the CSR reporting structure of Campina which is concentrated in Zaltbommel, the company headquarters in the Netherlands. On the other hand, the CSR reports and most other information provided by Campina is also available in German which raises the readability and hence, the transparency of the company significantly. The readability scores based on Flesch and Dale-Call are:

Report Section	Flesch – Reading Ease	Flesch – Flesch-Kincaid Grade Level	Passive Sentences	Dale-Chall – Readability Index	Dale-Chall – Grade Level
Company profile	20,2	14,2	0 %	10.49	16th
Chairmen's address	44,5	10,2	14 %	9.06	13-15th
Employees	42	12,1	33 %	9.01	13-15th
Environment	39,9	11,9	16 %	10.05	16th
Society	40,6	11,7	0 %	9.31	13-15th

Table 31: Readability of the Campina CSR report 2005 based on Flesch and Dale-Chall

¹⁴ To include Campina's CSR report of 2005 for the analysis on the company's CSR performance does not interfere with the second research focus on consequences for the company's external relationships because the data gathering process was conducted in the second half of 2006. CSR reports are usually published between April and June of the consequent year, meaning that Campina's CSR report of 2005 was published in the first half of 2006 and the data gathering process for the second research focus started right afterwards.

¹⁵ However, the coalition of three NGOs cooperating with Campina does not necessarily mean that Campina is on the right path to become a fully socially responsible company; Greenpeace launched parallel a campaign against Campina's use of genetically modified soy beans from South America. Greenpeace was not satisfied with the agreement reached between the three other NGOs and Campina to import 10 000 tonnes of organic (non-modified) soy beans only (Campina imports about 150 000 tonnes from South America). Interview with Alexander Histing, Greenpeace International, February 8th, 2007.

The results show that Campina's 2005 CSR report is difficult or very difficult to read which, at first glance, are the same as Campina's 2004 results. However, if we look closer at the results an improvement is noticeable with respect to readability. Almost all sections are now more understandable than in 2004. Nevertheless, it has to be said that all sections of the CSR report have a score of college or near college level. The information on CSR provided by Campina Germany is limited (also in the general CSR report 2005) and still demanding for readers.

It can also be said that all strong points of the CSR report 2004 were further improved with respect to transparency and accessibility of the information. Despite the fact that the readability score of Campina's CSR reporting is still not optimal, the general presentation of the information with respect to the use of illustrations, document length, and format is done in a functional and easy accessible manner. However, Campina changed its dual CSR reporting strategy in favour of a comprehensive (hardcopy) report. Until 2004, Campina's strategy was to provide only the most interesting and relevant information in a hard copy version and all additional information digitally on the internet. Campina now provides stakeholders with a comprehensive CSR report based on the Global Reporting Initiative (GRI) indicators. To adopt the reporting structure to the GRI structure improved the transparency and accessibility of the information substantially. The report emphasises transparency and provides information on the CSR approach of Campina in general, the impact on the people side, planet side, and also some information on the profit side. The report provides the reader with a good impression of Campina's business conduct and its impact on the all three Ps including elaborations on business dilemmas. The report also shows how the company identifies, approaches, and manages its stakeholder relationships. Nevertheless, Campina does still not completely avoid the trap of occasionally demanding too much from potentially interested audiences. On the other hand, it can be argued that the use of the GRI indicators to structure information considerably helps the reader to find the way through. The adopted reporting structure based on GRI also helps different audiences find relevant information easier and faster.¹⁶ Despite all improvements, information on Campina Germany's impact on the triple bottom line is still rather limited; however, that is because of the internal reporting structure and strategy of Campina which concentrates its reporting activities in Zaltbommel, the Netherlands.

¹⁶ The information accessibility remains largely unchanged which leads to the same assessment stated in the chapter on Campina in the Netherlands.

Campina GmbH & Co. KG (Germany): Internal and External Facets of CSR

	Category	Indicators	Information provided by Campina Germany	Score ¹⁷																																			
A) Internal Social Aspects:	Labour Practices and Decent Work	Labour/management relations	<p>At the request of the international works council, the International Consultative Committee (CIO) and the Netherlands Central Works Council (COR), Campina arranged for an employee satisfaction survey at the end of 2005, in line with the survey conducted in 2002. The 2005 survey covered the fields of Work, Management, and Co-operation. The results showed that in general, Campina has highly motivated employees who show a high level of willingness to cooperate. The employees were less satisfied with the management style. Apparently, in their efforts to achieve good results, managers too easily ignored aspects of people-oriented management such as personal attention, guidance, and feedback for employees. The survey showed that work pressure had risen as a result of reorganisations, such as in the spring of 2005, particularly among the 'indirect employees'. Nevertheless, the majority of employees feel positive about working for Campina. Staff turnover is 3 to 4%. The employee satisfaction survey also measured the level of desire to leave the company. With a score of 1.5 on a scale of 1 to 4, the research agency GTP says the level of plans to leave can be described as low.</p> <p>Results of employee satisfaction survey 2005: Scale of 1 to 4: Campina sees a score of over 3 as the target value</p> <table border="1"> <thead> <tr> <th>Country</th> <th>Year</th> <th>Management Score</th> <th>Co-operation Score</th> <th>Work Score</th> </tr> </thead> <tbody> <tr> <td>NL</td> <td>2005</td> <td>2.67</td> <td>3.09</td> <td>2.80</td> </tr> <tr> <td></td> <td>2002</td> <td>2.89</td> <td>3.21</td> <td>3.22</td> </tr> <tr> <td>Germany</td> <td>2005</td> <td>2.56</td> <td>3.03</td> <td>2.61</td> </tr> <tr> <td></td> <td>2002</td> <td>2.65</td> <td>3.11</td> <td>3.11</td> </tr> <tr> <td>Belgium</td> <td>2005</td> <td>2.37</td> <td>2.89</td> <td>2.75</td> </tr> <tr> <td></td> <td>2002</td> <td>2.69</td> <td>2.89</td> <td>3.01</td> </tr> </tbody> </table> <p>In consultation with local management and the works councils, plans are being drawn up to translate the outcomes of the employee satisfaction survey into a more people-oriented approach. Steps have already been taken towards this at various locations, including management training. Cultural change and a modification of the management style take time. This is more a question of evolution than revolution.</p> <p>Personal observation confirmed the good relationship between employees and management.</p>	Country	Year	Management Score	Co-operation Score	Work Score	NL	2005	2.67	3.09	2.80		2002	2.89	3.21	3.22	Germany	2005	2.56	3.03	2.61		2002	2.65	3.11	3.11	Belgium	2005	2.37	2.89	2.75		2002	2.69	2.89	3.01	3
Country	Year	Management Score	Co-operation Score	Work Score																																			
NL	2005	2.67	3.09	2.80																																			
	2002	2.89	3.21	3.22																																			
Germany	2005	2.56	3.03	2.61																																			
	2002	2.65	3.11	3.11																																			
Belgium	2005	2.37	2.89	2.75																																			
	2002	2.69	2.89	3.01																																			

Table 32: Campina's CSR performance with respect to internal processes¹⁸

¹⁷ Score scale reaches from 0 to 4. For instance, 0 indicates that the company is not doing anything and 4 means that the company has a well structured policy in place.

9.5.2 Internal business processes

The next section contains the results of the assessment on Campina’s CSR policies and the company’s actual performance. Campina Germany provides some information on its environmental impact and its broader societal involvement; however the company provides only limited specific and differentiated information on its social impact. For instance, no information is provided on absenteeism or lostdays due to accidents. Data on these two social indicators are only presented for the Netherlands and for the other countries together. As indicated earlier, the author was allowed to participate in an internal health and safety committee meeting in which the German Campina production sites were compared on those social indicators. However, this information is only used internally for management decisions and is summed up with data from other countries with Campina sites for external purposes. Due to space limitations only a few indicators together with results are shown in detail.¹⁹

The aggregate of the scores on the three larger sections (internal social aspects, environmental aspects, and external social aspects) results in the final assessment for the company with respect to internal processes. Campina Germany’s overall CSR performance with regard to internal processes appears as follows:

Thematic Section	Score	Overall performance score (scale from 0 to 4)
Internal Social Performance	2,54	2,62
Environmental Performance	2,33	
External Social Performance	3	

Table 33: Campina Germany’s overall CSR performance with respect to internal processes

The overall performance score of Campina Germany with respect to the company’s internal processes is 2.62 out of potential 4 points. At first glance, this score seems to indicate that the company is not doing a satisfactory job with regard to its social responsibilities. The reporting approach of Campina has to be taken into account when we talk about the relatively moderate results of Campina Germany. Information on social and environmental aspects of Campina’s business conduct is not always differentiated for all countries in which Campina is active. Hence, the score on the company’s German CSR performance has to be lower. Nevertheless, it should be emphasised again that there is more information on internal processes available in Germany, though only internally and not for the outside world. The main weaknesses of Campina Germany are observable in the sections on business

¹⁸ The complete table including all indicators and remarks can be found in the appendix. The indicators are to a large extent based on definitions provided by the Global Reporting Initiative. For more information see GRI (2005). Sustainability Reporting Guidelines. www.globalreporting.org/guidelines/2002/gri_2002_guidelines.pdf; accessed May 3, 2005.

¹⁹ See the appendix for the assessment on all indicators.

ethics and compliance. The company provides very limited information on business ethics, contributions to political parties, and compliance in general. These issues are tackled briefly; however, it indicates that the company does not have a detailed policy on these issues. Considering the positive development of the company's reporting performance in recent years, Campina is certainly capable of drafting a detailed policy on business ethics. With respect to compliance and contributions to political parties, to be transparent and consequently, evaluated more positively it would be sufficient to provide a number of clear statements such as 'we do not contribute to any parties wherever we operate' or 'we had only one production site (to be named including issue of non-compliance) not complying with the regulatory requirements'. According to the methodology of Kok et al. (2001), Campina Germany is currently on the way to level 3 (out of 4). Campina Germany's CSR performance with respect to internal processes is generally satisfactory with room for improvement especially in the fields of business ethics and information on compliance. A more differentiated reporting and CSR management approach focusing more on issues, strategies, and policies of Campina production sites in countries other than the Netherlands would be an improvement. It would also help Campina as a whole to understand crucial national issues (CSR and non-CSR) better which would in turn improve the company's capability to respond more efficiently.

9.5.3 Participation or stakeholder management

As mentioned in the previous case studies, the aim of evaluating a company's CSR performance under this point only encompasses an inwards directed examination of stakeholder management schemes and activities. In other words, the focus under this point is exclusively on Campina Germany's stakeholder management schemes and instruments from the company perspective. The perspective of other stakeholders engaging with the company is addressed in the second part of the chapter on the external consequences of Campina Germany's CSR engagement.

Campina Germany strongly associates CSR with transparency. The company tries to be clear about its activities to all stakeholders because mutual trust is seen as a key factor for the long term success of the company. Consequently, Campina Germany tries to maintain a dialogue with its stakeholders which can have various expressions such as close cooperation or only random talks. Campina Germany's underlying principle is to be honest about the company's actions. For instance, Horst Kuhnert describes the approach of Campina in Germany with respect to contacts with public authorities in the following manner:

Campina wants nowadays to work with the governmental institutions. For instance, if we plan something new (building) we contact the concerned institutions right away and invite them to discuss the issue together. Things go much more smoothly this way. That is new. We introduced this approach two or three years ago. Before that we discussed the things only internally. Sometimes we even forgot to inform the concerned institutions what resulted in a shock situation for both sides which could result in the threat of

potential fines. Early communication is now the approach of Campina. Kick off meetings for new projects are now standard. This approach brought also a new emotional situation. We approach each other now more as partners and not as representatives of institutions in the first respect. Ten years ago we had the situation that visits of governmental officials were fully planned and guided. Today we handle these visits much more open and transparent. It is nowadays a normal situation to have them walking around with more freedom. Our relationship nowadays can be characterised by openness.²⁰

Campina specified its stakeholders (target groups) in the latest CSR report as member farmers, authorities, suppliers, customers (Figure of Campina indicates that these stakeholders are considered the primary stakeholders), employees, clients, media, and NGOs. According to Horst Kuhnert, there are nowadays contacts between Campina Germany and public authorities between the normal appointments and deadlines. If there are minor concerns or even questions not directly related to current issues, public authorities and Campina officials sometimes contact each other. The example shows that Campina Germany has implemented a general guideline that is to be as transparent and open as possible with respect to demands of its stakeholders. Campina Germany invites external experts from accident insurance companies and public authorities to internal health and safety meetings which is another indicator of an open and transparent stakeholder strategy. Nevertheless, Campina's openness for stakeholder demands is not unlimited. The conflict between Campina and Greenpeace resulting in a campaign against the company was only able to develop because of the company's decision not to accept the demands of the NGO. During the talks between the two actors it became apparent that Campina was unwilling to agree to the demands of Greenpeace with respect to the import of soy beans from South America. However, the development of the conflict is more complicated because the relationship between Campina and Greenpeace had already deteriorated before the talks about soy beans began. The atmosphere for new talks between the two actors was poisoned when Greenpeace acted unilaterally in early 2006 (an illegal investigation at a milk supplier of Campina resulted in critical media coverage about the company) with the aim of changing the company's behaviour. The actions undertaken by Greenpeace resulted in negotiations which can be characterised as uncomfortable and awkward.²¹ Horst Kuhnert described Greenpeace's approach as unfair and not the right way to deal with each other. He added that in general NGOs in Germany are not ready for cooperative solutions with companies. They still remain in an opposing role.²² Consequently, contacts between Campina Germany and NGOs are rather limited and more of an ad hoc basis. There is no communication culture between the company and German NGOs.

²⁰ Interview with Horst Kuhnert, Campina GmbH & Co. KG – Responsible for Environmental Management in Germany. August 28th, 2006.

²¹ Interview with Alexander Histing, Greenpeace International, February 8th, 2007.

²² Interview with Horst Kuhnert, Campina GmbH & Co. KG – Responsible for Environmental Management in Germany. June 17th, 2006.

Campina emphasises communication as an important way to express its corporate social responsibilities. The publishing of CSR and environmental reports are one instrument to inform the stakeholders about the company's business conduct and its impact on all three bottom lines. Campina describes in length how it approaches the different stakeholders and which communication channels are used. For instance, Campina states that if there is a recall of products from the shops because they fail to meet Campina's quality standards (there were two public product recalls in 2005, one in the Netherlands and one in Germany), the company communicates on the issue with the consumers. Campina also communicates about new innovations and products via the internet (sometimes at special websites devoted to the product), consumer service, the Campina Institute, and consumer surveys. Another example of Campina's proactive stakeholder approach can be seen in the employee survey of 2005. Campina's employees were kept informed in various ways in 2005, including the international staff magazine Focus, Campina's intranet, newsletters, special e-mails from the company CEO, and via international management meetings. The staff meetings were used to highlight subjects that required extra attention in communications with employees such as the corporate strategy, acquisitions, closures, reorganisations, new forms of management, and new working methods.

Campina in general has a well described and coherent approach to stakeholder management and can be characterised as proactively engaging its societal environment. The stakeholder groups are defined and management approaches and communication channels to deal with issues on the table are set up. The situation in Germany is largely identical with the Netherlands; however, the relationships with NGOs is characterised by opposition and not cooperation as in the Dutch context.

9.5.4 Conclusion

The aim of the first part of the chapter was to see if the CSR activities really go to the heart of Campina Germany's business conduct. The evaluation is based on transparency and accountability of business, the internal business process, and participation/stakeholder management to characterise the modern conception of CSR. Campina Germany's score on transparency and accountability was mixed because the company, on the one hand, offers easy accessible information which, on the other hand, demands an educated audience to be understood. The score on internal business processes is moderate with room for improvement especially on business ethics and compliance. However, the reason for the moderate results has to be seen in Campina's strategy to present the whole company and not to differentiate based on countries. Finally, it can be said that Campina in general has a well described and coherent approach to stakeholder management and can be characterised as proactively engaging its societal environment. The company is, therefore, able to respond to demands from stakeholders in a fast and effective manner. Campina presently has competencies at its disposal to navigate uncertainties (the Greenpeace campaign should be seen in the context of the poisoned atmosphere right from the start of the talks) but also to maximise potential

opportunities. Despite this strict and rigid assessment of Campina Germany's CSR policies and efforts, it has to be emphasised that the company is on the right track and already quite high on the ladder towards becoming a 'real' CSR forerunner. Furthermore, the company already has a number of strong points in place, especially with respect to health and safety, some environmental issues, and stakeholder communications. Campina Germany is not yet a classic forerunner company with respect to CSR, but what distinguishes them from other companies is their open and proactive approach to CSR issues and willingness to communicate in a transparent and open manner.

The second part of the chapter focuses on the impact of Campina Germany's CSR engagement on the company's position in the German dairy sector. Similar to the previous case studies, the main interest is on the consequences due to the company's CSR engagement for the interaction with other stakeholders, with a particular focus on the relationship between the company and public authorities.

9.6 Corporate Social Responsibility and policy-making – What role does communication play?

9.6.1 Introduction

The first part of the case study resulted in the overall conclusion that Campina Germany is on the way to reach the third layer (ethical company) of Carroll's (1991) CSR pyramid (39-48). As pointed out, Campina Germany has a number of strengths (stakeholder management, health and safety, and environmental issues) and weaknesses (business ethics issues) with respect to CSR.

The upcoming sections focus on the main research question, namely how Campina Germany's interaction with various stakeholders affects the company's position in the dairy sector and its ability to influence public authorities. The last part of the chapter looks specifically at the relationship between the company and public authorities and whether CSR engagement impacts the policy-making process in the German dairy sector. As presented in the case study theory and methodology chapter, stakeholder theory and some components of the *Advocacy Coalition Framework* form the theoretical basis for the analysis, and network methodology is applied to gain further insights into stakeholder and policy-making dynamics. Hence, the applied theory and methodology will only be presented in shortened versions where appropriate or necessary.

9.6.2 Theoretical recall

A brief reintroduction of the guiding theoretical ideas underlying the case studies may be helpful at this juncture. The theoretical section confines itself to only stating the guiding hypotheses and some additional remarks. As stated earlier, stakeholder

management should ideally encompass all business activities which affect stakeholders; however, the main focus in this study is the relationship between companies and public authorities. Actively practiced stakeholder management should lead to a better relationship with all concerned stakeholders because of more intense contacts and more transparent information exchange (Lawrence et al. 2005: 55). The *hypotheses* guiding the research are formulated as follows:

The higher levels of stakeholder management due to higher levels of CSR engagement are, the better (more intense and better mutual understanding) the relationship with public authorities should be.

The capacity of actors to influence the general policy-making process increases the more access points (direct links or even shared resources) actors have to public authorities.

In CSR, coalitions form in line with actors' policy core beliefs.

The more freedom governmental authorities provide a business sector in the form of self- and co-regulation policy schemes to deal with a given policy problem, the more the concerned private sector should be willing to accept additional responsibilities and tasks resulting in higher levels of CSR engagement by companies (macro level).

The higher the CSR performance and stakeholder management of a company is, the easier it is for the company to gain not only access to public authorities, but to receive licences, permits, and other official documents from the authorities resulting in lower bureaucratic costs (micro layer).

9.6.3 The German dairy sector – identifying the main actors

This section identifies the main actors relevant for the study on interaction and policy-making dynamics in the German dairy sector. It also provides some details about the most important actors in the sector to help the reader in the empirical section. As said earlier, identifying and demarcating relevant actors is very important because the further results of the analysis depend on the reliability and validity of this procedure. Based on the identification process²³, the German dairy sector consists of the following actors:

²³ The case study on Campina Germany includes interviews with the Federal Ministry of Economics and Technology, the Federal Environment Ministry, Federal Ministry of Food, Agriculture and Consumer Protection, two public authorities responsible for controlling and licensing health, safety, and the environment of companies, Greenpeace Germany, three important branch organisations, and two dairy companies in addition to Campina Germany.

Type of Organisation	Organisation Name	Abbreviation
Governmental:	Federal Environment Ministry	BMU
	Federal Ministry of Economics and Technology	BMWI
	Federal Ministry of Food, Agriculture and Consumer Protection	BMELV
	Federal Ministry of Labour and Social Affairs	BMAS
	Federal Ministry of Health	BMGS
Sector Organisations	Association of the German Dairy Industry	MIV
	German Dairy Association	VDM
	Federation of German Food Industry	BVE
	German Raiffeisen Federation	DRV
	Employer Association Food and Consumption	ANG
	Federation of German Industries	BDI
	German Federation of Food Law and Food Science	BLL
	Central Marketing Company of German Agriculture	CMA
	German Agricultural Society	DLG
	Employee organisations:	Central Association of German Dairy Employees
Trade Union Food-Consumption-Restaurants		NGG
Supplier organisation:	German Farmer Association	DBV
Customer organisations:	Association of German Retail Companies	HDE
	Edeka Group	Edeka
	Rewe Central AG	Rewe
	Aldi Group	Aldi
	Schwarz Group	Schwarz
Dairy Companies:	Metro AG	Metro
	Nordmilch	NM
	Humana	H
	Hochwald	HW
	Molkerei A. Müller	Müller
NGOs:	Campina Germany	Campina
	Federation of German Consumer Organisations	VbZ
	Greenpeace Germany	GrPeace
	Friends of the Earth Germany	Bund
	German Environmental Aid	DUwH
	Agriculture Alliance	AB
	Environmental Protection Alliance	NABU
World Wide Fund For Nature Germany	WWF	
Media:	German Dairy News	DMZ
	<i>Frankfurter Allgemeine Zeitung</i>	FAZ
Research and Science Organisations in the Dairy Sector:	Federal Institution for Dairy Research (<i>Bundesanstalt für Milchwissenschaft</i>)	BfM
	Federal Institute for Risk Assessment	BfR
	German Nutrition Society	DGE
	Association of German Agriculture Examination and Research Institutes	VDLUFA
	Confederation of the Food and Drink Industries in the EU	CIAA
	European Association of Dairy Trade	EULAIT
	European Dairy Association	EDA

Table 34: The German dairy sector and its main actors

The German dairy sector is highly organised, with each segment in the production chain having its own organisation to represent its interests. Farmers are represented by the German Farmer Association (DBV), and the dairy industry by the Association of the German Dairy Industry (MIV). The MIV is also part of the Federation of the German Food Industry (BVE), an organisation representing the whole food industry in Germany. BVE is again part of the larger organisation BDI, which represents the whole German Industry and is the top representative of German business interests in the national political context. The important retail sector is represented by the Association of German Retail Companies (HDE). However, the individual retail companies exert substantial power on the dairy sector in Germany. The Trade Union Food-Consumption-Restaurants (NGG) represents the workforce with the Central Association of German Dairy Employees (ZDM) overtaking specific functions such as education and assistance in employee rights issues. The Employer Association Food and Consumption (ANG) and the Trade Union Food-Consumption-Restaurants (NGG) together are responsible for negotiating wages in the food sector, a well established, highly institutionalised, and formalised procedure.

9.6.4 Interaction in the German dairy sector – empirical results

The content of the empirical section is basically structurally identical with the case studies on the Netherlands; however, two important differences should be noticed. First, with in-degree and out-degree centrality two additional centrality measures are included in the analysis because they help explain the results in a more understandable way. Second, the k-core analysis did not lead to useful results in the German case study and has therefore been dropped as a measurement tool here. A thorough analysis of various relational structures is also presented. The analysis focuses on the following aspects of the policy system:

- The exchange of general information related to the dairy sector and issues related to CSR (communication network);
- The exchange of resources in the form of joint funding, shared equipment, shared personnel, or shared facilities (resource exchange network);
- Policy preferences with respect to four CSR issues in the German dairy sector;
- A comparison of actors' belief systems with actors' positions in the communication and shared resources network.

9.6.4.1 Information exchange and shared resources

Figure 40 shows the information exchange network of the entire German dairy sector. It shows the general pattern of communication lines in the German dairy sector. Since there is only partial information on information exchange due to the incomplete response rate for the overall network, the data were symmetrised with the maximum approach, which means that a link between two actors exists if at least one in a dyad reports such an exchange. The positioning of the actors in the information exchange network indicates that some actors are more central than others.

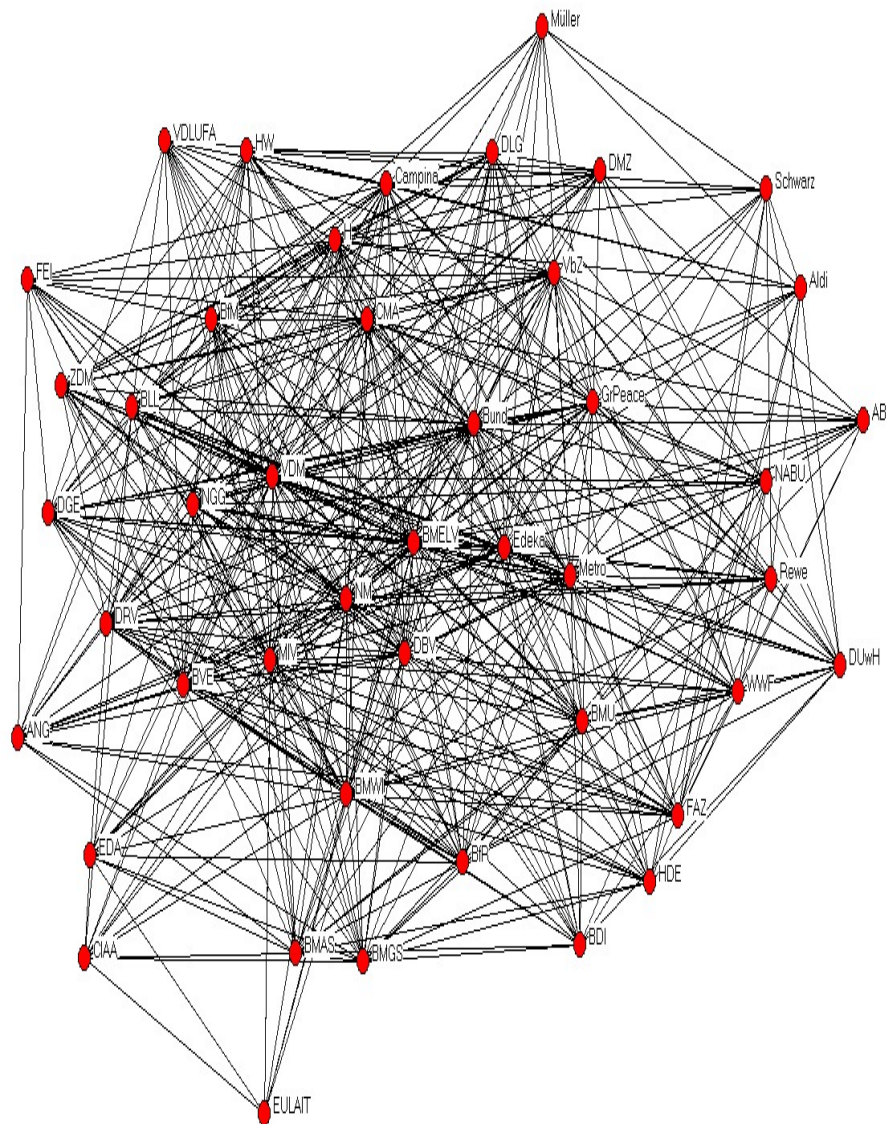


Figure 40: Information exchange network of the whole German dairy sector²⁴

To shed more light on the network dynamics of the German dairy sector, the following figure (41) adds shared resources to the communication network:

²⁴ All information exchange and shared resources figures are based on Ucinet. Borgatti, S.P./Everett, M.G./Freeman, L.C. (2002). Ucinet for Windows: Software for Social Network Analysis. Harvard: Analytic Technologies.

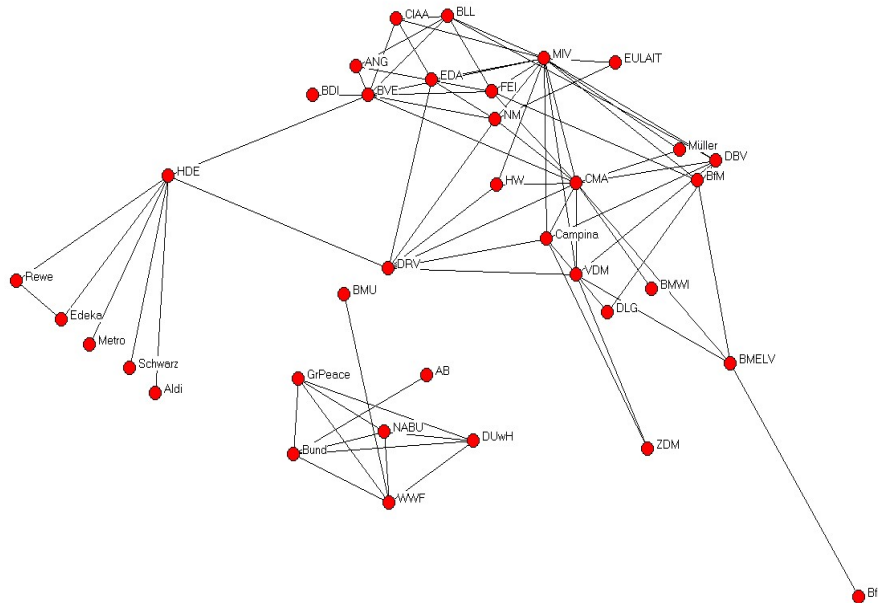


Figure 41: Information exchange network and shared resources of actors

Figure 41 is based on confirmed information exchange and the sharing of some kind of resource (financial, personnel, equipment, and/or facilities) between actors²⁵. As mentioned earlier, the underlying assumption behind the variable ‘shared resources’ is that actors in the network who share some kind of resources have a stronger and more intense interaction leading to potential interdependencies between concerned constellations of actors. It is interesting to note that three groups of actors stand out of the network: the first group basically consists of the bulk of actors in the dairy sector and comprises the most formally important actors such as the Association of the German Dairy Industry (MIV); the Federation of German Food Industry (BVE); the Federal Ministry of Economics and Technology (BMWI); of Food, Agriculture, and Consumer Protection (BMELV); the German Farmer Association (DBV); the German Raiffeisen Federation (DRV); the dairy companies; the European dairy associations, and a number of research and science organisations. The second cluster of actors consists of the retail companies and their branch organisation (HDE). The retail companies share resources only with their branch organisation; this also represents the only formalised link to the German dairy sector. This does not mean no direct communication between the retail companies and the dairy companies exists; however, this is only in the context of direct negotiations about coming to terms in business. The third group of actors in the network consists of most NGOs and the Federal Environment Ministry (BMU). There is apparently no

²⁵ Figure on sharing of some kind of resources combined with information exchange is not based on unconfirmed sharing of resources.

sharing of resources between the group of NGOs and the main group of actors in the dairy sector. This confirms the findings during the interviews that the relationship between NGOs and companies in the dairy sector are characterised more by opposition than cooperation. It is interesting to notice that Campina Germany is among the core group of actors in the network. However, all other dairy companies of the sample are also in the core group which means that we cannot conclude too much from the analysis so far. The main findings are that the German dairy sector is fragmented into three groups of actors: the core group consisting of the formally most important actors, the 'retail group' loosely connected to the core group, and the 'NGO group (including the Federal Environment Ministry)' which is not connected at all with the two other groups if we focus on communication exchange and some kind of resource sharing.

9.6.4.2 *Who is really central here – centrality measures applied to the network*
 Figure 42 presents the results based on in-degree of actors.

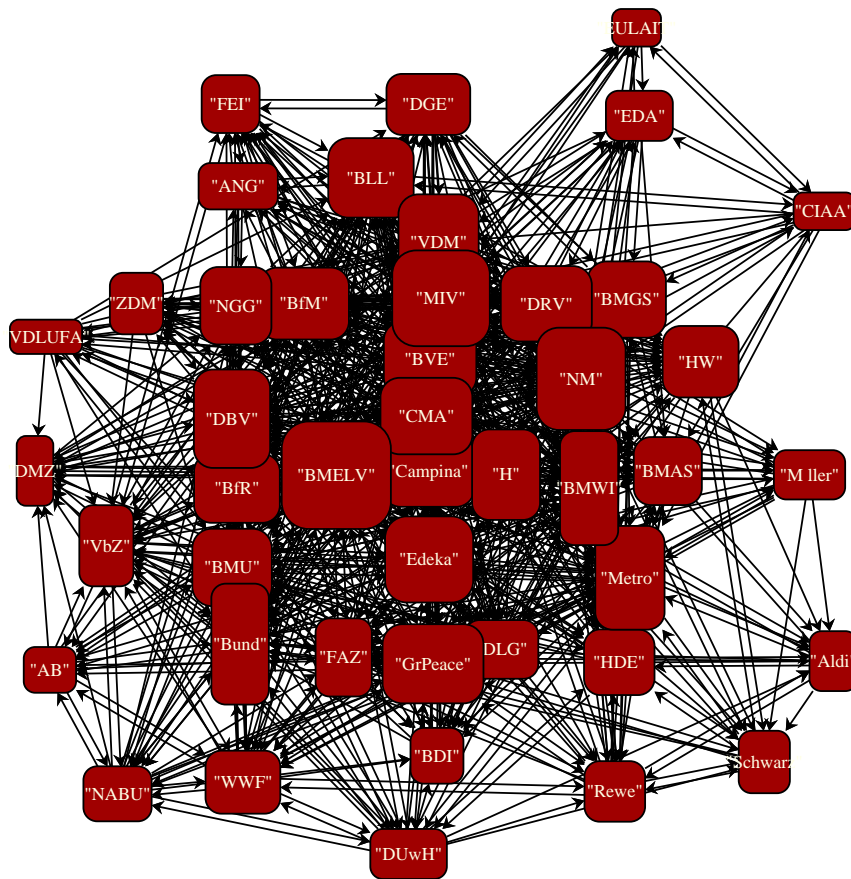


Figure 42: In-degree of actors in the German dairy sector

Figure 43 shows the analysis based on out-degree of actors in the network:

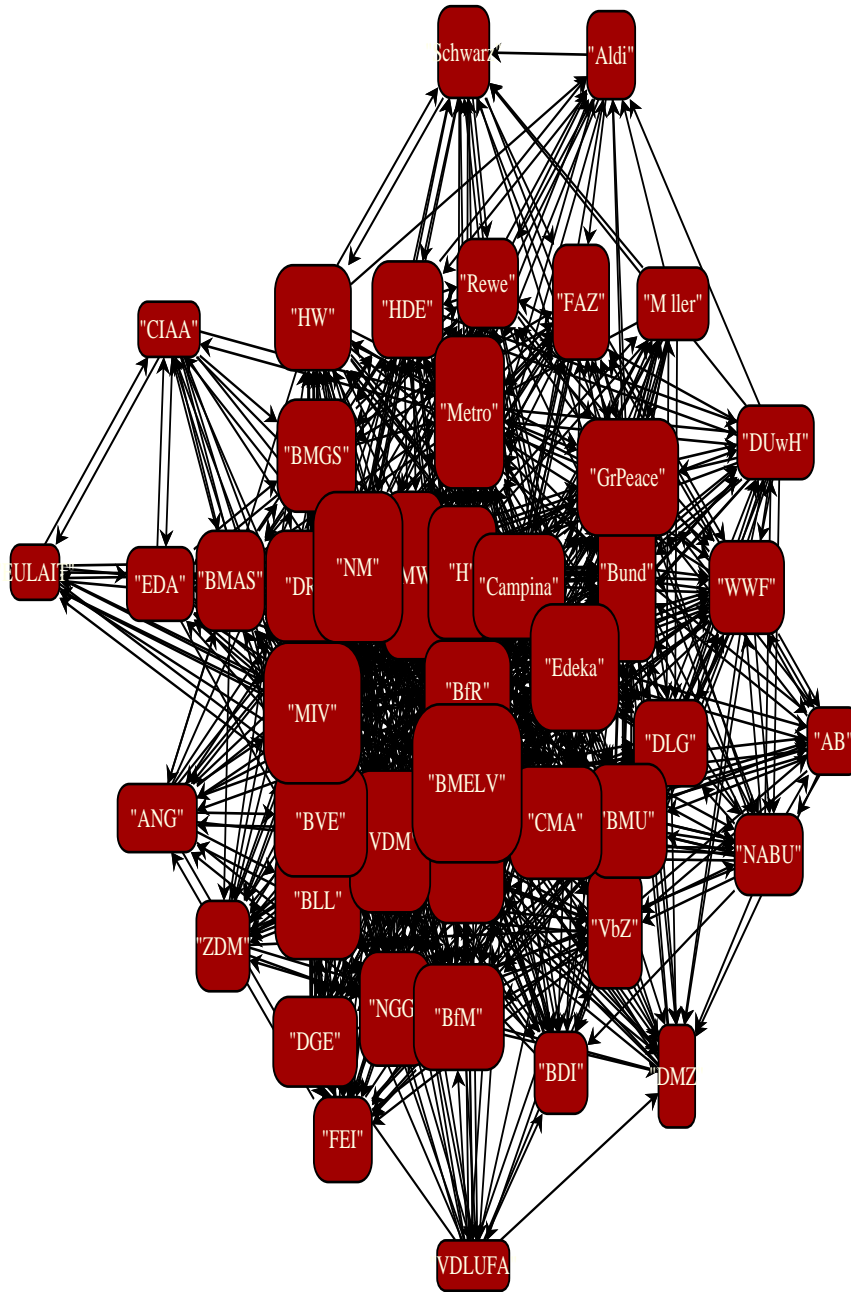


Figure 43: Out-degree of actors in the German dairy sector

Figure 44 shows the eigenvector scores of the dairy sector in German:

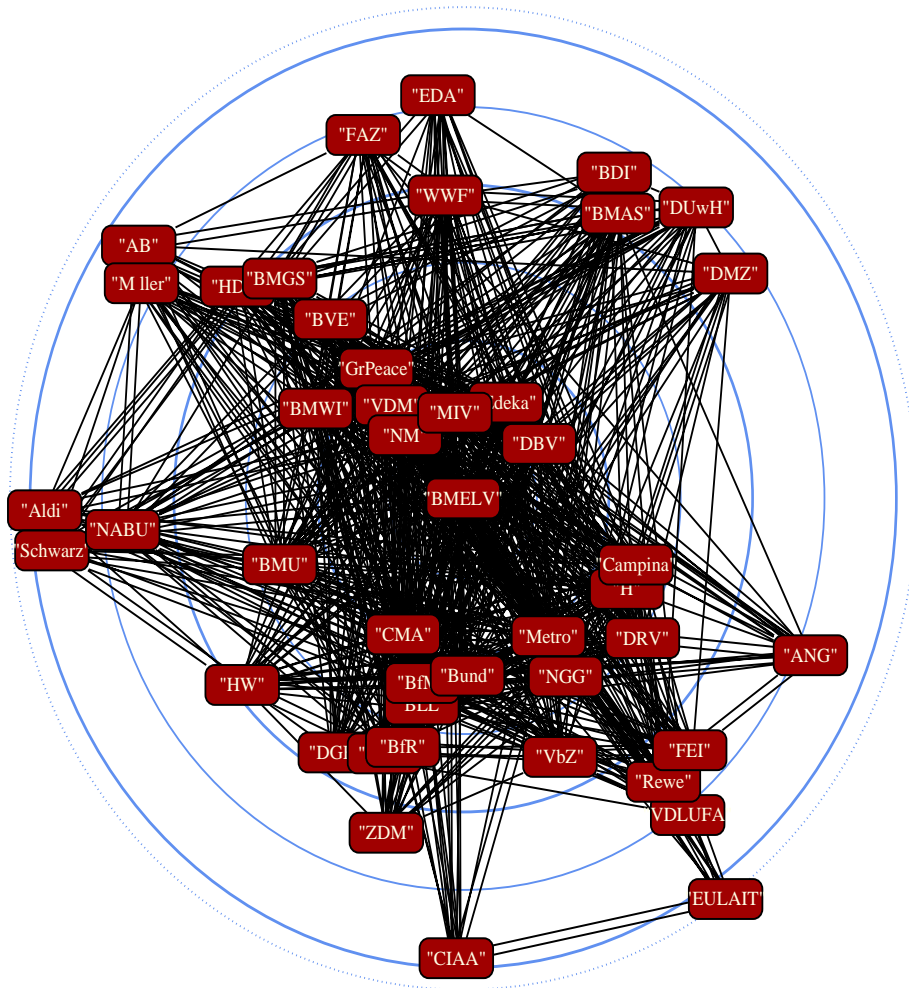


Figure 44: Eigenvector scores of actors in the German dairy sector

The three centrality calculations show a number of interesting results. First, the in- and out-degree scores of the actors show that there are a few key actors in the dairy sector with the potential capacity to influence other actors and which are themselves often the target of information flows. In other words, these key actors can be perceived as prominent and influential at the same time. These key actors with respect to in- and out-degree in the German dairy sector are the Federal Ministry of Food, Agriculture and Consumer Protection (BMELV), the Association of the German Dairy Industry (MIV), Nordmilch, Greenpeace Germany, and the German Dairy Association (VDM). BMELV is most often the target of information in the dairy sector, though the ministry also sends out the most information to other actors.

The Federal Ministry of Food, Agriculture, and Consumer Protection is formally the most important political actor in the dairy sector, hence the data on information exchange with respect to in- and out-degree confirms the ministry's leading formal position in the sector. Based on the results it can be said that BMELV is the most prominent but also most influential (also due to its formal powers) actor in the German dairy sector.

To find the German Dairy Association (MIV) also in a top position does not come as a surprise because the MIV is the main representative body of the German dairy industry. Being the main representative of the German dairy companies means considerable lobbying activities in the political process in Berlin and Bonn, and several more connections and communication activities to other influential organisations in the dairy sector in Germany and Europe. The relatively low scores on out-degree of the dairy companies can partly be explained by the organisation of the German dairy sector.²⁶ German dairy companies do not communicate in the sense of lobbying with the Federal ministries in Berlin and Bonn. The MIV bundles the interests of the various dairy companies in Germany and voices the common interest of the German dairy industry in the political process. The MIV sees its prime function in informing, advising, and problem solving (not in a technical sense, more in the sense of marketing and law issues) for the German dairy industry. Specifically, the MIV undertakes lobbying activities on the national, European, and international layers. The policy-making and policy implementation processes (*Gestaltungskette*) are the focus of the organisation. Lobbying serves the companies as an early warning system. Due to the lobbying links decision makers are more easily available in case of problems. The dairy companies use their direct contacts usually only on the Länder and local layers because it usually concerns narrow company specific issues. In other words, the individual dairy companies do not want to share the cake with others if there is some additional benefit (Brandl 2006). A key parameter of the structure of the German dairy sector however, is that interests of dairy companies are commonly represented on the federal layer via the MIV whereas the companies become active themselves on the middle and lower political layers.

The German Dairy Association (VDM) is the peak association in the German dairy sector and comprises all kinds of associations which again represent the interests of producers, industry, employees, and retailers. The VDM communicates usually only with other associations and federations in the dairy sector and not with individual companies. Regular contacts exist with European and international organisations such as the European Dairy Association, the International Dairy Federation in Brussels, and various ministries in Berlin (BMELV, BMGS, BMU) (Coldewey 2006). The function of the MIV and VDM overlap to some extent (lobbying activity for the German dairy sector and service provider); the main difference is that VDM

²⁶ The only dairy company which stands out of the sample with respect to in- and out-degree scores is Nordmilch with high scores on both degree centralities.

represents the interests of a broad range of actors reaching from suppliers to producers to employees and to retailers while the MIV is only focused on representing the interests of the German dairy industry.

Greenpeace has the third highest score in out-degree of all actors in the German dairy sector and comes out way ahead of all other NGOs. It is expected to see high out-degree scores with NGOs, however, only Greenpeace fulfils that expectation. What differentiates Greenpeace from the other NGOs? Greenpeace's role in Germany in general can be described as a tough watchdog with considerable campaigning capacities. Greenpeace has a high profile in Germany; however, the media coverage about Greenpeace activities decreased in recent years. The downward tendency of the NGO's media presence has to do with the issues tackled in recent years (genetically modified organisms, pesticide exposure, and nuclear energy) which are not perceived as severe and as pressing as campaign focuses of the 1980s and 1990s (dying forests due to acid rain etc.). Despite the reduced campaigning capacity of the NGO, member numbers have risen to 548,000 members an all time high in 2004 (by 2,8 million members worldwide). Greenpeace is the largest environmental NGO in Germany and, consequently in a prominent and potentially influential position.²⁷ The financial capacities of Greenpeace give the NGO a structural advantage over other NGOs in Germany which serve as a pragmatic explanation to Greenpeace's comparably high scores on in- and out-degree.

The results on eigenvector centrality support the degree centrality results. The same actors (BMELV, MIV, Nordmilch, VDM, and Greenpeace) are most central based on eigenvector. There is only one additional actor in this central group, the German Farmer Association (DBV). The DBV comprises all regional and local farmers associations and is present in all of Germany with consultancy offices. More than 90% of German farms and agriculture companies are members of the DBV. Because of the high membership level of the association, the German Farmer Association perceives itself as the representative of interests of the agricultural sector. Hence, lobbying in Berlin and Brussels is one key function of the DBV. The results based on eigenvector centrality suggest that the DBV has established links to the most important players in the German dairy sector that should allow the association to successfully influence the political processes in the sector. The results of the analyses on in- and out-degree centrality and eigenvector centrality of actors show that a small number of actors dominate the communication exchange in the German dairy sector. These actors (especially BMELV, MIV, VDM, DBV, Nordmilch, Edeka, but also Greenpeace) also have substantial financial resources at their disposal which is an important explanatory factor for the observed communication structures in the dairy sector.

²⁷ For more detailed information on German NGOs see *Bundeszentrale für politische Bildung* (2006). NGOs: Greenpeace. <http://www.bpb.de/themen/ZH2GJE,0,0,Greenpeace.html>; accessed March 5th, 2007; and Jänicke et al. (1997).

9.6.4.3 Who is really important here – looking at the status of actors

The status of the actors in the German dairy sector is shown in Figure 45:

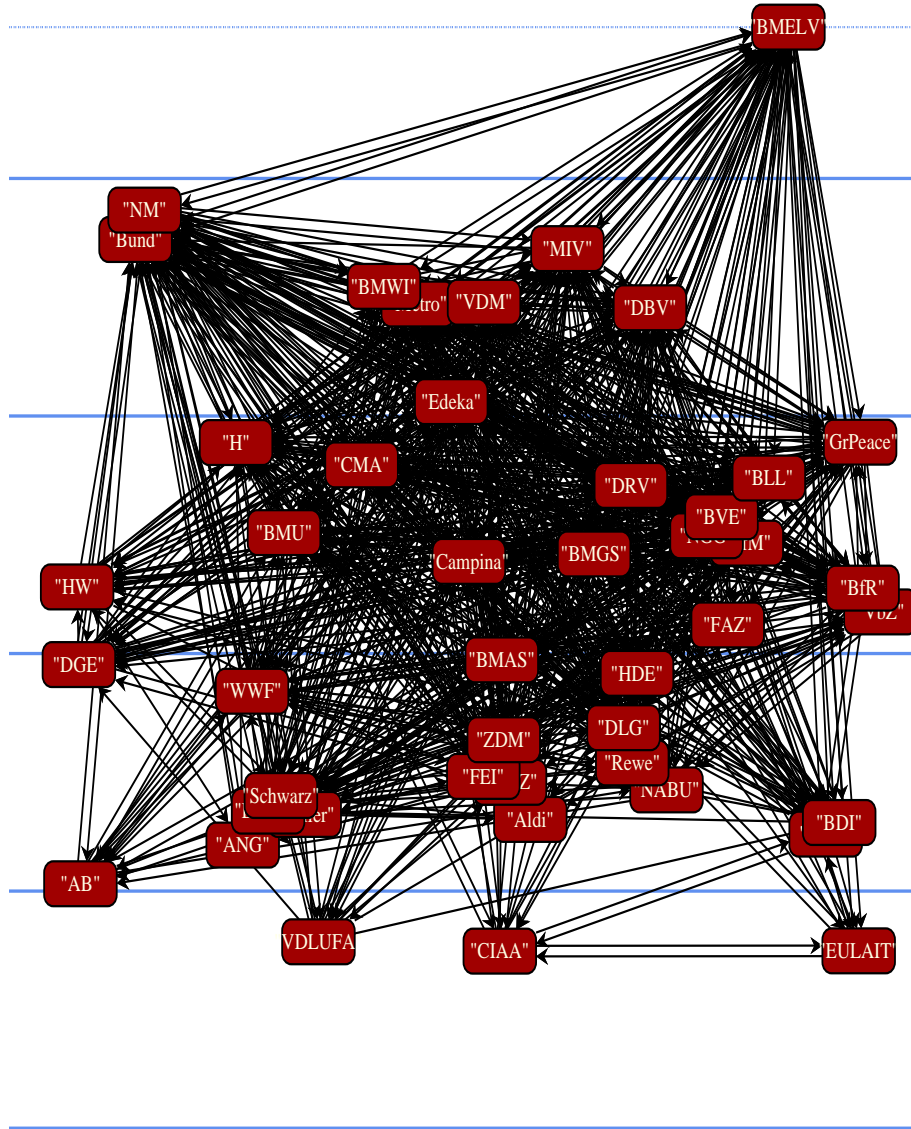


Figure 45: Status of actors in the German dairy sector

Figure 45 has to be read from top to bottom. The organisations higher up have the greatest status in the network. This measurement expresses the quality of actors as information sources. In this respect, the Federal Ministry of Food, Agriculture, and

Consumer Protection (BMELV) has the most prominent position. Previous analyses have already shown that BMELV is the most important actor in the dairy sector and status analysis nicely supports that. Hence, it can be said that the formally prominent position of the ministry is confirmed in communications and general interaction context of the dairy sector. The results based on status analysis again show that MIV, Nordmilch, and VDM are among the actors perceived as most valuable sources of information. To identify the two main branch organisations of the German dairy sector as important information sources is somewhat expected because one of their functions is to provide advice for their members. However, it is interesting to find Nordmilch so high up in all the social network analysis. The interviews with the public authorities and NGOs show that no forerunner company with respect to CSR in the dairy sector exists. All companies are more or less perceived in the same way with respect to CSR engagement. The good results of Nordmilch, however, indicate the company has a wide reaching, open, and active communication strategy in place that differentiates them from the other dairy companies in the sector. In addition to the usual central identified actors BMELV, MIV, VDM, and Nordmilch, there are two more actors in focus now: The Federal Ministry of Economics and Technology (BMWI), a very influential ministry in the German government, and Friends of the Earth Germany (BUND), a major NGO. The status analysis on the German dairy sector, which emphasises the value of incoming information according to the sender's status, again leads to the conclusion that there is an inner core of actors consisting of BMELV, MIV, VDM, Nordmilch, and to a lesser degree also BMWI, Greenpeace, and BUND which have the capability to influence other actors and consequently, the political processes in the sector. This policy-making core group of the sector is, not surprisingly, seen as the most valuable source of information.

9.6.5 Interest positions of actors incorporated in the communications network

The case study research identified five CSR issues to which respondents were asked to give their opinion. For instance, the respondents were asked if they agree that 'the policies of the last years, guided by the notion of consumer protection, led to the implementation of a series of regulations with aims that can be characterised as ideology driven. That led often to an excessive burden for all participating companies'. The respondents were also asked to indicate if they prefer direct regulation or voluntary approaches to deal with problems of the dairy sector. Figure 46 shows the information exchange network combined with the policy positions of actors with respect to a burden for companies due to ideology-driven consumer protection policies:

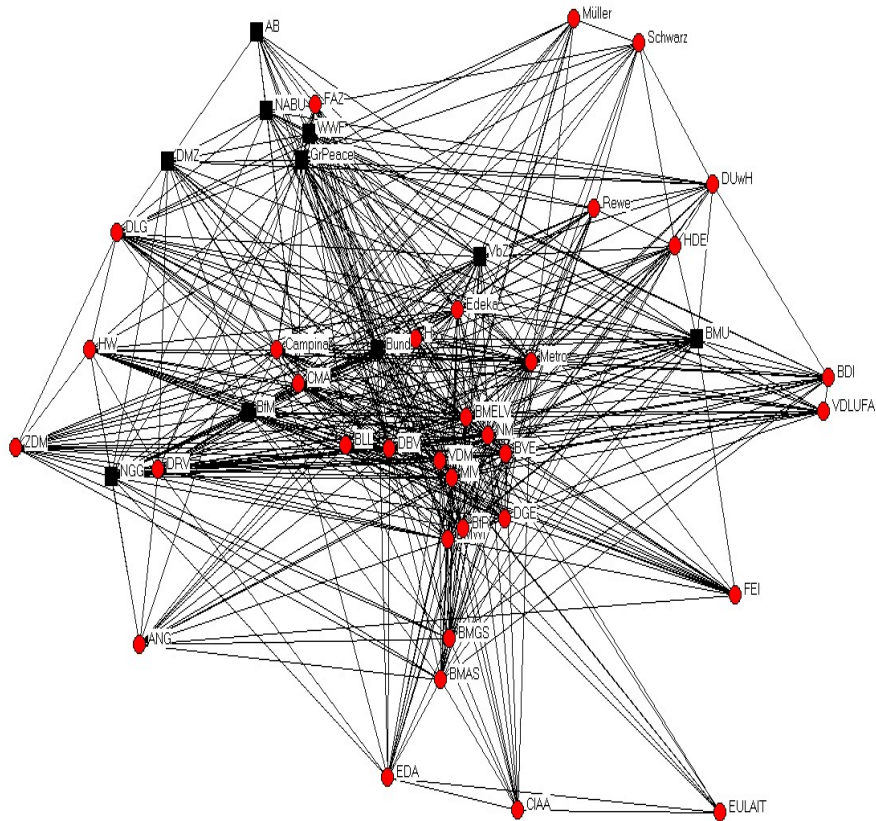


Figure 46: Information exchange network combined with policy positions on burden on companies due ideology driven public policies

The black boxes in Figure 46 indicate the actors disagreeing with the statement that companies have to pay an excessive burden due to ideology-driven public policies related to consumer protection. The red circles represent agreeing and neutral actors. The black boxes consist primarily of the NGOs, the main trade union, and the Federal Environment Ministry (BMU). These actors do not agree with the statement that companies have to pay an additional burden due to ideology-driven public policies related to consumer protection. It is interesting to notice that these actors, with the exception of BMU, belong to the social and environmental sphere of civil society. Furthermore, this group of actors has several direct communication links and shares resources. It could be argued that these organisations agree with the implemented public policies related to consumer protection and do not agree with the notion that these policies are ideology-driven and burdensome for the dairy companies in Germany.

The actors indicated with the red circles consist of among others the federal ministries BMELV and BMWI, the branch organisations of the dairy sector, the

retail sector, the peak associations of the food industry, and all dairy and retail companies. These actors form a powerful group in the network (sector) which has a lot of direct communication links among themselves but also to other actors. They, with variations, share resources with each other and have the same perception with respect to state intervention vs. market mechanisms addressed in the question on additional burden for companies. The results can be interpreted as the bulk of actors in the German dairy sector (with the exceptions of the BMU, the main trade union, and the NGOs) do not support public policies that demand too much from business. What does that mean for the discussion on voluntary vs. mandatory CSR in Germany? Business in Germany argues against state intervention and mandatory requirements for CSR and lobbies for self-regulation schemes. It can be argued that this large group of actors plays a crucial role in the German dairy sector's policy-making process and is only slightly disturbed by the smaller opposition in the sector. That together makes them the key players in the dairy sector with respect to policy-making. Figure 47 on actor's position with respect to the discussion on genetically modified organisms (GMOs) shows interesting similarities with the previous analysis.²⁸

Here again, we have a large group of actors indicated with the red circles consisting of all important actors of the dairy sector. The bulk agree with the statement that an objective dialog about genetic engineering is currently impossible in Germany. Only the NGOs perceive the current discussion climate in Germany concerning genetic engineering as objective and intact. One could interpret the current situation with respect to genetic engineering in Germany as dominated by the NGOs despite the fact that the majority of actors would favour a different dialog and perhaps even different policies. The fact that a handful of NGOs is able to dominate the public discourse on genetic engineering against a potentially strong coalition of actors has to do with the previous German government under Schröder. The coalition of social-democrats and the Green party resulted in policies which favoured restricted genetic engineering and emphasised biological agriculture. The coalition government consisting of the conservatives and the social-democrats did not change all of the implemented policies in the agricultural sector; the new government favours more orthodox and large scale production schemes instead of biological production. Nevertheless, the public discourse is still coined by the NGOs which are able to rest on the legacy of the Green party in government. Furthermore, the German public became very sensitive for biological versus genetically modified agriculture over the last 10 years. The campaigns against GMOs launched by the NGOs in the last years impacted the perception of the wider public significantly with respect to what is a desirable agriculture business. Recently, the organic food market in Germany is booming with no end foreseeable.

²⁸ The exact wording of the statement was as follows: *A dialog about the risks and chances of the green genetic engineering is currently only to some extent possible in Germany. Instead, ideologically driven organisations use this climate to stigmatise products and producers and to launch unobjective campaigns.*

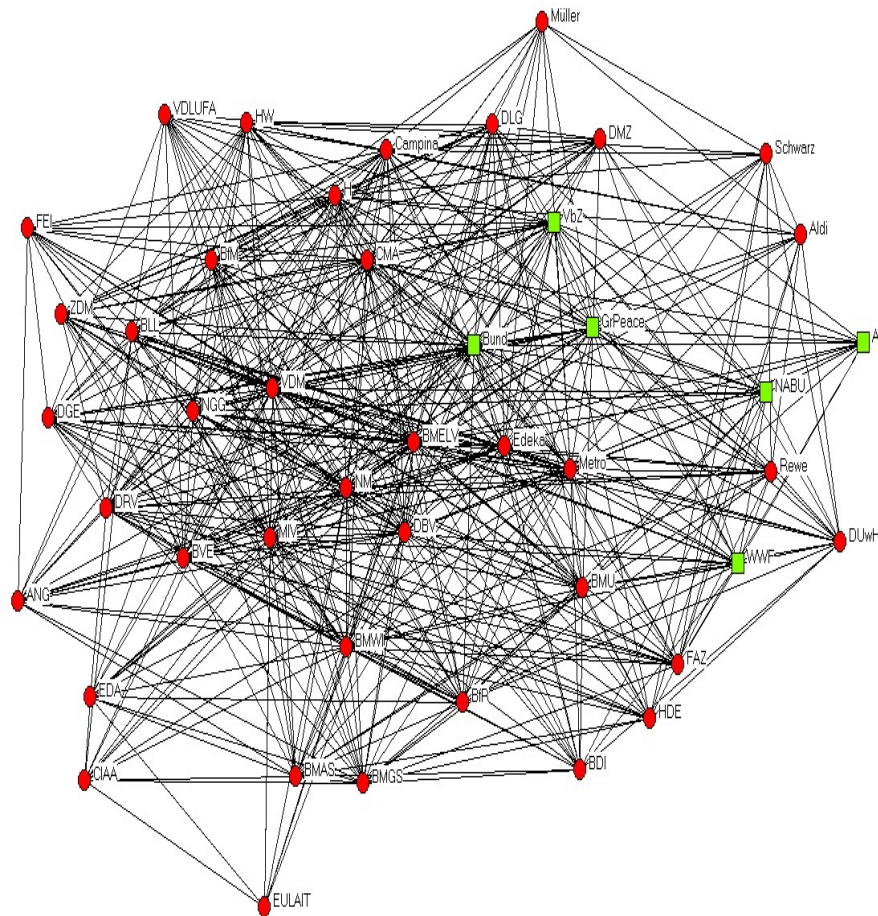


Figure 47: Information exchange network combined with actor's position with respect to the discussion on genetically modified organisms (GMOs)

What we also see is that Campina Germany is part of the large group of actors in both analyses. The company does not stand out from its competitors. Hence, the analysis focusing on actor's positions on various issues did not provide a clear indicator for observable CSR impact on Campina Germany's positioning in the dairy sector. The results based on social network analysis of the company's external communication and positioning are very much comparable with the other dairy companies in Germany.

9.6.6 Belief systems of actors and the network structure – do they match?

In the German case study the results of the hierarchical cluster analysis are not compared with the K-cores analysis but with the information exchange and shared resources network. There is an overlap between belief systems of actors and their

grouping in the communication exchange combined with shared resources network. The hierarchal cluster analysis resulted in four clusters of actors (actors in the blue and red clusters represent one group, the other group consists of actors indicated with green and yellow) which overlap to a large extent with the results of the social network analysis. The NGOs, the trade union NGG, and the Federal Environment Ministry (BMU) share a similar belief system, although in two separate clusters.²⁹ The bulk of organisations also share a common belief system and consists of the same actors as the large group in the information exchange and shared resources network.³⁰ Table 35 presents the results of the hierarchical cluster analysis.

Cluster Membership			
Case	Cluster	Case	Cluster
BMELV	1	Metro	2
BMWl	2	VbZ	3
BMU	3	GrPeace	4
MIV	3	Bund	3
VDM	1	AB	4
ZDM	2	Nabu	3
NGG	4	WWF	3
NM	2	DMZ	3
H	2	BfM	2
Campina	2	VDLUFA	2
Edeka	1	CIAA	2

Table 35: Results of the hierarchical cluster analysis on actors' belief systems³¹

This finding helps explain the communication and shared resource network and the results on actor's policy positions. We conclude that belief systems of actors can be seen as an explaining variable in the research on Germany³² and the third hypothesis can be verified. An explanation as to why the belief system of actors is similar to actor's behaviour in communication and shared resources networks and on policy/issue networks is the German political culture and structure which are predominantly based on corporatism and consensus and relatively low levels of interpersonal and institutional trust. The tradition to negotiate in established political structures with established political actors can be seen as a determining factor for

²⁹ The Association of the German Dairy Industry (MIV) also belongs to this group according to the cluster analysis, however, due to substantial missing data it is possible that the results are distorted for the MIV. Hence, the analysis focuses on the actors who provided sufficient data on their belief system.

³⁰ The social network results with which the hierarchical cluster analysis results got compared can be found on page 336 of this chapter.

³¹ The analysis on observable clusters with respect to actors' belief systems does not include all actors of the study because of a relatively low response rate.

³² Some will argue that one cannot measure people's beliefs and admittedly, it is especially difficult to measure values, ideas, and opinions of people on rather vague issues related to CSR. Nonetheless, this scenario would leave us with no research possibilities.

the behaviour of actors. Unlike in the Dutch case, the belief systems of actors in Germany overlap to a large extent with the established political traditions and structures. Figure 48 analytically compares the Dutch and German relationships between actors, corporatism, trust, and the potential formation of coalitions according to common belief systems of actors:

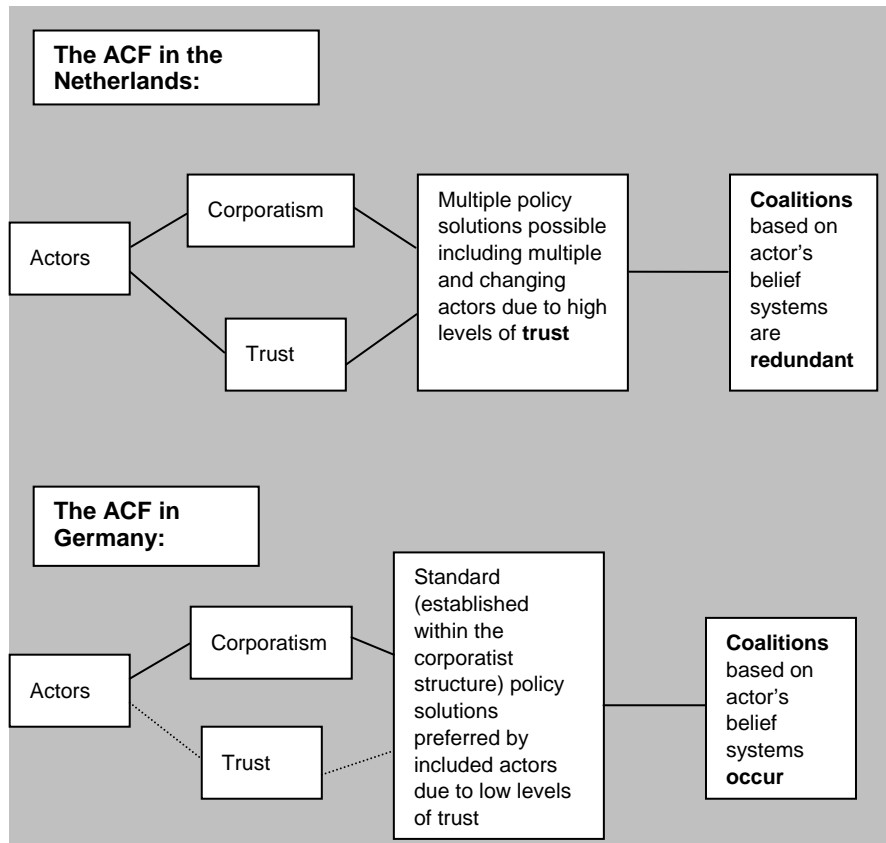


Figure 48: The ACF in the Dutch and German context

The Netherlands have corporatist structures and a high level of interpersonal and institutional trust. Germany also has a corporatist interest representation system, though the levels of trust are relatively low compared to the Netherlands. The difference in trust leads to a situation in which the German corporatist system has a 'built-in preference' for standard policy solutions to perceived problems based on the established corporatist structures, procedures, and actors, whereas the Dutch corporatist structures combined with the high levels of trust provide the involved actors with multiple policy solutions and make room for more innovative approaches and the involvement of new actors. The high levels of trust allow the Dutch corporatist system to adapt to new challenges and apply new policy

instruments to perceived problems such as the covenants. The low levels of trust in the German context make the corporatist structures paramount for the socioeconomic and political governance because they provide the involved actors with a framework of routines and policy instruments with which they are familiar with and that in turn lower transactions costs considerably. The disadvantage of low levels of trust in a corporatist system is the preference for established policies and instruments and a lack of innovative solutions due to the exclusion of outsider actors.

Lulofs et al. (2006) argue that the glue for coalitions is not congruency in all policy elements but the mainly shared belief that staying embedded in the long-term decision-making structure and its continuing string of compromises (corporatist structure) outweighs the short-term benefits of competition and a more open and adversarial governance style. The observed coalitions in the German dairy sector represent an established insider coalition (ministries, sector organisations, companies, etc.) and an outsider coalition (NGOs and trade union). It can be argued that the coalition formed by established actors in the German dairy sector is driven by the dominant shared belief to retain corporatist structures including the exclusion of outsiders from the core political bargaining in the sector. The lack of trust in the German context facilitates the formation of coalitions because established actors in the corporatist structure form a dominant coalition to exclude the non-established rival actors (which form a coalition themselves driven by the belief/wish for acceptance in the corporatist structure). German corporatism seems to support and not distort (as in the Netherlands) the alignment of actors according to their belief system. The following quote provides further insights into the setup of German corporatism and the dynamics affecting belief systems of actors and their impact on behaviour:

This combination is explained by a unique set of socio-economic institutions, in particular socially instituted and circumscribed markets, negotiated firms commanding long term attachment of both labour and capital, a facilitating state relying mainly on indirect means of intervention, widespread associational self-governance by organised groups in civil society, and institutionalised cultural patterns that promote long term commitments and continuity. (Streck, 1995: 2)

The communication and sharing of resources networks and actor's preferences for policy positions largely overlap with belief systems of actors in the German dairy sector.³³ More on the German political culture and the structural environment influencing policy-making is provided in the next section.

³³ The dominance of a shared belief in the advantages of corporatism outweighing the benefits of competition does not exclude the possibility of overlapping policy positions and ideas as is the case in the German dairy sector.

9.7 Predetermining factors in the policy-making process – the structural environment

This section of the study concentrates on the interplay between the dynamic interaction patterns of actors and the more static structural variables of the policy arena. The focused structural variables are Germany's political culture and tradition, the country's basic constitutional and institutional structure, and the level of trust. Germany is usually described as a corporatist country with strong emphases on decision-making based on consensus and a balanced social market economy (Fear 2000; Habisch et al. 2005; Lijphart 1999). Without reference to these general features, it is difficult to understand the prominent positions of some of the actors identified in the research so far. As already indicated, the resource distribution between the actors of the German dairy sector is important when it comes to influence in the policy-making process. However, apart from this more actor specific variable, structural features also play a very important role which is the focus here.

9.7.1 German political culture and tradition

The current political culture of Germany is primarily a fourfold function of historical experiences. The first stems from the failures and catastrophes resulting from two non-democratic empires, with the holocaust under the Nazi regime representing the worst expression of German behaviour. The second great formative experience was the disaster of the Weimar Republic (1919-1933) and the associated economic, political, and mental deficiencies. The third stems from the experience of developing the economy after the unconditional surrender in 1945 which left the country literally in ruins. Key characteristics of Germany were initiated in that time, especially with the conflict-management corporatist and welfarist arrangements which helped to ensure relative industrial peace in the 1950s and 1960s.³⁴

The last of the experiences is the persistence of local democratic traditions often embedded in closed milieus which are also expressed in the federal structure of Germany (Zimmermann, 1997). Streeck (1995) describes the state's capacity for direct intervention in the economy as curtailed by vertically and horizontally fragmented sovereignty and robust constitutional limitations on discretionary government action. Vertical fragmentation between the federal government and the Länder closely limits what federal governments can do, making political change slow and policies less than immediately responsive to electoral majorities. Horizontally, sovereignty is divided between the federal government and a number of independent authorities insulated from electoral pressures such as the Federal Cartel Office and the Federal Court of Justice. The federal structure of Germany is also expressed in constitutional division of power with respect to policy-making.

³⁴ More on German corporatism is provided in the next section.

For instance, the federal government is primarily responsible for policy formulation and international cooperation while implementation and enforcement are responsibilities of the Länder and local authorities.³⁵ The bicameralism further complicates policy-making because almost all environmental laws and ordinances have to pass through the *Bundesrat* – the upper house of parliament, made up of delegates from the state governments – which has the political power to amend, block, and introduce its own bills. All 16 German Länder have established a ministry mainly or exclusively responsible for environmental matters. The German Basic Law (*Grundgesetz*) gives local authorities the right to self-administration which provides them with a relatively strong position. (Jänicke et al. 1997)

The division of Germany for about 40 years is also a critical factor influencing German political culture. Minkenberg (1993) concludes that ‘German’ political culture is not shared among all parts of Germany (“the wall in our head continues”) and that remaking culture and political culture requires a long term perspective, since norms are not learned through formal education and indoctrination but through socialisation across generations.³⁶ Germany’s political culture is also connected to unconventional, non-violent political participation in the form of citizens’ initiatives, social movements, or protest demonstrations. The 1980s saw a series of these civic movements in connection with the NATO-Double-Track Decision, nuclear energy, etc. The German Basic Law (*Grundgesetz*) is also strongly connected to Germany’s political culture. The law was designed to prevent a revival of extremism, with features such as a symbolic President rather than a directly elected one, and a federal system with notable powers given to the lower levels of government. The federal structure of Germany functioned well in recent decades; however, experiences of the 1990s and the last years of the Schröder government showed that the federal structure can also be responsible for delaying or altogether blocking political decision-making. The next section on basic constitutional and institutional structures sheds more light on more static external factors’ influence on interaction in the German dairy sector.

9.7.2 The basic constitutional structure of Germany with a focus on the dairy sector

The German state can be described as a democratic corporatist system. Conradt (1998) defines democratic corporatism as institutionalised arrangements whereby

³⁵ The dairy sector is also affected by the federal structure of Germany. For instance, federal government regulation can be implemented differently from Bundesland to Bundesland, depending on the interpretation of the responsible authorities. These regional differences can make it difficult for dairy companies to adjust business operations according to new regulations. The potentially non-uniform interpretations of federal regulation on the regional layer open the door for misunderstandings and confusion, especially the target group side.

³⁶ A more recent study on the division of Germany and its influence on the political culture would have potentially led to a more homogenous perception of a ‘German’ political culture. Or phrased differently, the wall in the heads of people would potentially be lower in the present.

government officials, business groups, and organised labour jointly participate on a sustained basis in making (and in some cases implementing) economic and social policies. Such decisions are subsequently enacted through executive decree, legislative endorsement, or both. The German political system is based on the following cornerstones: first, Germany is a republic and a democracy. Second, Germany is a federal state based on the rule of constitutional law and social justice. The German Basic Law was originally introduced as a temporary framework for a new democratic system, not as a constitution. However, there is growing constitutional patriotism (*Verfassungspatriotismus*) in Germany with respect to the German Basic Law since its adoption for the united Germany in 1990 (Zimmermann, 1997). The democratic system is based on the sovereignty of the people which is manifested in an indirect, representative democratic system with a proportional electoral law.

As mentioned earlier, the social market economy is a key feature of post World War II Germany. The economy was and remains richly organised and densely regulated by a vast variety of institutions that have sprung from sometimes incompatible sources; from middle sized companies (*Mittelstand*) traditionalism to various ideological stripes of organised labour. The German political economy continued to allow for decentralised compromise and local commitments supplementing, underpinning, and sometimes superseding the high politics of class accommodation at national level. Markets are politically instituted and socially regulated and regarded as creations of public policy deployed to serve public purposes. At the same time, wide areas of social responsibilities such as health care, education, and social insurance, are not governed by market principles. Competitive markets coexist with an extensive social welfare state and political intervention and social regulation often interfere with the distributive outcome of markets (Streeck, 1995). The understanding of firms in Germany is important with respect to CSR. Firms are social institutions, not just networks of private contracts or the property of their shareholders. Their internal order is a matter of public interest and is subject to extensive social regulation, by law and industrial agreement. Furthermore, managers of large German firms face highly organised capital and labour markets, enabling both capital and labour to participate directly in the everyday operation of the firm and requiring decisions to be continuously negotiated. Streeck (1995) concludes that decisions thus take longer, but are easier to implement once taken.

Another important feature of the German economy with respect to CSR is the financing of companies. The large majority of companies in Germany continue to be privately held; only a small part of the productive capital is traded on the stock exchange. Companies finance themselves less through equity than long term bank credit. Since banks can cast proxy votes on behalf of shares they hold in deposit, they can effectively monitor management performance, which allows them to give firms long term loans and creates an incentive for them not to speculate with stock.

Corporatism is a cornerstone of the German political system. Corporate instruments such as the concerted action between government and key economic groups such as the trade unions, wide political representation of special interest groups, the multifold political instruments of a federal republic should all be mentioned here (Zimmermann, 1997). The Federation of German Industry (BDI) provides a top-ranking business association to lobby and helps coordinate national economic legislation. The BDI was organised on the basis of about 35 regional industrial branches. The BDI directs most of its lobbying effort at ministries and government agencies. The Federation of German Employers' Association (BDA) organised the collective bargaining process, in cooperation with the leading associations for labour (DGB) (Fear, 2000). The general notion behind the corporatist structure of post-1945 Germany was it to trade in strikes for higher wages and side-benefits. One interesting feature of German corporatism is that employees enjoy comparably strong power versus capital, exercising legal rights to co-determination through work councils and, where applicable, supervisory board representation. Co-determination was first introduced in 1951 for the coal and steel industry and was extended in 1976 to firms outside coal and steel with more than 2,000 employees, albeit on a more limited basis. Hence, to large extent co-determination did not reach the small and medium sized companies (*Mittelstand*) which represent the heart of the German economy. For day-to-day business, the Works Constitution Act of 1952 which gave labour a one third representation on supervisory boards of firms employing 500-2,000 employees, but with no right to a personnel director on the managing board was much more important. The law anchored works councils in firms and extended works councils' powers in personnel and social matters. (Fear 2000). The German political economy gives labour an extraordinary strong voice compared to other political systems. Together with collective bargaining and legal regulation, co-determination supports an employment regime that makes it difficult for employers to dismiss workers, resulting in comparably long employment times (Streeck, 1995). Throughout the post-war years, a little less than 40% of the West German labour force was unionised. Collective bargaining agreements between employers and employees on factory, industrial branch, local, regional, and federal levels are common practice. The ensuing system of labour relations was very stable, and with the exception of Switzerland and Austria, the Federal Republic became the industrial country with the fewest strikes and days lost from the 1950s until the 1980s. This negotiated cooperation between trade unions and employers with its emphasis on collective bargaining, arbitration instead of strikes, and contracts which included an explicit 'no strike' clause, was called 'social partnership' (*Sozialpartnerschaft*) (Fear, 2000).

The structure of the dairy sector with respect to communication is very much in line with the notion of consensus, corporatism, and federalism. Policy-making in Germany is not exclusively determined by the basic political institutions and constitutional rules. Germany's dense organisation of civil society and its corporatist

structure are important factors influencing policy-making.³⁷ Arend Lijphart (1999) defines corporatism as an interest group system

in which regular meetings take place between the representatives of the government, labour unions, and employers' organisations to seek agreement on socioeconomic policies; this process of coordination is often referred to as concertation, and the agreements reached are often called tripartite pacts. (Lijphart, 1999: 16)

Germany belongs to a group of countries which feature considerable corporatist structures. One classic indicator of corporatism, however, the number of members of trade unions, weakened over the last decades.³⁸ On the other hand, the number of members of consumer organisations and other civil society organisations increased considerably. Hence, it can be said that corporatism in Germany (as it is for the Netherlands) is still strong, only the face of corporatism is becoming more liberal (Lijphart, 1999: 175). The number of actors in the dairy sector is large, though only a relatively small number of companies of scale are active in Germany. The large number makes it difficult for the individual companies to negotiate directly with public authorities, especially on the federal layer. Hence, the branch organisation (MIV) represents the interests of the German dairy industry in negotiations on the federal and international layer. The heterogeneous character of the German dairy sector leads to a situation in which the formal policy-making process involves only a small number of actors and is very much in line with the two key features of the German political and economic system: corporatism and federalism. The analysis on the importance of actors in the dairy sector based on information and resource exchange identified a number of key actors, some strongly linked to the corporatist structure of Germany. For instance, corporatism guarantees the influence of employer (MIV, VDM, ANG,) and employee (NGG, ZDM) organisations in decision-making processes. Furthermore, governance is delegated either to individual associations (DBV, HDE) or to collective negotiations between them, with the state often awarding the outcome legally binding status. Associations performing quasi-public functions are typically granted some form of obligatory and quasi-obligatory membership, helping them overcome the free-rider problems associated with collective goods production and giving Germany the most densely organised civil society among larger countries (Streeck 1995). It therefore does not come as a surprise to see the most important German industry representative MIV among the core actors in the dairy sector. The reason the large employer organisations ANG, BVE; and BDI are not part of the core group of actors in the

³⁷ For a more detailed presentation of studies on corporatism in Germany please see Fear (2000), Lijphart (1999), Streeck (1995), and Habisch et al. (2005).

³⁸ According to a study by the 'European industrial relations observatory on-line' the density of union membership in Western European countries dropped significantly over the last two decades. For instance, the density numbers for Germany, the Netherlands, and the UK (down from more than 50% in the 1970s before Thatcher came to power) are between 20%-29%. For more information see European industrial relations observatory on-line (2004). Trade union membership 1993-2003. www.eurofound.europa.eu/eiro/2004/03/update/tn0403105u.html; accessed May 21, 2007.

Germany dairy sector is because they represent peak organisations which are mutually horizontally integrated (with the exception of ANG which is not a member of BDI) and, therefore directly represented via the MIV. Furthermore, the well organised relationship between employer and employee organisations with respect to collective bargaining are institutionalised through the Employer Association Food and Consumption (ANG) and the Trade Union Food-Consumption-Restaurants (NGG) in the dairy sector. The membership of a number of actors (BMELV, MIV, VDM, and the DBV) in the core group in the dairy sector is partly due to the corporatist structure and the interaction (communication and sharing of resources) in the sector. In other words, external static and actor-specific dynamic factors together determine policy-making in the German dairy sector.

Federalism is reflected in the organisation of the network of actors. Only organisations active on the federal level are represented in the dairy network. These can either consist of local and regional (Länder) layers which are represented on the federal layer through a peak organisation or can be organised exclusively for the federal layer to influence policy-making of nation-wide importance. The policy-making style can be characterised as a mixture of consensus seeking and conflict. Environmental policy-making in Germany is characterised by intensive formal and informal cooperation and negotiation between public authorities and target groups. The style of policy implementation is changing from conflict to consensus. However, until the end of the 1990s, voluntary agreements in Germany were not formally signed by the government and therefore, did not entail any legal obligation for the state. There are increasing indications that a broader, more intensive involvement of environmental NGOs is taking place. However, the role perceptions of the NGOs determine to a large extent the room for shifts in the interaction modes between business and NGOs. For instance, Greenpeace perceives itself as a watchdog focused on campaigning and not on forming partnerships with business to drive change. Consequently, Greenpeace will most likely not participate in more cooperative schemes such as partnerships because it is incompatible with the NGO's role perception and function.

Jänicke et al. (1997) describe German environmental policy-making as a combination of hierarchical and cooperative elements, characterised as "negotiation under the shadow of hierarchy" (Scharpf, 1991). Jörgens et al. (2005) describe German environmental policy as bureaucratic, highly legalistic, inflexible, and based on conventional attitudes toward regulation. The political leadership is important here too because the Schröder governments also included a shift in policies in the dairy sector. The Green party controlled the federal ministries of agriculture and the environment which represented a new situation in German politics. The political guidelines of the Green party for the two ministries resulted in a conflict situation with industry representative organisations of the dairy sector. These relationships characterised by conflict changed after Angela Merkel's coalition government came to power in 2005 to more consensus oriented solutions. The political guidelines are now more in line with industry interests.

9.7.3 The level of trust within Germany

As stated earlier, trust is relevant for CSR. Important for this study on CSR and the concept's impact on the interaction between the private and public spheres is the level of trust towards the country's legal system, the national parliament, the national government, and big companies. In addition to the variables on institutional trust, the level of interpersonal trust is also included in the analysis. As stated in the theory section on the case studies, the study assumes that the levels of trust influence the feasibility of CSR and its impact on the interaction between the public and private spheres. The higher the levels of interpersonal and institutional trust in a country, the more likely it should be that macro-layer CSR policies such as voluntary agreements and variants of co-regulation are found.

Germany has a relatively low level of interpersonal trust (33.1%). This corresponds quite nicely with the results on institutional trust (29.4% in parliament, 28% in government, 24% in large companies, and 52.1% in national court) which are also relatively low with the national courts being the exception (Jowell, 2003; Schaik, 2002; European Commission, 2004 & 2005). It can be argued that Germany can be characterised as a country with a relatively low level of social bonds, reflected in relatively low levels of trust towards national institutions.

To see only a limited number of voluntary agreements and other types of self regulation is related to the German preference for conventional attitudes toward regulation and the relatively low national level of interpersonal and institutional trust in (Jörgens et al. 2005). Jänicke et al. (1997) observed some political activity with respect to self regulation schemes in Germany, however, these new instruments still need to be improved. According to them, there is a lack of standardisation, the policy instruments are often not formulated clearly enough, and the obligations of individual members within sectors or organisations and the monitoring mechanism are often not adequately defined. These shortcomings discredit self-regulation policy instruments which have a difficult position right from the start because of the lack of trust between actors both on the regulator and target group side.³⁹ The low level of trust in Germany to some extent determines the feasibility of such horizontal steering instruments. Interviews with governmental authorities and business representatives showed an ambiguous picture. The level of trust between Campina Germany and regional and local public authorities was described as high from both sides.⁴⁰ However, the general picture is somewhat different because public authorities perceive the trust relationship with Campina more as the exception to the rule. Generally, relationships between the local and regional public

³⁹ Jörgens et al. (2006) came to the same conclusions in their study on end-of-life vehicles Program in Germany.

⁴⁰ Interview with Volker Reichert, regional office for health and safety Cottbus (*Landesamt für Arbeitsschutz*). January 17th, 2007; and Interview with Horst Kuhnert, Campina GmbH & Co. KG – Responsible for Environmental Management in Germany. August 28th, 2006.

authorities and industry are characterised more by distrust and opacity.⁴¹ One governmental official even went so far as to say that

Campina is extraordinary proactive with respect to open and transparent communication. However, this kind of behaviour is not the rule in Germany. It is usually the other way round. In other words, we are usually confronted with plans at the last possible moment which makes it difficult to change them if necessary to conform to legal requirements. Furthermore, companies sometimes try to get as much information as possible from us without providing any information on their plans. This intransparent behaviour has something of deceiving us and is not good for communication and interaction in general.

Hence, the quality of the relationships between governmental authorities and German companies is significantly influenced by individual behaviour of actors and to a lesser extent by the generally relatively low trust levels in Germany. Soft regulation schemes associated with CSR do not fit the German institutional and cultural context very well for basically two reasons: first, the densely organised German civil society and especially the corporatist setup of interest representation is responsible for rather static role perceptions which result in a slow transition towards more flexible role perceptions and changed responsibilities necessary for CSR. The relatively low results on interpersonal and institutional trust for Germany might come as a surprise. Germany usually has the reputation of being an example of a country with high trust levels resulting in lower transaction costs. An explanation for this misperception can be found in the corporatist structure of the country. The well organised and established corporatist system in Germany with its formal and informal rules and norms functions as a substitute for high trust levels necessary for reducing transaction costs. The corporatist structure, however, does not substitute a lack of institutional and interpersonal trust with respect to self-regulation schemes associated with CSR because the well established corporatist structures also include in the German case well established and rather static corporatist actors which find it difficult to adjust to new roles and responsibilities. Habisch et al. (2005) argue that “rigid positions of the state and related corporatist associations still prevail today, so that there is still little understanding regarding new roles and balances of society, state, and business.” Hence, CSR policy instruments on the macro level are confronted with well established corporatist structures and actors reluctant to change and with low levels of interpersonal and institutional trust resulting in unfavourable conditions for CSR policies in Germany. The following section presents the findings on the main research question and the hypotheses which guided the study.

⁴¹ Interview with Gerhard Hunold, department for health, safety and the environment of the business control office Göttingen (*Gewerbeaufsichtsamt*). November 13th, 2006.

9.8 Corporate Social Responsibility and policy-making – does it make a difference?

What do we now know about the impact CSR has on the interaction between Campina Germany and public authorities? To answer this encompassing question, I concentrate on the earlier stated hypotheses. The first hypothesis, that higher levels of stakeholder management due to higher levels of CSR engagement lead to a more intense relationship with public authorities and better mutual understanding, can partly be verified by the results of the analysis. The qualifier ‘partly’ is necessary because an impact due to CSR and stakeholder management is only observable for the lower governmental layers and not on the federal or national layer. As mentioned earlier, German dairy companies do not contact the federal ministries directly but use the Association of the German Dairy Industry (MIV) as a channel for communication and lobbying activities. This structural feature of the German dairy sector leads to social network analysis results which indicate at first glance that CSR and stakeholder management do not have a substantial impact on the relationship with public authorities. Figure 49 shows how the impact of CSR on the different governmental layers is seen by Campina Germany:

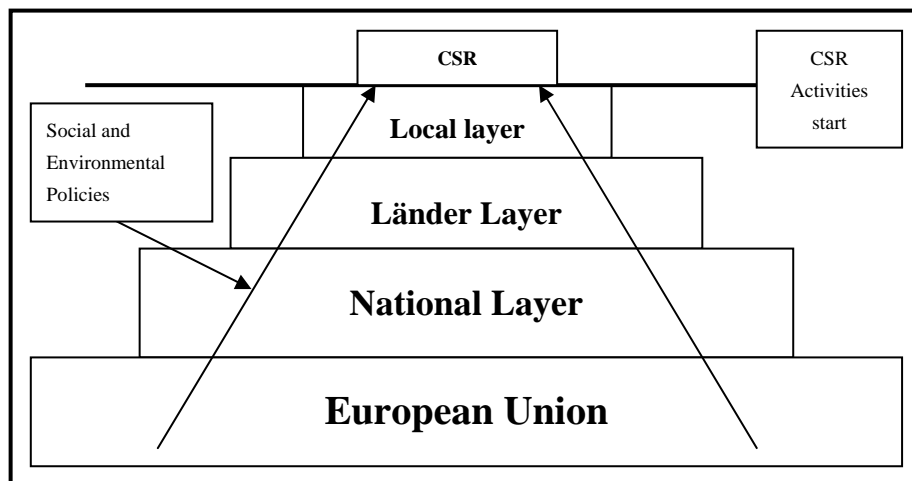


Figure 49: CSR impact on different German governmental layers perceived by Campina Germany

According to Horst Kuhnert, every governmental layer (European, national, Länder, and local) adds something to the previous layer with respect to social and environmental legislation. CSR activities of Campina Germany do not interest the European and national layers and only marginally the Länder layer.⁴² However, the

⁴² Interview with Horst Kuhnert, Campina GmbH & Co. KG – Responsible for Environmental Management in Germany. August 28th, 2006.

picture presented in the social network analysis graphics represents only the macro layer (national) of the German dairy sector. The dairy companies have several contacts with public authorities on lower layers which are not part of the social network analysis; however, these lower layers are included in the overall study through personal interviews. Despite the fact that the results based on social network analysis are not entirely supportive of the hypothesis, the interviewees on the private and the public side indicated that CSR and proactive stakeholder management lead to a better mutual understanding and more intense contacts in general. For instance, Horst Kuhnert describes the relationship with local public authorities as closer and more intense that led to a trust relationship which resulted in faster and easier proceedings in the case of projects. This sense of trust was increased due to additional activities with respect to communication and transparency including various reporting activities.⁴³ A similar perspective is also observable on the side of local public authorities. Gerhard Hunold of the department for health, safety and the environmental security of the business control office Göttingen (*Gewerbeaufsichtsamt*) stated that the proactive behaviour of Campina has a positive impact on the relations between public authorities and the company. Procedures go faster and have fewer problems (easier) because of the proactive behaviour of Campina Germany.⁴⁴ Volker Reichert of the office for health and safety Cottbus (*Landesamt für Arbeitsschutz – Land Brandenburg*) describes the relationship with Campina Germany along the following lines:

With respect to active companies in the fields of health and safety of employees, I see myself more like an adviser than a controller. The contacts between me and the companies should ideally lead to a trust relationship which is certainly the case with Campina. Furthermore, Campina is a company that welcomes my cooperative approach and uses my visits in a productive manner. They feel more safe (*auf der sicheren Seite*) when I made a factory tour together with them to check the situation with respect to health and safety. If there happens something at some point then we discuss the situation together in order to improve the health and safety standards. In any way, the close contact between me and Campina is beneficial for the company.⁴⁵

The second hypothesis that the capacity of actors to influence the general policy-making process increases the more access points (direct links or even shared resources) actors have to public authorities can be verified although negatively. As pointed out several times, the structural feature of the German dairy sector with the branch organisation communicating on behalf of all dairy companies with the federal ministries, reduces the number of access points drastically and consequently,

⁴³ Interview with Horst Kuhnert, Campina GmbH & Co. KG – Responsible for Environmental Management in Germany. August 28th, 2006.

⁴⁴ Interview with Gerhard Hunold, department for health, safety and the environment of the business control office Göttingen (*Gewerbeaufsichtsamt*). November 13th, 2006.

⁴⁵ Interview with Volker Reichert, regional office for health and safety Cottbus (*Landesamt für Arbeitsschutz*). January 17th, 2007.

also the influence of individual dairy companies in the general policy-making process. The results of the social network analysis showed that the dairy companies have only limited contacts to governmental authorities and that the branch organisations enjoy more prominent positions in the communication network. Evidence gathered during the interviews with public authorities and company officials also indicated that direct communication and hence, access options to ministries are limited for companies in the German dairy sector. Consequently, the capacity of dairy companies to influence the policy-making process directly is limited as well. The interests of dairy companies are represented by the MIV which has access options to federal ministries which are used for lobbying purposes.

The fourth hypothesis that the more freedom governmental authorities provide a business sector in the form of self- and co-regulation policy schemes, the more the concerned private sector should be willing to accept additional responsibilities and tasks resulting in higher levels of CSR engagement by companies can be verified in the German context although negatively. German political culture and policy-making preference is very much characterised by a legislative and top-down approach including an emphasis on direct and strict regulation with clear rules, requirements, and guidelines. Horizontal policy-making mechanisms such as co- and self-regulation are also present; however, they are disputed among key actors. For instance, the Federation of German Industry (BDI), the main representative body of German business interests, argues for more use of self- and co-regulation as an alternative to classic top down policy-making and implementation (Federation of German Industry, 2006). On the other hand, a number of implemented self-regulation schemes are heavily criticised because of a lack of effectiveness such as in the automotive industry. As pointed out by a public official, Germans are used to and maybe also prefer a culture of obeying orders from above; in other words, they prefer security (also in the form of clear rules, regulation etc.) over freedom. The notion of the paternalistic state is still dominant over the for CSR-necessary notion of the partner state. The corporatist structure of Germany is important in this respect because the necessary transition of roles and responsibilities of actors on both the public and private sides is limited due to prevailing rigid positions of the state and related corporatist associations. Governmental and business actors are often not ready to approach each other with the openness and flexibility necessary for effective implementation of these soft steering mechanisms. Furthermore, as Jänicke et al. (1997) argue, self- and co-regulation instruments often lack standardisation, the policy instruments and related monitoring mechanism are often not formulated clearly enough, and the specifications of obligations of individual members within sectors or organisations are often not adequately defined. The entrenched corporatist tradition of Germany and the preference for top down legislation in combination with a strong paternalistic state are crucial factors which limit the room provided to companies to become active in CSR. The following table shows illustrates the low CSR performance of the German dairy sector:

Company	CSR performance
Nordmilch	-
Humana Milchunion	-
Molkerei A. Müller	-
Hochwald	-
Campina GmbH & Co. KG	XX

Table 36: CSR performance of German dairy companies⁴⁶

Campina Germany is the only company that has seriously taken up the idea of CSR in the German dairy sector. All other dairy companies remain inactive with respect to CSR and have not implemented any substantial CSR policy or activity. Hence, it can be argued that the absence of soft steering mechanisms in the German dairy sector resulted in largely inactive dairy companies with respect to CSR. The political culture combined with the public authorities' policy preference for top down regulation does not provide the companies with sufficient incentives to become engaged in CSR and take over more responsibilities to tackle societal problems.

The fifth hypothesis that CSR engagement by companies has an impact the relationship with public authorities on the micro level can be verified. The study on Campina Germany showed that there is a positive impact on the relationship between the company and regional and local public authorities due to CSR. Both the company and public officials confirmed that CSR engagement is beneficial for both sides. For instance, Horst Kuhnert stated that

a good relationship gives us the opportunity to start project earlier despite the fact that not all information and permits are available. To fulfil all requirements and permit requirements can take a quarter of a year, however it can be enough nowadays to provide local public authorities with the four most important pieces of information to get a project started within a time span of 4 to 6 weeks.⁴⁷

A governmental official describes the impact of CSR on the relationship between Campina Germany and regional and local governmental authorities along the following the lines:

It is true that the good relationship with a company is of importance and has an impact on the treatment of the company. For instance, the fact that I know the people from Campina and I also know the production site from various inspection tours fastens up the processes related to checks on health and safety. On paper based on the law I have to treat all companies in the same manner independent from their performances in the field

⁴⁶ The assessment in brief of the companies is based on the methodology stated in chapter six. However, a full elaboration here is not necessary to make the point that CSR is not integrated in the business conduct of the German dairy sector.

⁴⁷ Interview with Horst Kuhnert, Campina GmbH & Co. KG – Responsible for Environmental Management in Germany. August 28th, 2006.

of health and safety. However, it is true that in reality I approach companies differently depending on their performance with respect to health and safety. The less a company does in that field, the stricter I have to approach the company.

Similar to observations in the Dutch cases, public authorities in Germany are officially not allowed to treat companies differently based on their CSR engagement. However, in-between the lines governmental officials admitted that proactive CSR companies are treated differently compared to passive companies. Apart from this more intangible evidence, proactive CSR companies enjoy a number of additional advantages. The most important reason is to save money by reducing the amount of formal environmental inspections. EMAS and ISO 14001 certification reduce the amount of inspections by public authorities and regularly reporting requirements.

9.9 Conclusion

Does CSR engagement by Campina Germany impact interaction, especially with public authorities? In line with the previous case studies, the study tried to answer the question by applying quantitative and qualitative research methodology. The assumption that higher levels of stakeholder management due to higher levels of CSR engagement lead to better relationships with public authorities could be partly confirmed. The qualifier 'partly' is necessary because an impact due to CSR and stakeholder management is only observable for the lower governmental layers and not on the federal or national layer. German dairy companies do not contact the federal ministries directly but use the Association of the German Dairy Industry (MIV) as a channel for communication and lobbying activities. The reason for the powerful position of the MIV can be seen in the relatively great amount of dairy companies still in Germany. Individual communication by companies with the federal ministries in Berlin would not be efficient to defend the interests of the dairy sector. Hence, companies communicate only indirectly via the MIV with federal ministries which makes it impossible to detect an impact in the relationship with ministries due to CSR engagement. The absence of direct contacts between ministries and dairy companies negatively affects the motivation for companies to engage in CSR because CSR activities remain largely unrecognised. The absence of direct contacts between dairy companies and federal ministries in the German context results in a situation in which the capacity of actors to influence the general policy-making process is negatively correlated to the number of access points actors have to public authorities.

Self- and co-regulation schemes are disputed in Germany. The notion of the paternalistic state is still dominant over the notion (necessary for CSR) of the partner state. In addition to the stated perception of the state, the corporatist structure of Germany is important because the necessary transition of roles and responsibilities of actors on both the public and private sides are limited due to still

prevailing rigid positions of the state and related corporatist associations. Hence, companies engaging in CSR cannot expect to often find cooperative actors on either the governmental or business side. Consequently, the absence of self- and co-regulation schemes in the German dairy sector results in an active private sector with respect to CSR. One impact of Campina Germany's CSR engagement was observable on the micro layer. The higher the CSR performance and stakeholder management of a company, the easier the company gains access to public authorities and gains licences, permits, and other official documents from authorities, which in turn results in lower bureaucratic costs. Similar to the previous case studies, this is probably the most important finding of the study with respect to the impact of CSR on business and its relations to public authorities. Lower bureaucratic costs represent a strong incentive for companies to engage in CSR activities.

The last finding of the study was that belief systems of actors (with respect to CSR related issues) can be seen as an important variable that influences the behaviour of actors in the communication and shared resources networks. The hierarchal cluster analysis resulted in four clusters of actors which overlap to a large extent with the results of the social network analysis. This finding helps explain the communication and shared resource networks and the results on actor's policy positions. Hence, it can be concluded that belief systems of actors are an explaining variable in the research on CSR in Germany.

Interviews

Personal interview with Michael Brandl, Milch Industrie Verband, November 6th, 2006.

Personal interview with Dr.-Ing. Ines Coldewey, VDM - responsible for technology and environmental protection, November 7th, 2006.

Personal interview with Lars Dammann, Nordmilch - Responsible for health, safety, and the environment. November 17th, 2006.

Personal interview with Volker Glodde, Humana GmbH & Co. KG – Responsible for health, safety, and the environment. November 22th, 2006.

Personal interview with Alexander Histing, Greenpeace International, February 8th, 2007.

Personal interview with Gerhard Hunold, department for health, safety and the environment of the business control office Göttingen (*Gewerbeaufsichtsamt*). November 13th, 2006.

Personal interview with Horst Kuhnert, Campina GmbH & Co. KG – Responsible for Environmental Management in Germany. August 28th, 2006.

Personal interview with Horst Kuhnert, Campina GmbH & Co. KG – Responsible for Environmental Management in Germany. June 17th, 2006.

Personal interview with Volker Reichert, regional office for health and safety Cottbus (*Landesamt für Arbeitsschutz*). January 17th, 2007.

Participatory observation during a health and safety committee (*Arbeitsschutzausschuß*) meeting at Campina Elsterwerda. January 17th, 2007.

Appendix

Sections selected for the readability analysis (CSR report 2005):

The company continually seeks opportunities for growth and market prospects. Each day, decisions must be made and essential steps taken at the right moment. Whether it concerns international growth, innovation or efficiency, Campina stands for entrepreneurship, aimed at continuity and sustainability. This is what makes Campina a significant international player. The spirit of entrepreneurship is what enabled Campina to successfully capture market share in Russia for yoghurts and yoghurt drinks. Entrepreneurship is behind Campina's successful ability to add value to milk fat and develop applications for milk sugars in the pharmaceutical industry. And it inspires Campina to build ultra-modern, strategic facilities for dairy drinks, desserts, cheese, butter, and ingredients.

In Campina's view, sustainability stands for people, animals, and nature. We therefore practice sustainable production methods, without losing sight of the need to maintain healthy practices. It means we continually try to improve our environmental performance. And these efforts extend to our employees. We invest in training programs; we take account of what staff think of their employer, Campina. And in consultation with works councils, we take steps to improve our efforts when studies indicate things could be handled differently and better. We always try to present our endeavours in the area of Corporate Social Responsibility in the most transparent possible way.

Investments in proving working conditions reduce the chances of illness and accidents. There are also training courses on handling hazardous substances and safe conduct on the shop floor, as in Campina's production plants in Germany, for instance. For this reason, special courses were set up in 2005 in order to manage the consequences of working with monitors, high temperatures, and hazardous substances, among other things. Managers follow special training courses in order to optimise work safety and preventive health care. Increased attention is being devoted to the security of production locations. With the aid of card systems, records are kept of who is on the location and which employees have access to specific departments.

Data show that in recent years, a growing volume of waste has been collected separately. Campina's wastes consist mainly of residues of ancillary substances and agents, and packaging wastes. There are also incidental flows, such as construction and demolition wastes. Finally, there are specific waste flows, such as gypsum sludge and compressed filter sludge (sludge from treatment units), which are released at a small number of locations. As is generally customary, waste flows such as glass, metals, and paper/cardboard are already fully recycled externally. In

addition to the advanced separation of waste, Campina aims for environmentally-friendly processing methods for all waste flows.

Water is of critical importance to the world. While households and companies in industrialised nations use billions of cubic metres of water, there are desperate water shortages in less developed countries. Although Campina is aware that it cannot solve the world's water shortages, the company attempts to treat water with as much awareness as possible, through many different measures. These include water recycling where possible. Care is one of the pillars of the mission statement. Care not only encompasses Campina's own employees, but also people, the environment, and society in a broader context, jointly and with a view to the future.

	Category ⁴⁸	Indicators	Information provided by Campina Germany	Score
A) Internal Social Aspects:	Labour Practices and Decent Work	Employment	The dairy sector in Western Europe is operating in a shrinking market with very fierce competition which makes efforts to reduce costs and work as efficiently as possible inevitable. In 2005, this led to the closure of two plants: the cheese production plant in Niedermörmter (Germany) and the liquid milk plant in Hilversum (the Netherlands). With every reorganisation or company closure, Campina aims to offer its employees alternative work where possible. In order to facilitate this, efforts are made during a reorganisation to transfer employees to another Campina location or agencies specialising in assisting employees to find other jobs are consulted. However, when the German cheese plant was closed, Campina's efforts were thwarted by the difficult economic situation in that part of the country. It proved impossible to find new jobs for 18 employees. More than 100 jobs were lost within the space of two years at the production plant in Elsterwerda (Germany), due to overcapacity. In 2004, Campina had an average of 7,099 employees (FTEs, excluding agency staff). In 2005, the average fell to 6,811. This includes the job losses through the above plant closures. In 2006, the number of jobs fell by a further 200.	3
		Labour/ management relations	At the request of the international works council, the International Consultative Committee (CIO) and the Netherlands Central Works Council (COR), Campina arranged for an employee satisfaction survey at the end of 2005, in line with the survey conducted in 2002. The 2005 survey covered the fields of Work, Management, and Co-operation. The results showed that in general, Campina has highly motivated employees who show a high level of willingness to cooperate. The employees were less satisfied with the management style. Apparently, in their efforts to achieve good results, managers too easily ignore aspects of people-oriented management such as personal attention, guidance, and feedback for employees. The survey showed that work pressure has risen as a result of reorganisations, such as that in the spring of 2005, particularly among the 'indirect employees'. Nevertheless, the majority of Campina's employees feel positive about working for Campina. Staff turnover is 3% to 4%. The employee	3

⁴⁸ The indicators are to a large extent based on definitions provided by the Global Reporting Initiative. For more information see GRI (2005). Sustainability Reporting Guidelines. http://www.globalreporting.org/guidelines/2002/gri_2002_guidelines.pdf; accessed May 3, 2005.

	Category ⁴⁸	Indicators	Information provided by Campina Germany	Score																																			
			<p>satisfaction survey also measured the level of desire to leave the company. With a score of 1.5 on a scale of 1 to 4, research agency GITP says the level of plans to leave can be described as low.</p> <p>Results of employee satisfaction survey 2005: Scale of 1 to 4: Campina sees a score of over 3 as the target value</p> <table border="1" data-bbox="1032 496 1814 719"> <thead> <tr> <th></th> <th></th> <th>Management Score</th> <th>Co-operation Score</th> <th>Work Score</th> </tr> </thead> <tbody> <tr> <td>The Netherlands</td> <td>2005</td> <td>2.67</td> <td>3.09</td> <td>2.80</td> </tr> <tr> <td></td> <td>2002</td> <td>2.89</td> <td>3.21</td> <td>3.22</td> </tr> <tr> <td>Germany</td> <td>2005</td> <td>2.56</td> <td>3.03</td> <td>2.61</td> </tr> <tr> <td></td> <td>2002</td> <td>2.65</td> <td>3.11</td> <td>3.11</td> </tr> <tr> <td>Belgium</td> <td>2005</td> <td>2.37</td> <td>2.89</td> <td>2.75</td> </tr> <tr> <td></td> <td>2002</td> <td>2.69</td> <td>2.89</td> <td>3.01</td> </tr> </tbody> </table> <p>In consultation with local management and the works councils, plans are being drawn up to translate the outcomes of the employee satisfaction survey into a more people-oriented approach. Steps have already been taken towards this at various locations, including management training. Cultural change and a modification of the management style take time. This is more a question of evolution than revolution. Personal observation confirmed the good relationship between employees and management.</p>			Management Score	Co-operation Score	Work Score	The Netherlands	2005	2.67	3.09	2.80		2002	2.89	3.21	3.22	Germany	2005	2.56	3.03	2.61		2002	2.65	3.11	3.11	Belgium	2005	2.37	2.89	2.75		2002	2.69	2.89	3.01	
		Management Score	Co-operation Score	Work Score																																			
The Netherlands	2005	2.67	3.09	2.80																																			
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Belgium	2005	2.37	2.89	2.75																																			
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		Health and safety	<p>The HR policy is reflected mainly in Campina's home markets (the Netherlands, Germany, and Belgium), but the design and approach is becoming increasingly international. Investments in improving working conditions reduce the chances of illness and accidents. There are also training courses on handling hazardous substances and safe conduct on the shop floor, as in Campina's production plants in Germany, for instance. For this reason, special courses were set up in 2005 to manage the consequences of working with monitors, high temperatures, and hazardous substances, among other things. Managers followed special training courses to optimise work safety and preventive health care.</p>	2																																			

	Category ⁴⁸	Indicators	Information provided by Campina Germany	Score
			The participatory observation at the production site in Elsterwerda showed the high profile status of health and safety issues. However, these issues are only dealt with internally which means that no data could be included in the evaluation.	
		Training and Education	Training courses are also provided for shift managers and those who hold a supervisor's diploma. The training budget in Germany was lower in 2005 than in 2004 and 2003. The company is trying to absorb this by giving as many courses as possible in-house. Wherever possible, management vacancies at various levels are filled by existing employees. In Germany, employees taking a new career step into a management position are trained internally and are prepared for their new job with the help of a mentor (see left-hand column, page 30). There are also training courses on handling hazardous substances and safe conduct on the shop floor, as in Campina's production plants in Germany, for instance. For this reason, special courses were set up in 2005 to manage the consequences of working with monitors, high temperatures, and hazardous substances, among other things. Managers followed special training courses to optimise work safety and preventive health care.	3
		Diversity, non-discrimination, and opportunity	Campina regards all employees as equal, with equal rights, and believes that their personal integrity should be respected. The company therefore has two international committees which handle complaints on sexual harassment, discrimination, or unequal treatment of employees. The committees operate independently. Their procedures are public. Complaints are handled in complete confidence. The employees are represented in the committees via the Netherlands Central Works Council. In recent years, both the General Complaints Committee and the Committee for Sexual Harassment Complaints received a number of complaints from employees, which have been settled. In the interests of privacy, reports are not issued on the complaints themselves.	2
	Human Rights	Freedom of association and collective bargaining	Topics discussed with these organisations include new collective labour agreements (CAOs) and pension schemes, as well as acquisitions, joint ventures, and closures.	1
		Child Labour	Subjects such as child labour and working conditions are not yet included in the code; not because Campina does not regard them as important, but because it only recently began production in countries outside Europe and the US. Campina will not allow poor working	3

	Category ⁴⁸	Indicators	Information provided by Campina Germany	Score
			conditions for its employees, or labour abuses such as child or slave labour, in any Campina company, anywhere in the world. And of course, we also consider the human aspect here. What we would not tolerate in our West European company, we will not tolerate in our companies outside Europe. Obviously, you have to take account of a country's culture, but things like child labour, slave labour and poor working conditions are unacceptable to Campina under any circumstances. In each country where we are present, whether through a joint venture or a wholly owned subsidiary, we appoint at least one Dutch manager that we select from our head office. That could be a country manager, a financial director or a plant manager. In that way, we make sure that Campina's standards are also applied in our companies in Asia, for instance. In our mission statement, 'caring about people' is an assignment. Obviously, that also applies to companies we work with or have acquired.'	
		Forced and compulsory labour	See content under child labour.	3
	Business Ethics and Corporate Governance	Bribery and corruption	Campina's code of conduct - a guide to how employees should behave - therefore contains rules forbidding the acceptance of bribes, on the sensible use of the Internet, attitudes to suppliers, etc.	2
		Political contributions	No information provided by Campina.	0
		Ethics	See content on bribery and corruption.	1
	Product Responsibility	Customer health and safety	<p>Campina is a successful partner for clients such as (international) supermarkets or the food and pharmaceutical industries. Our products or dairy ingredients partly determine our clients' reputation and success. We therefore conduct frequent talks with them and organise customer satisfaction surveys. Issues raised in our communications with clients include (international) quality standards, food safety, packaging, innovations, etc.</p> <p>Quality on the farm Quality assurance takes place in every step of the production chain, from the cow to the consumer. Campina uses milk quality assurance systems for all its member-farmers and milk suppliers. In Germany this is QM-Milch (<i>Qualitätsmanagement Milch</i>), in Belgium it's called</p>	4

	Category ⁴⁸	Indicators	Information provided by Campina Germany	Score
			<p>IKM (Integrated Milk Quality Assurance system) and in the Netherlands the Campina Quality Farm Milk system. Lloyd's Register Netherlands has established that the three systems are comparable in terms of food safety. Lloyd's conducted audits for this purpose on assignment from the national dairy organisations in Belgium (the Belgian Dairy Industry Confederation, BCZ), Germany (The Dairy Industry Association, MIV) and the Netherlands (Netherlands Dairy Organisation, NZO). Because of the exchange of raw materials and products, comparability of quality systems is important to Campina. In 2005, Campina made preparations for its own quality standard for farm milk, together with representatives of its member-farmers (the 'quality ambassadors'). By early 2007, the new standard is to take effect for all Campina member-farmers in the Netherlands, Germany and Belgium. Campina Quality Farm Milk focuses on statutory obligations, Campina's own requirements and the demands of the market and the general public. The Campina quality system is an integrated set of standards, controls and measures for farm milk, for production processes at the dairy farm, for the cows and for business partners such as cattle feed companies. This is based on the current national systems for the quality of farm milk and quality assurance. Campina has also taken the initiative in this context to alert the cattle feed industry to the importance of improving quality assurance in the sector. Requirements for cattle feed companies should protect Campina's member-farmers and secure the quality of cattle feed. Dairy farming is a land-based sector. Cattle feed consists mainly of grass, corn and other feed crops that farmers grow themselves, but assuring the quality of the additional products that are bought in - the cattle feed - can and must be improved in order to reduce the risk of possible crises wherever possible. Campina therefore opts for an approach such as that offered by TrusQ or similar concepts. From the moment that the milk is collected from the dairy farm, it is monitored every second until it reaches the customer. Immediately after the milk tanks are emptied, the milk is 'labelled', as it were. In the Netherlands, the routes of the milk collection trucks (RMOs) and the details of the dairy farmers are sent to Campina's data systems via a hyper-modern GPS system. The time and location of milk collection, the temperature and the volume of milk are recorded in this way. With each milk delivery, the RMO driver takes a milk sample that is tested at the milk testing station in Zutphen to determine the fat and urea content and various quality parameters. Another sample is taken when the milk arrives at the processing plant. Milk with</p>	

	Category ⁴⁸	Indicators	Information provided by Campina Germany	Score
			<p>any quality discrepancies can be traced immediately. This approach is in line with current requirements whereby tracking and tracing of raw materials for foods are becoming increasingly important. In mid-2007, this system will also be introduced in Germany and Belgium.</p> <p>Quality at the plant Strict quality requirements are adhered to in the production of dairy products at Campina's production plants. All Campina production plants are certified to the ISO 9001 and Hazard Analysis Critical Control Points (HACCP) standards. Many businesses also comply with other quality systems, such as the requirements of the British Retail Consortium (BRC). In 2003, Campina introduced a quality system called Q2. Via Q2, Campina aims for the highest possible standards in the field of quality control. The system is based on four pillars:</p> <ul style="list-style-type: none"> • Quality awareness • Quality costs • Quality improvement • Quality audits. <p>Campina presents its vision, whether concerning good nutrition, a healthy lifestyle or obesity. If we recall products from the shops because they fail to meet Campina's quality standards (there were two public product recalls in 2005, one in the Netherlands and one in Germany), we communicate on this with our consumers. And obviously, the same applies with regard to new innovative products or packaging. Campina does this via the Internet (sometimes at special websites devoted to the product), consumer service, the Campina Institute (see also page 22), consumer surveys and health tests, among other things. Via the same channels, consumers can let Campina know what they think of new products, flavours or packaging. In this way, Campina responds to consumer needs and requirements as closely as possible.</p>	
B) Environmental Aspects:		Energy	<p>Energy, in the form of power or heat, is needed for all Campina's production processes. Here again, Campina opts for less energy. But just as in the case of water, the savings potential in existing production processes is diminishing (see 'Dilemma'). In the Netherlands, Campina</p>	4

	Category ⁴⁸	Indicators	Information provided by Campina Germany	Score																		
			<p>has joined the second Industrial Long-Term Energy Efficiency Agreement (LTA-2), a covenant between the government and the private sector designed to implement (inter)national climate policy. The aim of the LTA-2 is to reduce the emission of greenhouse gases through energy efficiency and the use of renewable energy.</p> <p>In 2005, Campina's total energy consumption (power and heat) amounted to 9.17 PetaJoules. This includes the power consumption of the location in Klerken (Belgium), which was included in Campina's environmental registration system for the first time. Energy consumption not including this location was 9.08 PetaJoules, representing a reduction of 1 % in comparison with the energy consumption reported in 2004.</p> <p>Energy consumption in PetaJoules:</p> <table border="1" data-bbox="1032 683 1812 879"> <thead> <tr> <th></th> <th>2005</th> <th>2004</th> </tr> </thead> <tbody> <tr> <td>Netherlands</td> <td>4.79</td> <td>4.89</td> </tr> <tr> <td>Germany</td> <td>2.26</td> <td>2.28</td> </tr> <tr> <td>Belgium</td> <td>1.57</td> <td>1.42</td> </tr> <tr> <td>Russia, the US and Thailand</td> <td>0.55</td> <td>0.57</td> </tr> <tr> <td>Total</td> <td>9.17</td> <td>9.16</td> </tr> </tbody> </table> <p>Setting up and maintaining an effective environmental care system is an important tool to assure and continually improve the group's environmental performance. Environmental officers have been appointed at all Campina companies. The environmental officers maintain the Campina environmental care system and, together with the plant manager, also ensure compliance with the necessary environmental permits. At group level, the environmental co-ordinator is responsible for environmental issues that affect the entire group, naturally with the support of local environmental officers. This could include setting up corporate environmental and energy plans (BEMPs), gathering environmental data and, of course, education and</p>		2005	2004	Netherlands	4.79	4.89	Germany	2.26	2.28	Belgium	1.57	1.42	Russia, the US and Thailand	0.55	0.57	Total	9.17	9.16	
	2005	2004																				
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	Category ⁴⁸	Indicators	Information provided by Campina Germany	Score
			<p>training. The group environmental officer co-ordinates international environmental issues and represents Campina in external committees. This solid basis provides for efficiency improvements and a greater insight into processes and data, reduces costs and promotes the implementation of best practices.</p> <p>Individual targets Environmental targets are developed in the BEMPs drawn up by each location. In 2005, the BEMPs of the 17 locations in the Netherlands won Dutch government approval. These plans cover a four-year period.</p>	
		Water	<p>The availability of water is of major importance to the dairy industry. Under the strict hygiene requirements of the Hazard Analysis Critical Control Point (HACCP), an international quality assurance system, cleaning must take place very regularly. These requirements are continually becoming more stringent. Partly because of this, dairy companies consume large amounts of water. Furthermore, in dairy plants, milk must be regularly cooled and heated with water. Water is therefore one of the priorities of the CSR policy. During the year under review, all locations devoted considerable attention to water conservation, partly because this can reduce costs.</p> <p>Stringent targets Campina's production plants are expected to deal efficiently with water. However, the targets for water conservation included in the BEMPs vary from one location to another. This is because water consumption is closely linked to the product range of the relevant plant. Speciality products such as desserts are produced in relatively small volumes, which means equipment must be rinsed with water more often than in high-volume production processes. Targets are also set for the reduction of the level of contamination in waste water. And Campina saved water in Heilbronn (Germany) by optimising its cleaning process there as well. Campina commissioned an assessment of water consumption at all German locations by an external agency. The outcomes will lead to improved efficiency in due course.</p> <p>Total consumption of groundwater and tap water amounted to some 11.22 million m³ in 2005,</p>	2

	Category ⁴⁸	Indicators	Information provided by Campina Germany	Score																		
			<p>Information provided by Campina Germany about 4% less than in 2004.</p> <table border="1" data-bbox="1032 387 1812 557"> <thead> <tr> <th></th> <th>2005</th> <th>2004</th> </tr> </thead> <tbody> <tr> <td>Netherlands</td> <td>5.05</td> <td>5.16</td> </tr> <tr> <td>Germany</td> <td>3.53</td> <td>3.76</td> </tr> <tr> <td>Belgium</td> <td>1.41</td> <td>1.36</td> </tr> <tr> <td>Russia, US, Thailand</td> <td>1.23</td> <td>1.37</td> </tr> <tr> <td>Total</td> <td>11.22</td> <td>11.65</td> </tr> </tbody> </table> <p>In Germany, the Heilbronn plant has its own water treatment unit. Water is cleaned to surface water quality through a combination of aerobic and anaerobic treatments, and can then be discharged directly into the Neckar river.</p>		2005	2004	Netherlands	5.05	5.16	Germany	3.53	3.76	Belgium	1.41	1.36	Russia, US, Thailand	1.23	1.37	Total	11.22	11.65	
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		Emissions, Effluents, and Soil	<p>Clean fresh air is essential for humans, plants and animals. Carbon dioxide (CO₂) emissions strengthen the greenhouse effect, while nitrogen oxide (NO_x) and sulphur dioxide (SO₂) increase acidification. Campina therefore devotes attention to reducing CO₂, NO_x and SO₂ emissions during the incineration of substances required for heating, producing steam or drying whey and milk.</p> <p>Carbon dioxide emissions Reducing carbon dioxide (CO₂) emissions is one of the policy spearheads in many European countries. Reducing emissions is related to a reduction in energy consumption. Campina has already achieved successes in this area. CO₂ emissions at Campina production plants as a result of burning fossil fuels amounted to 309,000 tonnes in 2005, an increase of about 1% in comparison with 2004. This increase was attributable to higher energy consumption, partly due to the expansion of the plant in Klerken (Belgium). Carbon monoxide emissions are minimal if burners are well-calibrated and checked annually. This receives continual attention.</p> <p>Emissions of nitrogen oxide and sulphur dioxide Combustion of fossil fuels leads to emissions of NO_x and (depending on the fuel) SO₂. These</p>	2																		

	Category ⁴⁸	Indicators	Information provided by Campina Germany	Score
			<p>substances are partly responsible for the acidification of the environment. Campina's Dutch companies are almost exclusively gas-fuelled. In Germany and Russia, oil is also used, always with a very low sulphur content. In recent years, the NOx emissions of Campina's Dutch companies have been clearly defined. Modifications of burners have led to a sharp reduction in NOx emissions in recent years. NOx emissions in the Netherlands fell by 42 tonnes to 115 tonnes in 2005 compared with the previous year. This reduction was mainly the result of a new calculation method, in accordance with the NOx benchmark protocol. NOx emissions are not yet clear at all in the Belgian and German companies. Campina will be working on this in the coming years.</p> <p>Emissions of ozone-depleting substances (HFCs) Various Campina cooling installations use hydrofluorocarbons (HFCs) as a cooling agent. Cooling units are closed systems. Nevertheless, ozone-depleting substances can be released on occasion, for instance through minor leaks. In 2005, 1,037 kg. were released, compared with 3,191 kg. in 2004. The significant reduction was achieved through intensive maintenance of the installations.</p> <p>Overall it has to be said that there is a lack of Germany specific information provided by Campina.</p>	
		Waste	<p>When it comes to waste policy, Campina aims first and foremost to prevent waste, then to provide for internal and external recycling and finally, to incinerate wastes and recover the energy. Data show that in recent years, a growing volume of waste has been collected separately. Campina's wastes consist mainly of residues of ancillary substances and agents, and packaging wastes. There are also incidental flows, such as construction and demolition wastes. Finally, there are specific waste flows, such as gypsum sludge and compressed filter sludge (sludge from treatment units), which are released at a small number of locations. As is generally customary, waste flows such as glass, metals and paper/cardboard are already fully recycled externally. In addition to the advanced separation of waste, Campina aims for environmentally-friendly processing methods for all waste flows. During 2005, Campina commissioned waste scans by external agencies at the plants in Den Bosch, Oud Gastel,</p>	3

	Category ⁴⁸	Indicators	Information provided by Campina Germany	Score																		
			<p>Rijkevoort, Eindhoven and Tilburg. The scans provide good insight into the additional opportunities for waste segregation, which reduces the costs of waste substances. The locations in Germany devote considerable attention to this issue, partly because of the increasing costs. By improving the separation of various recyclable materials, the level of mixed business waste has decreased.</p> <p>Campina's hazardous wastes consist mainly of cleaning agent residues, oil residues, laboratory chemicals and small-scale hazardous wastes such as batteries. The volume of waste flows resulting from the production of milk is relatively small. Almost all the raw material milk is included in the final product. The share of milk products in fixed residual waste flows is therefore limited.</p> <p>Campina's hazardous wastes consist mainly of cleaning agent residues, oil residues, laboratory chemicals and small-scale hazardous wastes such as batteries. The volume of waste flows resulting from the production of milk is relatively small. Almost all the raw material milk is included in the final product. The share of milk products in fixed residual waste flows is therefore limited. However, an incident with farm milk in Belgium led to an increase in the volume of hazardous waste (+ 329 tonnes). As a result of an internal occupational accident, Campina in Belgium had to have 319 tonnes of farm milk with penicillin destroyed in line with the quality norms.</p> <table border="1" data-bbox="1032 927 1816 1118"> <thead> <tr> <th data-bbox="1032 927 1453 979">Mixed business waste <i>(in tonnes)</i></th> <th data-bbox="1453 927 1626 979">2005</th> <th data-bbox="1626 927 1816 979">2004</th> </tr> </thead> <tbody> <tr> <td data-bbox="1032 979 1453 1007">Netherlands</td> <td data-bbox="1453 979 1626 1007">1,436</td> <td data-bbox="1626 979 1816 1007">2,025</td> </tr> <tr> <td data-bbox="1032 1007 1453 1034">Germany</td> <td data-bbox="1453 1007 1626 1034">1,261</td> <td data-bbox="1626 1007 1816 1034">1,301</td> </tr> <tr> <td data-bbox="1032 1034 1453 1061">Belgium</td> <td data-bbox="1453 1034 1626 1061">804</td> <td data-bbox="1626 1034 1816 1061">1,047</td> </tr> <tr> <td data-bbox="1032 1061 1453 1088">Russia, the US and Thailand</td> <td data-bbox="1453 1061 1626 1088">451</td> <td data-bbox="1626 1061 1816 1088">736</td> </tr> <tr> <td data-bbox="1032 1088 1453 1118">Total</td> <td data-bbox="1453 1088 1626 1118">3,952</td> <td data-bbox="1626 1088 1816 1118">5,109</td> </tr> </tbody> </table>	Mixed business waste <i>(in tonnes)</i>	2005	2004	Netherlands	1,436	2,025	Germany	1,261	1,301	Belgium	804	1,047	Russia, the US and Thailand	451	736	Total	3,952	5,109	
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Netherlands	37	52																			
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Russia, the US and Thailand	8	9																			
Total	416	104																			
	Transport	No Germany related information available, only information on the Netherlands.	1																		
	Disasters	Campina did not mention any kind of disaster related to its business operations.	4																		
	Products and Services	<p>Campina did not provide specific information with respect to percentage of the weight of products sold that is reclaimable at the end of the product's useful life and percentage that is actually reclaimed.</p> <p>The EU has set the targets for recycling. In each Member State, at least 50% and no more than 65% of packaging waste must be recovered. At least 25% and no more than 45% of packaging material must be recycled, with a minimum weight percentage of 15 per type of material. The Member States can decide for themselves how to realise the targets and which systems they use for this. Because it is impossible for individual companies to organise this themselves, producers and importers have set up implementing organisations which provide for the collection, recycling and other useful applications of domestic packaging wastes. They contract agreements with municipal authorities, arrange for payment and provide for joint notification, monitoring and reporting.</p> <p>In Germany, Campina uses the services of Duales System Deutschland (DSD). In Belgium, Campina's statutory information and return obligations for domestic packaging are delegated to FOST Plus. In the Netherlands, Campina arranged to meet this requirement through the Packaging III Covenant until 31 December 2005. The Covenant expired on 1 January 2006</p>	2																		

	Category ⁴⁸	Indicators	Information provided by Campina Germany	Score
			and Campina joined the Nedvang Foundation on that date. Nedvang, (Netherlands From Waste to Raw Materials) was formed by producers and importers for joint implementation of the “ <i>Besluit Verpakkingen</i> ” (Packaging Degree).	
		Compliance	Campina did not provide specific information on incidents of and fines for non-compliance with all applicable international declarations/conventions/treaties, and national, sub-national, regional and local regulations associated with environmental issues.	0
		Overall	<p>Environmental expenditures of Campina: 2002: 3.9 million 2003: 6 million 2004: 2.45 million 2005: 2.47 million</p> <p>Operational costs for the environment: 2003: 12 million euros 2004: 16.2 million euros 2005: 13.3 million euros</p> <p>In 2005, some €2.5 million was invested in projects directly related to the environment at Campina's locations. During the year under review, Campina also incurred environment-related operating costs totalling around €13.3 million. This involved the costs of maintaining the environmental care system, external advice, disposal of waste water and waste substances, etc. The reduction compared with 2004 was due to the lower costs of disposing of waste substances through improved separation of waste flows.</p>	3

	Category ⁴⁸	Indicators	Information provided by Campina Germany	Score
C) External Social Aspects: ⁴⁹	General	Social responsibility and new opportunities	<p>Vietnam Water Project</p> <p>In 2005, Campina developed two pilot projects with the Dutch Red Cross, in line with the Campina CSR pillars of Water and Care. One of these is a water project in Vietnam, which is being implemented in cooperation with the Vietnam Red Cross Society. As part of the project, local communities are explicitly involved in improving their living conditions. The project covers the (re)construction of water facilities.</p> <p>In seven communities, 20 water sources are being tapped and three water supply systems are being built. Health care is improved through free regular check-ups, the supply of medicines and improved sanitary facilities. All the communities also manage funds of their own, from which loans can be issued to people in the community wishing to start their own business. Campina agreed to sponsor the project in the 2005-2006 period. An evaluation will take place at the end of this year, after which Campina will decide whether to provide further support for the project. The second project that Campina will carry out in partnership with the Dutch Red Cross is a project in the Netherlands that is consistent with the Care CSR pillar and will be rolled out in the course of 2006.</p> <p>Playgrounds in Germany</p> <p>In Germany, Campina launched the <i>Unser Platz zum Spielen</i> ('Our Place to Play') initiative during 2005. As the biggest supplier of school milk in Germany, Campina aims to encourage primary school children to play and exercise. In the Berlin region, large numbers of neglected and unsafe public and school playgrounds are due for a makeover. Parents, youth organisations, local authorities and Campina joined forces in 2004 to solve the problem. Parents, schools and local authorities now work together to literally give children space to play</p>	3

⁴⁹ External environment aspects such as community, consumer, public sector, investor and supplier relations are addressed in the sections on transparency/accountability and participation.

	Category ⁴⁸	Indicators	Information provided by Campina Germany	Score
			<p>again. Campina funds the renovation of the playgrounds, but the focus lies on the role of the schools, parents and children. The children (in cooperation with the schools) described the changes they would most like to see in their school playgrounds, turned these into proposals and submitted them. A jury judged the entries and honoured the applications. In 2005, six school playgrounds were completely renovated and fitted with climbing walls, basketball nets, table tennis tables and much more.</p> <p>Considerations Until recently, Campina did not have a clear corporate policy on sponsoring. The dairy co-operative is aware that a good reputation is priceless. Donations are a powerful tool for establishing and managing the organisation's reputation: for the staff - whose positive feelings about Campina increase in line with its reputation - for future employees who are keen to work for a 'good' company, and certainly also for consumers, customers, government authorities and everyone else involved in our business in whatever capacity.</p> <p>Approach In 2005, Campina decided to align its sponsoring activities with its CSR goals and to that end, developed a corporate policy for CSR-related donations. The themes of Water and Care (Care for people) were chosen as the basic principles. Following on from this, Campina has decided to define projects within these two themes that relate to:</p> <ul style="list-style-type: none"> • Clean water, • Sport, games and exercise, or • Community development. 	

Table on Campina Germany's CSR performance with respect to internal processes

Larger Thematic Sections	Scores on individual indicators	Aggregated score	Score on larger Thematic Section	Overall Score
Internal Social Aspects	3/3/2/3/2/2,33 ⁵⁰ /1 ⁵¹ /4	20,33	2,54 (20,33:8=2,54)	2,62 [(2,54+2,33+3):3] =2,62
Environmental Aspects	4/2/2/3/1/4/2/0/3	21	2,33 (21:9=2,33)	
External Social Aspects	3	3	3 (3:1=3)	

Table on calculating the overall performance score of Campina Germany

⁵⁰ Score on human rights is based on the average score of the indicators 'freedom of association and collective bargaining, child labour, and forced and compulsory labour'.

⁵¹ Score on business ethics and corporate governance is based on the average score of the indicators 'bribery and corruption, political contributions, and ethics'.

**Milk Link Ltd:
Internal and external facets of
Corporate Social Responsibility**

10.1 Introduction

This case study chapter focuses on Milk Link Ltd, a major player in the British dairy sector. The first section of the analysis concentrates on the CSR performance of Milk Link. As in the previous case studies, the second section analyses the impact of the company's CSR engagements on the interaction between the company and external stakeholders. Furthermore, the chapter provides an elaboration on the relevant structural environmental parameters of the United Kingdom with respect to CSR. The structure of the chapter is as follows: first, a systematic assessment of Milk Link's CSR performance is presented. To achieve a comprehensive and valid assessment of Milk Link's efforts with respect to CSR, the company is introduced and put in the business context with respect to the British dairy sector. As a second step, we present current CSR issues in the dairy sector to put the company's specific development into the broader CSR context. Third, we present Milk Link's internal approach towards CSR with special attention to relevant company specific historical decisions, development steps, and motivations. Finally, we analyse Milk Link's current CSR performance and present it in a comprehensive way. The outline of the second part of the chapter is provided in the introduction to the second larger thematic section.

10.2 Milk Link Ltd – corporate overview and business context

Milk Link Ltd was founded in 2000 as one of three milk broking co-operatives to succeed Milk Marque after deregulation of the UK milk market. During the 1990s, deregulation of the British dairy sector resulted in the break up of Milk Marque into three regional co-operatives (Milk Link, Axis – merged with Scottish Milk to form First Milk, and Zenith) (Oliver and Rapsomanikis, 2001). In April 2000, Milk Link started trading at a time when the UK dairy industry was undergoing a period of tremendous change. At that time the newly founded dairy company was exclusively focused on milk trading and not involved in production of any kind. Very soon it became clear to the company that little tweaks here and there would not be enough to remain competitive. As a consequence, the decision was made to become a fully integrated dairy company including the production of dairy products. In August 2001, Milk Link members committed themselves to a strategy to transform their co-operative into a vertically integrated dairy business to become competitive for the future. At the heart of this strategy was the requirement to invest in existing processing capacity (to be bought by Milk Link) with a skilled workforce, established products, and valuable consumer-facing markets. In other words, Milk Link decided not to build new production sites but to buy established sites of other companies which were for sale on the market and to use their established products and retail connections. A series of acquisitions followed the strategical key decision of 2001. In March 2002 Tanner Foods Ltd (modern long life milk processing business in Essex) became integrated into Milk Link; in July 2002 they acquired Express Dairies' long life processing business in Credition, Devon, and

Kirkcudbright, Scotland making Milk Link the UK's largest processor of long life milk products. In the same month they also acquired Express Dairies' ingredients business at Staplemead, Somerset providing the opportunity to produce a wide range of high quality and consistent dairy ingredients. They acquired Newlands Farm in December 2003, providing the opportunity to develop branded regional consumer products, and Peninsula Milk Processors in February 2004, complementing Milk Link's liquid milk business in Scotland, Essex, Devon, and Cornwall and close to a large proportion of members. Finally, also in February 2004, they acquired 75% of Cheese Company Holdings and the subsequent creation of 'The Cheese Company' which makes it the UK's second largest cheese producer. At the moment, Milk Link runs nine production sites all over England and Scotland. All these major acquisitions made Milk Link the UK's third largest integrated dairy company with the capacity to process and add value to up to 1.3 billion litres of its members' milk with a turnover of about £590 million (2006).

Apart from acquisitions, Milk Link also formed a number of important partnerships with other dairy and retail companies. Partnerships are in place with dairy companies such as Arla Foods, Dairy Crest, First Milk, and Dairy Farmers of Britain (20% stake in Westbury Dairies, joint venture with both co-operatives). Furthermore, Milk Link has formed partnerships with the food processors Unilever and Nestle and with major food retailers such Sainsbury's in the UK. Milk Link's growth strategy including the series of acquisitions; the setup of a number of partnerships with other major dairy and retail companies made the company a key player in the British dairy sector.

The company is owned by around 2,000 British dairy farmers. The governance structure of Milk Link provides its member farmers with a say on crucial issues on the business agenda. Every member is allocated to a local group, each of which represents a total of a least 25 million litres of milk. These local groups meet regularly to discuss progress and receive and consider reports from its member council representative. The second level is the member council. This is made up of the elected representative of each local group. The member council is a crucial decision-making body and will form an 'electoral college' to vote for the 'farmer elected directors' on the governing board. Council members are also the vital two-way communications link between their local group and the governing board. The member council elects the governing board of directors. This must consist of a farmer majority. These directors have the power to appoint the chief executive officer of Milk Link Ltd, who will also sit on the governing board. They also have the power to appoint other non-executive or executive directors as they consider appropriate. The governing board is responsible for the strategic management and steering of the co-operative but appoint an executive board to be responsible for the day-to-day operation and running of the business. The following figure shows the corporate governance structure of Milk Link with respect to the influence of its member farmers:

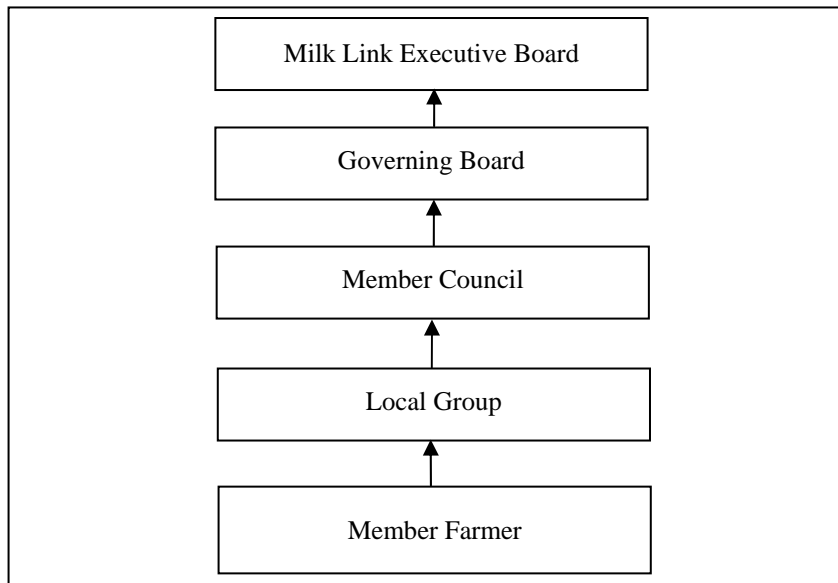


Figure 50: Influence of member farmers in Milk Link’s corporate governance structure

The executive board of Milk Link prepares strategies and plans, all of which have to be approved by the governing board. Milk Link also introduced a new voting scheme for its member farmers. All member farmers supplying milk are entitled to vote in the elections for council members and on certain other key issues. The volume of milk supplied by a member farmer in the previous quota year determines the number of votes a member has in any local group council member election. This governance structure ensures that elected member farmers are in control of the strategic development of the business in both a transparent and accountable way whilst a professional management team is left to run the business.

The most important competitors of Milk Link are Dairy Crest, Robert Wiseman Dairies, Arla Foods, Dairy Farmers of Britain, First Milk, and United Dairy Farmers (more focused on Northern Ireland). Milk Link is currently the third largest dairy company in the UK behind Dairy Crest and Robert Wiseman Dairies. Of the three successors of Milk Marque, Milk Link became the largest new co-operative ahead of Dairy Farmer of Britain and First Milk. However, there are several partnerships in place between the different dairy companies which creates a situation of mutual benefits and resource dependency (in terms of facilities and haulage schemes).

10.3 CSR Issues related to the dairy sector

The UK government has identified a number of environmental issues connected to the dairy sector:

- Dairy cows produce large quantities of slurry and manure. Both can be highly polluting if mismanaged;
- The effluent from grass silage is highly corrosive, so it's difficult to manage safely and highly polluting if it enters water courses;
- Autumn harvesting of forage maize can lead to soil compaction if the soil are wet, and this can cause excess run-off and soil erosion;
- Dairy and parlour washings and rainfall on extended yard areas greatly increase the total volumes of effluents that require careful management;
- The daily movement of dairy cows from field to parlour, and outdoor grazing in inappropriate field conditions, can lead to soil compaction, poaching and run off.¹

The British approach to the stated problems is not to impose new regulations or other burdens on the dairy sector but to encourage dairy farmers to voluntarily take ownership of environmental issues and solutions to improve environmental performance, and therefore reduce the need for further regulation. The government and the sector organisations made clear that the dairy sector will face many environmental challenges in the next few years; however, the envisaged plan is to find ways that industry and government can work together to address them. The plan was initiated by the Environmental Agency (representing the government, the National Farmers' Union (NFU), and the Milk Development Council). In the process of developing the plan, Dairy UK (the major dairy industry representative organisation of the British dairy sector) and the Royal Association of British Dairy Farmers (RABDF) were included to form a steering group to involve all major stakeholders of the sector. The UK government noticed that governmental involvement in the plan helps achieve regulatory compliance and reduce environmental impacts from dairy farming. The willingness of the dairy sector to cooperate was driven by the notion of avoiding regulation by means of voluntary measures. Regulatory challenges for dairy farmers cover the following regulations and restrictions:²

- Control of pollution (silage, slurry, and agricultural fuel oil);
- Nitrate vulnerable zones and action programme of measures;
- Waste management licensing, duty of care, and other waste measures;

¹ Environmental Agency/NFU/Royal Association of British Dairy Farmers/Milk Development Council/Dairy UK (2006). Improving environmental performance: Environmental Plan for Dairy Farming, p. 6; <http://publications.environment-agency.gov.uk/pdf/GEHO0906BLDH-e-e.pdf>; accessed May 15th, 2007.

² Environmental Agency/NFU/Royal Association of British Dairy Farmers/Milk Development Council/Dairy UK (2006). Improving environmental performance: Environmental Plan for Dairy Farming, pp. 5-7; <http://publications.environment-agency.gov.uk/pdf/GEHO0906BLDH-e-e.pdf>; accessed May 15th, 2007.

- Water resources including discharge consents, anti-pollution work notices;
- Sludge;
- Groundwater authorisations;
- Water abstraction licenses; and
- Protection of habitats and wildlife.

The British government introduced a new approach to regulation in the dairy sector with the Single Payment Schemes which includes a cross compliance regime. This regime links the farmer's payment to some environmental legislation and requires farmers to maintain their land in 'good environmental and agricultural condition'. Hence, the scheme incorporates a strong incentive for farmers to maintain high standards of environmental protection on their farms. However, in 2002, 2003, and 2004 about 26% of dairy farms visited by the Environmental Agency were not complying with the full requirements of the 'Nitrate Vulnerable Zone' regulation.³ Hence, the rather soft and intensive-driven approach of the UK government to environmental protection in the dairy sector also has its weaknesses.

The 'Environmental Plan for Dairy Farming' defined five objectives to be achieved in the coming years:

- Objective 1: To reduce polluting discharges from dairy farms to water;
- Objective 2: To protect and enhance soil quality;
- Objective 3: To link environmental best practice with improved economic performance;
- Objective 4: To work to risk-based regulatory and environmental management systems;
- Objective 5: To improve transparency, understanding and engagement between the Environment Agency, dairy farmers and other stakeholders.⁴

The approach to achieve the stated objectives includes voluntary measures, education, best practice advice, farm assurance schemes, research and development into best practice, management tools, incentive schemes, and long-term profitability of milk production. The stated instruments point towards the implementation of only soft mechanisms with no direct regulation.⁵ According to the members of the

³ Environmental Agency/NFU/Royal Association of British Dairy Farmers/Milk Development Council/Dairy UK (2006). Improving environmental performance: Environmental Plan for Dairy Farming, p. 8; <http://publications.environment-agency.gov.uk/pdf/GEHO0906BLDH-e-e.pdf>; accessed May 15th, 2007.

⁴ Environmental Agency/NFU/Royal Association of British Dairy Farmers/Milk Development Council/Dairy UK (2006). Improving environmental performance: Environmental Plan for Dairy Farming, pp. 10-12; <http://publications.environment-agency.gov.uk/pdf/GEHO0906BLDH-e-e.pdf>; accessed May 15th, 2007.

⁵ The plan states also the best ways to achieve the identified main objectives:

- The best way to measure success in achieving a reduction in polluting discharges from dairy farms to water (objective 1) is to monitor pollution incidents from dairy farms.
- The best way to measure success in achieving protection and enhancement of soil quality (objective 2) is to monitor the take up of soil management plans on dairy farms.

steering group, the 'Environmental Plan for Dairy Farming' forms the basis for the key stakeholders in the dairy sector to move forward together in addressing the highest priority challenges. Furthermore, the plan should be seen as a dynamic process where industry stakeholders can adapt regularly to improve delivery and provide the right tools and messages to farmers. In other words, the dairy industry's task is to stimulate dairy farmers (in the case of co-operatives- their member farmers), and to improve their environmental performances through incentives, persuasion, and education. Hence, Milk Link has the responsibility to motivate its member farmers to improve their environmental performance. However, the current activities related to CSR of Milk Link focus upwards and downwards on the value chain in the dairy sector. In other words, Milk Link concentrates on the customers (major retail companies) and on the collection of milk (transport). According to corporate affairs director Will Sanderson and corporate secretary Karen Young, it would be far too big a task for Milk Link to approach the farmers on CSR at the moment.⁶

10.4 Milk Links journey towards CSR

The evolution of Milk Link can be described as rapid during a period when the British dairy sector went through substantial changes. Broker Milk Link beginning in 2000 became a fully integrated dairy company in a period of only 4 years. This quick development of Milk Link made it difficult for the company to concentrate on CSR specifically. The decision makers of the company were fully occupied with economic and legal issues connected to setting up a new evolving business. All internal human resources had to be devoted to economic, legal, and operational issues. Furthermore, Milk Link did not have the internal capacity to deal with CSR issues in a structured manner.⁷ The drastic enlargement of the company between

- The best way to measure success in achieving objective 3 is to monitor the use of nutrient management plans on dairy farms.
- The best way to measure success in achieving objective 4 is a reduction in environmental breaches of cross compliance on dairy farms.
- Objective 5 is achieved when an increase in positive attitudes from farmers in surveys such as the Environmental Agency customer survey is observable.

These best ways can all be characterised as soft approaches to the stated environmental problems. Hence, the British approach to environmental issues in the dairy sector can be described as very industry friendly. It could also be said that the British government follows a policy-making strategy that is very much in line with approaches associated with CSR such as sharing of responsibilities, flexibility, and new role perceptions. For more information see Environmental Agency/NFU/Royal Association of British Dairy Farmers/Milk Development Council/Dairy UK (2006). Improving environmental performance: Environmental Plan for Dairy Farming, pp. 10-12; <http://publications.environment-agency.gov.uk/pdf/GEHO0906BLDH-e-e.pdf>; accessed May 15th, 2007.

⁶ Interview with Milk Link corporate affairs director Will Sanderson, and corporate secretary Karen Young. December 15th, 2006.

⁷ Interview with Simon Banfield, elected farmer member to the CSR committee of Milk Link. December 14th, 2006.

2000 and 2004 made it difficult for management to understand every part of the newly acquired business sites.

When you buy businesses you cannot get every possible information beforehand about how these businesses really work. They are not yours and you do not fully understand how they work. You have to understand the business quickly after you run them yourself. We are now at a stage in which we make strategic decisions about our business.⁸

Integrating more than half a dozen new factories within such a short span of time meant that various different business cultures were brought together which potentially do not fit with each other. Despite the fact that Milk Link did not have the internal capacity to deal with CSR issues in a structured way, management quickly recognised that CSR could be a tool to create a common business culture within the company. According to Sanderson and Young, a lot of issues related to CSR such as environmental management, health and safety, community, and external relations in general are, more or less, already part of the normal business conduct of Milk Link. What happened in the last couple of years is an evolution in terms of reporting. As a cooperative, Milk Link tries to operate on best corporate governance standards; however, based on a self-assessment by Sanderson and Young, the company is not yet there. The two interviewees describe the present situation with respect to CSR reporting and transparency along the following lines:

We are at the start to identify what to report and how to capture the data. That will be a bottom up process. We need also CSR information dissemination on the board level about potential CSR targets and the business sites would then respond to these targets. We are now attempting to change the dynamics there. What we need to do is to capture what is happening on the bottom level and monitor and report on it and start driving behavioural change from top to the bottom.⁹

CSR activities are currently bottom-up driven within Milk Link. As the two interviewees said, the management is now changing the internal dynamics with respect to CSR from bottom-up to more top-down steering of activities. However, the company is only in the early stages of a long process towards comprehensive CSR reporting and transparency. Milk Link's management schemes on health, safety, and environmental issues provide data only for individual production analysed in a central department. Because of the lack of a department responsible for dealing with corporate CSR issues, Milk Link is unable to compare the different site results analytically to identify best practice examples within the company which could be copied or incorporated into other production sites with weaker results. For

⁸ Interview with corporate affairs director Will Sanderson and corporate secretary Karen Young. December 15th, 2006.

⁹ Interview with corporate affairs director Will Sanderson and corporate secretary Karen Young. December 15th, 2006.

instance, at the moment the corporate level is unaware of potential best practice examples with respect to environmental or social issues among its different production sites and is, hence unable to use this internal knowledge and experience basis to improve the overall performance of Milk Link.

As a first step to improve the internal CSR and information/communication management, Milk Link set up a CSR committee in 2005. This committee is supposed to enable Milk Link to spread CSR issues to all its UK businesses. Furthermore, the CSR committee is tasked with reviewing and approving company-wide policies and monitoring and driving business performance against policy targets in the key areas of environment, workplace, marketplace, and community. Another task is to identify important CSR issues and send signals to the internal decision makers. The committee covers the core areas at a senior level and is provided with practical insights of how things work on the shop floor by having people to report or work on a certain topic. However, Milk Link is still occupied with defining its approach to CSR and to do that the company is beginning to collect data on a number of crucial questions for the implementation of further CSR activities:

What is happening in the business, what are the standards and policies we have in place and are they consistent across the business and are they at the right level? How is it recorded and how are they reviewed? Is it working for the business, is it sufficient for us and the stakeholders? What are the targets and activities we want to drive forward across our businesses? We have to understand our business better first to do more in CSR. We are now at the information gathering stage. It is almost like a helicopter view, it allows us to search for weaknesses and gaps that we need to improve quickly. That is what we do right now. From there we can drive forward the CSR agenda.¹⁰

Milk Link associates CSR with risk management. Simon Banfield, elected farmer member to the CSR committee, said that Milk Link (CSR committee specifically) monitors the development of trends and issues very carefully in order to protect the company. He continued by saying that CSR is a kind of risk management and a tool to reduce risk.¹¹ Milk Link is currently searching for the suitable approach to CSR for the company. So far, the environment, the workplace, the marketplace, and the community have been identified as core issues. The interviewees made clear, however, that these core issues are only a framework and nothing more at the moment. The company hopes to be able to provide a more defined and specified CSR policy in the annual reports of 2007 and 2008.

¹⁰ Interview with corporate affairs director Will Sanderson and corporate secretary Karen Young. December 15th, 2006.

¹¹ Interview with Simon Banfield, elected farmer member to the CSR committee of Milk Link. December 14th, 2006.

CSR within Milk Link is currently driven by external pressure from the major UK retailers. To stay in business or to gain a greater market share with big retailers such as Marks & Spencer, Tesco, and Waitrose, Milk Link has to have CSR on the business agenda in the future. The discount supermarkets do not provide the company with the same benefits; if Milk Link wants to earn more money for its products than it has to engage in CSR to attract the major retailers.¹² Sanderson and Young describe the relationship between Milk Link and the retailers with respect to CSR along the following lines:

We [Milk Link] are under pressure to ensure that CSR is happening in our business. We supply all the major retailers and they are increasingly concerned about CSR because they are being pressurised by NGOs. Supply chain issues are at the centre of the campaigns there.¹³

Having said this, Sanderson and Young also state that the more Milk Link learned about CSR, the more internally driven it became. The new chairman (Ronnie Bell) was also important for the start of Milk Link's CSR engagement. Ronnie Bell came from Kraft Foods, had experience with CSR in the food sector, and was aware that major retailers such as Tesco would sooner or later ask for Milk Link's CSR policies and reports.¹⁴

According to Sanderson, Milk Link tried to establish a common internal culture to perform at an optimum. However, the series of acquisitions made it difficult to establish a common culture within the company which can complicate certain internal routines and understandings. All interviewees associate CSR with an internal business culture to do the right things. CSR is seen as an important tool to succeed in creating an internal business culture characterised by a sense of pride and responsible behaviour.

10.5 CSR at Milk Link

The purpose of this section is to evaluate Milk Link's actual CSR performance. As mentioned in chapter 6, the applied methodology focuses on the following three key CSR issues:

- Transparency and Accountability of Business
- Internal Business Processes (Production, Service Delivery)
- Participation (Stakeholder Management in CSR terms)

¹² Interview with Simon Banfield, elected farmer member to the CSR committee of Milk Link. December 14th, 2006.

¹³ Interview with corporate affairs director Will Sanderson and corporate secretary Karen Young. December 15th, 2006.

¹⁴ Interview with Simon Banfield, elected farmer member to the CSR committee of Milk Link. December 14th, 2006.

The methodology will not be presented again; the focus will be entirely on the evaluation of Milk Link’s CSR performance.

10.5.1 Transparency and accountability of Milk Link

Five 100-word passages were randomly selected from each section of the Annual Report 2006.¹⁵ Flesch and Dale-Chall readability measures were calculated for each of these sections;results are summarised in Table 37:

Report Section	Flesch – Reading Ease	Flesch – Flesch-Kincaid Grade Level	Passive Sentences	Dale-Chall – Readability Index	Dale-Chall – Grade Level
Chairman’s address	34,7	15,6	50 %	9.40	13-15
Corporate Governance	12,9	16,9	20 %	11.47	16
Directors’ Report	41,1	11,8	33 %	9.35	13-15

Table 37: Readability of Milk Link’s Annual Report 2006 based on Flesch and Dale-Chall (DuBay, 2004)

The annual report for the year 2006 does not provide sections on the company profile, social, environmental, and community issues. Hence, the readability analysis was only performed for the chairman’s address, the corporate governance section, and the directors’ report. As a result, the readability results with respect to CSR relevant information has to be lower because the company does not provide the necessary information right from the start. The results of the analysed sections of Milk Link’s annual report show that all sections are difficult or very difficult to read. All sections of the report have a score of college level or near college level.

Milk Link provides only very basic information on social and environmental issues connected to CSR. Milk Link is currently in the early stages of developing a CSR strategy including the reporting of CSR relevant information and data. The company plans to expand CSR reporting in the years to come, however, the status quo is that Milk Link does not provide specific information on CSR. The annual report contains only limited information on CSR and is primarily focused on the economic bottom line. Additional CSR related information is difficult to find and can be described as unstructured and sparse. It is fair to say that the overall presentation of company related information is unstructured and does not provide the interested reader with a lot of substance. Transparency of Milk Link is low at the moment

¹⁵ Ideally, the readability analysis would have been applied to a CSR report, HSE report, or sustainability report. However, Milk Link does not provide such a report at the moment. Hence, the latest version of the company’ annual report represents the best way to analysis Milk Link’s information’s readability with a focus on CSR related issues.

which makes it difficult for interested audiences to hold the company accountable, especially with respect to social and environmental issues. It should be emphasised again that the company went through a rapid transition and expansion period including focuses other than CSR. If the company lives up to its own expectations and more importantly to the expectations of the major retailers, than further progress with respect to CSR reporting should be observable in the years to come.

10.5.2 Internal business processes

This section contains the results of the assessment on Milk Link's CSR policies and activities. Milk Link does not provide substantial information on CSR and its related strategies and policies. Therefore, different from the other case studies, all CSR relevant information will be provided in the subsequent section.

	Category	Indicators	Information provided by Milk Link	Score	
A) Internal Social Aspects:	Labour Practices and Decent Work	Employment	Year end number of employees: 2005: 1,854 2006: 1,740	1	
		Labour/management relations	The Group uses a variety of ways to provide employees with relevant information regarding all aspects of the Group's operations affecting their employment. These include team briefings and consultative meetings and the circulation of written material. Information on pension matters is provided individually to employees.	2	
		Health and safety	Safety awareness is promoted through the issue of policies and procedures, health and safety risk assessments and the introduction of safe systems of work.	1	
		Training and Education	No information provided	0	
		Diversity, non-discrimination, and opportunity	No information provided	0	
		Human Rights	Freedom of association and collective bargaining	No information provided	0
			Child Labour	No information provided	0
			Forced and compulsory labour	No information provided	0
		Business Ethics and Corporate Governance	Bribery and corruption	No information provided	0
			Political contributions	There were no political donations.	4

Milk Link Ltd: Internal and external facets of Corporate Socila Responsibility

	Category	Indicators	Information provided by Milk Link	Score
		Ethics	No information provided	0
	Product Responsibility	Customer health and safety	Secure milk supply: The provision of a secure supply of high quality milk which is competitively priced. Excellent service: 365 days/24 hour delivery, complete with 24 hour telephone support. A reliable, efficient and flexible service able to react to changes in customer demand. Quality control: Above average quality milk with all farms meeting Farm Assured (NDFAS) standards. Milk is tested on both its composition and hygienic quality and all suppliers are fully traceable back to the origination farm. All our vehicles are subject to vigorous cleansing and quality control. More information is provided on the homepage of Milk Link.	3
B) Environmental Aspects:		Energy	No information provided	0
		Water	No information provided	0
		Emissions, Effluents, and Soil	No information provided	0
		Waste	No information provided	0
		Transport	No information provided	0
		Disasters	Milk Link did not mention any kind of disaster related to its business operations.	4
		Products and Services	No information provided	0
		Compliance	Milk Link did not provide specific information on incidents of and fines for non-compliance with all applicable international declarations/ conventions/treaties, and national, sub-national, regional and local regulations associated with environmental issues. It can be concluded that there were no such incidents.	4
		Overall	No information provided	0
C) External Social Aspects: ¹⁶	General	Social responsibility and new opportunities	Donations to charitable organisations amounted to £7,374 (2005: £8,981).	1

Table 38: on Milk Link's CSR performance with respect to internal processes¹⁷

¹⁶ External environmental aspects such as community, consumer, public sector, investor and supplier relations are addressed in the sections on transparency/accountability and participation.

The aggregate of the scores on the three larger sections (internal social performance, environmental performance, external social performance) gives the final assessment for the company with respect to internal processes. Milk Link's overall CSR performance with regard to internal processes appears as follows:

Thematic Section	Score	Overall performance score
Internal Social Performance	1	1
Environmental Performance	0.9	
External Social Performance	1	

Table 39: Milk Link's overall CSR performance with respect to internal processes

The overall performance score of Milk Link with respect to the company's internal processes is 1 out of potential 4 points. This result does not come as a surprise, considering the company is only starting to become active in CSR including environmental and social management and reporting. Interpreting the 1 out of 4 result literally means that Milk Link reports briefly on CSR in general terms and provides minimal information on its operations. Alternatively, themes are dismissed as irrelevant. Milk Link has a long way to go to become a company which can be characterised as CSR engaged. There are substantial gaps in the reported information on both social and environmental key indicators. The only very satisfactory reporting was observable on the indicator political contributions where Milk Link provides clear information. To fill the identified gaps in the social and environmental areas will require considerable efforts in terms of setting up appropriate management schemes (ISO 14001, ISO 9000 etc.) to deal with health, safety, and environmental issues and subsequently, deliver data for adequate reporting. A precondition for comprehensive CSR reporting are management schemes which deliver the necessary and interesting data for target audiences. Before such management schemes are not in place, a company runs the risk of being blamed for CSR window-dressing because there is nothing to report on. Hence, the implementation of adequate social and environmental management schemes has to be a next step for Milk Link to become an active CSR company. According to the methodology of Kok et al. Milk Link is currently on level 1 (out of 4)¹⁸. Milk Link's performance with respect to internal processes is unsatisfactory at the moment with considerable room for improvements in all aspects of CSR.

¹⁷ The indicators are to a large extent based on definitions provided by the Global Reporting Initiative. For more information see GRI (2005). Sustainability Reporting Guidelines. http://www.globalreporting.org/guidelines/2002/gri_2002_guidelines.pdf; accessed May 3, 2005.

¹⁸ Kok et al. (2001) describe Level 3 as planned policy: "Not only is the law followed by the company, also attention is given to other needs from society. There is no deep understanding and development of the company's own social responsibility and no interaction with all potential stakeholders in society. Only those stakeholders with social claims that directly relate to the business performance are involved in the discussions. Or in other words, the company has a semi-structured approach to CSR issues with no substantial organisational impacts. Furthermore, a company at this level has some commitment to CSR that includes stakeholder management in a more restricted sense."

10.5.3 Participation or stakeholder management

As emphasised in the other case study chapters, the aim of evaluating a company's CSR performance does not only encompass an inwards directed examination of a company's stakeholder management schemes and activities. In other words, the focus here is exclusively on Milk Link's stakeholder management schemes and instruments from the company's perspective.

Milk Link set up two committees (communications and CSR committee) for dealing with stakeholder contacts. The communications committee is responsible for determining the overall communications objectives and strategy of Milk Link. As described earlier in the chapter, the CSR committee's main task is to steer and monitor Milk Link's progress with respect to CSR. However, Milk Link also associates building good and lasting relationships with all its stakeholders with the CSR committee which shows that the company does not follow a straight forward CSR strategy. The tasks of the communications and CSR committees overlap considerably if the CSR committee actively engages in stakeholder contacts. The stakeholder groups' customer, supplier, employees, and media are addressed by both committees which might lead to substantial confusion. The competences of the two committees are also not clearly defined with respect to CSR issues. First, the communications committee is responsible to build and protect the reputation of the business among its core stakeholders and those that have the potential to influence them. And second, it is tasked with improving communication and exchange of information across the Group and helping to build a common culture (Milk Link Limited, 2006). Both tasks are also associated with the CSR committee. Hence, it can be said that Milk Link's internal structure for internal and external communication is not clearly set up and the competencies not clearly defined.

Milk Link perceives its employees, customers, suppliers, and banks as key stakeholders. These actors represent the core group of stakeholders for the company. Other groups potentially affected by the company (or with the power to affect the company) are interest groups such as the government and NGOs who are not perceived as stakeholders.¹⁹ NGOs do not approach Milk Link directly. The main focus of NGO action are major retailers such as Tesco and subsequently, the dairy companies become indirect targets as well via the supply chain:

¹⁹ Despite the fact that Milk Link does not perceive the government as a stakeholder at the moment, the company does connect CSR to relationship with public authorities. Milk Link expects a positive impact of CSR activities on the relationship with governmental organisations in the future: "CSR must also help with relations to governmental organisations. I think in the future it (CSR) will have an impact. It comes back to the matter of being a well run business and CSR and its related ideas help in that respect. Some things are formalised in a way that if you don't have certain things in place than you don't get on the government supplier list. If everything is equal than it comes down to this (CSR) intangibles which impact on perception and reputation." Interview with corporate affairs director Will Sanderson and corporate secretary Karen Young. December 15th, 2006.

“They approach only the huge companies such as the big retailers like Tesco and then consequently also the supply chain. Furthermore, Milk Link is not yet an established business and we produce for the big retailers under their label. Hence, we are not as visible as, for instance, Campina.”²⁰

The current status of Milk Link’s stakeholder management can be described as the classic management model. Key interest groups with direct impact on the business conduct are perceived as stakeholders such as employees, suppliers, investors, and customers. Other groups are currently more or less neglected. NGOs approaching Milk Link are dealt with via Dairy UK, the main industry representative. Dairy UK handles NGO contacts for the entire dairy industry and the dairy companies are encouraged to channel all of their communication down that route. Milk Link sits on committees with other dairy companies which results in a common industry view.²¹ Hence, Dairy UK talks with Greenpeace and other NGOs.

It can be said that the stakeholder management scheme of the company is very narrowly focused and does not allow organised interaction with other stakeholder groups in society than the core group. Milk Link runs the risk of not being able to react early enough on warning signals because they cannot find a receiver within the company. The set up of the communication and CSR committees can be seen as a first step to a more comprehensive approach to stakeholder management, although the current communication structure involves the risk of disorganised stakeholder management due to unclear competencies and tasks. However, in order to be able to interact with additional stakeholders, Milk Link will have to provide more structured information related to its business conduct. As pointed in the previous section, the company does not yet have the management systems for adequate reporting of data implemented which means that Milk Link is not yet ready for interactive stakeholder management with, for instance, NGOs. It is a precondition for Milk Link to set up the necessary internal management (including reporting) system which will lead to sufficient transparency on the company’s operations in order to be responsive to various societal stakeholders. Milk Link is currently very much focused on its primary stakeholders who have a direct impact on production. The interests of secondary stakeholders are not managed in an organised way and this exposes the company to incalculable and almost unforeseeable risks.

²⁰ Interview with corporate affairs director Will Sanderson and corporate secretary Karen Young. December 15th, 2006.

²¹ Phil Cork, communications manager of Milk Link, and Mark Brookings, membership director of Milk Link, added that “if we would have a different view on a specific issue and do not agree with the industry, we would come out with our own position paper. So far, we used Dairy UK. Often when we receive a letter from Greenpeace we write back and say please refer to Dairy UK on this issue.” Interview with Phil Cork, communications manager of Milk Link, and Mark Brookings, membership director of Milk Link. December 18th, 2006.

10.5.4 Conclusion and consequences for external relations

This section analysed the CSR performance of Milk Link in connection with the company's business context and internal CSR evolution. The evaluation is based on transparency and accountability of business, the internal business process, and participation/stakeholder management to characterise the modern conception of CSR. The score on transparency and accountability is unsatisfactory; Milk Link does not provide specific CSR information and the overall presentation of company related information is unstructured and does not provide the interested reader with a lot of substance. It is fair to say that transparency is low at the moment which makes it difficult for interested audiences to hold the company accountable, especially with respect to social and environmental issues. The score on internal business processes was 1 out of 4 points because Milk Link only became active in the field of CSR including environmental and social management recently. There are substantial gaps in the reported information on both social and environmental key indicators. The only very satisfactory reporting was observable on the indicator political contributions. Finally, it can be said that the stakeholder management scheme of Milk Link is very narrowly focused and does not allow organised interaction with stakeholder groups in society other than the core group. The interests of secondary stakeholders are unorganised and risk exposing the company to incalculable and unforeseeable risks. Therefore, Milk Link has currently only very limited competencies at its disposal to navigate uncertainties or maximise potential opportunities.

Because Milk Link was founded only a couple of years ago partly explains the unsatisfactory results on the different CSR performance aspects. The series of acquisitions between 2001 and 2004 required substantial managerial resources to handle the transmission process and steer the company in the new business environment. Becoming a fully integrated dairy company in only a few years made it difficult to focus on soft management concepts such as CSR and stakeholder management. Hence, Milk Link has not implemented substantial CSR schemes and policies and hence, cannot be characterised as a proactive CSR company. However, top and medium management are aware of the importance of CSR and started to become active. To become active in CSR is not a process which results in observable changes over night. Incremental steps such as understanding CSR, defining CSR for the company (CSR is different for individual companies), and considering and implementing strategies and policies, are all necessary steps before observable results can be internally measured and presented to the outside world. Milk Link is currently in the early steps of this long process towards becoming a proactive CSR company. Nevertheless, at the moment Milk Link has to be evaluated as a non-active CSR company.

10.6 Corporate Social Responsibility and policy-making – What role does communication play?

Milk Link is not a CSR proactive company. Hence, it will be interesting to analyse the impact of the company's non-CSR engagement on the interaction with external stakeholders in the dairy sector, especially with public authorities. Milk Link is still on the way to become an established company in the dairy sector and the company's reputation is therefore, hardly connected to CSR. Trust is inherently connected to CSR, but can only be built in a continues interaction process over time. The brief existence of Milk Link until now hardly allows for a trust relationship with external stakeholders, especially with respect to public authorities. The following quote describes how Milk Link perceives the current relationship with public authorities:

There is probably no impact on public authorities because of our CSR activities. Most of the food safety issues are either handled by the Department for Environment, Food and Rural Affairs (DEFRA) or local 'Food Standards Agencies'. DEFRA handles also the milk quota system and the EU legislation. We have the most complicated system in the EU. There are 31 farmers for every employee in DEFRA's rural payment agency. We have only limited contacts with DTI because most things affecting us are within DEFRA. The responsibilities with respect to the environment, transport, and regions have changed about 3 times in the last 5 years. DEFRA is getting a bigger and bigger department. Literally, DEFRA does not mention agriculture. We feel very sour about that. It perfectly demonstrates the governments view on agriculture. Agriculture always posed problems to UK governments and we are therefore only a very small part of their vision.²²

As pointed out earlier, however, Milk Link does expect a positive impact due to CSR engagement in the years to come. The next section of the chapter focuses on Milk Link's positioning in the British dairy sector with a special focus on its competitors such as Dairy Crest, Robert Wiseman Dairies, and Arla Foods UK. These companies have implemented CSR policies in the past years and it will be interesting to study if CSR makes a difference in the communications and sharing of resources networks in the dairy sector. Consequently, the next section provides more insights on the consequences of Milk Link's (low) CSR engagement (versus the mentioned competitors) on the company's position in the British dairy sector by applying social network methodology. The last part of the chapter analyses the British political system and elaborates on the conditions for CSR policies and the UK government's approach to CSR. The chapter culminates in answering the guiding hypotheses and a brief conclusion. The applied theory and methodology will not be presented in length again but only in shortened versions where appropriate or necessary.

²² Interview with Simon Banfield, elected farmer member to the CSR committee of Milk Link. December 14th, 2006.

10.6.1 The British dairy sector – identifying the main actors

This section identifies the main actors relevant for the study on interaction and policy-making dynamics in the British dairy sector. The reader is provided with a brief introduction to the British dairy sector and its main actors based on formal policy-making and standard working procedures. As mentioned earlier, identifying and demarcating relevant actors is very important because the further results of the analysis depend on the reliability and validity of this procedure. Based on the identification process,²³ it was determined that the British dairy sector consists of the following actors:

Type of Organisation	Organisation Name	Abbreviation	
Governmental:	Department for Environment, Food and Rural Affairs	Defra	
	Department for Communities and Local Government	DCLG	
	Department of Trade and Industry	DTI	
	Department for Transport	DfT	
	Department of Health	DH	
	Environment Agency	EnvAgency	
	Food Standards Agency	FSA	
	Planning Inspectorate	PlInsp	
	Health & Safety Executive	HSE	
	Office of Fair Trading	OFT	
	Sector Organisations	The British Cattle Veterinary Association	BCVA
		Dairy UK	DairyUK
Milk Development Council		MDC	
Assured Dairy Farms		ADF	
Employee organisations:	Transport and General Workers Union	TGWU	
	GMB – Britain's General Union	GMB	
Supplier organisation:	National Farmers' Union	NFU	
	Agricultural Industries Confederation	AIC	
	Royal Association of British Dairy Farmers	RABDF	
Dairy Companies:	Arla Foods	ArlaF	
	Robert Wiseman Dairies	RWDairies	
	Dairy Farmers of Britain	DFofBritain	
	Dairy Crest	DCrest	
	Milk Link	MilkLink	
	First Milk	FirstMilk	
Customer organisations:	Confederation of British Industry	CBI	
	Food and Drink Federation	FDf	
	British Retail Consortium	BRC	
	Tesco	Tesco	
	Sainsbury	Sainsb	
	Marks & Spencer	M&S	
	Somerfield	S	
	Morrisons	M	

²³ The case study on Milk Link includes interviews with the Department for Environment, Food and Rural Affairs, Department for Transport, Health & Safety Executive, and five interviews with middle and top management officials of Milk Link.

Type of Organisation	Organisation Name	Abbreviation
	Waitrose	W
NGOs:	Business in the Community	BITC
	Greenpeace UK	Gpeace
	World Wildlife Fund UK	WWF
	Friends of the Earth	FoE
Media:	Milk industry (magazine)	Mindustry
	Farmers Weekly (magazine)	FWeekly
Research and Science Organisations:	International Institute for Environment and Development	IIED
	Institute of Food Research	IFR
	Institute of Food Science and Technology	IFST
	Institute for Animal Health	IAH
	Leatherhead Food Research Association	LFRA

Table 40: The British dairy sector and its main actors

The organisation of the British dairy sector is comparable to what we have seen in the Dutch and German contexts, with each segment in the production chain having its own organisation to represent its interests. Farmers are represented by the National Farmers' Union (NFU), Royal Association of British Dairy Farmers (RABDF), and the Agricultural Industries Federation (AIC), the dairy industry by Dairy UK, the important retail sector is represented by the British Retail Consortium (BRC) and the Food and Drink Federation (FDF) which is again a member of the Confederation of British Industry (CBI), the most important representative of British business interests. However, as was the case in the German context, the individual retail companies exert substantial power on the dairy sector in the form of price pressure and demands for higher CSR standards. The Transport and General Workers Union (TGWU) represents large parts of the workforce in the dairy industry. The most important formal governmental organisations are the Department for Environment, Food and Rural Affairs (Defra), the Environmental Agency, the Food Standards Agency (FSA), and the Health & Safety Executive (HSE). Defra became a super department after the last internal changes of governmental tasks and responsibilities and is the prime governmental authority for dairy companies in the UK. The Environmental Agency and the Food Standards Agency (FSA) are executing agencies of the UK government.

10.6.2 Interaction in the British dairy sector – empirical results

The content of the empirical section is basically structurally identical with the German case study. In-degree and out-degree centrality have been measured to help explain the results in an easily understandable manner. Second, the k-core analysis also did not lead to useful results in the British case study and has therefore been dropped as a measurement tool. Instead, a faction analysis was performed to identify potential factions in the British dairy sector. It was not possible to study the influence of various policy positions held by actors in the British dairy sector and the influence of them on the general interaction patterns due to insufficient data. The same is true for data on actor's belief systems. Hence, the belief systems of actors

could not be matched with the actual communication and sharing of resources networks in the British case study. The analysis therefore focuses on the following aspects of the policy system:

- The exchange of general information related to the dairy sector and issues related to CSR (communication network)
- The exchange of resources in the form of joint funding, shared equipment, shared personnel, or shared facilities (resource exchange network)

10.6.2.1 Information exchange and shared resources

The following figure shows the information exchange network of the entire British dairy sector:²⁴

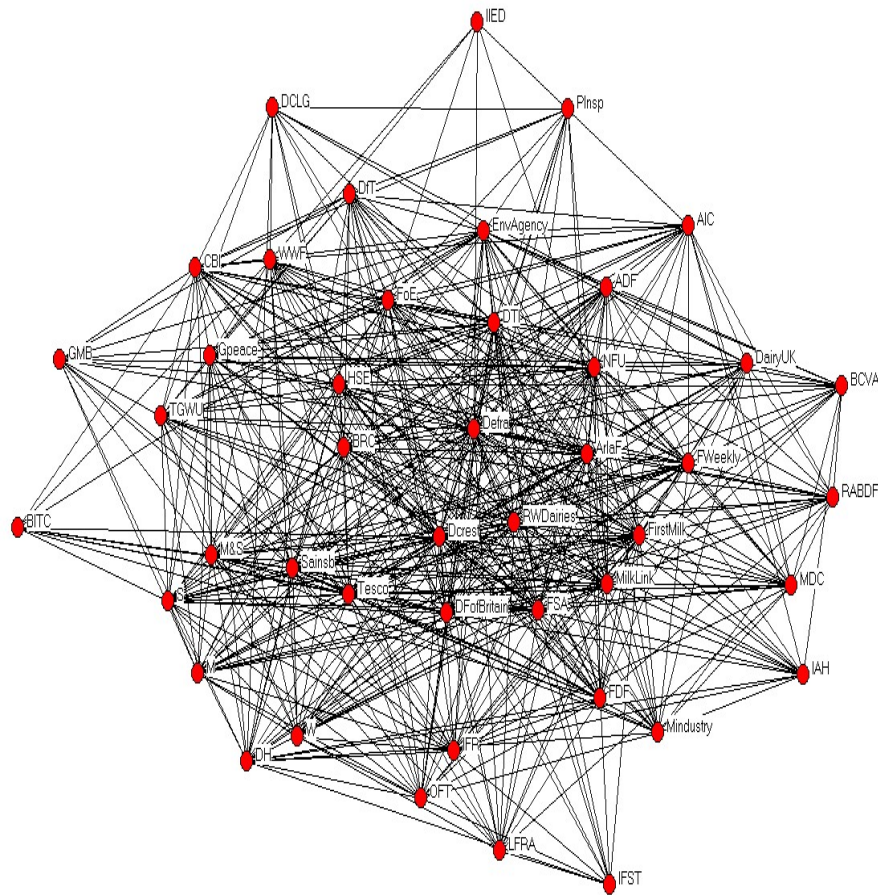


Figure 51: Information exchange network of the entire British dairy sector

²⁴ All information exchange and shared resources figures are based on Ucinet. Borgatti, S.P./Everett, M.G./Freeman, L.C. (2002). Ucinet for Windows: Software for Social Network Analysis. Harvard: Analytic Technologies.

Figure 51 shows the general pattern of communication in the British dairy sector. Since there is only partial data available on information exchange due to the incomplete response rate for the overall network, the data were symmetrised with the maximum approach, which means that a link between two actors exists if at least one in a dyad reports such an exchange. The positioning of the actors in the information exchange network indicates that some actors are more central than others. The figure indicates that there is one central actor (Defra) surrounded by a number of governmental (DTI, HSE) and sector (NFU) organisations and complemented by a few dairy companies (Arla Foods UK, Dairy Crest, and Robert Wiseman Dairies). To shed more light on the network dynamics of the British dairy sector, the following figure (52) adds shared resources to the communication network:

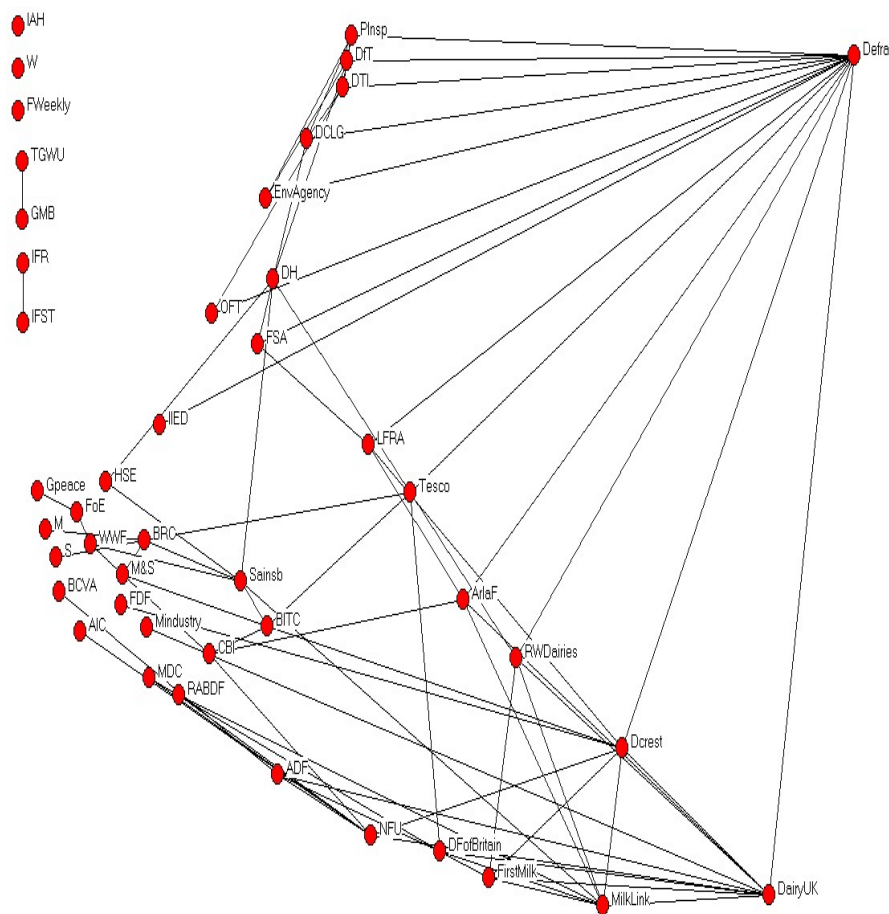


Figure 52: Information exchange network and shared resources of actors²⁵

²⁵ Displayed with principal component layout.

Figure 52 is based on confirmed information exchange and the sharing of some resource (financial, personnel, equipment, and/or facilities) between actors. The underlying assumption behind the variable 'shared resources' is that actors in the network who share some kind of resources have a stronger and more intense interaction leading to potential interdependencies between concerned constellations of actors. Displaying the network using the principal components layout means that instead of describing the network along a single dimension (e.g., degree centrality), principal components layout decomposes the relationship matrix, placing nodes near each other to the extent that they are structurally equivalent (Burks, 2004). In other words, the method of analysis is based on searching for similarity in the profiles of distances from each node to others, and then displaying the nodes in a fashion where nodes with a higher principal component score are graphed to the right of those with a lower principal component score. Using the principal components layout leads to an interesting network pattern: Defra is the most important actor in the British dairy network according to the combination of communication and sharing of resources networks. A group of structurally similar actors is observable in the graph including the governmental departments DTI, DfT, DCLG, DH, the Planning Inspectorate, the Environment Agency, the Food Standards Agency (FSA), and the Office of Fair Trading. Another interesting finding is the differentiation of dairy companies in two tiers. Dairy Crest, Robert Wiseman Dairies, and Arla Foods UK are positioned closer to Defra than Milk Link, First Milk, and Dairy Farmers of Britain. This means in turn that Dairy Crest, Robert Wiseman Dairies, and Arla Foods UK are structurally closer to the most important actor in the British dairy sector than the other dairy companies (including Milk Link). Figure 53 provides more insights into the grouping of actors in the British dairy sector.

The faction analysis showed that the British dairy sector consists of four larger factions of actors: The first group indicated with the red squares consists predominantly of governmental organisations (Defra, DTI, DfT, DH, DCLG, FSA, Planning Inspectorate, Environment Agency, and Office for Fair Trading). The large retail company Tesco and the dairy companies Robert Wiseman Dairies and Arla Foods UK also belong to this first group of actors. The analysis shows that these companies have closer links based on communications and sharing of resources to governmental organisations than other companies of the dairy sector. The second group of actors indicated with grey downward triangles consists almost exclusively of organisations and companies directly connected to the dairy sector. Milk Link is part of the 'dairy group' together with most other dairy companies; however, the company's position in the network can only be described as structurally conservative with only few links out of the 'dairy group'. The third group indicated with blue upward triangles consists predominantly of retail organisations. It is interesting to notice that WWF is also structurally part of the retail faction. The reason for can be found in the partnerships between WWF and actors such as Marks & Spencer and Sainsbury. Greenpeace UK and Friends of the Earth UK, the other NGOs included in the research, represent a small distinct group, only weakly

connected to the British dairy sector and located at the periphery of the network. Business in the Community (BITC) is also an NGO; however, it is an NGO created to support the diffusion of CSR practices in the private sector and is involved in several partnerships with business. It is not surprising to find BITC (part of the retail group) in a more central position than the other NGOs.

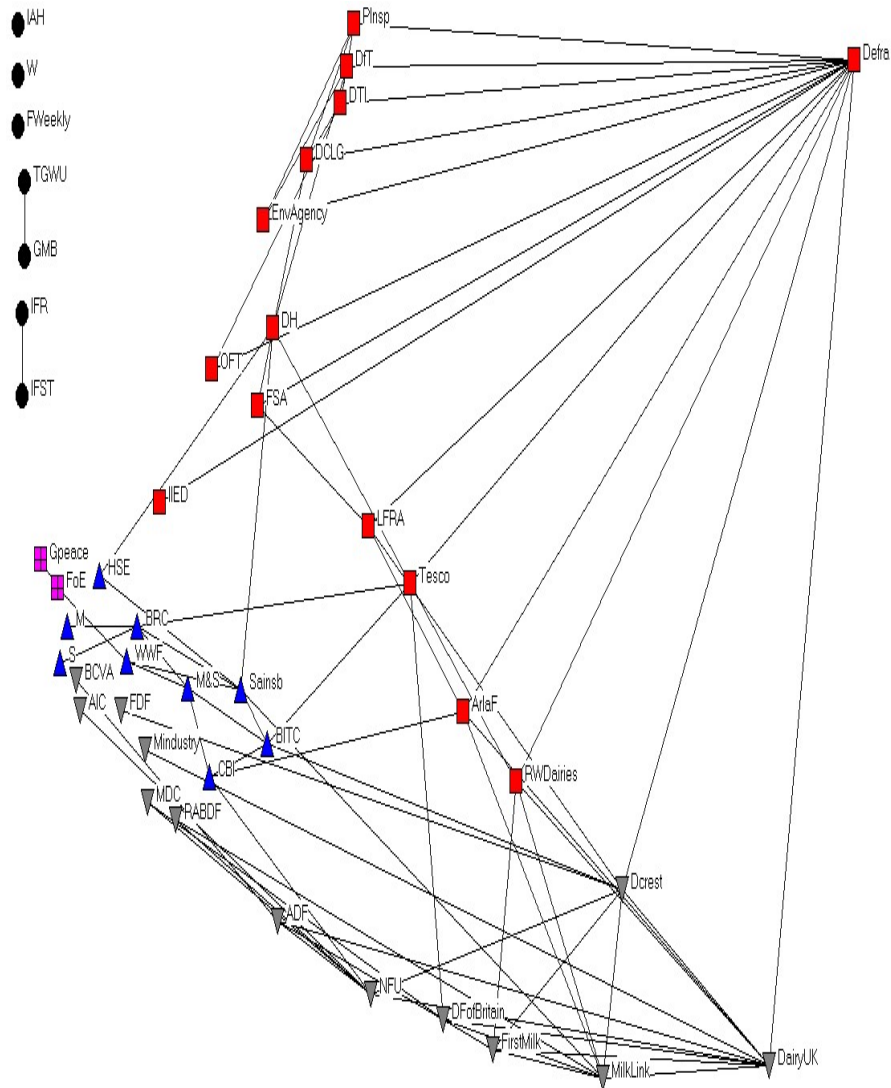


Figure 53: Information exchange network and shared resources of actors combined with a faction analysis²⁶

²⁶ Displayed with principal component layout.

Company	General assessment	Employees		Environment		Business Ethics	
Dairy Crest	XXX	X	Detailed presentation of programs and management	X	ISO 14001 and detailed presentation of data	X	Policy described with impact on supplier policies
Robert Wiseman Dairies	XXx	x	Not sufficiently detailed	X	ISO 14001 and detailed presentation of data	X	Provided in form of a handbook
Arla Foods UK	XXx	X	OHSAS 18001 and good presentation of management	x	ISO 14001, but not sufficiently detailed	X	Policy described
Milk Link	X	x	See first section of chapter	-	See first section of chapter	x	See first section of chapter
Dairy Farmers of Britain	x	-	The company is not engaged in social issues	x	Information not sufficiently detailed	-	The does not provide information
First Milk	x	-	The company is not engaged in social issues	-	The company is not engaged in social issues	x	Only insufficient information provided

Table 41: CSR performance of British dairy companies

The analysis based on the communication and sharing of resources networks showed that Milk Link does not stand out of the network as a company with closer and stronger ties to crucial organisations of the British dairy sector. Milk Link’s communication and sharing of resources pattern bring the company structurally only in the second tier of dairy companies with respect to contacts with Defra, the most important organisation of the dairy sector. Other dairy companies such as Dairy Crest, Arla Foods UK, and Robert Wiseman Dairies are better positioned towards the crucial decision makers of the British dairy sector such as Defra, DTI, DfT and the executing agencies FSA and the Environment Agency. What is the reason for this better positioning with respect to communication and sharing of resources behaviour? One explanation is the level of CSR engagement of the different dairy companies in the UK. A comparative study of all focused dairy companies in the British case study showed that there are two groups of companies with respect to CSR engagement. There is a CSR aware and active group consisting of Dairy Crest, Robert Wiseman Dairies, and Arla Foods UK. These companies have CSR polices implemented and are able to demonstrate their engagement on both the social and environmental sides.²⁷ The members of the second group, Milk Link, First Milk, and Dairy Farmers of Britain, are only starting to become active in CSR. They are all co-

²⁷ Dairy Crest, Robert Wiseman Dairies, and Arla Foods UK are all members of the FTSE4Good stock index in London which is based on sustainability criteria.

operatives and have the same history which means that they became individual companies only a couple of years ago. Nevertheless, for the analysis on CSR influence on interaction patterns in the dairy sector, the differentiation of the dairy companies in two groups is very interesting. Table 41 provides a brief analysis of the CSR performance of the focused dairy companies in the UK.

The social network analysis showed that the established companies with implemented CSR policies and programs (Dairy Crest, Robert Wiseman Dairies, and Arla Foods UK) are better positioned in the network, especially with respect to public authorities, than the second tier group of dairy companies including Milk Link. Hence, it could be argued that the positioning of dairy companies in the British dairy sector is related to the CSR engagement of the focused companies. The fact that Milk Link is not a member of the group of better positioned dairy companies can partly be explained by the non-CSR engagement of the company and the history of the company in general (rapid development over the last seven years).

10.6.2.2 *Who is really central here – centrality measures applied to the network*

Figure 54 presents the results based on in-degree²⁸ of actors.

²⁸ If an actor receives many ties, they are often said to be *prominent*, or to have high *prestige*. That is, many other actors seek to direct ties to them, and this may indicate their importance.

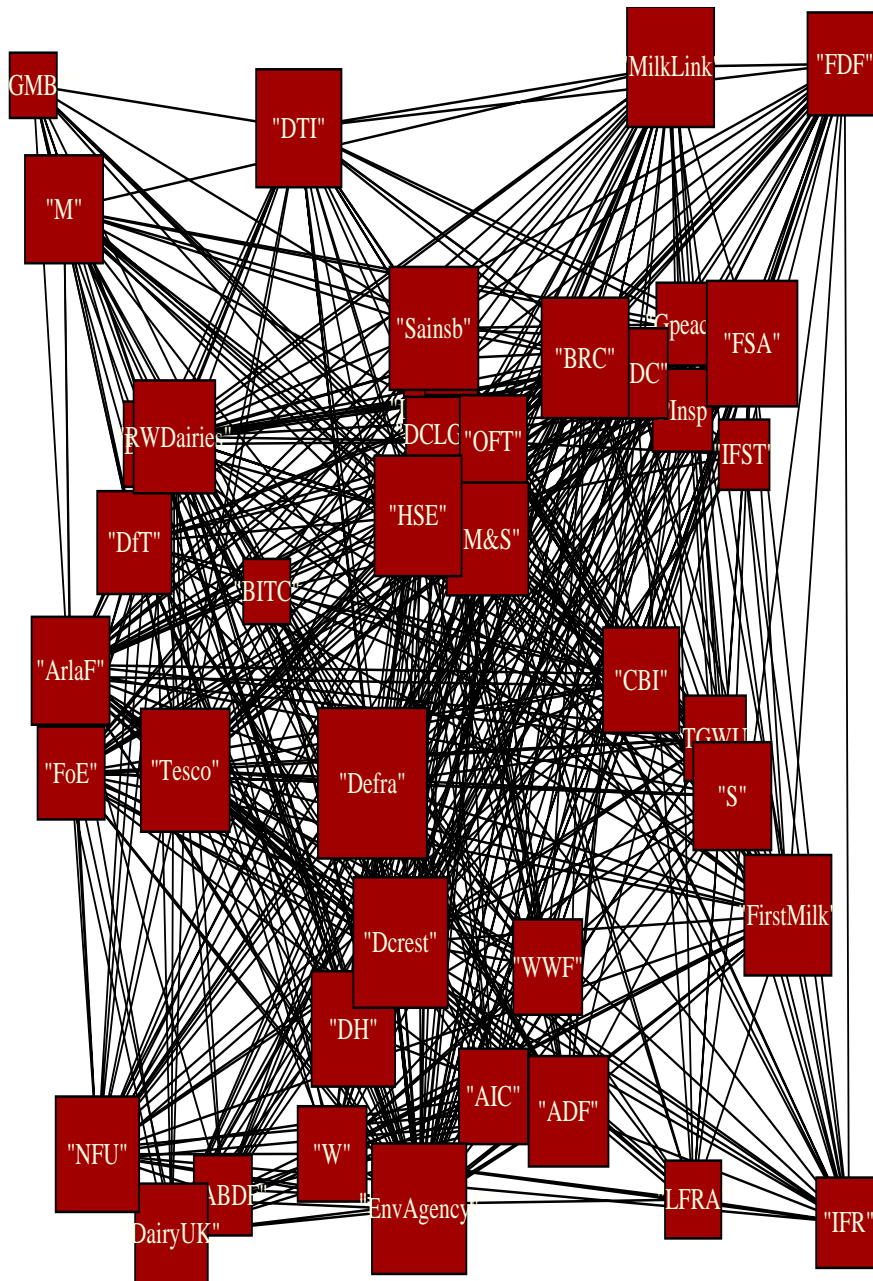


Figure 54: In-degree of actors in the British dairy sector

The following figure (55) shows the analysis based on out-degree²⁹ of actors in the network:

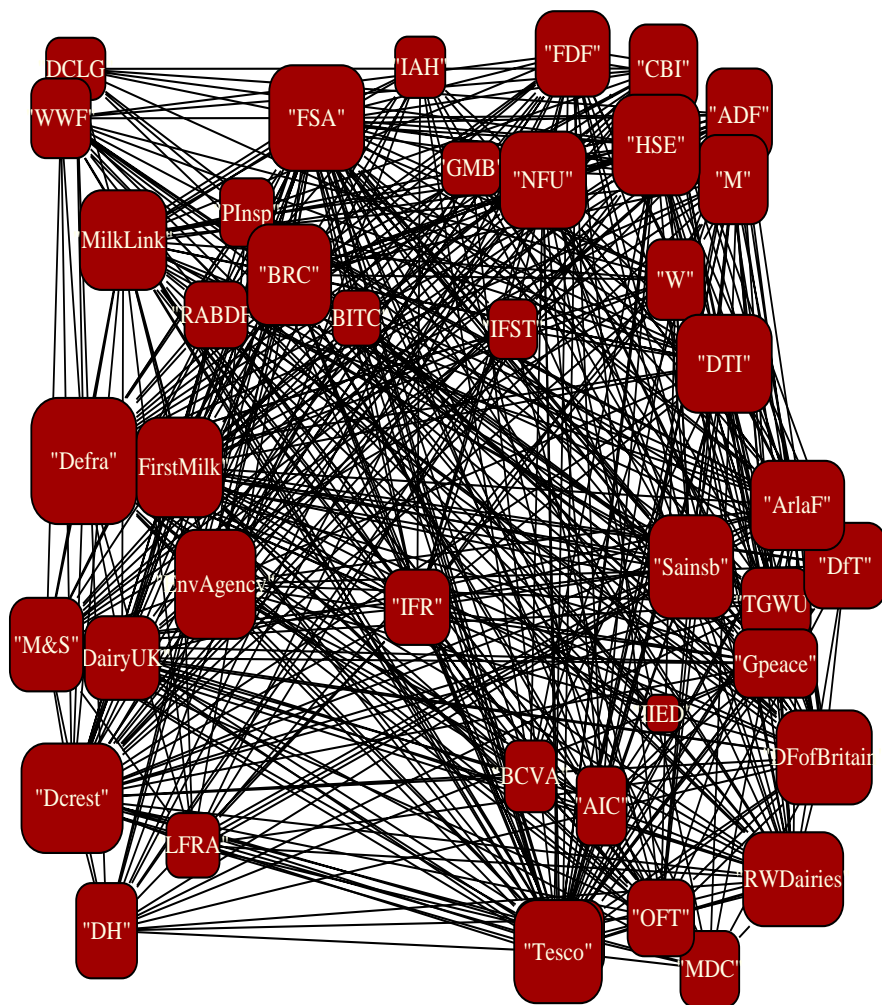


Figure 55: Out-degree of actors in the British dairy sector

The subsequent figure (56) shows the eigenvector scores of organisations in the British dairy sector:

²⁹ Actors who have unusually high out-degree are actors who are able to exchange with many others, or make many others aware of their views. Actors who display high **out-degree** centrality are often said to be *influential* actors.

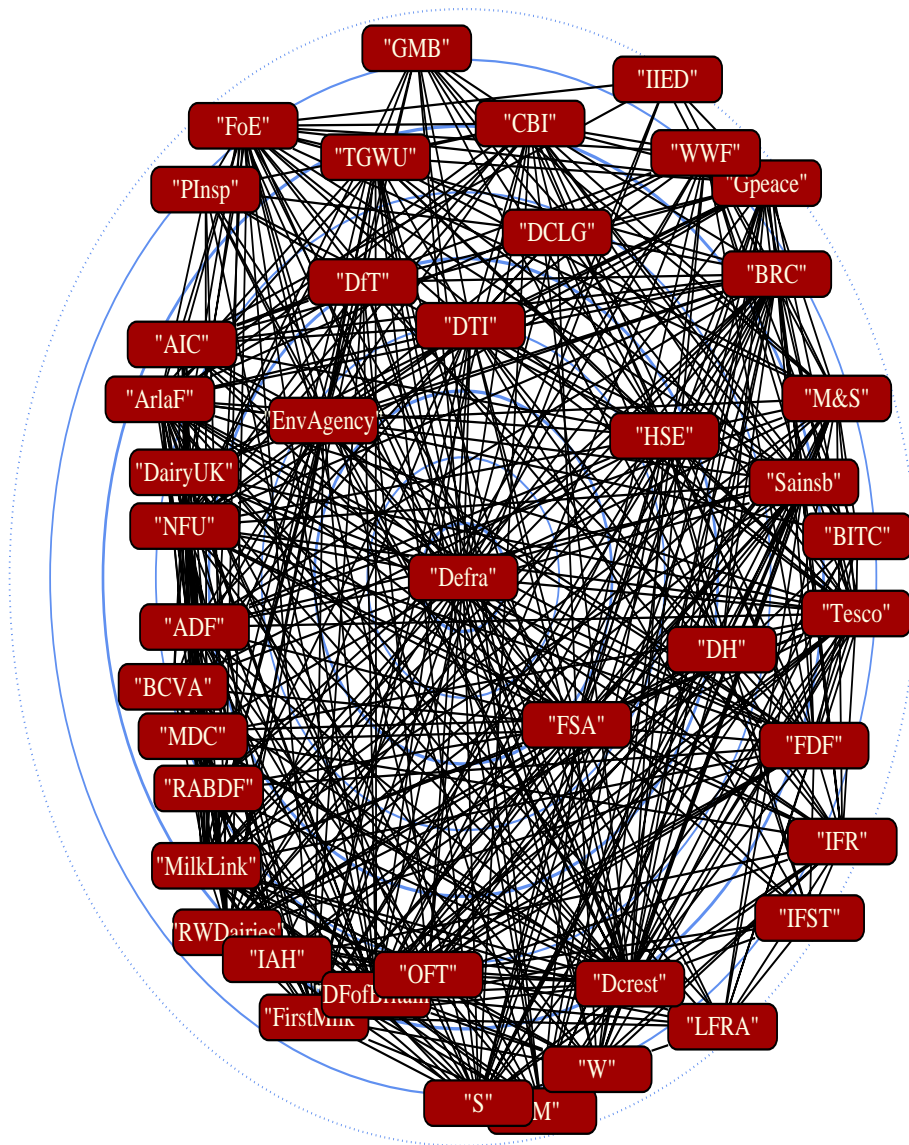


Figure 56: Eigenvector scores of actors in the British dairy sector

The three centrality calculations show a number of interesting results. First, the in- and out-degree scores of the actors and the eigenvector analysis show that there are a few key actors in the dairy sector which have the potential capacity to influence other actors and who are themselves often the target of information flows. In other words, these key actors can be perceived as both prominent and influential. The key actors with respect to in- and out-degree in the British dairy sector are the Defra,

FSA, Environment Agency, DTI, and HSE supplemented by the dairy companies. The previous finding that Defra is the most important actor in the British dairy sector is confirmed by the centrality analyses. Defra is formally the most important political actor in the dairy sector; the data on information exchange with respect to in- and out-degree confirms the department's leading formal position in the sector. It can be argued that Defra is the most influential and most prominent actor in the British dairy sector. To find the governmental organisations with high in- and out-degrees is not surprising because they are the decision makers and implementers of policies in the dairy sector and as such targets and senders of various kinds of information. The same applies to the dairy companies who are usually the target of information coming from governmental organisations but also send information at the request of the government.

The results on eigenvector centrality support the stated results on governmental organisations being central to the dairy network. However, the dairy companies are no longer part of the central group of actors. Hence, it can be said that only the governmental organisations have communication links in place to all relevant actors in the British dairy sector. The dairy companies and dairy sector organisations have only limited links to central actors in the sector. No dairy company is able to differentiate itself from the other companies in terms of contacts to all relevant actors in the dairy sector. The same is true for organisations such as Dairy UK and the NFU. The communication pattern in the British dairy sector is characterised by a decentralised structure in which all actors (including sector organisations and dairy companies) communicate to some extent in an individual manner with central governmental decision makers. This finding differentiates the British case from the Dutch and German cases in which dairy associations representing the interests of the dairy industry had a central position in the dairy networks. One reason for this in the British context might be the short existence of Dairy UK. The dairy industry representative organisation was only formed in the fall of 2004 which means that the organisation is still young and not fully established.

Another remarkable finding is that the NGOs do not have high out-degree scores. It is usually expected that NGOs are involved in campaigning activities and targeting companies or sectors. The dairy sector as such is obviously not a main target of British NGOs because their level of communication is low. An explanation can be seen in the fact that British NGOs predominantly focus their activities on the retail sector and not on the producers and suppliers of dairy products. This results in a situation in which major retail companies such as Tesco and Sainsbury exert pressure down their supply chain which, in consequence, impacts dairy companies.

10.6.2.3 Who is really important here – looking at the status of actors

The status of actors in the British dairy sector is shown in the following figure:

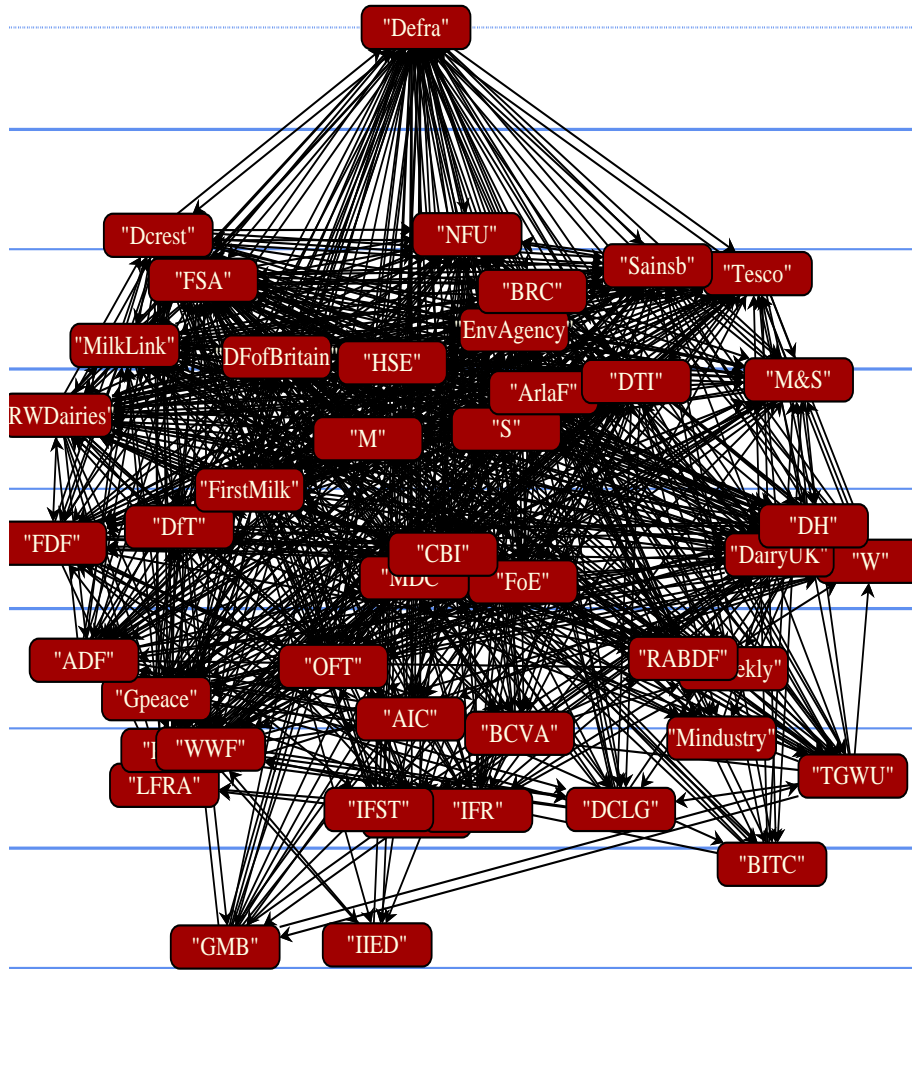


Figure 57: Status of actors in the British dairy sector

Figure 57 has to be read from top to bottom. The organisations higher up have the greatest status in the network. This measurement can be interpreted as expressing the quality of actors as information sources. In this respect, Defra has the most prominent position. Previous analyses showed that Defra is the most important actor in the dairy sector and status analysis supports that. Hence, it can be said that the formally prominent position of the department is confirmed in communications and

general interaction context of the dairy sector. The results based on status analysis show again that Dairy UK is not among the actors perceived as most valuable sources of information. However, the recent foundation of the major dairy industry representative can explain why the organisation still needs to build up its reputation as a valuable source of information for other actors in the sector. The NFU (that represents the interests of the farmers) and Dairy Crest are perceived as important sources of information. The NFU is well established, has a long history in the British dairy sector and very close links to the governmental department responsible for agriculture and dairy. Hence, it does not come as a surprise to see the NFU so high up in the status analysis. Dairy Crest on the other hand, is a well established dairy company in the UK with a good CSR record. Hence, the company is perceived as a valuable contact and information source on multiple issues in the British dairy sector.

It is interesting to find the retail organisation British Retail Consortium (BRC) and the major retail companies Tesco and Sainsbury so high up in status analysis. However, as said earlier, the retail sector is of great importance for dairy companies and their business, hence the major retailers and the major retail organisation are also perceived as valuable sources of information (also with respect to CSR). Their initiatives, requirements, and guidelines are of great relevance for dairy companies. The governmental organisations FSA and Environment Agency are also part of the group considered to be quality sources of information. These agencies execute governmental policies and have considerable authority in the sector. Milk Link is not part of the group perceived to control valuable information; however, this is also expected because its recent establishment has not allowed the company to become established enough including trust relationships to multiple organisations involved in the dairy sector. For instance, contacts between Milk Link and organisations not directly involved in the dairy sector such as NGOs and specific knowledge centers happen on a more occasional basis.

The status analysis on the British dairy sector, which emphasises the value of incoming information according to the sender's status, expressed in the clearest way who the most important actors for the running of the dairy sector in the UK are: Defra (together with the governmental agencies FSA and Environment Agency), the NFU representing the farmer interests and still controlling established close links to Defra, and the retail sector represented by BRC, Tecso, and Sainsbury. These actors have the capability to influence other actors (including the dairy companies) and consequently, also the political processes in the sector. More on the British political culture and the structural environment influencing policy-making is provided in the next section.

10.7 Predetermining factors in the policy-making process – the structural environment

The British political culture and tradition, the country's basic constitutional and institutional structure, and the level of trust within the UK are important external factors which influence policy-making styles and preferences. For instance, the pluralist interest group representation connected to the Westminster model (one party cabinets due to majority electoral system) is a well known feature of the UK (Lijphart 1999). Without reference to this general feature, an analysis on the impact of CSR on the interaction process in the British dairy sector will not result in a comprehensive picture. The aim of the analysis is to see if the British structural environment (political culture and tradition, basic constitutional and institutional structure, level of trust) provides good soil for policy instruments associated with CSR. With respect to CSR and external factors influencing policy-making preferences and styles, the study identified three relevant systemic variables:

- The political culture and tradition of the UK;
- Basic institutional structure;
- The level of trust within the UK.

10.7.1 The political culture and tradition of the UK

British political culture and tradition is strongly connected to the rule of law, procedural democracy, liberal freedoms, territorial unity, parliamentary supremacy, and the legitimacy of the crown. All characteristics are directly connected to the British constitution. They represent the 'rule of the game' in a system of government: the constitution describes both the rules by which decisions in government can be made and defines the broad boundaries of the content of those decisions, laying down the range of potential powers of government. The uncodified and eclectic nature of the British constitution means that it cannot be conceived as a set of formal doctrines. It is an expression of, and is closely connected to, the wider political culture of the UK (Moran, 2005). However, the stated characteristics will not be discussed here for two reasons: First, they are of secondary importance³⁰ with respect to the British political culture's influence on policy-making patterns in the dairy sector. Second, there are other facets of the British political culture such as homogeneity, consensus, and deference of which I will concentrate on consensus for explaining policy preferences and styles in the UK.³¹

Consensus in the classic view was the stress on consensual political values. The UK never experienced a major communist or fascist movement. During the 1950s and

³⁰ Relevant characteristics such as rule of law will be touched on in the section on the basic constitutional and institutional structure of the UK.

³¹ Roger Eatwell associates these characteristics with the classic view of the British political culture. For a detailed elaboration on the classic view please see Eatwell, R. (1997). Britain. In European Political Cultures: Conflict or convergence, Eatwell, R. (ed.). London: Routledge.

1960s, the Conservatives and the Labour Party pursued remarkably similar policies in many areas. This was the age of 'Butskellism', a term coined from the names of successive Labour and Conservative Chancellors of the Exchequer in 1951 (Hugh Gaitskell and Rab Butler). Butskellism referred to the high level of agreement in three key policy areas: acceptance of Keynesian micro and macro economic management techniques to secure full employment, support for an extensive program of nationalisation of service and productive industries, and acceptance of a relatively extensive welfare state. Furthermore, both the Conservatives and the Labour party denied having an ideology. Their approach to understanding the world was more characterised by piecemeal pragmatism rather than grand ideological vision (Eatwell, 1997). The classic view on consensus is nowadays contested because the Thatcher, Major (and to some extent even the Blair) cabinets initiated radical reforms which caused major opposition from the Labour party, later from the Social Democratic Party, as well as from the trade unions. It is also argued, however, that Thatcher created a new consensus based around monetarist economic policies, privatisation, and reduced welfare provision. There has been considerable continuity between the economic policies of the Conservative governments of 1979-1997 and those of the Blair cabinets since 1997 (Peele, 2004). However, to speak of a new consensus among the leading parties in the UK cannot overshadow the fact that the trade unions did not agree with the new core policies.

Consensus among major players on major policies can also be found in the British dairy sector. The government approaches business in a cooperative and consensus driven manner to solve perceived problems. Hence, policy-making style can be characterised as consensus and compromise seeking because the British governments emphasised voluntary compliance where it could be secured. Albert Weale states that the regulatory strategy is traditionally conceived by commentators as one of cooperation rather than confrontation with industries to be regulated. Such a cooperative style of regulation has been traced back to Angus Smith, the first chief air pollution inspector (Weale, 1997). This cooperation is also observable in the dairy sector where the government also approaches the private sector with soft policies and instruments. As stated earlier on policy problems associated with the dairy sector, the governmental approach to achieve the stated objectives includes voluntary measures, education, best practice advice, farm assurance schemes, research and development into best practice, management tools, incentive schemes, and long-term profitability of milk production. All these instruments can be categorised as soft, providing the target group with considerable flexibility to achieve the specified targets. It can be argued that the stated policy instruments to solve the identified problems in the dairy sector include a strong sense of consensus and compromise between the regulator and the target group because otherwise such flexible policies would not be feasible. The next section on basic constitutional and institutional structures sheds more light on institutional and constitutional influences on policy preferences and styles in the UK.

10.7.2 The basic constitutional and institutional structure of the UK with a focus on the dairy sector

The UK can be described as a constitutional democracy because the rule of law and the strong position of the constitution define ‘the rule of the game’ and the boundaries for political action. Britain’s institutional structure is characterised by a unitary and centralised state which means that local governments perform a series of important functions even while they are creatures of the central government and their powers are not constitutionally guaranteed. Furthermore, they are financially depended on the central government (Lijphart, 1999: 17). A unitary and centralised state means that the formal power resides exclusively in the national authority, with no entrenched and autonomous powers vested in any other body. In the UK, state power resides centrally with the ‘Queen-in-Parliament being omnicompetent’. Parliament can create and confer certain powers on other bodies – such as assemblies and even parliaments in different parts of the UK (devolution with Scotland, Wales, and Northern Ireland) – but those bodies remain subordinate to parliament and can be restricted or abolished by it (Norton, 2004: 342). The UK’s electoral system is called first-past-the-post (FPTP). The FPTP can be described as basically a two-party system based on plurality. Electoral systems based on plurality or majority are often defended on the grounds that they help provide a more stable government and, where there is one party in government, allow the voters to hold the government responsible for its record at the next election. Only in February 1974 did a single party fail to gain an overall majority of seats. In general it can be said that the British electoral system led to political stability in times of severe international crises (1920s, 1930s, and 1940s). Furthermore, in principal the system allows the voter to hold the government (one party) accountable at the next election, as long as there is a real alternative party available to vote for.³² The government in the UK consists of the prime minister and the cabinet which is formed from the majority party. The UK political system is also characterised by a concentration of powers in the cabinet, backed by the same majority party in the House of Commons (lower house). In other words, the concentration of power in the legislature became a concentration of power in the hands of the government of the day because from the late nineteenth century the executive was able to control the legislature through a disciplined party system. It is also important to note that some of the checks on executive power which exist in other systems are not prominent features of British democracy. For instance, the judiciary does not have powerful role to control the executive in the UK (compared to powerful courts in continental Europe or the U.S.), however, latest developments show that the judiciary is becoming more active in the political system. Gillian Peele (2004) argues that

³² There are also a number of disadvantages connected to the British electoral system, however, they are not discussed here. For more information please see Kavanagh, D. (2004). Elections, in: Politics UK, Jones, B. (ed) Kavanagh, D./Moran, M./Norton, P.. Pearson Education Limited: Harlow. pp. 172-173.

the benefits attributed to the British system of democracy were that it allowed a government with a working majority the opportunity to implement its program and that it allowed a government to be held accountable to the electorate for its stewardship. The disadvantage of the system was that it could easily produce what Lord Hailsham in the 1970s called an 'elective dictatorship' (Peele, 2004: 35).

The stated features of the British political system are important for policy-making in general, but also with respect to CSR policies. The UK system allows a government to implement policies and programs rather easily with little opposition coming from political opponents or the judiciary. However, the bureaucracy can influence policy-making and implementation substantially. For instance, Allison (1971) showed in her famous book on the Cuban Missile Crisis how powerful and influential bureaucracies can become. She argued that bureaucracies do not meekly do the bidding of elected masters but are fragmented, competing centers of power. Jones (2004: 598) states that civil servants either originate major policy or so alter it as it passes through their hands as to make it substantially theirs – thus making them the key influence on policy. John (1998) also perceives a similar problem with big bureaucracies by stating that policy often arrives as the outcome of an uncoordinated fight between government bureaus. To make and implement policies in line with CSR does not involve a lot of hurdles in the UK, with the exception of the bureaucracy which is influential in potentially all political systems of the world.

The most important feature of the British political system with respect to policy-making and CSR is its pluralistic interest group system. A pluralist system means a multiplicity of interest groups exert pressure on the government in an uncoordinated and competitive manner. Furthermore, interest group pluralism can be recognised by a multiplicity of small interest groups, the absence or weakness of peak organisations, little or no tripartite consultation, and the absence of tripartite pacts. There were more consensus and corporatist structures observable between the 1960s and the mid 1970s; the Thatcher era however, reinforced the competitive and confrontational nature of the British interest group system (Lijphart, 1999: 16-17). The severe clashes between the Thatcher government and the trade unions during the 1980s represent just the opposite of concertation and corporatism. Michael Gallagher et al. (1995: 370) argue that Britain is decidedly not a corporatist system for two important reasons: "The first is the general lack of integration of both unions and management into the policy-making process. The second is the apparent preference of both sides for confrontational methods of settling their differences." These confrontational methods are preferred approaches by management and trade unions to solve labor and wage issues and represent just the opposite of what characterises the relationship between business and government in general – cooperation and compromise.

The British competitive and uncoordinated interest group system makes it theoretically an open race between different interest groups for access to public policy makers. 'Theoretically' because the starting positions of the various interest

groups in a sector are quite different. For instance, the resource base in terms of money and membership are very important for the chances to get access to political decision makers. Furthermore, industry groups are often granted access to the inner circle of decision makers because of their expertise in concerned policy fields. An interest group's support for a policy can also help legitimise it and thus maximise the chances of successful implementation. It is fair to say the business groups are better positioned in the British interest groups system to get access to public policy makers and hence, their voice is more likely to be heard at the bargaining table.

The Ministry of Agriculture, Fisheries, and Food, the predecessor of DEFRA, was in continuous and close contact with the National Farmers' Union (NFU). Indeed, in 1989, in the wake of the salmonella food-poisoning scandal, it was alleged by some that the ministry neglected the interests of consumers in favour of the producers (Jones, 2004). The Ministry of Agriculture was part of a closed policy community in the dairy sector which was predominantly focused on the interests of producers. The restructuring efforts to make policy-making and implementation more efficient by Tony Blair led to a major reorganisation in 1997 resulting in a new Ministry (DEFRA) and a separate Food Standards Agency. Hence, the close links between the dairy sector and the government are no longer in place.³³ However, it can still be assumed that the NFU still has contacts based on 'old ties'. Dairy UK still has to become established as the main representative organisation of dairy companies in the sector. Communication between dairy companies and NGOs is already to a large extent channeled through Dairy UK. Their financial resources, expertise, and legitimising power should not be underestimated in policy-making in the dairy sector. Furthermore, the cooperative approach to policy-making in the UK invites target groups to participate in consultation talks about perceived problems and solutions. It can be argued that the pluralist interest group system of the UK should give business actors an advantage (also in the dairy sector) over civil society interest groups. Hence, the UK's cooperative approach to target groups should lead to policies more in line with CSR than with classic top-down regulation.³⁴

10.7.3 The level of trust within the UK

The UK has a moderate level of interpersonal trust (43.2%). This corresponds nicely with the results on institutional trust (35.6% in parliament, 43.6% in national court, 33 in national government, and 29 in large companies) which are also relatively moderate (Jowell, 2003; Schaik, 2002; European Commission, 2004, European Commission 2005). It can be argued that the UK is a country with a moderate level of social bonds, reflected in relatively moderate levels of trust towards national institutions. This study assumes that the levels of trust influence the feasibility of CSR and its impact on the interaction between the public and private sphere. The

³³ The ministry's name does no longer even contains the word agriculture which makes dairy farmers bitter about the new approach to the agriculture sector by the Labour governments.

³⁴ More on macro-policies and CSR is provided in the last part of the chapter.

higher the levels of interpersonal and institutional trust in a country, the more likely it should be that macro-layer CSR policies such as voluntary agreements and variants of co-regulation will be found. How do these moderate results on trust in the UK correspond with the stated cooperative and business friendly approaches of British governments to target groups?

Based on the moderate results on interpersonal and institutional trust one could assume that cooperative policy schemes associated with CSR are difficult to implement. Such policies schemes, however, based on voluntary participation of the target group (where possible) represent the standard policy style of the UK. The reason for this policy style preference can be found in the UK's general approach to environmental issues and in the formulation of the EU's 5th and 6th Environmental Action Programmes (EAP). The locus of policy-making shifted away from the London towards Brussels (Flynn, 2004). Hence, it is interesting to focus on European initiatives in the environmental policy field. The 5th EAP, 'Towards Sustainability', according to one former senior civil servant, marked the first occasion on which the British government could begin to identify with a European environmental agenda (Sharp, 1998). This was a reflection of both the content of the programme and the way in which ideas in Britain had been developing. The 5th EAP shared similar beliefs and policy preferences (eco-taxes, voluntary agreements with industry) since established command and control measures were no longer sufficient to deal with environmental problems. Furthermore, the European initiative promoted the idea of shared responsibility in which the solution to environmental problems was not solely the responsibility of government or the private sector but also included the public, voluntary organisations, and the public sector. One of the five key sectors identified by the 5th EAP was agriculture. Hence, the observed preference of the UK governments to deal with problems, also related to the dairy sector, is based on European Union initiatives. The EU's 6th EAP, published in January 2001, included the goal to decouple economic growth from environmental damage, once again a theme that the UK government has considerable sympathy for (Flynn, 2004: 696). Hence, it can be said that the UK's soft approach to environmental issues related to CSR is the preferred policy style because it fits current national and European ideas and approach to environmental issues in general. The level of interpersonal and institutional trust seems to be of secondary importance for the feasibility of such soft policies. An explanation for the UK's policy preference for soft and voluntary schemes despite only moderate levels of trust can be seen in the long tradition of the cooperative approach to target groups which ultimately resulted in a mutual trust relationship between regulator and target groups based on past experiences. The following section presents the findings on the main research question and the hypotheses which guided the study.

10.8 Corporate Social Responsibility and policy-making – does it make a difference?

The case study on Milk Link represents a contrasting case in comparison to the previous cases because the study focus was for the first time on a non-proactive CSR company. As shown throughout the chapter, Milk Link cannot be categorised as a CSR engaged company. However, the main focus of the study is to analyse the impact a company's CSR policies and schemes have on the interaction with external stakeholders, especially with respect to public authorities. Hence, the guiding hypotheses underlying the study were all formulated in a positive way. The verification and falsification of those hypotheses is therefore, not a straight forward task anymore. The *hypotheses* are therefore presented again and discussed in the context of the British case study.

The higher levels of stakeholder management due to higher levels of CSR engagement are, the better (more intense and better mutual understanding) the relationship with public authorities should be.

The results of the study on Milk Link showed that since the company has only just started to become active in CSR and stakeholder management, it could be assumed that there is no CSR impact on the relationship with public authorities. The results of the social network analysis applied to the British dairy sector showed clearly that Milk Link is not central in the dairy sector. Milk Link has no stakeholder management scheme yet in place to deal with multiple interests related to the business conduct of the company. The absence of proactive stakeholder management is nicely confirmed in the communication and sharing of resources networks within the dairy sector in which Milk Link is not positioned in the core. In the previous cases we saw in general a positive relation between the level of CSR engagement of companies and the relationship with public authorities. However, the case study on Milk Link differs here, because the relationship of the (low) level of CSR engagement is negatively connected to the relationship with public authorities. The relationship between Milk Link and public authorities is so far not affected by any CSR engagement on the side of Milk Link and hence, more intense contacts between them, characterised by better mutual understanding, are not observable. As a consequence, the *first hypothesis* is verified in a negative sense compared to the previous case studies.

The capacity of actors to influence the general policy-making process increases the more access points (direct links or even shared resources) actors have to public authorities.

To influence the general policy-making process requires access points to public authorities and other important decision makers in the network. However, access points to decision makers are connected to direct communication links between actors with the potential incorporation of some sharing of resources (funding, facilities etc.). Milk Link has only limited direct access points to important decision

makers displayed in the figures 52 and 53. Other companies such as Dairy Crest, Robert Wiseman Dairies, and Arla Foods UK are in more prominent positions in the dairy network and therefore have better access points to public authorities such as Defra. Milk Link is in the second tier of companies and organisations in the dairy sector and often has only indirect links to important decision makers. Milk Link channels considerable communication, lobbying, and information exchange through Dairy UK which reduces the necessity for close links to several external stakeholders. The capacity of Milk Link to influence the general policy-making process is consequently limited. Therefore, the *second hypothesis* is also negatively verified compared to the previous case studies.

The more freedom governmental authorities provide a business sector in the form of self- and co-regulation policy schemes to deal with a given policy problem, the more the concerned private sector should be willing to accept additional responsibilities and tasks resulting in higher levels of CSR engagement by companies (macro level).

Active British dairy companies have very different levels of CSR engagement reaching from almost none to established CSR routines and procedures. A general picture with respect to CSR engagement is therefore, difficult to draw. It is fair to say that the UK's dairy sector cannot be evaluated as CSR proactive. CSR is becoming an issue, though only the most established companies have become active so far. The three co-operatives Milk Link, First Milk, and Dairy Farmers of Britain are in the very first stages of setting up CSR strategies. The general governmental approach to policy-making in the dairy sector can be characterised as cooperative and focused on compromise. The policy instruments applied to solve the perceived problems in the dairy sector are voluntary measures, education, best practice advice, farm assurance schemes, research and development into best practice, management tools, incentive schemes, and long-term profitability of milk production. All these soft instruments provide the business with considerable flexibility to achieve the governmental targets and require cooperation and compromise on both side of the bargaining table. Hence, co-regulation and self-regulation schemes in the British dairy sector have not yet led to a proactive CSR sector. The level of CSR engagement in the British dairy sector was only marginally influenced by the implemented soft steering mechanisms on the political macro layer. The general approach to policy-making in the UK is dominated by cooperation and compromise and a strong preference for voluntary solutions instead of top down policies. However, the room provided to the companies' active in the British dairy sector by governmental authorities to take over a greater share of responsibility did not lead to higher levels of general CSR engagement. Consequently, the *third hypothesis* has to be falsified.

The higher the CSR performance and stakeholder management of a company is, the easier it is for the company to get not only access to public authorities, but also to get licences, permits, and other official documents from the authorities which results in lower bureaucratic costs.

As said earlier, the absence of proactive CSR and stakeholder management limits the access options of Milk Link towards public authorities. Subsequently, Milk Link does not benefit on the micro layer in the form of easier and faster licenses and permits procedures resulting in lower bureaucratic costs. Milk Link interviewees stated that there is no impact of CSR on the interaction with local and regional governmental authorities. The fourth hypothesis can therefore only be verified in a negative sense compared to previous cases in which the CSR proactiveness of the focused companies led to lower bureaucratic costs on the micro layer.

10.9 Conclusions on the British political system's fit with CSR policies

The political system and institutional structure of the UK can certainly be characterised as CSR-friendly on the macro layer. The consensus and cooperative culture which characterises the relationship between government and the private sector is also observable in the dairy sector where government and target groups work together to solve perceived environmental problems. Furthermore, the pluralist interest group system of the UK works in favour of business because business is best prepared to engage in lobbying activities to get access to public authorities due to its financial resources, expertise, and legitimating power. Hence, the UK's political system and culture provide fertile ground for CSR policies and initiatives on the macro layer.

The case study showed that the non-CSR and stakeholder engagement of Milk Link resulted in a second tier position for the company in the dairy network compared to proactive CSR competitors in the sector. The absence of CSR policies and schemes resulted in less capacity to influence important decision makers in the sector and benefit in direct contacts with local and regional public authorities confirmed the findings of the previous case studies that proactive CSR and stakeholder management by a company can have a positive impact on interactions with external stakeholders and especially with public authorities on the lower level. The absence of CSR in the British case showed that Milk Link is not positioned in the core group of actors and also unable to benefit in direct contacts with public authorities to reduce bureaucratic costs through faster and easier licensing and permit procedures.

The Blair government stressed the importance of CSR for the solution of societal problems and even appointed a minister (Margaret Hodge) assigned to deal with CSR. The British government defines CSR along the following lines: "CSR is essentially about companies moving beyond a base of legal compliance to integrating socially responsible behaviour into their core values, in recognition of the sound business benefits in doing so." (UK Government, 2007). The government's approach is to encourage and incentivise the adoption and reporting of CSR through best practice guidance, and where appropriate, intelligent regulation and fiscal incentives. The soft and voluntary approach to CSR becomes observable

again. The key elements of the British approach to CSR are two initiatives: the 'Pensions Act Amendment' came into effect in July 2001 and requires trustees of occupational pension schemes to state their policy regarding the extent to which social, environmental, or ethical considerations are taken into account in the selection, retention and realisation of investments. Second, the government encourages companies to report on their CSR performance. Furthermore, the British government issued guidance on environmental reporting and most importantly, it included social and environmental reporting requirements in the 'Companies Act 2006'.³⁵

The Companies Act of 2006 resulted in two major changes for the British business world: first, the law requires that the 1,300³⁶ or so publicly listed companies report on the following issues where they are necessary to understanding the company's business:

- I. Environmental matters (including the impact of the company's business on the environment);
- II. The company's employees;
- III. Social and community issues;
- IV. Risks down company supply chains.³⁷

Second, UK companies now are required not only to maximise profits but also consider the impacts of their business operations on the community and the environment. There is now a direct link between the reporting requirements and the directors' duties in the Companies Act 2006, making it clearer that the reports must show how directors are performing in their duties, including those on environmental and social issues. Major NGOs formed coalitions (Corporate Responsibility – CORE – and the Trade Justice Movement) and campaigned for stricter legal requirements for companies with respect to reporting on social and environmental impacts. The campaign was one of the biggest public issue campaigns in the UK in 2006 (Friends of the Earth, 2007). It can be concluded that the British government is promoting CSR in two ways: through the government approaching business in a cooperative and flexible manner which provides the business side with considerable

³⁵ Current selected initiatives of the UK government to promote CSR in the private sector are: Sustainable consumption (DEFRA); Sustainable production (DEFRA); Environmental management systems (DEFRA); Environmental reporting (DEFRA); Flexible environmental regulation (DEFRA); Skills for CSR practice (DTI); The business case for CSR (DTI); Raising awareness (DTI); Support for Small and Medium sized businesses (DTI); Promoting Travel Plans (Department for Transport). All UK ministries are to some extent involved in CSR projects. More information on the current British CSR policies can be found here: <http://www.csr.gov.uk/ukpolicy.shtml>

³⁶ Milk Link reacted on the Companies Act 2006 by aiming to conform to the new regulation before it becomes relevant for the company. According to the interviewees, it is only a matter of time and the new regulation will also apply to non-listed companies in the UK.

³⁷ Business interest groups lobbied hard against widening the application of the reporting requirements to a much larger number of companies and against legal standards on how they should report on these issues. However, the British government promised to review the system of reporting standards within two years and to consult NGOs as well as business.

incentives to cooperate and participate in CSR or CSR like policy instruments, and the government perceiving its role in promoting CSR also in a regulator function. The implementation of the Companies Act 2006 with its requirements for social and environmental reporting can be a milestone in mainstreaming CSR throughout the business world.

Interviews

Interview with **Simon Banfield**, elected farmer member to the CSR committee of Milk Link. December 14th, 2006.

Interview with **Phil Cork**, communications manager of Milk Link, and **Mark Brookings**, membership director of Milk Link. December 18th, 2006.

Interview with **Will Sanderson**, corporate affairs director of Milk Link, and **Karen Young**, corporate secretary of Milk Link. December 15th, 2006.

Appendix

Sections selected for the readability analysis (Annual Report 2006):

There is strong recognition at Board and Executive level of the huge pressures and change impacting upon dairy farming as a result of market reforms and exposure to a broader worldwide competitive frame, driven by Common Agriculture Policy and World Trade Organisation reforms. As such, we are absolutely focused on our core objective of increasing the overall return to Members and providing a secure market for our Member's milk. This has allowed us to successfully refinance a major part of the Group and leaves our processing operations in better shape going forward. It means we are well positioned to take advantage of the continuing changes that will undoubtedly occur in the industry over the next few years.

The rules of the co-operative provide for the Board to have minimum of five persons, comprising the Chief Executive, Farmer Elected Directors, and other executive or co-opted Non-executive Directors, as the Board requires. The Farmer Elected Directors must always be in the majority. Farmer Elected Directors hold office for three years, retiring by rotation to ensure annual elections for one or more Farmer Elected Directors. Each Farmer Elected Director is allocated responsibility for specific Council Members to ensure that effective channels of communication are maintained. The Board of directors currently comprises five Farmer Elected Directors, two Non-executive Directors and two Executive Directors, the Chief Executive and the Group Finance Director.

The principal treasury risks faced by the Group are liquidity and interest rates. The anticipated borrowing requirements of the Group are ascertained by reference to a detailed annual budgeting process and high-level long-term plan. The annual budget and concomitant borrowings are subject to Board review and approval. The figures are then discussed and agreed with both our bankers and independent professional advisors. A mixture of long-term, medium-term and short-term debt is used at both fixed and floating interest rates. It is Group policy to enter into interest rate swaps so that 40-60% of exposure is at fixed or capped rates rather than variable rates.

Internal processes assessment methodology:

Score of 0	Not mentioned	Theme not mentioned.
Score of 1	Mentioned	Theme briefly mentioned in general terms, but minimal information on own operations. Alternatively, theme dismissed as irrelevant.
Score of 2	Insufficient	Theme described with reference to own enterprise, but information has major deficiencies with respect to content and presentation.
Score of 3	Satisfactory	Theme described and analysed with respect to own operations. Problems are identified and challenges and solutions are considered, but information has some deficiencies with respect to content and presentation.
Score of 4	Very satisfactory	Theme is described and analysed systematically and comprehensively with respect to the company's operations. The company demonstrates an integrated and overall perspective.

Table on assessment score and interpretation

Larger Thematic Sections	Scores on individual indicators	Aggregated score	Score on larger Thematic Section	Overall Score
Internal Social Aspects	1/2/1/0/0/0 ³⁸ /1.3 ³⁹ /3	8.3	1 (8.3:8)	1 [(1+0.9+1):3]= 1
Environmental Aspects	0/0/0/0/0/4/0/4/0	8	0.9 (8:9)	
External Social Aspects	1	1	1 (1:1)	

Table on calculating the overall performance score of Milk Link

³⁸ Score on human rights is based on the average score of the indicators 'freedom of association and collective bargaining, child labour, and forced and compulsory labour'.

³⁹ Score on business ethics and corporate governance is based on the average score of the indicators 'bribery and corruption, political contributions, and ethics'.

**CSR In the UK,
the Netherlands, and Germany –
Differences, similarities, and final conclusions**

The previous case study chapters focused on CSR within companies and consequences of these CSR activities for their interactions with external stakeholders, especially with respect to public authorities. This chapter touches overarching issues related to CSR such as motives for, and structural factors impacting CSR, and combines them to identify certain conditions that favour the diffusion and success of CSR in the private sector. The evidence gathered in the case studies together with the survey research provides the basis for the comparative analysis. The results of all four case studies with respect to the formulated hypotheses are presented in a comparative manner. The identified success conditions for CSR are then translated in a new theoretical framework which represents a starting point for future research on CSR impacting the interaction between companies and public authorities. The chapter ends with a brief summary and conclusion which directly focuses on the main research question. This final chapter has therefore two aims: first, we identify and discuss the main drivers for and barriers against CSR within a company based on the evidence of the four case studies. We discuss company and market characteristics in connection to the internal CSR development of the focused companies. Furthermore, we analyse the impact of CSR activities by companies on the interaction with external stakeholders and compare them with a focus on national differences and similarities. We examine the influence of national CSR perceptions, national differences with respect to preferences for policy instruments, and sector characteristics. The chapter sheds more light on company and sector characteristics driving CSR and connects these observations with governance structures and policy preferences of the different countries. Second, we formulate a new, all encompassing theoretical framework which can be used as a more advanced starting point for future research. The final section is guided by the main research question and tries to answer it based on the evidence gathered in the previous chapters.

11.1 CSR within Campina, Gasunie, and Milk Link – Managerial structures, success factors, and barriers

The analysed companies are different in many ways resulting in different drivers and barriers for CSR. First, Campina and Milk Link are dairy companies and Gasunie Transport is a gas transport company which results in different business contexts and circumstances with respect to CSR. Second, Campina and Milk Link are co-operatives whereas Gasunie Transport is state owned. Third, Campina and Milk Link are (partly¹) oriented towards the consumer market whereas Gasunie Transport focuses on the business market. Fourth, Campina and Gasunie Transport are established companies whereas Milk Link has been only recently set up. Finally,

¹ Partly because Campina and Milk Link supply large retail companies in the markets in which they are active. Milk Link sells about two thirds of its products to retail companies as non-brand products and sells only one third under the labels of Milk Link. The proportion of Campina is half-half of products sold under an own label and under the retailers labels.

Campina is internationally oriented with production sites around the globe whereas Milk Link and Gasunie are more home-market oriented. The size of a company is also relevant for the CSR engagement of a company. All companies are major players in their markets; hence a differentiation of the companies based on size is not possible. The following table shows the different company characteristics in a more detailed form:

	Type of business	Ownership structure	Active since	Market orientation	Business orientation
Campina (including Campina GmbH & Co. KG)	Dairy company	Co-operative	1964 (1979/1989 – major mergers with other companies)	Consumer and business market (50 percent branded milk and 30 percent branded cheese products)	Internationally
Gasunie Transport	Gas transport company	State owned	2005 (N.V. Nederlandse Gasunie was founded in 1963)	Business market	Home market and international projects
Milk Link	Dairy company	Co-operative	2000	Consumer and business market (30 percent branded products)	Home market oriented

Table 42: Company characteristics affecting CSR

The characteristics of Campina, Milk Link, and Gasunie Transport result in different drivers, limitations, and barriers for internal CSR development. Campina was assessed as the most proactive CSR company, followed in order by Gasunie Transport and Milk Link. Campina is internationally oriented, was established more than 40 years ago, and sells a substantial proportion of its products under its own label. Selling products under one's own label increases the incentive to become active in CSR because the company is more visible to the consumers and therefore, an easier target of criticism by NGOs etc. On the other hand, labelled products provide Campina with the opportunity to differentiate the company from competitors on the basis of advanced CSR strategies and activities. The international orientation of Campina also increases the likelihood to become the target of criticism because the company automatically has to deal with higher numbers of stakeholders including societal actors such as environmental and social NGOs, trade unions, etc. CSR provides Campina with a tool to protect the company from such potential criticism and can be seen as a proactive, forward-looking strategy in line

with risk management. In addition to the international orientation, the size of the company makes it unavoidable that Campina is in the focus of external stakeholders which can substantially affect its business interests. The fact that Campina has been active in the dairy market for more than 40 years can be seen as a precondition to be perceived as a credible and transparent company with respect to CSR. The external stakeholders with a potential interest in Campina's business conduct had sufficient time to learn about the company's business and understanding of its social and environmental responsibilities. This gave Campina the opportunity to develop stakeholder relationships based on trust and mutual understanding which is in turn a solid indicator for well-managed CSR within the company.

Milk Link on the other hand, is primarily oriented in the British dairy market with only about a third of its products sold under its own label and was established only seven years ago. Milk Link is very much a contrasting case to Campina. Consequently, all the company and market characteristics working in favour of CSR in the Campina case work against CSR development and diffusion within Milk Link. The focus on the British market reduces the numbers of external stakeholders (although especially the larger retailers demand more and more CSR policies of their suppliers) and consequently, as well as the likelihood of criticism and demands with which Milk Link could be confronted. Furthermore, the rather low proportion of Milk Link branded products reduces visibility to external stakeholders which in turn reduces the probability of becoming the target of criticism and NGO campaigning. Both company and market characteristics do not represent incentives for Milk Link to become a proactive CSR company. The low visibility of Milk Link to consumers due to the rather low share of brand name products does not provide the company with the opportunity to differentiate itself from its competitors with CSR strategies. Such CSR strategies and policies would hardly affect the purchase decisions of consumers because they know only a small share of the entire range of Milk Link products. However, further demands of retail companies might force Milk Link to develop more sophisticated CSR strategies in the future. The short lifespan of Milk Link has not provided much time to develop external relationships to stakeholders based on mutual trust and transparency. Hence, it is difficult for Milk Link to be perceived as a trustworthy and credible company, though that can of course change in the years to come.

Gasunie Transport has similarities and differences compared to the previous cases. The major differences are that Gasunie Transport is state owned and operates in the gas transportation sector. The company characteristics market and business orientation and length of business activity can be compared to the previously discussed cases. Gasunie Transport is focused on the business market and operates primarily in the Netherlands. Hence, visibility to consumers is low and consequently, the necessity to protect the reputation of the company to the outside world is also low. However, the reputation of Gasunie Transport becomes an issue in times of new pipeline projects. The company is today increasingly confronted with external demands related to new pipeline projects than in past decades. Gasunie

Transport, however, does not perceive its CSR activities as a strategy to improve its reputation but to avoid negative consequences for its reputation. Furthermore, such pipeline projects do not represent normal day-to-day business but are more the exception. The number of people affected by a pipeline project is therefore, rather limited. Gasunie Transport is generally not confronted with external incentives to become a proactive CSR company. The only exception is the special ownership structure with the state as owner. The strong role of the state made it obligatory from its beginnings in the 1960s that the company engaged in CSR-related issues such as to operate with the lowest possible emissions and the highest safety standards. As shown in chapter eight in more detail, Gasunie Transport has a notable CSR record despite not being confronted with the most important external factor: visibility to external stakeholders leading to higher CSR engagement levels. Hence, the reasons for CSR engagement by a company can also be found inside a company. Gasunie Transport's CSR engagement is strongly connected to the middle management and since the split in 2004, with the new CEO. The middle and top management in combination with the company values (coming from the steady emphasis of the state on CSR) drives CSR forward.

The internal drivers responsible for CSR diffusion within Campina overlap to a large extent with the Gasunie Transport case. The support of the CEO and the middle management is crucial for the success of CSR strategies and schemes. The results of the British case study on Milk Link indicated that the diffusion of CSR within the company is driven by the top and middle management. These managerial layers are currently underway to discuss concrete first steps to implement CSR in the business conduct of Milk Link. The case study results confirm the results of the questionnaire research presented in chapter four. The CEO and the middle management followed by the employees are the most important drivers for CSR. External factors are of secondary importance after the decision to engage in CSR is taken. External factors such as interests of customers and investors, governments, and communities are of great importance for the initial decision to become active in CSR; however the momentum afterwards is internally driven. Both quantitative (chapter four) and qualitative research (case study chapters) show the same results which can be seen as an indicator of high external validity of the research results. Based on the evidence of the case studies in combination with the findings of the survey research the external and internal factors shown in Table 43 are identified for being primarily responsible for CSR engagement of a company.

The barriers for CSR development within a company are partly mentioned in the previous chapters. In chapter five we saw that the ownership structure of a company can impact the CSR engagement of a company, however, not with respect to measurable CSR performance but with respect to different variations of CSR. For instance, listed companies are mostly relatively big and visible to external stakeholders. According to the previous analysis this would indicate that the CSR engagement of listed companies should be high. However, the disadvantage of listed

Level of CSR engagement	Factors influencing CSR engagement ²			
	Visibility	Size ³	CEO support	Middle management support
CSR engagement high	High	Big	Existing	Existing
CSR engagement low	Low	Small and Middle	Missing or passive	Missing, passive, or uncommitted

Table 43: Factors influencing the CSR engagement of a company

companies with respect to CSR is inherently connected to the ownership structure: the pressures of capital markets to make profits for their investors and show the results on a quarterly basis can make it difficult for listed companies to establish a long-lasting CSR strategy. The demands of the capital market for higher margins and more profits can potentially force listed companies to change or reduce their CSR ambitions. The second problem connected to listed companies is the importance of the CEO. Changes with respect to the CEO of a listed company can potentially change the whole strategy of a company including CSR. A new CEO coming into a listed company has far-reaching power to change the targets and strategy of the company. Of course, other types of companies with respect to ownership can also change the CEO; however their powers are more limited than with listed companies. For instance, in a family owned business even if the family does not manage the company in any way, the family still has controlling and supervision powers which have a limiting function for the new top management. Company values also affecting CSR are therefore, more difficult to change in family businesses than in listed companies.

Family businesses are confronted with different obstacles for an encompassing CSR implementation: first, family businesses control usually only limited financial and human resources which have a negative impact on the CSR performance. Furthermore, family businesses and smaller private companies in general usually focus on their key stakeholders (banks, customers, employees, and suppliers). To engage with a broader range of affected stakeholders is very often out of their scope

² The ownership structure of a company cannot be used as an indicator for a company's CSR engagement. It is impossible to connect specific ownership structures with the level of CSR engagement because the drivers for and expressions of CSR engagement are different, but not indicating different levels of CSR engagement. For instance, the main driver for CSR engagement of family owned businesses is to attract and retain a quality workforce. Put differently, CSR within family owned businesses is primarily driven by internal factors while listed companies are mainly driven by external factors such as NGO and stakeholder pressure in general. Furthermore, the usage of stakeholder management schemes is much more common among listed companies; private companies focus much more on their key stakeholders (customers, employees, suppliers, and investors). The ownership structure can probably be a useful indicator for different motives driving CSR, expressions and perceptions of CSR.

³ Based on literature review.

or even perceived as redundant because they do not see the business benefit of such actions.⁴

Co-operatives are associated with well-established stakeholder management schemes with a special focus on local communities. Chapter five pointed out that the corporate governance structures of co-operatives must balance a wider variety of stakeholder interests and measure the achievement of wider objectives than in investor-driven enterprises. Stakeholder management, a key concept of CSR, is hence, also inherently connected to the organisational structure of co-operatives. The European Commission recognised that co-operatives can “structurally integrate other stakeholder interests and take up spontaneous social and civil responsibilities” (European Commission, 2001b, p. 7). The members of co-operatives and the local communities in which co-operatives work enjoy a special status in the stakeholder management because they are said to operate under the values of solidarity and social responsibility - they care about their members and their communities.⁵ Co-operatives demonstrate on a daily basis their concern for people whether addressing environmental issues or strengthening the capacities of their communities to better cater to economic, social, or cultural needs. Community engagement is also considered a cornerstone of CSR. Co-operatives inherently have important features of CSR because of their organisational structure and governance principles (Belhouari et al. 2005). Arthur et al. (2004) conclude that co-operatives are more likely to be both accountable and responsive to local communities. The case study research could partly support the stated arguments. The members and communities enjoy a special status in the stakeholder management of Campina and Milk Link. However, the broader management of stakeholder interests is entirely dependent on the company and the implemented management schemes. Hence, it is not possible to argue that co-operatives have generally better stakeholder management schemes in place than other types of companies.

Co-operatives are also confronted with a number of problems related to CSR. The growth of co-operatives in the past years in the context of increased international competition due to globalisation can lead to governance problems because large co-operatives need salaried managers which can sometimes lose sight of the interests of members. Additionally, transparency can also be a problem because member shares cannot be traded in markets and there is potentially a lack of control that comes from the absence of daily monitoring of public listings by analysts, the media, and institutional investors. Co-operatives have certain strengths (local stakeholder management) and weaknesses (governance and transparency) with respect to CSR. Co-operatives are generally not a type of company that has advantages with respect to CSR leading to a better performance. CSR is context specific and varies from company to company with no relation to the ownership structure.

⁴ More on drivers and barriers of SME's and family businesses can be found in chapter 5.

⁵ International Co-Operative Alliance 2007b. 8th UN International Day of Cooperatives. Society and Co-operatives: Concern for Community. www.ica.coop/activities/idc/2002.html; accessed March 25th, 2007.

This brief elaboration on barriers and limitations for CSR within different types of companies showed that it is not possible to associate certain levels of CSR engagement with specific ownership structures of companies.⁶ The ownership structure of a company is not a good indicator for CSR performance. CSR has multiple facets and is very much dependent on the specific circumstances of a company including various characteristics mentioned earlier. CSR depends highly on individual circumstances and there is no 'one size fits all' model. The next section elaborates on the findings of the case study chapters with respect to external factors impacting stakeholder management performance. We emphasise the importance of national parameters affecting CSR and stakeholder management in the UK, Germany, and the Netherlands.

11.2 Stakeholder management in the UK, Germany, and the Netherlands – National characteristics affecting the performance of CSR

The previous section elaborated on company specific factors influencing CSR and stakeholder management. Companies are predominantly responsible for the success of CSR schemes; however, the most developed CSR strategy might not lead to desired positive results if certain structural factors work against the implemented schemes. This section focuses on the external communication of companies (stakeholder management) with respect to CSR. Stakeholder management is a cornerstone of efficient and effective CSR because CSR efforts also need to be communicated to the outside world to have a positive effect. Stakeholder management can have various forms, from inactive to proactive stakeholder management which are more or less present in the case studies. The elaboration on CSR and stakeholder management and external structural factors influencing the performance begins with a presentation of the ego-networks⁷ of the four case studies:

⁶ Chapter five argued that CSR in the broad sense of encompassing a great variety of activities and schemes is still more common and implemented among listed companies compared to private companies. SMEs and other private companies might not have the standard CSR tools and instruments implemented, however, that does not necessarily mean that those companies do not perform CSR at a comparable level. SMEs are often closely connected to their local surroundings and represent important economic and social factors for the development of the local communities including employees, suppliers, and customers. Therefore, a categorisation of different types of companies according to CSR performance is not meaningful.

⁷ Ego-network means the stakeholder perspective perceived by the focused companies (Campina, Milk Link, and Gasunie Transport).

CSR in the UK, the Netherlands, and Germany – Differences, similarities, and final conclusions

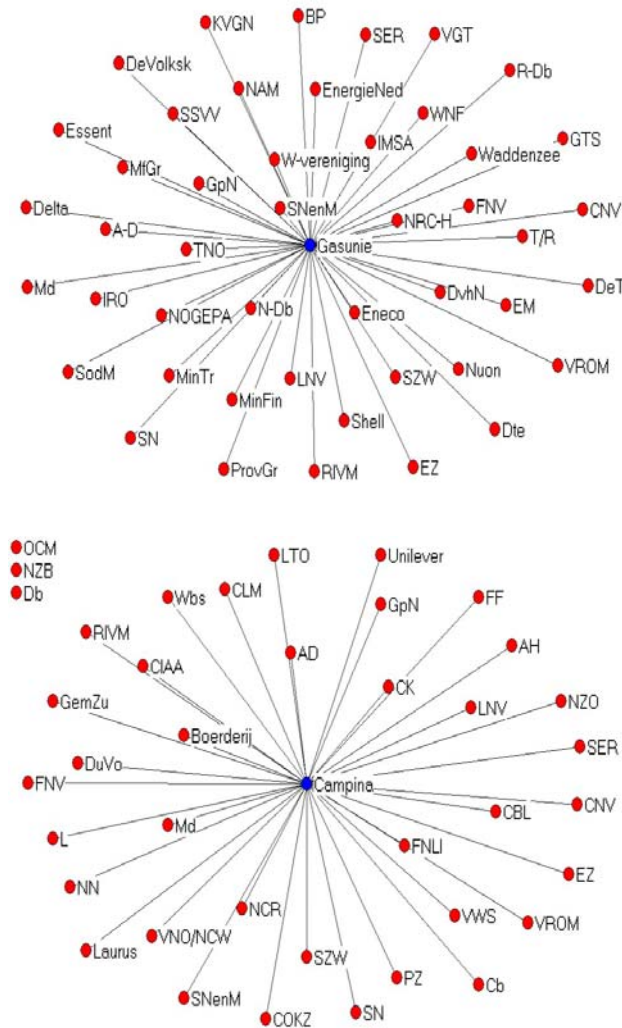


Figure 58: The Dutch cases: Ego-networks of Campina and Gasunie Transport

The ego-networks of Gasunie Transport and Campina can be characterised as far-reaching and encompassing the entire business sector and additional organisations of a more general nature such as business representative bodies and NGOs. Gasunie Transport and Campina include a wide range of actors (business, public, and civil society organisations) in their stakeholder perception. However, to perceive a wide range of actors as potential stakeholders does not mean that the companies necessarily deal with these stakeholder interests in a proactive manner. For instance, Gasunie Transport actively manages the stakeholder interests of its business partners; however, the contacts with civil society organisations are only dealt with in an ad-hoc manner. Nevertheless, the ego-perspective of the focused companies with

respect to their potential stakeholders can be an indicator of their positioning in the business sector. As we saw in the case study analyses in chapters seven and eight, Gasunie Transport and Campina enjoy central positions in their business sectors for different reasons⁸; one important reason is their wider perception of stakeholders and their management of their interests.

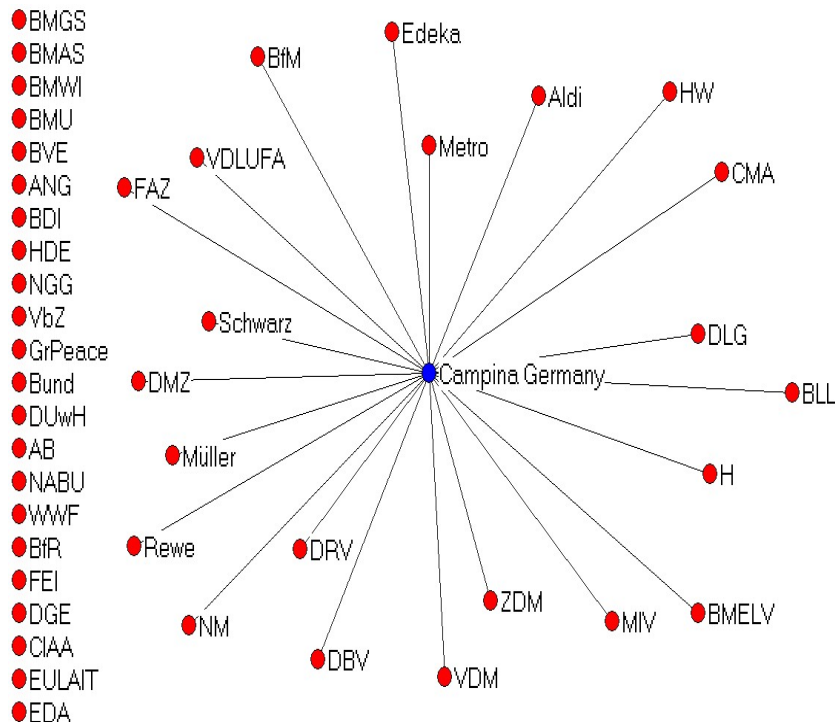


Figure 59: The Ego-network of Campina Germany

The ego-network of Campina Germany is quite different from the Dutch Campina case studies. The stakeholder perception of Campina Germany encompasses only half of the wider range of potential stakeholders of the German dairy sector. The German branch of Campina has a more restricted perception of its stakeholders with a clear focus on business actors. NGOs, more distant business actors, and more disengaged public authorities (federal ministries in Berlin with the exception of BMELV, the key ministry for the dairy sector) are only dealt with in an ad-hoc manner. The two main reasons for the difference between the German and Dutch Campina stakeholder management schemes are the following: first, Campina is a Dutch company with its headquarters in Zaltbommel, the Netherlands. The major

⁸ Company size, business sector characteristics (number of competitors etc.), and the degree of establishment of the company in the business sector are other factors influencing the position of a company in a sector.

decisions of Campina (including CSR) are made in the Netherlands with the divisions (including Campina Germany) being of secondary importance. The focus of CSR strategies and guidelines is automatically on the Dutch context which means that most CSR emphases of Campina including stakeholder management and the cultivation of important stakeholder contacts are concentrated on the Netherlands.

Having the focus on the Netherlands can potentially lead to problems in other countries because of national differences with respect to communication culture and national issues associated with CSR. Foreign markets might not be treated in the same careful and sensitive way with respect to CSR and stakeholder management as the Dutch home market. In the German context, different CSR issues are associated with CSR than in the Netherlands and the communication culture is not as open. For instance, the communication of Campina Germany with NGOs is much more difficult than in the Netherlands. The Greenpeace campaign against Campina in Germany serves as a good example to show the difficulties of dealing with NGOs. The inferior status of Campina Germany in the company structure and the less open communication culture in Germany resulted in a more restricted stakeholder management scheme. As seen in the detailed elaboration in chapter nine, Campina Germany does not enjoy a very central position in the national dairy sector and does not stand out from the other dairy companies. There is a connection between the company internal factors and the external parameters affecting Campina Germany's CSR schemes and the positioning of the company in the German dairy sector.

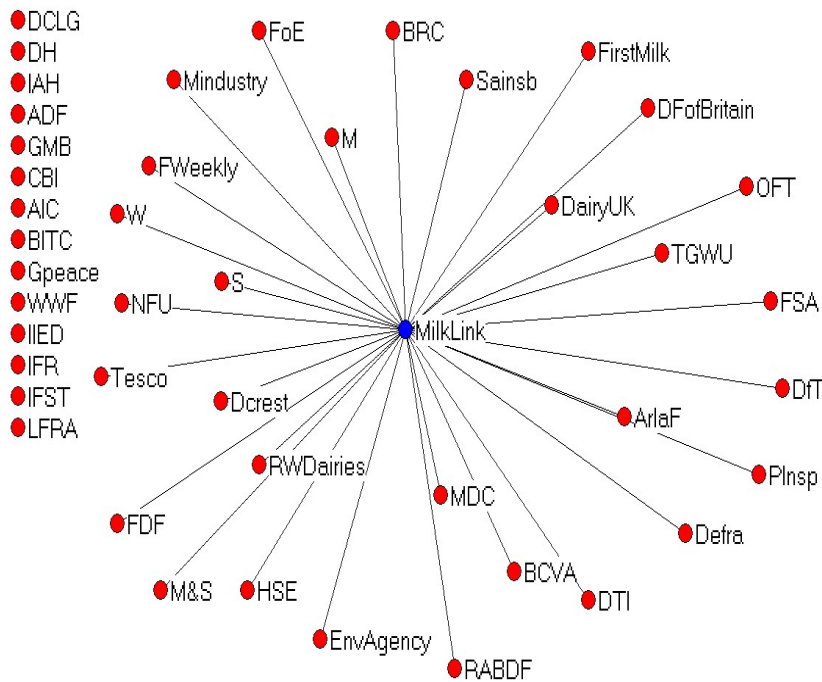


Figure 60: The Ego-network of Milk Link

Milk Link's ego-network is similar to Campina Germany. Stakeholders are predominantly business actors and to a lesser extent public authorities (DEFRA). NGOs, more disengaged public authorities, and other civil society organisations are not perceived as stakeholders and are not included in the management of company external interests. This results in the ego-network structure presented in figure 60. Several actors are not incorporated in the company's stakeholder perception or in the stakeholder management schemes. Two reasons are responsible for limited stakeholder view of Milk Link: first, Milk Link is not yet an established company and is still mainly occupied with financial and legitimistic issues. Becoming a fully integrated dairy company in only a few years made it difficult to focus on soft management concepts such as CSR and stakeholder management. Hence, the setup of stakeholder management schemes is only in the very early stages and cannot incorporate the full set of potential stakeholders affected by or able to affect Milk Link. The company is currently in the process of defining its CSR targets including the definition of stakeholders and schemes to deal with them.

The second reason for the limited stakeholder perception of Milk Link is connected to the setup of the dairy sector in the UK. The major branch organisation of dairy companies is Dairy UK which has an important communication function in the British dairy sector. Dairy UK handles NGO contacts for the entire dairy industry and companies are encouraged to channel all of their communication down that route. Hence, direct contacts between Milk Link and civil society organisations such as NGOs hardly exist. The internal limitations of Milk Link with respect to CSR and stakeholder management and the structural features of the British dairy sector are fully reflected in the detailed case study. Milk Link does not enjoy a prominent position in the British dairy sector with respect to communication and sharing of resources and is structurally weaker positioned than some of its competitors (Robert Wiseman Dairies, Arla Foods, and Dairy Crest) potentially resulting in a disadvantageous competition situation.

The next section elaborates on the results of the four case studies and the external factors influencing the stakeholder interaction between the companies and business sectors. The analysis is guided by the theoretical assumptions and formulated hypotheses presented in chapter two.

11.3 CSR impacting on the relationship with public authorities – Evidence based on the case studies

The hypotheses stated in chapter two guide this comparative analysis. The hypothesis concerning actor behaviour in interaction processes was formulated in the following manner: *In the policy subfield of CSR, actor coalitions are set up in line with actors' policy core beliefs.* The evidence of the case studies resulted in different results. Actor's belief systems in the Dutch case studies did not match with the observed communication and sharing of resources patterns. The only

overlapping of belief systems and actor behaviour was observable with the NGOs in Gasunie Transport case. All other actors in the Dutch cases did not group together based on their belief systems. Belief systems of actors influencing actor behaviour is a much more important explaining factor in the German case. As shown in chapter nine, the actors in the German dairy sector group in accordance with their belief systems. What explains the observed differences in actor behaviour and the influence of belief systems? Apart from the importance of corporatist structures and the level of trust in a constituency, the distribution of resources, institutional heterogeneity, and the seriousness of an issue for an actor have to be seen as crucial factors for the formation of actor coalitions. Schlager and Blomquist (1996) and Fenger and Klok (2001) argue that the behaviour of actors is not only determined by their belief systems but by those additional factors. It is absolutely possible that the distribution of resources in the studied business sectors confront the involved actors with a constant struggle for resources (money, reputation, influence) resulting in various forms of interdependence. Fenger and Klok's (2001) typology of resource interdependencies (symbiotic, independent, competitive) of actors helps interpret the results of the case studies. It is quite possible that substantial resource conflicts resulted in the absence of coalitions in the Dutch cases. For instance, the NGO *Stichting Natuur en Milieu* is part of the inner circle of actors in the Dutch dairy sector. The NGO has several close contacts with key players and shares resources with them (partnerships with key governmental and business actors). This results in a situation in which *Stichting Natuur en Milieu* still shares the belief system of the other NGOs, though due to its prominent position including the resource advantages in the dairy sector, it does not align with the other NGOs to form a coalition. Actors might share a common belief system, but resource dependencies might force them into different coalitions or the formation of coalitions may be impossible right away.

Institutional heterogeneity can also rule out the formation of advocacy coalitions. As Schlager (1995) points out, the institutional differences among involved actors (governmental authorities, companies, NGOs, journalists etc.) may very well limit their ability, and their willingness, to cooperate with one another even if they share similar beliefs. Another explanation could be that the involved actors in the studied business sectors perceived the issues connected to CSR differently ranging from engaged to indifferent. Actors who have no interest in CSR and related issues will most likely not actively participate in the formation of advocacy coalitions. However, the point is that according to the results of the case studies it is fair to say that the belief system of actors is one factor influencing the behaviour of actors among several others such as the distribution of resources, institutional heterogeneity, and the seriousness of an issue for the involved actors. Hence, it can be argued that it would be most useful to supplement Sabatier's Advocacy Coalition Framework with the adjustments proposed by Lulofs and Hoppe (2006) to take important continental European parameters such as corporatism into consideration. Furthermore, the work of Fenger and Klok (2001) on solving the collective action problem incorporated in Sabatier's current framework is a step forward in applying the ACF to study policy processes. Their clarifications with respect to different

forms of resource interdependencies and their categorisation of the variable belief system can prove useful in better understanding the behaviour of actors in a given policy subsystem.

The core questions of the dissertation all revolve around one leading research question: Does CSR engagement and stakeholder management by a company lead to better access options to public authorities and if so, in which way did the emergence of CSR (together with stakeholder management and triple-bottom-line reporting) in the private sector change the interaction between the public and private sectors? The application of social network analysis allowed measuring the importance of actors and positioning them in the actor network. Social network analysis in combination with qualitative research made it possible (with limitations) to analyse the impact CSR has on the interaction between companies and public authorities. The results of the case studies shed more light on the capacity CSR has to influence public authorities. The following section presents briefly the results of the case studies with respect to the formulated research hypotheses.

11.3.1 Case study evidence and conclusions

Hypothesis:	<i>The higher levels of stakeholder management due to higher levels of CSR engagement are, the better (more intense and better mutual understanding) the relationship with public authorities should be.</i>			
	Verified	Partly Verified	Falsified	Indeterminate
Campina	X			
Gasunie Transport				X
Campina Germany		X		
Milk Link	X			

Table 44: Case studies results for the hypothesis on CSR affecting the relationship between companies and public authorities

Looking at the results of the case studies for the hypothesis on CSR affecting the relationship between companies and public authorities, it can be said that the hypothesis is confirmed although one case study did not lead to conclusive results. One can argue that the higher the levels of stakeholder management and CSR are, the better the general relationship with public authorities is.

The hypothesis on the capacity of actors to influence the public-policymaking process is also confirmed based on the results of the case studies. Companies positioned more centrally (Campina and Gasunie Transport) in their sectors have better access points to public authorities and are capable of using them to their advantage. Companies positioned more at the periphery of their business sectors control only limited numbers of access points and consequently, only control a limited influence capacity with respect to public authorities. Proactive CSR companies with an open stakeholder management culture are more likely to have the capacities at hand to become central in their sectors and gain the necessary access

points to public authorities to influence them in their favour. It can therefore be argued that the capacity of actors to influence the policy-making process increases with the number of access points they have to public authorities.

Hypothesis:	<i>The capacity of actors to influence the general policy-making process increases the more access points (direct links or even shared resources) actors have to public authorities.</i>			
	Verified	Partly Verified	Falsified	Indeterminate
Campina	X			
Gasunie Transport		X		
Campina Germany	X			
Milk Link	X			

Table 45: Case studies results for the hypothesis on the capacity of actors to influence the public-policy-making process

Hypothesis:	<i>The more freedom governmental authorities provide a business sector in the form of self- and co-regulation policy schemes to deal with a given policy problem, the more the concerned private sector should be willing to accept additional responsibilities and tasks resulting in higher levels of CSR engagement by companies (macro level).</i>			
	Verified	Partly Verified	Falsified	Indeterminate
Campina			X	
Gasunie Transport	X			
Campina Germany	X			
Milk Link			X	

Table 46: Case studies results for the hypothesis on macro level politics and policy-making influencing CSR diffusion in the private sectors

The capacity of the macro political layer (federal or central governments) to influence the diffusion of CSR in the private sector is rather limited according to the results of the four case studies. Although the Netherlands have a strong preference for soft steering mechanisms such as covenants, the results of the two Dutch case studies show that governments have only limited capacities to spread CSR in the private sectors. Whereas the case study on Campina showed that implemented covenants do not necessarily lead to higher CSR levels in the private sector, the case study on Gasunie Transport pointed in the other direction. Sector characteristics such as the main business conduct and associated risks (companies in the gas sector are constantly confronted with environmental and health and safety risks also associated with CSR) are a crucial factor for the sensitivity of a business sector for CSR. Therefore, it comes as no surprise to see a higher general CSR performance level in the Dutch gas sector than in the dairy sector. The evidence of the German case study on Campina supports the hypothesis, though only in a negative sense because self- and co-regulation policy schemes are not implemented in the German dairy sector resulting in a generally low CSR performance of the sector. Evidence from the British case study does not support the hypothesis because the supportive

policies implemented on the central government layer did not lead to a proactive CSR sector. The companies' active in the British dairy sector show totally different levels of CSR engagement which makes it impossible to conclude that policies implemented by the central government in London had an impact on the behaviour of companies with respect to CSR. Therefore, it is fair to conclude that governmental policies that provide incentives for the private sector to engage in CSR do not necessarily lead to desired results. Sector specific factors such as the business nature of a sector (dairy versus gas) heavily influence the sensitivity and willingness of a sector's companies to engage in CSR more proactively.

Hypothesis:	<i>The higher the CSR performance and stakeholder management of a company is, the easier it is for the company to get not only access to public authorities, but also to get licences, permits, and other official documents from the authorities which results in lower bureaucratic costs.</i>			
	Verified	Partly Verified	Falsified	Indeterminate
Campina	X			
Gasunie Transport	X			
Campina Germany	X			
Milk Link	X			

Table 47: Case studies results for the hypothesis on CSR impacting on the relationship between companies and lower governmental authorities

Despite the fact that there was no significant impact on CSR by the choice of policy instruments observable on the macro layer, the results point strongly towards CSR having a positive impact on the contacts with public authorities on the lower governmental layers. All four case studies show that companies with high CSR and stakeholder management performance benefit in direct contacts with lower layer public authorities resulting in lower bureaucratic costs. Hence, it can be argued - and is probably the most important finding of the entire study - that higher CSR performance and open and transparent stakeholder management lead to lower bureaucratic costs due to easier and faster processes to get licenses, permits, and other necessary official documents.

The results of the study show that CSR and stakeholder management have an impact on the interaction between companies and public authorities. A brief summary of the results could look like the following: proactive CSR companies benefit through a more central positioning (in the communication and sharing of resources networks) in their business sectors and through better relationships with public authorities resulting in an increased influence capacity in the policymaking process. Furthermore, companies benefit in contacts with public authorities on lower governmental layers in the form of lower bureaucratic costs. Finally, the capacity of governments to influence the private sector to engage more in CSR is limited. The

overall CSR performance of a business sector is hardly influenced by implemented policies on the political macro layer. What else can be learned based on the results of the case studies? The company specific drivers and barriers for CSR diffusion are identified and discussed earlier in the chapter. However, the most engaged and active company with respect to CSR might not get the desired results. The four case studies showed that a number of external factors influence the success of a company's CSR activities for the company's external recognition and reputation. The positive impact of CSR strategies is connected to a number of structural parameters of a business sector and a political constituency. The next section elaborates on the those structural factors and tries to incorporate them into the theoretical framework outlined in chapter two to provide future research with a better foundation.

11.4 External factors influencing CSR and stakeholder management

The identified structural characteristics in chapter two (level of trust within a society, the political culture and tradition with respect to policy-making, and the constitutional structure) are still relevant for studying the impact CSR has on interaction processes. However, the in-depth case studies identified a number of additional factors which have an impact on the effectiveness of a company's CSR policies for its external recognition and reputation which in turn potentially affect the relationship with public authorities. Company internal CSR policies and practices need to be communicated to external stakeholders to have any impact on the interaction with them. However, the structure of a business sector and the CSR specific positions and perceptions of a political constituency are crucial factors affecting the impact a company's CSR policies have on the interaction with public authorities. The analysis in this section is based on evidence gathered in the case studies. This elaboration is to some extent of an explorative nature and intended to be further advanced in future research on CSR. Table 48 provides an overview on the newly identified structural parameters affecting the success of CSR:

The higher the output of CSR and stakeholder management schemes is, the more a business sector is dominated by a small number of companies. In other words, the more visible a company is due to fewer competitors, the more likely it is that CSR activities have an impact on the interaction with public authorities. The Dutch cases are two examples dominated by a small number of companies and therefore, a high visibility for governmental authorities. The CSR activities of Campina and Gasunie Transport have consequently been easier in the focus of governmental authorities resulting in a higher likelihood of governmental adjustments (or favours in the perspective of the focused companies). The situation in Germany for Campina is the opposite. Several competitors in the dairy sector make it difficult for Campina to stand out and gain business advantages in contacts to public authorities due to CSR. This leads directly to the second important pre-condition for high CSR and stakeholder management outputs: Public authorities need to be supportive and

responsive to CSR policies and practices in the private sector. If governmental authorities do not perceive CSR as a useful movement which can work in the interest

Performance of CSR/Stakeholder Management schemes ⁹	Success Factors			
	Sector Structure	Public Authorities Position ¹⁰	CSR Perception and Issues	Communication and Trust Culture
CSR/Stakeholder management Output – High	Dominated by a small number of companies	Supportive and responsive	Open and associated with going beyond (positive connotation)	High trust and open dialogue
CSR/Stakeholder management Output – Low	Competitive with strong branch organisation	Passive and controlling	Limited and associated with employment and equity issues (negative connotation)	Low trust and closed communication channels

Table 48: Structure parameters affecting the effectiveness of CSR and Stakeholder management schemes

of the whole society and is in line with governmental interests and consequently not reward in any way, than companies might not become active at all because of a lack of incentives. On the other hand, if companies know that governmental authorities appreciate and reward CSR policies in the form of concrete business benefits, than the likelihood for CSR diffusion in the private sector is considerably higher. For instance, the Dutch and British governmental authorities can be characterised as supportive and responsive to CSR policies whereas the German public authorities are more passive and controlling with respect to CSR. Soft policy instruments (covenants, voluntary agreements, and co-regulation) are implemented in several business sectors in the UK and the Netherlands and are established policy instruments. These soft political steering mechanisms are still disputed in Germany and not implemented to the same extent. Despite the finding that these soft policy instruments do not lead directly to more CSR engagement in the private sector, it is

⁹ It should be noted that CSR is not always implemented to influence the relationship to governments in a positive way. As discussed in chapters two and four, there are several factors (instrumental, altruistic, legitimistic, and political) responsible for a company's decision to take up CSR in its management. Different drivers for CSR also usually result in different observable CSR aspects, internally and externally.

¹⁰ The factor 'public authorities' position' has to be seen in connection with different styles of interaction instead of a purely different instruments focus. Regional and local contacts between companies and public authorities can be of a different nature than the contacts on the macro layer between ministries and company headquarters as seen in the case study on Campina Germany. Despite a non-supportive federal government with respect to CSR, the lower public authorities were responsive and supportive.

still assumed that such soft steering schemes are welcomed by proactive CSR companies which can make use of the additionally offered flexibility.

More important is the position of public authorities with respect to CSR in direct contacts on lower layers. In these regular direct contacts between lower public authorities and companies the communication style and mutual perception becomes crucial. For instance, the public discourse in Germany on CSR is dominated by the notion that the prime social responsibility of companies in Germany is to provide employment and fair wages. Key CSR issues such as additional health and safety measures for employees and environmental protection beyond the letter of the law are confronted with the attitude that these issues are best handled by the state in the form of legislation and common standards.¹¹ The preferred policy instrument in the German dairy sector is consequently direct regulation leaving little flexibility for CSR. Despite the rather sceptical attitude towards CSR on the German political macro layer, it has to be emphasised again that CSR policies and practices by companies can have a positive impact on the relationship with public authorities on the micro layer. Regional and local public authorities recognise CSR activities and transparent behaviour of companies and show responsive and even supportive behaviour in direct business contacts.

The third newly identified factor is related to the CSR perception of a constituency in general. The dominant perspective in the UK and the Netherlands on CSR can be described as open and associated with going beyond regulation. CSR in the UK and the Netherlands is connected with a positive connotation. Issues such as employee health and safety, training, human right issues, business ethics, and environmental protection in general are all associated with the modern conceptualisation of CSR. One could also say that the public discourse on CSR in the UK and the Netherlands is dominated by an open and encompassing conception. The situation in Germany is rather different. CSR in Germany is very much associated with employment and equity issues. The social side of CSR is clearly dominant in the German public discourse, although even the social sphere is perceived in a limited manner. Social issues such as health and safety and the training of employees, human rights issues, business ethics, and environmental protection are not associated with CSR.¹² The adherence to top-down legislation still prevails over more cooperative and sharing of responsibility approaches to policymaking. It can be said that the German CSR

¹¹ Interview with Mr. Brüss, department for agriculture (*Referat für Landwirtschaft*), Ministry of Economic Affairs. January 8th, 2007; and Troge, A. (2005). Speech of President of the Federal Environment Agency (*Umweltbundesamt*) at the Annual Meeting of B.A.U.M. in 2005: *Verantwortung für die Gesellschaft – verlangen wir schon zuviel oder noch zuwenig von Unternehmen?* www.umweltbundesamt.de/uba-info-presse-/druck.php; Accessed June 15th, 2007.

¹² Interview with Mr. Brüss, department for agriculture (*Referat für Landwirtschaft*), Ministry of Economic Affairs. January 8th, 2007; and Interview with Michael Brandl, *Milch Industrie Verband*, November 6th, 2006.

perspective is limited and connected to a negative connotation.¹³ The point is that public discourses on CSR dominated by a limited conceptual notion as in Germany do not provide companies with strong incentives to become active in the field but to adjust their policies to the situation at hand. For instance, CSR is only to be discussed in Germany in this year in the agriculture sector on a higher political and business layer.¹⁴ The companies active in the Netherlands and the UK are confronted with a CSR perception that is open, encompassing, and connected to a positive connotation. Consequently, British and Dutch companies have more opportunities and more incentives to become engaged in CSR.

The communication and trust culture of a constituency also impacts the output of a company's CSR and stakeholder management schemes. The higher the levels of interpersonal and institutional trust, the easier it is for companies to set up efficient stakeholder management schemes. As the two Dutch cases showed, the high trust level in the Netherlands allows for more flexible and cooperative approaches than observed in Germany. The communication climate is connected to the level of trust in a constituency. For instance, the communication climate in the Netherlands has to be seen in the context of the polder model. The Dutch are used to discussing problems and issues at stake in an open and encompassing manner, including a wide range of actors. This inclusiveness of the Dutch communication climate results very often in cooperative solutions. Business actors and NGOs do not necessarily confront each other with scepticism and distrust but are ready to talk about certain issues. A communication culture characterised by openness and based on high levels of trust make it easier for companies to improve the output of their CSR and stakeholder management schemes. The communication climate between different societal sectors in Germany is quite different; the communication culture between the Campina Germany and NGOs is characterised by tensions, distrust, and scepticism for example.¹⁵ It is much more difficult to set up efficient stakeholder management schemes in Germany because of this latent level of distrust. The implemented stakeholder management schemes' first task is it to improve the direct contacts and increase the level of trust of a company with its external stakeholders, including NGOs.¹⁶ Only after the stakeholder management schemes of a company succeed in creating those trustful links to external stakeholders, can the external recognition of a company's CSR activities and the output improve.

¹³ Prof. Dr. Troge (2005) even argues that the CSR discussion is only about to start and that CSR activities by companies are currently disregarded or even seen as suspicious (*In Deutschland speist sich diese (CSR) Diskussion gegenwärtig noch aus Geringschätzung und Befürchtungen*. Troge, A. (2005). Speech of President of the Federal Environment Agency (*Umweltbundesamt*) at the Annual Meeting of B.A.U.M. in 2005: *Verantwortung für die Gesellschaft – verlangen wir schon zuviel oder noch zuwenig von Unternehmen?* www.umweltbundesamt.de/uba-info-presse-/druck.php; Accessed June 15th, 2007.

¹⁴ Interview with Michael Brandl, *Milch Industrie Verband*, November 6th, 2006.

¹⁵ Interview with Alexander Histing, Greenpeace International, February 8th, 2007.

¹⁶ Interview with Horst Kuhnert, Campina GmbH & Co. KG – Responsible for Environmental Management in Germany. June 17th, 2006.

The elaboration on additional success factors affecting the performance of CSR and stakeholder management schemes applied on the four case studies results in the following figure:

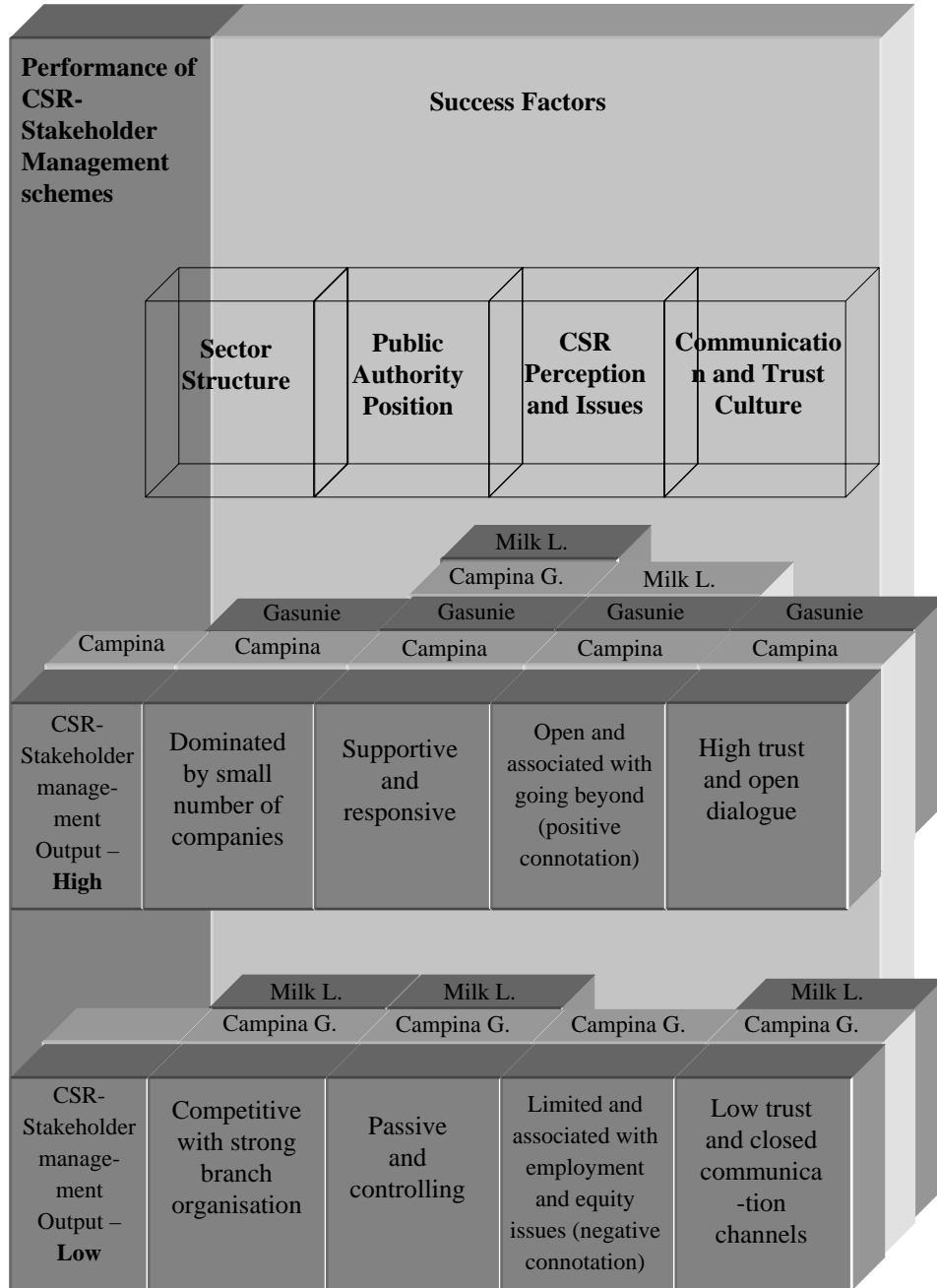


Figure 61: Success factors affecting the CSR and stakeholder management performance

Campina in the Netherlands represents the ideal case. All success factors are present, hence it can rightly be argued that proactive CSR and stakeholder management can lead to positive results for a company (internally and externally), resulting in an improved relationship with public authorities. The ambitions and performance improvements in the daily business conduct due to CSR in combination with the presence of all success factors make the CSR engagement for Campina a rewarding experience. Gasunie Transport is also confronted with all four success factors; however the company is not as proactive in CSR and does not make full use of the structural opportunities provided. Furthermore, the ownership structure of Gasunie Transport complicates the evaluation and therefore, this case study is not seen as an ideal case. It is important to notice that Gasunie Transport already has the internal competence to become fully proactive in CSR. For strategic reasons however, Gasunie Transport decided not to communicate all its CSR activities to a broader public. Consequently, the company does not make full use of the present structural success factors and is not entirely able to improve its stakeholder management output.

Campina Germany represents an interesting case. The German branch of Campina largely depends on the decisions made in Zaltbommel, the Netherlands. CSR activities are executed in Germany though the crucial decisions are made in the Netherlands. To focus on the Netherlands risks not recognising important CSR issues in foreign markets. Campina Germany faces the problem of being dependent on the company headquarter for far-reaching decisions on CSR. Additionally, the German branch is confronted with a business sector and a political constituency that lacks almost all important factors to make CSR a success. Only on the micro layer of governmental contacts is a success factor for higher CSR and stakeholder management output present. Lower governmental authorities recognise and appreciate Campina Germany's CSR activities and transparent and open communication routines resulting in benefits for the company.¹⁷ However, with only a single success factor present the incentives for the company to engage in CSR are not structurally high.¹⁸ Being confronted with three negative structural factors (sector structure, CSR perception and issues, and communication and trust culture) does not form a basis for successful stakeholder management. The internal (company structure) and external factors together make it very difficult for Campina Germany to succeed in its CSR effort.

Milk Link is also an interesting situation. The internal capacity of the company with respect to CSR certainly needs to improve in coming years to have a positive impact

¹⁷ Interview with Gerhard Hunold, department for health, safety and the environment of the business control office Göttingen (*Gewerbeaufsichtsamt*). November 13th, 2006; and Interview with Volker Reichert, regional office for health and safety Cottbus (*Landesamt für Arbeitsschutz*). January 17th, 2007.

¹⁸ In the discussion on structural factors affecting a company's incentives for CSR engagement and CSR performance we disregard the 'standard incentive to improve the internal business processes to save money'.

on the interaction with external stakeholders. Apart from this internal shortcoming, the company is confronted with a rather positive structural environment compared to, for instance, Germany. The British government is very supportive towards CSR and appreciates all initiatives taken in the private sector. Furthermore, the responsiveness of the government can be seen in the policy choice for soft steering instruments such as voluntary agreements. CSR in general is perceived positively and connected to a positive connotation. The combination of supportive and responsive public authorities and a positive perception represent good soil for CSR activities in the private sector. What Milk Link makes out of it remains to be seen.

11.5 Concluding words

The main research question is concerned with the modern conceptualisation of CSR and how governance patterns respond to the ideas and consequences of CSR and shared responsibility. Our objective was to determine which company characteristics drive or limit a company's CSR performance and whether a company's CSR performance influences the interaction between the public and private sphere. Another objective was to identify how different governance patterns respond to the emergence of corporate social responsibility and how much they are able to influence and stimulate the private sector to take up the business management approach CSR. The *main research question* was formulated as follows:

When, what, why, and how does the modern concept of CSR change the interaction process between the private and public sphere?

The extensive study on CSR resulted in a number of findings which answer or partly answer the stated central research question. First, CSR as a business-driven concept has a long history which can be traced back in the 19th century. CSR should not be seen as a new phenomenon, but rather as an ongoing process of defining and operationalising the relationship between business and society and its responsibilities towards it. Second, CSR is defined in many different ways. It is not a static issue, and is constantly changing. The study identified a number of common key elements observable in CSR definitions and descriptions of numerous important European and International decision makers such as the European Commission, the United Nations, and the OECD. These common key elements formed the basis for a *working definition* on CSR for the thesis:

CSR is the voluntary commitment (within a regulatory/reference framework) by business to add economic, social, and environmental value to societies at large in a transparent and accountable manner. CSR implies the recognition that business activities can affect the interests of all normative and derivative stakeholders, including employees, communities, customers, and the natural environment and, therefore should be reflected in the company's policies and actions.

Third, the perceptions and practices related to CSR are closely connected to environmental management. The key CSR concepts of stakeholder management and triple-bottom line reporting are not as well known and, hence, not implemented as one might have expected. Companies still find it difficult to measure CSR activities in their day to day functioning. This fuels the debate on whether current CSR policies and practices make a real difference for the functioning of a corporation. The findings on a company's CSR engagements impact on the interaction with external stakeholders, with a special focus on public authorities, however, indicate that companies can directly benefit from their CSR activities.

Fourth, it can be argued that various motives drive companies' CSR engagement. A mixture of instrumental, altruistic, legitimistic, and political motives are responsible for CSR engagement in the private sector. A broad spectrum of motives is responsible for a firm's CSR engagement. It is not possible to relate CSR to one or two exclusive motives. Furthermore, different company types with respect to ownership structure show a number of interesting differences. For instance, family businesses perform CSR predominantly to attract and retain a quality workforce while listed companies' emphases are broader and include improved financial performance and easier access to capital. The general finding was that the usage of classic CSR instruments and schemes such as stakeholder dialogue and triple bottom line reporting is much more common among listed companies. This has to do with the fact that smaller companies often do not have the necessary resources to perform these CSR elements. Furthermore, CSR in the broad sense encompassing a great variety of activities and schemes on the social and ecological side is still more common and implemented among listed companies than private companies.

Fifth, public authorities have only limited capacities to influence and stimulate the private sector to become more engaged in CSR. The case studies showed that soft steering mechanisms such as self- and co-regulation did not directly lead to higher levels of CSR in the focused business sectors. Sector specific factors (business nature and sector structure – number of companies) and other external factors influence the potential output of CSR activities of a company and therefore, also the general CSR performance of a business sector. It can be said that it is fairly difficult for governments to implement policies and programs to stimulate the diffusion of CSR in the private sector.

Sixth and the most important finding of the study, CSR engagement by companies can have a positive impact on the interaction between companies and public authorities.¹⁹ The evidence gathered in the case studies shows that proactive CSR behaviour by the focused companies led under certain structural parameters (sector

¹⁹ CSR can also have a positive impact on the relationship with other external stakeholders of a company. However, the focus of the study was on company contacts to public authorities. The stakeholder contacts to other external stakeholders were not studied in detail, therefore it is not possible to argue that CSR has a positive impact on all stakeholder contacts of a company.

dominated by a small number of companies, supportive and responsive public authorities, CSR perception dominated by openness and going beyond, and a communication and trust culture characterised by open dialogue) to improved relationships with public authorities including direct benefits for the companies. Companies that engage in CSR are likely to benefit in form of generally better contacts (more intense and better mutual understanding) and more access points to public authorities. The increased number of access points results in an increased influence capacity in the general public policy-making process. Most interesting for companies that consider becoming active in the field of CSR is the finding that CSR engagement leads to direct benefits on lower governmental layers. The case studies showed that the focused companies benefited (in a negative sense in the case of Milk Link) from their CSR engagement and open communications culture towards public authorities in the form of easier access to public authorities and easier and faster issuing of licences, permits, and other official documents resulting in lower bureaucratic costs.

It is important to keep in mind that CSR is in constant development and flux. To share social and environmental responsibilities among more shoulders than only governments is certainly desirable. Of course, other voices advocate a more critical view of CSR such as Friedman and Bakan, to name only two. Michael Bryane (2003) formulates the suspicion about CSR very clearly:

The vague and all-encompassing CSR discourse serves a forum for advocating the interests of business, government, and relatively non-accountable NGOs. Governments advocating CSR benefit by both extending regulatory control and devolving actual implementation to business. Business benefits from CSR by increasing regulatory autonomy. NGOs benefit by gaining increased policy-making functions and earning money from government and business (in the form of grants and donations). Yet, while the actors most loudly advocating CSR may benefit, society as a whole may be harmed. (Bryane, 2003: 126)

However, what Bryane described is not necessarily bad for the society. A shift in responsibilities from governments to the private sector with the inclusion of NGOs offers considerable potential to solve critical societal problems because all sectors (public, private, and civil) are included with their capacities and competencies in a process to solve common problems. CSR could be the way forward with the business world accepting responsibilities other than only making profit for their owners. A sustainable future demands the strong and forceful participation of businesses. CSR has the potential to become this strong business contribution to sustainable development. The innovative power of the private sector is essential to succeed in the sustainability challenge. CSR as a business strategy and movement is still criticised for its vagueness. Many (including important public policy-makers such as the European Parliament) would like to see a precise definition of CSR and more concrete measurements tools to evaluate and benchmark results. As a concept in a steady transition process CSR may, with the cooperation of business

practitioners and academic scholars, develop measurement tools and more sophisticated policies and schemes to accomplish the ambition of a more responsible and more sustainable business world. This study and the business strategy's impact on the relationship between companies and public authorities is another piece in the puzzle to clarify the potential and limitations of Corporate Social Responsibility.

Personal Interviews:

Personal interview with Michael Brandl, *Milch Industrie Verband*, November 6th, 2006.

Personal interview with Mr. Brüß, department for agriculture (*Referat für Landwirtschaft*), Ministry of Economic Affairs. January 8th, 2007.

Personal interview with Alexander Histing, Greenpeace International, February 8th, 2007.

Personal interview with Gerhard Hunold, department for health, safety and the environment of the business control office Göttingen (*Gewerbeaufsichtsamt*). November 13th, 2006.

Personal interview with Horst Kuhnert, Campina GmbH & Co. KG – Responsible for Environmental Management in Germany. June 17th, 2006.

Personal interview with Volker Reichert, regional office for health and safety Cottbus (*Landesamt für Arbeitsschutz*). January 17th, 2007.

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Summary in Dutch

De centrale onderzoeksvraag richt zich op de ontwikkeling van het concept van “corporate social responsibility” (CSR) en hoe governance patronen reageren op dit concept en de consequenties van CSR en gedeelde verantwoordelijkheid. Ons doel was om te achterhalen welke bedrijfskarakteristieken de prestaties van het bedrijf op het gebied van CSR bevorderen of beperken en of de CSR prestatie van een bedrijf van invloed is op de interactie tussen de publieke en private sfeer. Een ander doel was om uit te zoeken hoe verschillende governance patronen reageren op de ontwikkeling van CSR en in hoeverre ze in staat zijn om de private sector te beïnvloeden en te stimuleren om CSR als management benadering te gaan hanteren.. De centrale onderzoeksvraag was als volgt geformuleerd:

Wanneer, waarom en hoe verandert de ontwikkeling van het concept van CSR het interactieproces tussen de publieke en private sfeer?

De uitgebreide studie naar CSR resulteerde in een aantal bevindingen, die geheel of deels de centrale onderzoeksvraag beantwoorden. Ten eerste heeft CSR een lange geschiedenis die terug te volgen is tot in de 19^e eeuw. CSR moet dus niet gezien worden als een nieuw fenomeen, maar als een doorlopend proces van verbeteren en operationaliseren van de relatie tussen bedrijf en samenleving en de verantwoordelijkheid van bedrijven voor die samenleving. Ten tweede bestaan er verschillende definities van CSR. Het is geen statisch onderwerp, maar doorlopend aan verandering onderhevig. Het onderzoek identificeerde een aantal elementen die voorkomen in de verschillende definities en omschrijvingen van CSR van belangrijke Europese en internationale beleidsmakers zoals de Europese Commissie, de Verenigde Naties and de OECD. Deze gezamenlijke sleutelementen vormden de basis voor een werkdefinitie van CSR voor deze studie:

“CSR is een vrijwillig overeenkomst (binnen een regulatory/reference framework) van bedrijven om economisch, sociaal en milieu waarden toe te voegen aan de samenlevingen op een doorzichtige en verantwoordelijke wijze. CSR impliceert de erkenning dat zakelijke activiteiten invloed kunnen hebben op de interesses van alle normatieve en derivatieve stakeholders, inclusief personeel, steden, klanten en de natuurlijke omgeving, en moet daarom deel uit maken van het beleid van bedrijven.”

Ten derde zijn perceptie en praktijk gerelateerd aan CSR nauw verbonden met milieubeleid. De sleutel CSR concepten van stakeholder management en triple-bottom-line reporting zijn niet zo bekend en daardoor niet zo ingevoerd als men zou verwachten. Bedrijven vinden het nog steeds moeilijk om CSR activiteiten te meten in hun dagelijks functioneren. Dit wakkert het debat aan of de huidige CSR beleid en CSR praktijk een echt verschil maken voor het functioneren van een bedrijf. De resultaten laten echter wel zien dat het CSR beleid van een bedrijf invloed heeft op

de interactie met stakeholders, met name de overheid, en laten zien dat bedrijven in dit opzicht voordeel hebben van hun CSR activiteiten.

Ten vierde zijn er verschillende motieven die bedrijven aanzetten tot het opnemen van CSR in hun beleid. Een mengeling van instrumentele, altruïstische, legitimerende en politieke motieven zijn verantwoordelijk voor CSR beleid in de private sector. Een breed spectrum van motieven is derhalve verantwoordelijk voor de betrokkenheid bij CSR van een bedrijf. Het is niet mogelijk om CSR te relateren aan een of twee motieven. Bovendien laten bedrijven met een verschillende eigenaarstructuur interessante verschillen zien. Familiebedrijven bijvoorbeeld nemen CSR vooral in beleid op om personeelsleden aan te trekken en te behouden, terwijl bij beursgenoteerde bedrijven de nadruk breder ligt, ook op verbeteren van de financiële prestaties en het makkelijker toegang krijgen tot kapitaal. Een algemene conclusie is dat het gebruik van klassieke CSR instrumenten zoals de dialoog met stakeholders en triple bottom line reporting veel gebruikelijker is onder beursgenoteerde bedrijven. Dit komt door het feit dat kleinere bedrijven vaak niet over de nodige hulpbronnen beschikken om deze activiteiten te verrichten. CSR, dat in brede zin een grote variëteit aan activiteiten op sociaal en ecologisch gebied omvat, wordt nog steeds meer geïmplementeerd door beursgenoteerde bedrijven dan door private bedrijven.

Ten vijfde, overheidsinstanties hebben slechts beperkte mogelijkheden om de private sector te beïnvloeden en stimuleren om CSR te implementeren. The casestudies laten zien dat zachte sturingsmechanismen zoals zelf- en co-regulering niet direct leidden tot hogere niveaus van CSR in de onderzochte bedrijfssectoren. Sector specifieke factoren (aard van het bedrijf, structuur van de sector, aantal bedrijven) en andere externe factoren beïnvloeden de potentiële output van CSR activiteiten van een bedrijf en dus ook de CSR prestatie van een bedrijfssector. Het blijkt tamelijk moeilijk voor overheden om beleid en programma's te implementeren die de diffusie van CSR in de private sector stimuleren.

De zesde en meest belangrijke uitkomst van het onderzoek is dat de toepassing van CSR door bedrijven een positief effect kan hebben op de interactie tussen bedrijven en overheid. De gegevens die in de case studies werden verzameld laten zien dat proactief CSR gedrag door bedrijven, onder bepaalde structurele parameters (een sector gedomineerd door een klein aantal bedrijven, steun van overheidsinstanties, CSR perceptie gedomineerd door openheid, en een cultuur gekarakteriseerd door communicatie en vertrouwen door open dialoog) leidde tot verbetering van de relatie met overheidsinstanties, inclusief directe voordelen voor de bedrijven. Bedrijven die zich bezig houden met CSR zullen daarvan voordeel ondervinden in de vorm van betere contacten (intensiever en betere verstandhouding) en meer toegangswegen tot overheden. Het toegenomen aantal toegangswegen resulteert in een toename van invloed op het algemene beleidsontwikkelingsproces van de overheid. Erg interessant voor bedrijven die overwegen actief te worden in CSR is dat CSR beleid leidt tot directe voordelen bij lagere overheden. De casestudies laten

zien dat de onderzochte bedrijven (bij Milk Link in een negatieve zin) voordeel hebben van hun CSR beleid en een cultuur van open communicatie naar overheden, in de vorm van makkelijker toegang tot overheden en makkelijker en het sneller verkrijgen van vergunningen en andere officiële documenten, wat resulteert in lagere bureaucratische kosten.

CSR is een concept dat constant aan ontwikkeling en debat onderhevig is. Het is zeker wenselijk om sociale en milieu verantwoordelijkheden over meer schouders te verdelen dan alleen die van de overheid. Er zijn weliswaar anderen die een meer kritisch standpunt hebben ten aanzien van CSR zoals bijvoorbeeld Friedman en Bakan. Michael Bryane (2003) formuleert zijn wantrouwen ten aanzien van CSR heel helder:

“The vague and all encompassing CSR discourse serves a forum for advocating the interests of business, government, and, and relatively non-accountable NGOs. Governments advocating CSR benefit by both extending regulatory control and devolving actual implementations to business. Business benefits from CSR by increasing regulatory autonomy. NGOs benefit by gaining increased policy-making functions and earning money from government and business (in the form of grants and donations). Yet, while the actors most loudly advocating CSR may benefit, society as a whole may be harmed.” (Bryane, 2003: 126)

Maar, wat Bryane beschrijft hoeft niet nadelig te zijn voor de samenleving. Een verschuiving van verantwoordelijkheden van de overheid naar de private sector, inclusief NGOs, biedt een behoorlijke kans om sociale problemen op te lossen, omdat alle sectoren (publiek, privaat en burgers) met hun capaciteiten en competenties deel uitmaken van het proces. CSR kan een stap vooruit zijn bij het accepteren van bedrijven van andere verantwoordelijkheden dan het maken van winst voor hun eigenaren. Een duurzame toekomst vraagt om een krachtige en sterke bijdrage van bedrijven. CSR heeft het in zich om deze krachtige bijdrage aan duurzame ontwikkeling te zijn. De innovatieve kracht van de private sector is essentieel om te slagen in de uitdaging om tot een duurzame samenleving te komen. CSR is een ondernemingsstrategie en -beweging en wordt nog steeds bekritiseerd om haar vaagheid. Velen (inclusief belangrijke beleidsmakers zoals het Europees Parlement) zouden graag een exacte omschrijving van CSR zien en meer concrete meetinstrumenten om benchmark resultaten te meten. Als een concept in een permanent transitieproces kan CSR, met medewerking van ondernemers en academici, betere meetinstrumenten en een beter beleid ontwikkelen om de ambitie van een meer verantwoordelijke en duurzame zakenwereld te bereiken. Deze studie en de invloed van deze ondernemingstrategie op de relatie tussen bedrijven en overheden is een ander deel van de puzzel om de mogelijkheden en beperkingen van CSR te verduidelijken.

About the Author

Arno Mathis is a researcher at the Center for Clean Technology and Environmental Policy (CSTM) at the University of Twente in the Netherlands. He pursued his undergraduate studies in political science at the University of Salzburg, Austria, from 1998 to 2003. During his undergraduate studies, Mathis participated in the Erasmus-exchange scheme of the European Union and spent a year at the University of Warwick, England. In November 2003, he started his doctoral research at CSTM. His PhD thesis and relevant publications concern the development of CSR in Europe in the past decades with a special focus on interaction patterns between companies and public authorities. In addition to this main research project, Mathis has also been involved in an international research project that evaluates the transparency of CSR in the largest Dutch, Norwegian, and Irish companies. Furthermore, he was involved in teaching and supervising CSR and environmental management courses together with Dr. Theo de Bruijn.

