



CSR/SME

Promoting Social Responsibility
in Small and Medium Size Enterprises

CORPORATE SOCIAL RESPONSIBILITY

STATE OF THE ART

HIGHLIGHTS REPORT

2004

EDITORIAL

Title

Corporate Social Responsibility: State of the Art - Highlights Report 2004

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FOREWORD



What is Corporate Social Responsibility (CSR)?

As far as this project is concerned, **Corporate Social Responsibility (CSR)** is defined and accepted among partners as “integrating voluntarily social and environmental concerns into the enterprises' business operations as well as into the enterprises' interaction with their stakeholders”.¹

CSR can also be understood as the business contribution to sustainable development.

Classically, corporate responsibility towards society has been considered in four levels:

- ⦿ Economic responsibilities: producing goods and services in demand by the society, in such a way that capital investment is remunerated;
- ⦿ Legal responsibilities: acting in accordance with the law;
- ⦿ Ethical responsibilities: acting in accordance with society expectations, which are expressed in social rules;
- ⦿ Discretionary responsibilities: those resulting from the individual choice of managers or company owners (philanthropy).

General Understanding

Considering the definition presented in the Green Paper, which stresses the voluntary nature of CSR activity, a restrict approach to the subject would lead us directly to the last two levels. However, **we preferred to use a more general approach** and decided to include a general description of the legal framework under which companies operate in each one of the countries analysed. Two main reasons account for our choice:

- ⦿ The six partner countries responsible for the project are in different stages of political, economic, social and environmental development;
- ⦿ Legal requirements sometimes differ a lot from country to country. The mere fact that a company acts according to the minimum legal requirements under a particularly demanding legal framework, originates a far better social or environmental performance than the one achieved by a similar company, which considers itself a good citizen because of its volunteer behaviour, in a country where laws are far less demanding;
- ⦿ CSR analysts look at a company from the stakeholders' point of view, considering the interests of all parts legitimately interested in its activity: shareholders, customers, staff, suppliers, government and the community in general. In his book “Cannibals with Forks” (1997), John Elkington introduced the concept of Triple Bottom Line approach: companies should no longer be analysed only by their financial performance, but also by their social and environmental impact.

CHAPTER 1. PROJECT DESCRIPTION

Project Purpose

In July 2001, based on the Green Paper “Promoting an European Framework for Corporate Social Responsibility”, the Commission decided to launch a debate concerning the concept of Corporate Social Responsibility (CSR) as well as to encourage European organisations to **build partnerships in order to further an European framework for the promotion of CSR.**

This strategy was based upon the thought that CSR can contribute to achieve the European strategic goal of becoming the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion, by 2010, in accordance with the resolutions of the Lisbon Summit (March 2000) and with the European Strategy for Sustainable Development.

On one hand, the CSR concept was developed mainly by and for large multinational enterprises. According to the European Commission's Think Small First strategy, **the CSR concept, practices and instruments should be adapted to suit the specific situation of SME.**

Due to their lower complexity and the strong role of the owner, SME often manage their social impact in a more intuitive and informal way than large companies.

Lack of awareness seems to be the most significant hindrance to social engagement, especially among the smallest companies, followed by resource constraints.

By involving small business associations, supporting organisations and networks, this project could play an important role in increasing awareness by providing **all stakeholders** interested in **the issue of CSR** with **information and user-friendly tools** along with the **dissemination of good practices** experiences.

On the other hand, **education and training**, at all levels, have a crucial role to play in fostering social responsibility in citizens, including those who are working in the business world or outside it, as well as in the development of **training materials and courses focused on the issue of CSR** in special cooperation with enterprises.

As far as the **common understanding of CSR** by EU member states and candidate countries is concerned, it is very important to take into account that, what CSR represents, depends on the particular situation of individual enterprises and on the specific context in which they operate, whether in Europe or elsewhere.

General Aim

The general aim of the CSR/SME project is:

- 🎯 Promoting the debate on corporate social responsibility and to training and teaching how to implement good working practices in SME grounded on the social responsibility.

Specific Aims

The CSR/SME project established some specific aims:

- 🎯 Increasing knowledge about the positive impact of CSR on business and society;
- 🎯 Developing the exchange of experience and good practice concerning CSR between enterprises in foreign countries;
- 🎯 Promoting the development of CSR management skills;
- 🎯 Fostering CSR among SME;
- 🎯 Facilitating convergence and transparency of CSR practices and tools.

The Partnership



The CSR/SME project partnership is based on a heterogeneous multi-actor platform aiming at learning from one another and teaching each other, enriching the project's dissemination possibilities and achieving the project's results.

The partnership's main feature is the diversity of the partners' experiences. For that reason several dual situations can be found within the partnership, namely:

- organisations with a vast experience as promoters or partners under Leonardo da Vinci Projects, on one hand, and partners who will be contacting for the first time with the Leonardo da Vinci Programme on the other hand;
- partners with vast experience in programmes such as Phare, Gruntvig, Interreg and partners without any knowledge concerning these budget lines;
- organisations working exclusively with adult education and training and organisations working with young people as well;
- partners with experience and knowledge regarding candidate countries and partners without these skills.

One of the partners is an organisation skilled in quality management, thus playing a very important role in the project. Another partner is an organisation experienced in working with publishing houses and the press which will aid in the dissemination activities.

The promoter is a vocational training centre belonging to a social partner and one of the other partner organisations is a member of a national association of SME.

As the subject of the project is quite innovative, our main concern was not the partners' knowledge about CSR but their capability to manage information, to promote it and to share it with a larger group. We strongly believe that the "core" of the project will be put into effect because all the organisations work closely with SME, which are the main target group of this project.

PROMOTER

CECOA - Centro de Formação Profissional para o Comércio e Afins (Vocational Training Centre for Trade), Portugal

CECOA was created by a protocol signed in July 1986 by the Instituto do Emprego e Formação Profissional (Institute for Employment and Professional Training - a public institute which reports to the Portuguese Ministry of Economics and Labour) and the Confederação do Comércio e Serviços de Portugal (Confederation of Trade and Services - a social partner which represents the trade and services sector).

CECOA aims at promoting training activities and can be referred to as a high-ranking, innovative and competitive organisation for the commerce and services sector. With a national range, CECOA has its head-office in Lisbon and two other branches in Oporto and Coimbra.

CECOA has 42 employees and nearly 200 trainers. In July 1999, the Board of Directors approved CECOA's quality policy. CECOA trained about 17.000 trainees in the last 5 years.

CECOA's task is to further the development and upgrading of trade and services at a national level; to carry out vocational training for young unemployed people and employed people; to promote studies and projects aiming at the development of innovative contents, methodologies and tools to support vocational training and indicators to characterise the sector. Since 1993, CECOA has participated in many European transnational projects, such as Petra, Socrates, Adapt, Leonardo da Vinci, EQUAL.

PARTNER

FO.FO.S. OFFICE - Forum zur Förderung der Selbständigkeit (Forum for Supporting Self-Employment and SME), Austria

FO.FO.S. – *Forum zur Förderung der Selbständigkeit*, (Austria) is a non-profit organisation established in January 2000. Its structure is a network of approximately 15 experts participating in different kind of projects with the aim of supporting small and medium size enterprises, new self-employed and jobseekers (life-entrepreneurs).

The members bring in the following background and experiences: adult education, train-the-trainer and personnel development, focusing on new training methods as a systemic thinking, organising innovative labour market political measures and events, personality coaching, intuitive learning and bodywork.

The members have experience in training and development of training programmes (face to face and e-learning) as well as training materials. The majority of the project team members have worked for at least 10 years in private companies (large and SME).

FO.FO.S. has experience in Leonardo da Vinci projects, not only as promoter but also as partner. For the dissemination FO.FO.S has private companies working in publishing training materials, e-learning and has contacts with training institutes, labour authorities and the general and specific press.

PARTNER

Geomedia Konsultatsiooni- ja Koolituskeskus (Geomedia Consulting and Training Centre), Estonia

Geomedia was established in 1998 as a private owned organisation and is working to contribute to the competitiveness and success of companies and organisations by strategic planning and development of human capital. Geomedia has managed projects, such as development plans for towns, regions and sectors in Estonia and business plans projects for organisations. Geomedia has participated and are currently participating in EU programmes (Phare, Interreg, Grundtvig). Geomedia has provided surveys of vocational education system and adult education in Estonia. The government has also used Geomedia's consulting services.

Geomedia Training Centre offers courses in strategic planning, communication psychology, customer service and provides supervision for organisations.

Geomedia's new line of action is the dissemination and implementation of the "Job rotation concept" in Estonia as a new active method in the labour market policy and as a tool to stimulate entrepreneurship based on the lifelong learning principle, especially as far as SME are concerned.

Krista Noorkõiv, the representative of Geomedia in this project has previous experience in Leonardo da Vinci pilot project management, namely in the bilateral project "Development of New Competencies in a Trans-European Tourism Sector Network" (1999/2001, promoter from Denmark), as an Estonian-side coordinator.

Geomedia is a member of the Estonian Association of SME and of the Estonian Chamber of Commerce and Industry which results in a special capacity regarding the dissemination of the results.

PARTNER

LA VIDA OKTATÓ ÉS TANÁCSADÓ KFT (Consultancy and Training Centre), Hungary

La Vida began its activity in 2001 and supports Hungarian enterprises in the implementation of up-to-date management techniques, methods and systems, and offers them various services which can enhance their efficiency and support their development on the internal and external markets.

La Vida has three main activities: human resource management consultancy, especially for SME; management and human resource development programmes for SME managers and employees consisting of short courses and trainings; development of international economic and commercial relations by market research, partner search, business and management consultancy, project management, respectively, aided by its Linguistic Centre for the translations.

La Vida experts have a vast experience in teaching and training, drawing up curricula, producing teaching materials and tools, knowledge of Hungarian economy and its legal framework, organisation development, business and management consultancy and translation, respectively.

PARTNER

FRAREG SRL (Training and Consulting Company), Italy

Established in 1989, Frareg is a consulting company mainly concerned with integrating of new skills into enterprise's values; one of the specialisations – however not the only one – is counselling on the adjustment and optimisation of the application of the new international and European body of law (i.e. safety concerned work processes, total quality management, responsible environmental care, investments facilities).



Frafor consulting activities can be divided into five main areas:

- Safety: fire risk, CE labelling, emergency plans, BS 8800 standards, food hygiene, HACCP, occupational medicine;
- Quality: UNI EN ISO 9000 standards, health, automobile, military sector standards;
- Environment: UNI EN ISO 14001 standards, audit and eco-management system;
- Techniques: noise, microclimatic, microbiological survey, atmosphere emissions;
- Training: Training courses supplied by Frafor, Frafor Training Division, do not only provide simple didactic information, but also enable participants to grow professionally supported on a concrete basis, by linking practice with theory.

PARTNER

HUESKEN & DE PREE (Training and Consultancy), The Netherlands

Huesken & de Pree Consultancy expertise is built on more than ten years executing international training and coaching of (new) organisations in Central and Eastern Europe and in the Netherlands.

Huesken & de Pree provides training sessions and study-days for enterprises, NGO's and individual people and gives advice in project and changing management, organisation matters, employment orientation and personal development.

Huesken & de Pree offers a own programme in the field of burn-out and executes this two times a year with a group of 12 burn-out people in The Netherlands and 12 groups of 15 people in Lithuania.

Total Duration

The project duration is 24 months (2003/2005).

Target Groups

Corporate Social Responsibility is a subject which concerns principles of environmental, economic and social sustainability. For this reason it is not only addressed to the companies, but also to society as a whole.

Thus the main target groups of this project are owners, managers and other key-people of small and medium size enterprises.

Education and vocational training organisations, social partners, civil **society**, **local authorities**, **regional communities** and **NGOs** represent other important target groups which will benefit from the results of this project.

The potential users of these results will be **schools and vocational training organisations** teaching and providing training concerning the role of CSR, especially in commercial and management areas, the **trainers** of these educational and vocational organisations improving their knowledge and skill regarding an innovative matter, **public policy makers** and **decision makers** trying to integrate CSR in public policies, **consumers and local communities** benefiting from social responsibility practices, **social partners** aiming at raising awareness and improving knowledge about CSR, for instance, as a tool for collective bargaining; **EU member states and candidate countries** enhancing a common understanding about the meaning of CSR.

Work Packages

The project is organised in nine work packages as follows:

- Project Evaluation and Monitoring;
- Project Dissemination Activities;
- Project Management Scheme;
- Assessment of the Situation;

- ④ Establishing a Glossary and Producing Materials for Dissemination;
- ④ Carrying out an Information Campaign about CSR and hold National Seminars;
- ④ Building up the Guide and Training Manual;
- ④ Setting up the Study Visits to companies with good CSR practices,
- ④ Setting up the Workshops / Final Version of the Manual and Guide / Final Evaluation of the Project Results.

Products/Results

As far as the CSR/SME project is concerned, the expected products and results are the following:

- ④ Report on the “CSR State of the Art” reflecting the CSR practices in the partner countries (*in which this Report is integrated*);
- ④ Glossary reflecting a common conceptual and terminological framework concerning CSR;
- ④ Promotional materials to be used in the CSR Information Campaign;
- ④ Reports on the National Seminars and Workshops organised to promote and disseminate the CSR concept;
- ④ Reports on the study cases observed during the study visits;
- ④ Methodology Guide and New Curriculum regarding CSR to include in training courses.

CHAPTER 2. SUMMARY REPORT



Report Aims

The research and the development of the Report on the “State of the Art” concerning Corporate Social Responsibility were carried out between **March and April 2004** in each partner country - **Austria, Estonia, Hungary, Italy, Portugal and the Netherlands** - and the data presented refer to the year 2003, unless stated otherwise.

A Report on the “State of the Art” concerning Corporate Social Responsibility is one of the first expected products/results from the Leonardo da Vinci Project “Promoting Social Responsibility in Small and Medium Size Enterprises”.

Highlights of the most important aspects found during the research are presented in this report. The full report, including reports on the “State of the Art” of each partner country is available upon request. For that purpose please contact one of the contact persons identified in the Editorial.

This report aims at summarising the “State of the Art” concerning Corporate Social Responsibility in the six partner countries and establishing comparisons between the different European countries. Therefore, the report is structured in the following way:

- a first chapter dedicated to the **project description** (justification, aims, partnership, duration, target groups, work packages and products/results);
- a second chapter with a **project summary report**. In this chapter is provided a brief comparative table containing **CSR Key Performance Indicators (KPI's)** considered relevant in terms of country CSR performance, in order to provide a more visual and numeric idea of the development level regarding Corporate Social Responsibility practices in each country as well as a summarised presentation of the **most important conclusions** of this research on the “State of the Art” concerning Corporate Social Responsibility. Special attention will be given to **expected trends** in the CSR field and to the most important data concerning **opportunities and obstacles** to the development of social responsible practices in the partner countries;
- In order to give an idea of the most interesting and relevant aspects, as far as the development of the Corporate Social Responsibility concept in each one of the partner countries is concerned, an **Executive Summary by Country** is presented in this Report. As mentioned before, the full report on the “State of the Art” of each partner country is available upon request;
- The bibliography includes some **reference documents** on CSR as well as the most important **European and national information sources** (off-line and on-line) used for this report. The reports on the “State of the Art” of each country will mention all the information sources as well as reference documents used to put together the full individual report. Besides aiming at showing the information sources used in the report, the bibliography, aims at being used as a guiding list to study the subject of CSR;
- At the very end of the report is presented a **Countries Overview Table** with a selection of general indicators regarding the six countries involved in the research, plus the average EU 15 value for each one of the items. We believe it will make it easier for the reader to understand the present stage of CSR in each country.

Main CSR Key Performance Indicators (KPI'S) per Country

As mentioned before, the aim of this report is to provide a general idea on how business in general is performing in terms of CSR at a national level and to establish comparisons between the different European partner countries participating in this project. For that reason, we start by presenting a **summary table of the Key Performance Indicators (KPIs)** considered relevant in terms of country CSR performance. Further insights on the subject will probably lead to improvements on the KPIs table.²

The mere fact of filling it out during the next years will enable us to measure the development of CSR on a country basis. Readers from other countries, who wish to make a similar self-assessment exercise, may find it useful to use this table as reference.

	KPI	Austria	Estonia	Hungary	Italy	Portugal	The Nether lands
1	ISO 14001 Certifications	500	74	690	3.607	243	1.162
2	EMAS Registrations	286	0	2	195	14	29
3	OSHAS 18001 Certifications	0	8 ²	0	208	54	0
4	SA 8000 Certifications	0	0	0	75	1	0
5	CSR Companies Reports published ³	45	0	22	20	25 +	172
6	Social Labels / Fair Trade Labels	0	0	1	0	0	35
7	# Fair Trade Stores	68	0	0	0	9	408
8	European Eco-label Products produced ⁴	5	1	-0	95	8	3
9	European Eco-label Products available ⁴	37	24	19	117	43	39
10	Local Organizations dedicated to CSR	2	-	-	6	3	-
11	# Member Companies of Local Organisations dedicated to CSR	55+	-	-	-	61	-
12	# Relevant CSR Events	8	-	-	8	20	21
13	# People involved in CSR Events	-	200	-	-	2.500	-
14	Relevant corporate community involvement initiatives	-	1	-	9	2	-
15	CSR Univ. Doctorates, Masters and Post-Graduations	-	-	-	6	1	2.580 (UD); 13.930 (M)
16	Overall research about CSR (# of studies)	1	Poor	-	-	9	9
17	CSR Awards	1 ⁵	0	0	3	3	3 +
18	Consultancy companies offering CSR services	-	0	-	10/15	5	Many

Conclusions



The first and most relevant conclusion we draw is that the six partner countries represented in this project are in different stages of political, economic, social and environmental development. This has direct consequences on the country CSR level of performance. A brief analysis of the Key Performance Indicators (KPIs) presented before will certainly corroborate this statement.

This means that each one of the countries represented in this project was in a different level of performance as far as CSR practices are concerned – more than that, a different level of understanding about what it means to a company to be socially responsible - with different characteristics, evolution perspectives, motivations, development barriers, opportunities. In Chapter 3 “Executive Summary by Country”, we state, in a very brief way, the most important aspects, trends, opportunities and obstacles concerning the development of CSR practices within companies, with a special focus on SMEs.

Nevertheless, it is possible to stress out a tendency which points to a more active role of enterprises on the social and environmental fields in the northern countries of Europe, Netherlands and Austria, ranked in 6th and 9th position, respectively, in the “National Corporate Responsibility Index 2003” published by “AccountAbility” followed by the southern countries, Italy and Portugal, ranked in the 19th and the 21st position, respectively. Estonia and Hungary are not referred to in this Index, probably due to the minor role played by this subject in the business world of both countries.

In fact, those two countries shared a common reality characterised by being under a dictatorial political regime until almost the end of the twentieth century, in which the social responsibility was assumed by the State itself or by the state companies, in a paternalistic approach to the issue, partly justifying the large amount of ground to cover, comparing with its western European partners.

As a matter of fact, the free approach to market activities is quite new and economic sustainability is still the most important challenge to win - “keeping out of the red has left little time or energy for going green” -. Furthermore, just recently a whole generation of young leaders has taken over the management positions in the companies (until now the companies were managed by the older generation of managers to whom the expression “Corporate Social Responsibility” holds a “derogative” connotation, being associated with socialism) and has embraced the global market policy behind, engaging in a more active and dynamic perspective.

Another important conclusion is that the legal framework regarding social and environmental requirements is more or less demanding depending on the country and on the level of maturity of its own social and environmental development, producing important consequences regarding the country CSR level of performance.

The mere fact that a company acts according to the minimum legal requirements under a particularly demanding legal framework, originates a far better social or environmental performance than the one achieved by a similar company, which considers itself a good citizen because of its volunteer behaviour, in a country where laws are far less demanding.

This fact originated our first main problem concerning the exact definition of the CSR level of performance in each country, because sometimes it is difficult to distinguish legal obligation from voluntary integration. We would like to stress out this point in order to enable a correct reading of the facts and data given.

The recentness of the subject - the Green Paper on CSR was published in 2001 - with consequences concerning dissemination among all kind of enterprises is one of the relevant facts established by our research. As the project “Promoting Social Responsibility in Small and Medium Size Enterprises” concerns SMEs, one of our goals during the research was, where possible, to stress out the level of performance of small and medium size enterprises as far as CSR is concerned.

This issue leads us to the next conclusion: business size deeply influences companies’ stance towards corporate social responsibility, i. e., available data and studies refer mainly to large companies and in public discussions, congresses and also in the media it is spoken with and about larger companies engaged on CSR, missing the perspective of SMEs.

This fact is true for all the countries and reinforces the importance of focusing on SMEs, since they amount to 99.5% of EU 15 companies.

According to the Italian partner the reasons for the limited commitment of SMEs in CSR initiatives can be explained by an identified number of reasons:

- The interventions in favour of co-workers and the community, often carried out by the people in charge of these enterprises, are usually executed on a personal basis and according to unstructured means, thus making an objective observation impossible;

- ③ All life expressions of these enterprises are characterised by a low degree of formalization;
- ③ Financial resources which can be invested in CSR activities are limited, therefore the range of noticeable actions is diminished;
- ③ If the channel of trade is made up of few companies for which a sub-supplier activity is carried out, initiatives promoting corporate image will not be so relevant.

The reasons presented apply to all countries represented in this report and lead us to another important conclusion which must be highlighted: the main part of the activities considered social responsible are carried out according to unstructured means, in an informal way and with no connection or integration into the company strategy.

Main Facts

In order to offer a more concrete idea of the CSR level of performance in each partner country represented in this report we gathered certain indicators which could state some kind of conclusions on the State of the Art concerning Corporate Social Responsibility in those countries.

Austria

According to a study by CSR Austria in 2003, 97% of the companies in Austria were engaged in any kind of corporate citizenship activities in 2002.⁶

Cash donations are the most popular field in corporate citizenship with 93% of the Austrian companies, followed by donations in goods (85%). 68% of the enterprises signed sponsoring contracts with non-profit organisations whereas another 58% of businesses supported them in the field of corporate volunteering.

Estonia

In Estonia Corporate Social Responsibility as a concept is not yet a discussion topic on the scale it could be. Nowadays, emerge the first signs of a conscious approach to the notion.

Thus, we can conclude that the understanding of CSR is very recent and is now on the verge of introduction to business practices, academic curricula and the general public. Entering the European Union, where CSR is often in the public eye, is expected to have a positive impact on promoting CSR in Estonia.

Hungary

There is no history of CSR in SMEs on a major or even organised scale in Hungary.

According to the results of a study carried out by the Hungarian Environmental Economics Centre in 2003, in general, CSR and its perspectives are not acknowledged and certainly not incorporated into everyday practice by 27 companies listed on the Budapest Stock Exchange, which are the most internationally-minded and forward-thinking of the largest Hungarian companies. The mind-set is even less developed among their small and middle sized market companions.⁷

However, the most popular CSR activities of companies in Hungary have been identified as:

- ③ Employee fringe benefits (training, financial loans, meal-tickets, internet access, language classes);
- ③ Help for ex-employees;
- ③ Donations to causes and churches;
- ③ Supporting foundations, cultural events, artists;
- ③ Supporting (non-profit) institutions established by the company,
- ③ Opportunity for legal employment for foreigners and immigrants.

Italy

In general, Italian companies show a positive attitude towards CSR. Enterprises seem to be engaged in socially responsible activities, using several tools, such as, specific programmes concerning social issues, sponsorships, donations, adoption of codes of conduct.



According to a study carried out in 2003 by *Unioncamere* (the Italian Union of Chambers of Commerce) in cooperation with *the Istituto per i Valori d'Impresa* (ISVI - Institute for Corporate Values) only 15.2% of the larger enterprises do not know tools like Green Paper, code of conduct, environmental statement, social statement, SA8000, EMAS/ISO 14001 against 55% of smaller and small enterprises).⁸

Meanwhile, for several companies CSR is still an occasional topic, not closely related to the business strategy.

Portugal

In Portugal and according to the Report 2002/N^o 4 of the Observatory of European SMEs, 2/3 of the Portuguese SMEs actually practice some kind of external CSR, most of them in an informal way.⁹

Culture and sports are the main activities supported, followed by health and welfare. The most popular way of involvement is through donations, in cash or in kind, usually carried out on an ad-hoc or irregular basis. Portugal has the highest incidence of company donations among EU 15.

According to a study carried out by MORI on behalf of CSR Europe in twelve European countries in September 2000, the concept of CSR remains quite unfamiliar to common Portuguese citizens.¹⁰

However, 66% of them think companies should pay more attention to CSR. 20% would recommend a socially responsible company to others, 70% admit that the company's commitment to social responsibility might influence their buying decisions and 28% would agree and 36% would not agree to pay more for an environmentally and socially responsible product.

The percentage of consumers which could be considered as "Social Responsible Activists" was in fact significantly low (3%, compared with an European average of 26%).

With few exceptions, socially responsible behaviour is not associated with common business. Many Portuguese companies, especially the smaller ones, are compliance vulnerable in matters such as tax payment, labour and environmental legislation, social security, or even licence to operate.

The Netherlands

According to an inquiry carried out by the Dutch Ministry of Economic Affairs, in 2003, 12% of the 300 inquired enterprises are working with CSR on three or more of the subjects as mentioned here:¹¹

- Special policy on education of employees;
- Special policy on recruiting women, re-integration or handicapped people;
- Special policy on recruiting minorities and refugees (besides the compulsory legislation);
- Policy on reducing using energy;
- Making several demands to subcontractors;
- Knowledge in enterprises with OECD directions with investments and demands on suppliers.

50% of all Dutch enterprises have a specific policy on training and educating their employees; this mostly involves professional and employability training. These enterprises also care for their own staff as a part of the internal dimension of CSR by offering their staff recreational and fitness activities.

In the Netherlands as in other countries, sponsoring seems to be one of the most important features of CSR. More than 50% of the Dutch enterprises support organisations. In large and medium size enterprises the percentage is much higher, about 75%. Concrete activities for society are only carried out by large companies.

In the Netherlands, only in 15% of all enterprises does CSR play an important role. In more than 33% of the enterprises CSR plays a small role in the policy. 28% of the enterprises declared that CSR hardly plays a role in their enterprise. Notwithstanding, 72% think that they are working on CSR. One of the reasons for this fact is that enterprises do not differentiate CSR from social commitment.

Expected CSR Trends

Traditionally, CSR has been practised in an informal way by a large percentage of companies, including SMEs, but the subject only emerged as an autonomous management discipline at the turn of last century, especially after the Lisbon European Summit of March 2000.

Literature and managerial practices show evidences of the fact that company performance depends on various intangible assets such as the value of knowledge and the capability to innovate, the consensus and trust of stakeholders, the reputation, and, finally, the availability to contribute to the community wellbeing; In a word, company performance also depends on the ability of companies to behave in a social responsible way.

The research on the "State of the Art on CSR" carried out between March and April 2004 in the partner countries, makes it possible to anticipate that the CSR's level of importance will increase in the coming years, in line with the reinforcement of the "Lisbon Strategy" in the EU. The movement will tend to expand from multinationals and large companies to the SMEs tissue. Public awareness regarding the subject will tend to increase, and so will the strategic approach to CSR: linking CSR initiatives with company business strategy, recognising CSR as a win-win strategy. In fact, nowadays' decisions are mainly made regarding enterprise politics but without a strategic analysis.

Companies are expected to have to adopt certain CSR practices due to the external pressure from more knowledgeable customers (according to the conclusions presented in the study "European Attitudes towards Social Responsibility" carried out by MORI on behalf of CSR Europe in 2000, customers admit that a company's commitment to social responsibility might influence their buying decisions and agree to pay more for an environmentally and socially responsible product, obviously in different percentages according to the country), demanding business partners and employees more aware of their labour rights.¹⁰

Furthermore, non-profit organisations are expected to become more professional as far as their role of bringing different sectors together for common good is concerned.

The number of companies listed in social indexes and/or certified according to international Social Standards are also expected to increase significantly as well as the number of CSR reports published by companies. In fact, the external communication regarding the CSR subject is one of the weaknesses found in the State of the Art on CSR research. One of the expected trends in the coming years, with special focus on SMEs, is to increase the quantity and the quality of the external communication concerning CSR. These enterprises do not make their initiatives public due to absence of budget and communication and public relations workers.

The idea is that companies pioneering in this field will function as benchmark examples and pull forward other companies, namely in an European context. This means that we should be able to see, in a near future, a reality in which companies are socially more active in some of the European countries - namely the ones belonging to the partnership and with the help of the project results - will disseminate their practices in a way that will pull forward other companies, even though belonging to other countries.

The growing importance of environmental protection, sustainability development practices, health and safety at work, human rights protection, protection of minorities and disabled people, balance between working and private life, equal opportunities, business ethics and transparency, corporate governance, discussions about regulations and values, among others, are the main reasons why we can expect CSR to become more important in the future.

Nevertheless, the recent difficult economic situation in Europe raises the question of how to keep the jobs for the company's employees – which is in turn a sustainable question on CSR itself – can at the moment also be seen as a serious setback to a wider CSR involvement in the companies' external stakeholder fields.

Opportunities and Obstacles concerning CSR

One of the most important points of the reports on the "State of the Art" of each partner country, which conclusions we would like to highlight in this report, is the one regarding the research on the opportunities for and obstacles to CSR.

With this research we expect to improve our understanding of a path which will actually enable the promotion of CSR among SMEs - the general aim of this project – briefly - to know the companies' reasons and motivations to integrate CSR into their business strategies principles, which are the identified business benefits for companies to be active in CSR and which are the main barriers mentioned by enterprises as important obstacles to the development of CSR practices within the corporate working ground.

Using these data we expect to improve our project results in order to improve the answer to the company's needs and expectations as far as CSR development is concerned.

Highlighting we can say that:



Reasons and Motivations

Austria

According to a study by CSR Austria in 2003, the reasons for supporting non-profit organisations are in three of four cases the ethical and moral persuasion of the management (concerning the owners in 38%), while one quarter believes in a positive impact for their business success and 23% are motivated for corporate citizenship due to their co-workers. Public pressure leads to engagements in 6% and defaults of the parent company in 3%.⁶

To differentiate on the basis of companies' size, small enterprises consider the positive impact on their business due to CSR only in 12% - a number which is doubled considering middle-sized and large companies.

Estonia

According to a survey carried out on March and April 2004 among 50 small and medium size enterprises all around Estonia to monitor their opinion about CSR, there are five main reasons and motivations for companies to be active in CSR:¹²

- ④ Increasing employees satisfaction (improving retention and attraction);
- ④ Better image building;
- ④ Ethical reasons;
- ④ Improving the relationship with clients,
- ④ Participating in designing the development process of the region/community.

Hungary

Due to factors such as the political consumer, well-organised and well-funded NGO's, companies' considerable wealth and political clout as well as an increasing interest from the mainstream media, companies are increasingly forced to communicate more openly, produce in a more (socially and environmentally) responsible manner and share profits with others than the direct owners.

Although not having any available studies or researches on CSR development in Hungary, it is fair to say that business success (survival) and stakeholders satisfaction are intimately tied to the adoption and implementation of high standards in business ethics and conduct. Attracting investment, whether SRI's, foreign investment, governmental or any other type, will increasingly depend on the companies behaviour in society, towards its employees, the environment, the community, making it essential for every company, regardless of size and industry, to focus on CSR.

Italy

According to the Italian full report on "The State of the Art on CSR", companies' advantages deriving from the participation in the CSR system are:

- ④ Increased corporate trust and reputation, improving the relationships of the participating companies with different stakeholder categories;
- ④ Better market positioning in relation to the increased demand for ethical products (goods and services);
- ④ Easier access of companies to the financial markets and especially to ethical, environment and sustainability-oriented funds operating in accordance with SRI principles;
- ④ Possible fiscal, economic and administrative incentives which the Government could introduce in order to reward socially responsible companies.

Portugal

According to the Report 2002/Nº 4 of the Observatory of European SMEs, the main reasons for SMEs to be externally socially active are ethics (44%) and the improvement of the relationship with the community/public authorities (39%).⁹

As far as environment responsibility is concerned, legal compliance, cost savings, better image and pressure from the customers are the main motivations for being active.

According to a report on the national situation towards ethical management published in 2002 the reasons why companies should involve themselves in CSR are "because it is the right thing to do" (56%) and "because it is a good strategy" (35%). Commercial advantages (5.5%) and profitability (3.5%) were the less chosen answers.¹³

The Netherlands

According to an inquiry carried out by the Dutch Ministry of Economic Affairs in 2001 and 2003, the 'social duty' is many times the main reason for CSR. Over 60% of the economic life is involved with CSR because it is the right thing to do, from an ethical point of view. Furthermore, it has to bring profit to the enterprise. This plays a more important role in large enterprises than in small enterprises.¹¹

Having a CSR-policy will give the enterprise a better image towards the customers, suppliers and business partners (33%), and this will lead to better publicity and more profit.

For less than one out of five enterprises CSR is, somehow, demanded by their clients. The demands are mainly on the area of preventing from fraud and corruption, environmental behaviour and having a course of behaviour.

Other motivations are reducing pollution and a better work environment. Other motives for having a CSR policy is that CSR is important for the continuity of the enterprise and gives it the right to exist.

One fourth of the enterprises which are involved with CSR, does not see its direct benefits.

Business Benefits

Austria

According to a study by CSR Austria in 2003, although CSR involvement offers a remarkable potential for strengthen a company's image and its positioning / unique selling proposition in the markets as well as long-term relationships with important stakeholders offer business opportunities for the future, companies in Austria are still not familiar enough with the business benefits of CSR.⁶

Estonia

According to a survey carried out on March and April 2004 among 50 small and medium size enterprises all around Estonia to monitor their opinion about CSR, the main business benefits for companies to be active in CSR are related to employee motivation and productivity, improved image and closer relationship with customers to contribute to sales, and the opportunity to direct the development of the area in a way which also supports the company's development.¹²

The benefits are to a large extent not consciously addressed, as only 46% of the participants in the survey recognised the connection between corporate social responsibility and economic gains.

It might be interesting to know that almost 80% of the respondents replied that external pressure (either from clients, competitors, partners or government) is not urging their companies to be more socially responsible.

Hungary

According to the Hungarian full report on "The State of the Art on CSR" the major benefits for companies focusing and providing information on their CSR efforts are:

- Increased goodwill towards employees, the public, the press, NGO's authorities, investors (improved brand image);
- Becoming eligible for SRI's;
- The possibility of raising price on products or services;
- Better financial performance.



Italy

According to the Italian full report on "The State of the Art on CSR" for Italian companies the most important benefits resulting from socially-responsible behaviours are:

- Regarding human resources and the company environment, CSR practices contribute to a better, safer and more-motivation-based working environment, in line with the corporation targets of effectiveness efficiency. As a consequence, this increases the corporate capability to attract and keep qualified and motivated human resources;
- At the international competitive level, which is more and more complex and dynamic, where social and environmental dumping cases trigger competitive imbalances, CSR may represent a qualifying distinctive element by transforming threats into opportunities, in full respect of the market rules and consumers' sensibility;
- Easier access to financial funds by virtue of the already-mentioned risk profiles reduction of a socially-responsible company.

As far as the final market is concerned, the CSR commitment contributes to the increase of the brand value, through the development of a steady and long-lasting relationship with consumers/clients, on the basis of trust and loyalty to the brand.

The care for principles of social and environmental responsibility strengthens the company's reputation and thus reduces the risk of boycotting by third organisations.

Portugal

The main benefits identified by the report "European SMEs and Social and Environmental Responsibility" are the improvement of the relationship with the community/public authorities (40%, the highest rate in EU 15, confirming the great importance of personal relationships in Portuguese business) and an increase in customer loyalty (33%), but many companies (36%) could not identify concrete benefits.⁹

European SMEs clearly split in two groups of almost equivalent size: the socially active, mainly mature companies, those growing at a fast rate, innovative or providers of high quality products, which tend to continue doing it, and the ones which do not believe in the benefits of CSR. 70% of the SMEs tend to maintain the same policy they had in the past, 14% plan to increase social involvement and 7% to decrease it.

The Netherlands

According to an inquiry carried out by the Dutch Ministry of Economic Affairs in 2001 and 2003 the main identified benefits are connected with better image, raising awareness, better social environment in the company, costs reducing and getting more attractive to labour market.¹¹

At the same time one out of five enterprises are convinced that CSR activities will harm the profit, and sponsoring and training the employees will cost the enterprise quite a lot of money, meaning that: notwithstanding the high level of development of CSR in The Netherlands, there are quite a lot of enterprises which do not see any advantage in acting in a more social responsible way or do not know the business benefits of CSR.

Barriers / Obstacles

Austria

According to the study by CSR Austria, the companies' reasons for not improving their engagement in corporate citizenship are the missing financial resources (68%), too less or too unclear use of the engagements in relation to its expenditures (53%) and missing time resources (46%).⁶

As the Austrian Revenue Office still does not comprise exemptions regarding to donations for social projects, arts and cultural affairs (others than science and research), disabled people, development cooperation, humanitarian help, environmental and animal protection etc., a broad potential for strengthen CSR involvement lies idle.

Other aspects noticed in personal discussions in Austria deal with the terms "Corporate Social Responsibility" and "Corporate Citizen" which are in a German speaking country still very unusual to many business people especially in small and middle-sized enterprises.

CSR is just in the beginning concerning its awareness and discussions in the political landscape and in the various fields of opinion leaders as well as coverage in the media.

Estonia

According to a survey carried out on March and April 2004 among 50 small and medium size enterprises all around Estonia to monitor their opinion about CSR the main barriers were the lack of financial resources (confirmed by 70% of the respondents) and time (60% of the respondents).¹²

Besides these, the lack of human resources and the understanding that CSR is not really a company's responsibility are also obstacles to CSR advancement.

Moreover, we can point out that companies do not look at CSR benefits, but tend to see only the need for investment.

This can be partly explained by the fact that the general knowledge about CSR is poor and companies do not know how to employ its strategies. However, the respondents indicate that the lack of knowledge both about CSR practices and ways of integrating these into company's operations is not a significant issue, which signals that the topic of CSR is very new in Estonia and its meaning and opportunities are yet to be revealed.

Hungary

In Hungary, CSR is still an issue which importance people do not seem to see. It will take a change in attitudes before CSR truly takes off.

Furthermore, legislators have to do more in order to promote incentives to get involved with CSR. The government and politicians in general play an extremely important role in spreading the mind set and practice, first and foremost by being good examples and providing the necessary legislation.

Hungarian companies must also learn from companies elsewhere in the world and engage themselves fully in the global competition. That is sure to promote measures which will increase the competitiveness of Hungarian companies.

Italy

In general, Italian companies show a positive attitude towards CSR. Companies seem to be engaged in socially responsible activities using several tools: specific programmes on social issues, sponsorships, donations, adoption of codes of conduct. Meanwhile, for several companies CSR is still an occasional topic, not closely related to the business strategy.

The need for public support is clearly pointed out by Italian enterprises as a critical factor in fostering CSR behaviour. In particular, in addition to fiscal incentives, companies need information on corporate social issues (the lack of publicity on CSR is considered one of the main obstacles to CSR activities). Public Authorities have to develop and spread knowledge about CSR in the business community through promotion and communication.

Portugal

According to the report "European SMEs and Social and Environmental Responsibility", existing barriers to social involvement are mainly lack of awareness (24%), particularly among the smaller companies, followed by lack of time (19%) and the idea that CSR external activities have no connection with the company business (17%). Lack of money is also important (16%), especially for smaller companies. Public support does not seem to be important.⁹

Concerning environment responsibility, the main obstacles identified are lack of human and financial resources, attitude and company culture and lack of awareness.

Attitude in general and lack of awareness in particular seem to be the common elements of both social and environmental aspects of CSR, especially at the SME level.

The Netherlands

According to an inquiry carried out by the Dutch Ministry of Economic Affairs, over 25% of the enterprises does not have any type of CSR-policy. The main reason for this is the small-scale of the enterprises (most of the times less than 10 employees).¹¹

Another reason is that managers think their company does not involve CSR or just had not thought of it before.



Attitude in general and lack of awareness in particular seem to be the common elements of both social and environmental aspects of CSR, especially at the SME level. These points reinforce the importance of implementing an information campaign on CSR with a special focus on the win-win strategy of corporate engagement as well as developing training contents and training materials on the subject and diffuse them amongst the public in general and the SMEs managers in particular.

CHAPTER 3. EXECUTIVE SUMMARY BY COUNTRY

Austria

Austria is ranked 9th in the "National Corporate Responsibility Index 2003" published by "AccountAbility".¹⁴

In the beginning of 2002, discussions about corporate social responsibility (CSR) by the Federal Ministry for Economic Affairs and Labour and the Federation of Austrian Industry initiated the programme "CSR Austria" together with the Austrian Chamber of Commerce as another partner. In a stakeholder dialogue, business representatives and politicians met representatives of social partners, international organisations and NGO to base the guiding CSR vision for Austrian businesses upon the motto: "Economic Success – Responsible Action" (published and presented in December 2003).

During this process, CSR Austria has been engaged in a number of workshops, round tables and publications to discuss and inform social responsibility of businesses together with a broad audience and supported by effective work with the media. The Austrian Business Council for Sustainable Development and the Austrian Institute for Sustainable Development established the Austrian Business Academy for Sustainable Development with the focus on training in corporate sustainability in the spring of 2004.

According to a study by CSR Austria, in 2003 three-quarters of the Austrian companies have a system of values based upon their specific profile, which is, in most of these cases, documented as a company's vision or its mission statement. Indeed, only some of the largest companies publish social and environmental reports.⁶

Concerning the Austrian Code of Corporate Governance, established in October 2002, the CSR Austria Study has shown that 59% of the Austrian enterprises know the discussion about corporate governance. 16% of the companies taking part in the study have signed the Code. The reasons for not signing are for every second company "not enough utility", followed by "too much bureaucracy" (43%), "no demand on the side of clients, banks or investors" (36%) and "not enough orientation on the needs of SME" (36%).

According to the CSR Austria Study, 97% of the companies in Austria were engaged in activities in any kind of corporate citizenship in 2002. As far as small enterprises are concerned, one third was engaged in an amount up to 2.500 EUR, the second third between 2.500 and 5.000 EUR and the most active third with more than 5.000 EUR. The first third of middle-sized enterprises has invested up to 7.000 EUR into corporate citizen activities, followed by a second third with up to 15.000 EUR and a final third engaged with over 15.000 EUR in one year. The appropriate limit values of large companies are 12.000 and 45.000 EUR. Cash donations are the most popular field in corporate citizenship with 93% of the Austrian companies, followed by donations in goods (85%). 68% of the enterprises signed sponsoring contracts with non-profit organisations while another 58% of businesses supported them in the field of corporate volunteering.⁶

Small enterprises consider the positive impact on their business due to CSR only in 12% - a number doubled considering middle-sized and large companies. Reasons for not improving their engagement in corporate citizenship are the missing financial resources (68%), too less or too unclear use of the engagements in relation to its expenditures (53%) and lack of time resources (46%).

Important industries in Austria are based on nature, like tourism and forestry. 315 enterprises are active in the environmental technology industry reaching 2.5 billion Euro profit a year. Industries such as biomass technology, energy efficiency and solar technology secure 16.000 jobs, together with the sector of environmental services the number of jobs is 85.000. The export quote of these environmental enterprises is at 60%, which can be regarded as a proof for high quality and competitive ability.

Considering fair trade initiatives, there are 68 world shops in Austria, of which 62 are members of the Austrian World Shop Association. Besides, fair trade labelled products are available in more than 1.500 supermarkets.

In spite of the fact that Austria's consumers are on the world top concerning waste separation with over 100 kilogram packing per person in one year (source: www. argev.at), the OECD Report in 2003 showed that private consumers exhibit constantly rising values. OECD stated a better environmental responsibility particularly in the industry and energy supply sectors, while the traffic sector remained on constantly high level. The report comes to the result that Austria could not get closer to the Kyoto goal of a 13% reduction from greenhouse-effective gases until 2010. Nevertheless, the Environmental Sustainability Index (ESI), which measures the environmental performance of 122 countries, has listed Austria, at once, at place 8 and at number 5 in Europe (ESI 2001).



In 2002, private investing in ethical funds has reached 1.4 billion EUR, which is 0.4% of the Austrian funds volume. Ethic funds have no long tradition in Austria, but this kind of investment is thought to be just at the beginning. Following Austria's daily newspaper for economics (*WirtschaftsBlatt*), the total number of funds with ethical, environmental or sustainable orientation available in Austria has been 46 in the autumn of 2003.

A study of the Austrian Gallup Institute in 2002 shows that 34% of the Austrians and 58% of investors orientated in environment, are interested in an index for the social and environmental sustainability of Austrian companies. 34% of the investors without shares in Austrian companies are willing to invest in Austrian companies as soon as their social responsibility has been proofed. Indicators to measure CSR are developed in a current dialogue between the Stock Exchange in Vienna and the University for Economics at an open web platform. According to the Austrian Association of Financial Analysts, over a dozen of the 40 companies in the prime market at the stock exchange in Vienna already would fulfil the criteria of a CSR index. Currently it is planed to start the CSR Index with 12 up to 17 members. Important Austrian companies such as Erste Bank, Voestalpine and UNIQA already have shown their interest.¹⁵

According to the CSR Austria Study, the main reasons for Austrian businesses to support non-profit organisations are in three of four cases the ethical and moral persuasion of management (concerning the owners in 38%), while one quarter believes in a positive impact for their business success, 23% are motivated for corporate citizenship due to their staff. Public pressure leads to engagements in 6% and defaults of the parent company in 3%.⁶

Only 14% of the companies plan their corporate citizenship activities in a strategic way. 52% of the decisions are made regarding the enterprise's politics but without a strategic analysis. 32% of the companies are engaged in corporate citizenship without any strategic relation to their business. These points reinforce the importance of implementing an information campaign concerning CSR in Austria with a special focus on the win-win strategy of corporate engagement as well as developing training materials on the subject in order to professionalize small and middle-sized companies and NGOs on CSR.

Estonia

Estonia, while being one of the smallest countries in Europe has had relatively fast economic growth taking place since 1995. Together with this, the development of the civil society and the third sector organisations could be highlighted. Both public and the third sector initiatives are leading social agreement and encouragement to multi-sector dialogues. Although the expected results have not been achieved yet, the ownership of the process and envisioned results allow us to expect further progress.

In Estonia Corporate Social Responsibility as a concept is not yet a discussion topic on the scale it could be. Nowadays, emerge the first signs of a conscious approach to the notion - in the last decade, approximately 3-4 articles a year have been published on the topic in the daily newspapers, and on average about 1-2 larger conferences a year, which cover topics related to CSR, have taken place. Furthermore, the researches on this topic are expanding. Thus, we can conclude that the understanding of CSR is very recent and is now on the verge of introduction to business practices, academic curricula and the general public. Entering the European Union, where CSR is often in the public eye, is expected to have a positive impact on promoting CSR in Estonia.

In terms of implementation, CSR approach has a longer history due to the fact that during the Soviet times, large enterprises and collective production units (collective farms) often took care of their social environment by investing in local communities and taking care of their employees. Currently the general situation shows that the companies' role is being largely valued in the development of the society as a whole. Companies' side cash and in-kind support are part of the common business practice. Sports, culture, health and welfare are the main subjects of support. At the same time, these practices are often not integrated in the strategic management of the organisation and thus may often be informal in its character.

In the recent years, the understanding of CSR and standards applied in the companies are broadly shaped mainly by Scandinavian investments. Rapidly developing sectors of the economy such as telecommunications and banking are owned by Scandinavians and are assimilating the Scandinavian culture/standards to a large extent.

The present picture is the following: almost 80% of the companies in Estonia are micro and small size enterprises with limited resources. Hence, most of them still do not have long-term strategic plans and their mission, values and vision written down. In those companies which have the statements, shareholders, who are closely followed by clients and employees and to a lesser extent by society, occupy the leading positions.

In a qualitative research carried out in 2003 amongst the leading enterprises, approaches of companies were found fitting in both extremes on a proactive-reactive scale in regards to CSR. However, the majority of large enterprises researched were more on a proactive side of the scale, looking at the relationships and ties in a broader perspective, than at those with shareholders and customers. The relationship with other companies in an industry/service area are becoming very important.¹⁶

The research also indicated weak connection between CSR and core business/resources. As the clients, shareholders and employees are identified as the most important stakeholders, main CSR activities are being run along these lines. Environmental reporting and eco-labelling, cause related marketing campaigns, increasing investments in employee development programmes, although, often just recently introduced, are visible signs to prove the aforementioned. In addition to this, it has to be mentioned that the reporting and "talking about it" is still on a very minimum level. There are no special CSR reports available by any company.

Ethical funds and social indexes have not been introduced yet in Estonia.

At the current stage of development the concern with environmental protection could be highlighted rather than the concern with CSR. Since the beginning of the 1990s a number of environmental organisations have been founded. By now a few leading companies are already publishing their environmental reports and the trend is increasing. Currently 80 companies have become ISO 14 000 certified, less than 10 companies have acquired OHSAS 18 001 certification, while the SA 8000 and EMAS certifications are not yet available in Estonia. In the certification process, there is no direct financial support from the state in achieving neither social nor environment certifications. Sustaining projects which assist in creating the capacity for achieving the standards encourages the attainment of certificates.

Furthermore, there is no organisation whose main activity or operation is directly and only related to developing CSR practices, know-how or understanding in Estonia. In the umbrella bodies which unite private sector organisations, CSR is not part of the main agenda. Despite that, there are several NGOs which have engaged themselves in bringing different sectors together for common good and initiate CSR related activities.

In terms of academic curricula, CSR is relatively little represented, however not completely missing in the universities' study programmes.

There are no national awards in Estonia which directly refer to CSR. Nevertheless, there are a few awards which give recognition to some aspects of CSR, e.g. Technology Developer of the Year and Community Developer of the Year. Furthermore, several non-governmental and private sector organisations have initiated awards turning the attention of the society to CSR related issues on a more specific level (Most Environment/ Family Friendly Company, The Best Company in Recycling etc.). In addition to this, specific industry organisations can have their own awards in similar categories.

In the spring of 2004 a CSR related survey was carried out among the small and medium size enterprises. Based on this, it can be concluded that the main business benefits for companies to be active in CSR are related to employee motivation and productivity, improved image and closer relationship with customers to contribute to sales, and the opportunity to direct the development of the area in a way which also supports the company's development.¹²

The benefits are to a large extent not consciously addressed, as only 46% of the participants in the survey recognised the connection between corporate social responsibility and economic gains. The lack of financial resources and time were identified as the main barriers. Besides these, the lack of human resources and the understanding that CSR is not really a company's responsibility are also obstacles to CSR advancement.

As to the future of CSR in Estonia, increase in the companies' knowledge can be expected, hopefully paving way to a more integrated management of the companies' role in the society. Growing public awareness will also be an influential stimulus in the process, which will also be encouraged by the European Union.



Hungary

Since the fall of the communist regime in Hungary in 1989, the country has been continuously adopting a free approach to market activities. Before this time, the Republic had no experience with issues such as sustainable management and, therefore, had large amounts of ground to cover compared with its Western European counterparts, both in terms of policy and governance, and in acquiring skills and experience in the market arena.

It was a question of necessity that before the political spotlight could be turned to long term environmental and social concerns, immediate and complicated economic issues were to be faced. Corporate Social Responsibility, itself a relatively new field, has taken a very back seat to the constant bureaucratic problems which have riddled this rising democracy.

Leaders in today's Hungarian companies have had 15 years not directly under the auspices of the communist regime. At the beginning of this time it was possible to learn business and other techniques which enabled citizens to set up enterprises. They began to have more design and initiative in their own lives, and with it more social responsibility.

Economic sustainability has been a constant challenge for such individuals, and keeping out of the red has left little time or energy for going green. But more fundamentally, players in the markets of Hungary are typically not aware of the role they (would) play in achieving social goals, let alone knowing how to effectively support such ideas and remain profitable. CSR initiatives in Hungary seriously risk being seen as naive - the enemy of the bottom line.

Traditionally, companies in Hungary have neither shared significant information with the public and legislators beyond that which was required, nor operated specifically in ways to improve or alter social and environment issues.

There is no history of CSR in SME on a major or even organised scale in Hungary.

A study was carried out by the Hungarian Environmental Economics Centre in 2003 concerning 27 companies listed in the Budapest Stock Exchange. It is evident that, in general, CSR and its perspectives are not acknowledged and certainly not incorporated into everyday practice by these companies, which are the most internationally-minded and forward-thinking of the largest Hungarian companies. The mind-set is even less developed among their small and middle sized market companions.⁷

Likewise, the flows from SRI funds (Social Responsible Investments), which are gathering momentum elsewhere in developed markets, are not pouring into Hungary. Two reasons are listed in the report; one is the lack of CSR information from Hungarian companies. The second is a continuous mistrust of the stability of the emerging economies of Central and Eastern Europe from established funds and investors.

However, among the 27 companies researched 4 of them in particular are making great efforts to improve their CSR standards and to convey information about their progress – or regress – available to any person who may have an interest i.e. shareholders, future investors, NGO's, the press etc. Other companies are either following immediately after in their efforts or considering and planning how to improve their level of information and hence their processes.

Also, the Hungarian accession into the EU on May 1st 2004 should make it clearer to foreign investment funds that the economy is stable and that the political establishment will hold true to the ideas of market economy. Hungary was among the first countries in the former Soviet client states to adopt these ideas and provide a healthier business environment.

The above-mentioned survey conveys the following future indicators of trends in Hungary:

- to 70% of customers, a company's CSR activity is an important factor for buying;
- 20% of customers are willing to pay more at a company with CSR;
- 78% of employees prefer to work for a company with CSR for lower salary.



Most popular CSR activities of companies in Hungary have been identified as:

- 🕒 Employee fringe benefits (training, financial loans, meal-tickets, internet access, language classes);
- 🕒 Help for ex-employees;
- 🕒 Donations to causes and churches;
- 🕒 Supporting foundations, cultural events, artists;
- 🕒 Supporting (non-profit) institutions established by the company;
- 🕒 Opportunity for legal employment for foreigners and immigrants.

Based on the available information on CSR in Hungary today and the way companies, politicians and organisations communicate in fields related to CSR, it is fair to assume that the idea of CSR will spread and grow and that the related communicational culture will become an organic part of Hungarian corporate world with promising and dynamic perspectives. So far, the results are modest but the potential is substantial.

Italy

According to a study carried out in 2003 by *Unioncamere* (the Italian Union of Chambers of Commerce) in cooperation with the *Istituto per i Valori d'Impresa* (ISVI - Institute for Corporate Values) business size deeply influences companies' stance on social responsibility. This connection results from all the main factors: ⁸

- As far as the knowledge of CSR issues and tools are concerned (Green paper, code of conduct, environmental statement, social statement, SA8000, EMAS/ISO 14001), percentages related to smaller and small enterprises occupy a position considerably below the others. It is interesting to observe that 55.0% of enterprises with less than 20 employees do not know any of the above tools, whereas these percentages go down as size increases, concerning only 31.6% of medium enterprises and 15.2% of large enterprises;
- The initiatives in favour of the community (donations, sponsorship, etc) increase in connection with size. Particularly, experiences of social responsibility-related advertising and cause-related marketing are almost non-existent in smaller and small enterprises;
- In their relationship with customers and suppliers, large companies require twice as much statements/certificates for their suppliers compared to smaller enterprises; in that case, values related to small enterprises are already considerably close to those of larger enterprises;
- As far as environmental protection programmes are concerned, the growth connected with size is exponential – for instance, programmes of energy consumption reduction for the four business sizes (5.9%; 8.1%; 12.3%; 32.5%);
- As far as the management of staff relationships is concerned, differences concern health care, activities related to spare time and communication tools;
- For all management systems related to some CSR aspects the degree of adoption is very uneven between medium and large companies as pointed out by data concerning social statement (from 3.0% to 10.2%) and environmental certification (from 3.5% to 21.4%).

The limited commitment of small and very small enterprises can be explained by a number of reasons:

- The interventions in favour of co-workers and the community, often carried out by the people in charge in these enterprises, are usually executed on a personal basis and according to unstructured means, thus making an objective observation impossible;
- All life expressions of these enterprises are characterised by a low degree of formalisation;
- Financial resources which can be invested in CSR activities are limited, therefore the range of noticeable actions is reduced;
- If the channel of trade is made up of few companies for which a sub-supplier activity is carried out, initiatives promoting corporate image will not be so relevant.

The survey outlined the following areas in which smaller enterprises are active: ⁸

- The tools expressing values and guiding principles are quite well-known (25.4% for smaller enterprises and 37% for small ones), as well as ISO 14001 environmental certification and EMAS membership (18.7% for smaller enterprises and 31.7% for small enterprises);
- A large number of enterprises belonging to the first two business sizes makes money donations (25.3% and 41.8% respectively) and sponsorships (26.2% and 39.4%) on a regular basis;
- A high percentage of enterprises requires from their suppliers a quality certification of the product/service (32.5% and 50.1% respectively) or adopts it directly (20.4% and 42% respectively);
- Enterprises with 20-49 employees implement many practices in favour of employees: flexible hours (46.3%), meetings on a regular basis to present strategies and results achieved (58.7%), training for more than 20% of the staff (39.2%).

On one hand, the degree of satisfaction regarding the various CSR practices adopted- a certain prevalence of positive judgement by large companies is observed- presents above-average values in almost all cases.

On the other hand, two set of variables are observed: for some interventions/tools particularly demanding for companies (social statement, environmental statement, actions in favour of the community) the percentage of positive judgements is noticeably higher in large companies; with regard to initiatives this gap is very small or almost non-existent.

The high degree of satisfaction regarding CSR-related actions is confirmed by another piece of information: in most cases, enterprises which began the CSR activity intend to confirm their commitment for the future.

Over the last five years, requests of statements/certifications by customers experienced a linear and remarkable growth, showing the increasing importance of the supply chain ethical control (working conditions and hours, child labour, protection of female work, etc.)

In general, Italian companies show a positive attitude towards CSR. Enterprises seem to be engaged in socially responsible activities using several tools: specific programmes concerning social issues, sponsorships, donations, adoption of codes of conduct. Meanwhile, for several companies CSR is still an occasional topic, not closely related to the business strategy.



Portugal

Portugal is ranked 21st in the "National Corporate Responsibility Index 2003" published by "AccountAbility", coming after the other 14 EU countries except Greece and just above Japan and the USA.¹⁴

In March 2000, the European Council approved the "Lisbon Agenda 2010", a strategy for economic, social and environmental renewal of the EU. Since then, new organisations dedicated to CSR appeared in the country and CSR experienced a significant boom. The topic is just emerging as an autonomous management discipline and remains a low priority for most business managers and owners.

Social and environmental reports are almost non-existent in Portugal. The real impact of CSR policies and programmes is seldom measured and the business case of CSR is yet to be of general acceptance.

Some of the large companies are beginning to integrate CSR into their overall business strategies, playing a much more active role in this field and actually committing themselves beyond legal compliance in both environmental and social areas. In those companies, top management, human resources, P&R and marketing are the most common departments in charge of CSR.

According to a study carried out by MORI on behalf of CSR Europe in mid 2000, the concept of CSR remains quite unfamiliar to common Portuguese citizens. However, 66% of them think companies should pay more attention to the subject. 20% would recommend a socially responsible company to others, 70% admit that a company's commitment to social responsibility might influence their buying decisions and one third would agree to pay more for an environmentally and socially responsible product.⁸

"Novadelta" became the first Portuguese company certified under the SA 8000 standard and was recognised as an international benchmark in the coffee industry.

During 2003, the Portuguese Social and Economic Council published an important opinion on CSR.

For the first time, a CSR Guide containing a list of social responsible companies and a description of their main social and environmental projects was cover story of a national reference business magazine. In May 2003, the "CSR Europe" road show meeting took place, organised by the brand new "Portuguese CSR Association" (RSE Portugal). Throughout the year, around 2 500 people - a real unprecedented figure- engaged in approximately twenty different events and the first few local research on CSR saw daylight.

Cause related marketing is still not significant, but it is growing relatively fast.

There are very few eco-labelled products in the market (43 different eco-labelled products, originated from 18 different companies, 8 of which are Portuguese made, coming from 4 different companies) and no social labels at all.

Informal economy is significant and in 2003, Portugal was rated 25th (same place as in 2002) in the Corruption Perception Index published by "Transparency International", above Italy and Greece and all new EU countries.

Portugal lies at the end of the EU 15 in some important ratios like per capita income, productivity, education level, lifelong training, and mortal labour accidents. In issues like education, it even comes behind all the new EU partners. Considering this particular situation, the internal dimension of CSR is even more important than in other EU countries.

Environment Legislation in Portugal is quite demanding, but non-compliance is significant. Although having signed the Kyoto Protocol, Portugal is far from being a good pupil at the EU level in fields such as the control of greenhouse effect gases, river pollution and the recycling of industrial and urban solid waste. At the end of 2003, 243 companies had ISO 14001 certifications and 14 were registered at the EMAS, a modest performance compared to EU 15 average.

Apart from the local branches of some multi-national companies, few Portuguese companies have written statements of vision and values, mission, business principles and codes of conduct.

Ethical funds are not yet available on the local financial market and only three companies are listed in International Social Indexes.

According to the Report 2002/No 4 of the Observatory of European SMEs, two thirds of the Portuguese SMEs actually practice some kind of external CSR, most of them in an informal way.⁹

Culture and sports are the main activities supported, followed by health and welfare. The most popular way of involvement is through donations, in cash or in kind, usually carried out on an ad-hoc or irregular basis. Portugal has the highest incidence of company donations among EU 15.



Corporate volunteering practices are scarce and concentrated in large companies.

According to the same report, the main reasons for SMEs to be externally socially active are ethics and the improvement of the relationships with the community/public authorities.

The main benefits identified are the improvement of the relationship with the community/public authorities (40%, the highest rate in all EU 15) and an increase in the customer loyalty, but many companies (36%) cannot identify concrete benefits. Existing barriers consist mainly in lack of awareness (especially among smaller companies), followed by lack of time and the idea that CSR external activities have no connection with the company business. Lack of financial resources is also important for the smaller companies.

Concerning environment responsibility, legal compliance, cost savings, better image and pressure from the customers are the main motivations for being active. The main obstacles identified are lack of human and financial resources, attitude and company culture and lack of awareness.

Attitude in general and lack of awareness in particular seem to be the common elements of both social and environmental aspects of CSR, especially at the SME level. These points reinforce the importance of implementing an information campaign concerning CSR in Portugal as well as developing training contents and training materials on the subject and diffuse them amongst the public in general and the SMEs managers in particular.

The Netherlands

The Netherlands is ranked 6th in the "National Corporate Responsibility Index 2003" published by "AccoutAbility", in which 51 countries are rated. ¹⁴

The bases of CSR in The Netherlands are the three P's of 'the triple bottom line' by Elkington; People, Planet and Profit.

In 2001 and then in 2003 the Ministry of Economic Affairs inquired 300 enterprises (large, medium and small enterprises) about how they handle CSR. The questions were focused on CSR and social commitment of enterprises. The topics were chosen as activities with a surplus for the enterprises and the society, to the core business and not obliged by legislation. ¹¹

It showed that CSR and the CSR-awareness of enterprises increased; from 51% to 72%. Sponsoring is one of the most important features of CSR; more than 50% of the Dutch enterprises support organisations.

CSR is also seen in the mission, vision and values of an enterprise; which can be found in the annual reports. This report is made annually together with the annual account. Many enterprises also make an annual CSR-report; this is not compulsory.

The Dutch policy concerning CSR is mostly based on the advice given in 2003 by the SER – Social Economic Counsel, after an extensive research. The essence of that advice is that CSR should be developed at 'the bottom'. This means that CSR is the primary responsibility of the enterprises and that the framework for CSR should derive from the social discussion between enterprises, NGOs, social organisations and the citizens of The Netherlands.

The Netherlands has ratified the ILO-convention and endorses the OECD-guidelines.

It is to be expected that CSR will get even more important in the future.

The Ministry of Economic Affairs would like to see an increase in transparency of enterprises concerning CSR.

There are a couple of CSR-awards in the Netherlands. In January 2003 the NIDO – National Initiative Sustainable Development and the Ministry of Economic Affairs initiated an academic research programme concerning CSR. The research will offer support to companies at the interpretation of their social entrepreneurship and will give insight to the society and the Government of what can be expected of enterprises in dealing with CSR. In 2003 there were nine important studies on CSR.

CSR gets a lot of media-attention, in the newspaper and television as well as in events and conferences.

In 2003 the "Corporate Governance Committee" published "The Dutch corporate governance code – principles of good corporate governance and best practice provisions". This code is one step forward in restoring the public's trust and confidence in the honesty, integrity and transparency of the management and operation of Dutch listed companies. According to this code, good corporate governance essentially revolves around efficient supervision of the management board and a balanced distribution of influence and power between the management board, the supervisory board and the general meeting of shareholders. The starting point of this code was the publication of 40 recommendations on corporate governance in 1996. It will be applied for the first time in the fiscal year of 2004. ¹⁷

According to the International Corruption Index (2003) The Netherlands is one of the "cleanest" countries in the world, rated on 7th place in the Index. ¹⁸

Many companies have certifications like ISO 14001, SA8000, OHSAS etc. but at this moment there is not an organisation which keeps track of all the certifications in The Netherlands.

Children from the age of 5 to 15 are obliged to go to school. The Government is promoting lifelong training and makes conditions and policy on this matter.

Methodical attention for labour conditions is rising. The reason is an increasing awareness of its importance and some changes in the Law of Labour Conditions. The Civil Law is also quite strict on health and safety for employees.

According to the Dutch constitution and the European convention for the protection of human rights, discrimination of all kind is forbidden. In addition to this The Netherlands participate in the EU-project EQUAL which fights discrimination on the labour market.

There are two big fair trade labels in The Netherlands and one other label is being developed. The aim of these labels is that producers of the products get an honest price for their products. Besides the fair trade labels there are some behavioural codes for different types of industry. These codes consist of rules on working conditions, conditions for buying, etc.

There are 39 different Eco-products available, but only 3 are produced in The Netherlands.

Environmental legislation in The Netherlands is strict; for the citizens as well as for the industry. The Dutch environmental-policy is to work towards sustainable development. Sustainable development has been made a main action point by the Government.

The base for sustainable undertaking was the report "Our common Future" by the UN (Committee Brundlandt). At this moment there are all sorts of funds like 'green'-investing, social and ethical-funds. In the most recent years funds which cover all aspects of sustainability have undergone the most considerable growth.

Quite a lot of Dutch companies are listed in social indexes like DJSI, FTSE4G and DSI.

In October 2003 the first Dutch social index was launched - the Kempen SNS Smaller Europe SRI Index. This index keeps track of the performances of smaller European companies which work according to sustainable criteria.

Since January 2002 "green" and social-ethical investment is made more advantageous by the tax authority.

Everyone living in The Netherlands for 50 years and turning 65 has the right to a pension. There is legislation on this matter and there are pension-funds for a supplementary pension.

The main reason for enterprises to be involved with CSR is the "social duty"; over 60% is involved because it is the right thing to do. Besides that it has to bring the enterprise profit. Having a CSR-policy will give the enterprise a better image towards the customers, suppliers and business partners, and this will lead to better publicity and more profit. ¹¹

CSR still brings more profit to the companies than that is costs.

The main reason for not having any type of CSR-policy is the small-scale of the company (less than 10 employees). Another reason is that managers think their company does not involve CSR or just had not thought of it before.



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ANNEXES

Countries Overview Table



#	Main indicators	Year	Source	Unit	Average EU 15	Austria	Estonia	Hungary	Italy	Netherlands	Portugal
1	Population	2003	Eurostat	million	25,3	8,1	1,4	10	58,2	16,3	10,4
2	Surface	2003	Eurostat	km 2	93.033	88.945	44.100	93.030	301.263	41.526	92.391
3	GNP per capita	2003	Eurostat	EUR	19.181	27.760	3.256	4.063	19.080	23.390	9.170
4	Economic growth	2003	Eurostat	%	0,7	0,7	4,7	2,9	0,2	-0,7	-1,3
5	Public surplus/deficit	2003	Eurostat	%	-2,6	-1,3	2,6	-5,9	-2,4	-3,0	-2,8
6	Inflation rate	2003	Eurostat	%	1,8	1,1	1,3	6,5	2,5	2,1	3,3
7	Labour cost in industry	2000	Expresso (2)	EUR	22,2	24,3	2,8	3,7	18,3	24,1	6,9
8	Active Population	2001	Eurostat	%	64,0	68,4	61,3	56,5	54,8	74,1	68,8
9	Average weekly working time (full time workers)	2001	Eurostat labour force surveys / Geomedia(EE)	hours/week	39,8	40,1	40 (1)	41,0	38,5	39,0	40,2
10	Salaried workers with unlimited duration contracts	2002	EU labour force survey	%	87,0	92,5	n.a.	n.a.	90,1	85,8	78,1
11	Part time workers	2002	EU labour force survey / Stat.Office (EE)	%	17,7	18,5	8,5 (3)	n.a.	8,5	43,4	8,3
12	Female share in total work force	2002	EU labour force survey / Stat.Office (EE) / Labour Source Survey (HU)	%	43,2	44,7	49 (3)	49 (5)	37,9	43,7	45,4
13	Early school leavers not in further education or training	2001	Social situation in the EU 2003	%	19,4	10,2	14,5	13,2	26,4	15,3	45,2
14	Population 25-64 with complete secondary school	2003	Expresso (2)	%	65,1	78,2	87,5	71,4	44,3	67,6	20,6
15	Lifelong learning	2001	Social situation in the EU 2003	%	8,4	8,2	5,3	3,0	5,1	16,3	3,3
16	Unemployment rate	2003	Eurostat / Project partners	%	7,4	4,5	12,3	5,7	8,6	5,3	6,8
17	Long term unemployment	2001	Social situation in the EU 2003	% total unempl.	43	25	50	40	63	33	37
18	Inequality of income distribution	1999	Social situation in the EU 2003	Ratio	4,6	3,7	6,3	n.a.	4,9	3,7	6,4
19	Gender pay gap in unadjusted form	1999	Social situation in the EU 2003 / Stat. Office (EE)	%	84	79	73 (3)	n.a.	91	79	95
20	Serious accidents at work (w/ more than 3 days absence)	2000	EU labour force survey	Standard incidence rate per 100.000	4.016	3.056	n.a.	n.a.	4.049	4.095	4.863
21	Fatal accidents at work (excluding road traffic & transport)	2000	EU labour force survey / Labour inspectorate (EE)	Standard incidence rate per 100.000	2,8	5,1	5,9 (4)	n.a.	3,3	2,3	8

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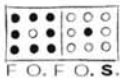
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