



IMPACT project - “Impact Measurement and Performance Analysis of CSR” IMPACT

Policy Brief on the findings from the research work on SMEs

Finalised project

SUMMARY

Objectives of the research

(Whole IMPACT project)

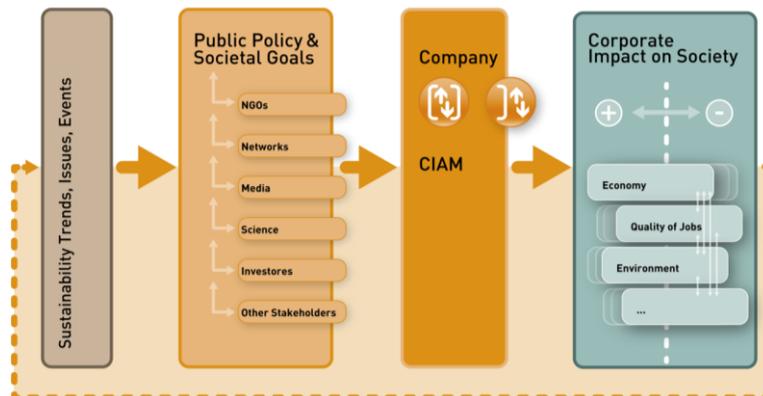
IMPACT intends to develop existing tools and create new ones to measure the impacts of CSR at different levels across European companies, sectors, regions and EU27.

At the same time, the research methods provide evidence to explain, characterise and compare the link between what drives CSR in companies, the translation into actions, and the outcomes in terms of CSR performance and impacts arising for the company, economy, society and environment.

Scientific approach / methodology

(Whole IMPACT project)

The basic concept underpinning the IMPACT research design was an idealistic model of how companies design, select, and execute CSR activities, and also set about assessing and measuring the impacts of these activities. This is represented in the model below

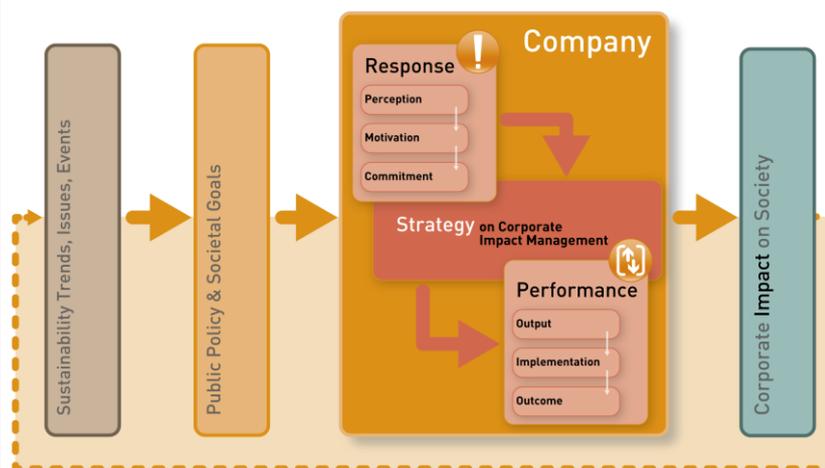


The expectation was that **companies perceive several sustainability trends, issues and events (or “TIEs”) as relevant** – ideally mediated through public policy or other societal goals, and prioritized as important for society at large.

These sustainability issues are processed within the company. As a

consequence of corporate action to tackle issues of societal relevance the corporate impact on society changes.

It is important to note that not only companies' activities to tackle sustainability issues create an impact, but all the activities of company how impact – either positive or negative. This means: there is no question about whether there are impacts of companies or not. Rather the question is: do these impacts change (ideally improve) to what extent companies implement activities to tackle the respective issue – and if yes, when?



In this process, different types of motivation (e.g. ethical, financial or other) then bring companies to commit themselves to tackle such issues. A logical next step would be to translate this commitment into a corporate strategy, including the formulation of targets.

The company then has to decide what exactly to do, agree on programmes of activities and policies (“Outputs”), and finally implement concrete activities (which include allocating financial resources and personnel to them). Those hopefully create change within the company (“**Outcomes**”) and for society (“**Impacts**”).

IMPACT especially focused on the **link between Outcomes on company level and Impacts on level of society** (within the areas of environment, quality of jobs, and economy). However, it also collected information for and analysed relationships between all the other steps of this process.

In order to meet its aims, IMPACT used a four stage research approach, employing four complementary empirical methods:

- **Econometric analysis:** based on the statistical analysis of large data sets drawn from existing data sets mainly from (CSR) rating agencies and own surveys among SMEs

- **Case studies:** to provide in-depth analysis of impacts looking out from companies
- Analysis of **company and industrial CSR networks:** exploring how impacts are mediated through networks
- **Delphi study** among sector experts: to capture the insights of European experts on CSR impacts, as well as to identify future priorities and issues, by conducting two rounds of online surveys among them

New knowledge and/or European added value

(Whole IMPACT project)

The research design and distinctive work packages of this ambitious interdisciplinary study were shaped by a primary, overarching question: "What are the impacts of CSR on the EU economy, society and environment?"

The empirical evidence on the impacts of CSR could be used to see if and **how European companies contribute - through CSR - to the main areas and objectives set in the Lisbon and Gothenburg strategies** - competitiveness, innovation, growth, quality of jobs and sustainability.

IMPACT aimed to make a significant contribution to **advance the knowledge base on CSR and its impacts on European economies and societies**. It aims to inform European policy making in the economic, social and environmental realm. Most significant outcomes of the project are:

- Understand, measure and estimate CSR impacts on three main EU objectives: competitiveness and growth, the environment, and quality of Jobs,
- Develop and validate tools and methods for a better measurement of CSR impacts,
- Unveil existing and source new panel data for the monitoring of CSR impact over time,
- Provide recommendations for different actors and decision makers and improve impact assessment and tools.

Key messages for policy-makers, businesses, trade unions and civil society actors

The vast majority of issues relevant for sustainability is considered as being important by most companies. However, the aggregate CSR activities of European companies have not made a contribution to the achievement of the sustainability policy goals of the European Union.

(Whole IMPACT project)

large enough to create change.

Objectives of the research**(Focus analysis on SMEs)**

This policy report aims to summarize the results of the econometric analysis: based on the statistical analysis of large data sets - drawn from existing data sets mainly from (CSR) rating agencies – and also own surveys among SMEs and large companies.

The econometric research focused on the following sets of research questions:

1. **Drivers of CSR:** What **internal and external factors drive CSR** in large companies and small companies? Do we find differences for large and small companies and for different sectors and/or countries?
2. **CSR Performance:** What is the relationship between various dimensions of CSR commitment and implementation and various dimensions of CSR performance that are related to EU sustainability and Lisbon goals, such as innovation, competitiveness, diversity in employment and CO2 emission? Are there differences for large and small companies and for different sectors of industry and different countries?
3. **CSR Performance** Can we identify a relationship between various types of innovations related to CSR (organisational as well as technical) and economic performance of firms?
4. **CSR Impact:** Can we identify a relationship between aggregate CSR indices and the attainment of EU goals at the macro level?

Scientific approach / methodology**(Focus analysis on SMEs)**

To perform the analysis we used a combination of three methodologies:

- **Two surveys** among large companies and among SMEs
- A **description of the existing datasets** of CSR ratings and innovation (Sustainalytics and ASSET4) and a comparative analysis of both databanks. This provided insight into the robustness of the two CSR data systems.
- **Econometric analyses** of large data sets of the drivers of CSR, CSR performance, the relationship between CSR and innovation and the (meta) impact of CSR, respectively.

To disentangle the complex relationships between drivers of CSR, CSR motivations, CSR performance and impact, we needed an extensive databank. The most important target that we set ourselves in this research was therefore to **extend the database of CSR in order to facilitate more representative research into CSR.**

For this purpose, we developed a large survey among SMEs. A subset of the questions in the SME survey concerning drivers of CSR was also used for a survey among large companies as ratings of large companies do not include information on the drivers of CSR

The SME survey contains 130 questions and the survey among large companies 39 questions. **The surveys were set up to question for measures for the drivers of CSR among SMEs and large companies as well as for measures for the CSR performance among SMEs.**

In addition, the SMEs were asked some background questions about the position of the persons who filled in the survey in the firm, the importance of various stakeholder relations, the company engagement in CSR and in which year it consciously started with CSR, whether the improvements in social and environmental outcomes resulted from voluntary initiatives by the company, the company's economic performance and innovation.

New knowledge and European added value

(Focus analysis on SMEs)

The results for large companies are based on a sample of 212 companies worldwide. For SMEs, the results come from a sample of 5317 companies **from 12 European countries**. The main findings of the study are the following:

Perceptions: both large companies and SMEs perceive that their CSR mostly affects their reputation (when compared to profitability, innovation and meeting regulation).

Motivations: There is an important difference in the motivation for CSR between SMEs and large companies: whereas strategic economic motivation is most important for large companies, intrinsic motivation based on value is most important for SMEs.

Large Companies	SMEs
<ul style="list-style-type: none"> • Financial motivation • Technological competition • Mandatory reporting • Pressure from NGOs & Media 	<ul style="list-style-type: none"> • Value driven motivation • Pressure from NGOs & Media • Time horizon • Stakeholder responsiveness on CSR

Time horizon:

- The time horizon for investments in CSR is very much related to the time horizon used for financial targets. On average, SMEs have a (slightly) shorter time horizon than large companies.
- The longer the time horizon, the more important benefits from investments in CSR, such as reduction of cost, increase in

market share, improvement of reputation, increased access to capital market as well as the impact on social and environmental outcomes these often only materialize after a considerable period of time.

On stakeholder responsiveness to CSR:

- Both large companies and SMEs perceive that the labor market, and particular their own employees, is most sensitive to the CSR of the company.
- The responsiveness of financiers, clients and employees react on capital, product and labour markets to the CSR of companies provides companies with an important incentive to improve their CSR.

Importance of stakeholder relations: **both large companies and SMEs give highest priority to customer relations.** Shareholders/owners and employees receive second priority, whereas community and society are considered least important.

Information: Large companies are to a small but significant extent subject to mandatory rules for social and environmental reporting. They perceive that monitoring by NGOs or media is in between significant and substantial. **Industrial organizations play a more important role** in informing large companies and SMEs about CSR than business schools.

CSR engagement of SMEs: Only 7% of SMEs denied that they engage in CSR. 32% state that they unconsciously engage in CSR, whereas 62% states that they are consciously engaging in CSR. A substantial part of 44% of SMEs started CSR before 2000, indicating that many companies are already known with CSR for a number of years.

Commitment to CSR of SMEs: 66% of SMEs state that their director is answerable to CSR issues. Half of SMEs have an internal code of conduct, whereas external codes of conduct are rare.

Output of SMEs: A substantial share of SMEs participate in CSR cooperation in supply chain and CSR local initiatives, provide CSR training to employees and are ISO9001-3 certified. Other CSR organizational instruments, such as dialogue with NGOs, CSR related remuneration or ISO14001 certification, are relatively rare.

Issue specific implementation of SMEs: safety and health issues and employee training are the most important issues, but improvement of labour conditions in the supply chain is also an important item. Half of SMEs continuously put effort to improve their environmental performance, particular the reduction or recycling of waste. Only a small minority measures CSR performance, defines

concrete targets and report on realisation of these targets. For social outcomes, most companies were able to fill in (or guess) their performance. For environmental outcomes, four out of five companies used the option 'Do not know'. This indicates that SMEs organize CSR in a rather loose or informal way.

CSR outcomes for SMEs: social outcomes did not change significantly between 2007 and 2010, but a substantial share of companies report a reduction in energy or water consumption and waste during this period. Overall, there is a slight improvement in all social and environmental aspects.

Voluntariness of changes in social and environmental outcomes: For the companies that realized improvements in social or environmental outcomes, a vast majority indicate that these **improvements are due to their own voluntary initiatives**. Only in a few cases, collective initiatives in branch or industry or government regulation were perceived as the dominant cause for the changes reported.

Business culture: companies that combine a flexible management style with external orientation more proactively apply corporate sustainability practices and are most likely to innovate for achieving ecological and social sustainability.

Industrial organizations: industrial organizations providing information on CSR and CSR tools fitting the needs and context of the companies positively influence CSR of their member organizations, particular for SMEs.

NGOs and media: monitoring of companies by NGOs and media increases transparency and pressures companies to take measures to prevent social or ecological incidents.

Technological competition: the more intensive technological competition on the output market, the more incentive companies have to pursue an active CSR policy as a means to innovation that distinguishes the companies from other companies, particularly for large companies.

Legal requirement for reporting: for large companies, legal requirements for social and environmental reporting positively influence CSR by raising transparency and the responsiveness of stakeholders on capital, product and labour markets, thereby enforcing strategic motivation of CSR.

Key messages for policy-makers, businesses, trade unions and civil society actors

Data from surveys shows, that "meeting (future) government regulation" is among the less or even least important drivers for companies general engagement in CSR. Only for SMEs legal motivation leads to general improvements of CSR Performance – and even there the influence is rather small.

(Focus analysis on SMEs)

Besides the above motivational, structural and institutional variables, CSR always also depend on various other variables. These should also be taken into account in policy formulation.

Company size: In the case of large companies and SMEs, CSR is substantially positively related to company size. Due to a lack of scale and resources and experience, small companies are less able to explicitly recognize CSR issues and less known with important CSR standards

Market position: for large companies, both market leaders, companies following the market leader and companies operating on a level playing field have a higher CSR rating than companies operating in a niche market. For SMEs only market leaders significantly contribute more to CSR than companies in a niche market.

Position in the chain: SMEs supplying to consumers are pursuing CSR slightly more than SMEs operating in business to business relations. For large companies, the position in the chain does not influence CSR.

Region: The type of region in which the company is located affects CSR of large companies and SMEs in a different way. For large companies, companies located in Scandinavia, Mediterranean countries and continental Europe are significantly more involved with CSR than companies in Anglo-Saxon countries and Asia. For SMEs, companies located in Anglo Saxon countries are more actively pursuing CSR than companies in Scandinavia, Mediterranean Europe, continental Europe or East Europe.

Sectors: The type of sector influences the CSR of companies. Large companies operating in energy, material and industry sector are more actively pursuing CSR than companies in consumer, health, IT and communication and financial sector.

For SMEs similar sectoral patterns are found. In particular, using a more disaggregated sector classification, companies in the food, paper, oil & chemical, metal, other manufacturing, public utilities and construction sector contribute more to CSR than companies in service sectors.

For both large companies and SMEs, CSR is not or hardly influenced by legal motives or the degree of price competition. For SMEs also skill level of employees does not affect CSR

PROJECT IDENTITY

Coordinator	Regine Barth - OEKO-INSTITUT E.V. - INSTITUT FUER ANGEWANDTE OEKOLOGIE OEKO Germany
Consortium	<ul style="list-style-type: none"> • ABIS - THE ACADEMY OF BUSINESS IN SOCIETY EABIS • COPENHAGEN BUSINESS SCHOOL CBS • STICHTING CENTERDATA CentERdata • KATHOLIEKE UNIVERSITEIT LEUVEN K.U.Leuven • CEU Uzleti Kar Kozhasznu Nonprofit Korlatolt Feelossegu Tarsasag CEU BS • AALTO-KORKEAKOULUSAATIO AALTO Finland • THE UNIVERSITY OF NOTTINGHAM UNOTT United Kingdom • UNIVERSIDAD DE NAVARRA IESE • INSTITUT EUROPEEN D'ADMINISTRATION DES AFFAIRES INSEAD France • INSTITUT FUR SOZIAL OKOLOGISCHE FORSCHUNG GMBH ISOE Germany • Akademia Leona Kozminskiego ALK Poland • MIP - CONSORZIO PER L'INNOVAZIONE NELLA GESTIONE DELLE • IMPRESE E DELLA PUBBLICA AMMINISTRAZIONE MIP Italy • STICHTING KATHOLIEKE UNIVERSITEIT BRABANT UNIVERSITEIT VAN • TILBURG Tilburg University Netherlands • WIRTSCHAFTSUNIVERSITAT WIEN WU Wien Austria • ZENTRUM FUER EUROPAEISCHE WIRTSCHAFTSFORSCHUNG GmbH ZEW Germany • VLERICK BUSINESS SCHOOL VLERICK Belgium • KOZEP-EUROPAI EGYETEM
Duration	March 2010 – September 2013 (41 months)
Funding Scheme	Small or medium-scale focused research project
Budget	2.599.973,998 – € 2.6 million
Website	http://www.csr-impact.eu/
Further reading	http://csr-impact.eu/documents.html
For more information	Simon.pickard@abis-global.org