

# Impact Measurement and Performance Analysis of CSR (IMPACT)

*Report on cross-WP comparison of CSR performance &  
impacts according to different types of characteristics*



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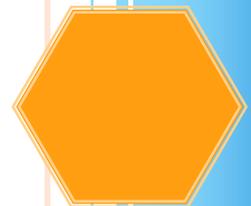
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# 1 INTRODUCTION & AIMS OF THE REPORT

After developing the conceptual and empirical frameworks which build the theoretical basis of the IMPACT project, four empirical methods had been applied for researching CSR and its effects on companies and society at large: econometric analyses of data from different sources (e.g. an own survey of several thousand companies, mainly SMEs; data from existing data bases like Sustainalytics, Asset4, MIP 2005, MIP 2009); nineteen company case studies; five network studies; and a two-rounded Delphi study. An overview of all the data collected and used in IMPACT can be found in Table 1.

**Table 1: Overview of Data used in IMPACT**

Method	Data base	Data from
Econometric analysis	Sustainalytics complemented by additional online survey	~200 large companies
	Own online survey	> 5.000 mostly SMEs
	Additional questionnaire for the five sectors	> 800 mostly SMEs
	Asset4	14.000 observation points, mostly large companies
	Mannheim Innovation Panel (MIP) and own additional survey	~2.000 mostly large companies
Case studies	Company case studies	19 companies
	Network analysis	5 CSR networks
Delphi-Study	Experts online survey	~500 Sector-/, CSR-experts

The report on D6.2 – available individually - did then the next step and triangulate and synthesise empirical results on CSR performance and impacts from all the empirical work packages on three overall EU objectives: Environment; Quality of Jobs; Economics.

This report will now proceed with the next analytical step and research whether several types of variables and characteristics additionally influence the results mentioned in report D6.2. The characteristics this report will take into account are:

- Company size
  - o Large companies
  - o SME's
- Company type
  - o Ownership
  - o Market status
- Sector
  - o Auto
  - o Textile
  - o ICT
  - o Retail
  - o Construction
- Territorial unit
  - o Scandinavia
  - o Anglo-Saxon
  - o Central and Eastern Europe (CEE)
  - o Mediterranean Europe
  - o Continental Europe

To derive synthesised information presented in this report, IMPACT triangulated results from all the different work packages and methods throughout the project. This roughly means to put all the – quantitative as well as qualitative - information together, identify important findings, compare findings, clarify contradictions and finally draw overarching conclusions. Thus, the following pages are kind of a distillate of all the empirical work and based on hundreds of pages of scientific research.

IMPACT consists of three different reports dealing with cross work package empirical results on performance and impact:

- D6.2, mainly focusing on cross-WP results on performance and impact with regards to environment, quality of jobs, and economy in general;
- D6.3, this report, analysing in how far several characteristics, like company size and type, sector, region, influence or change companies' CSR performance and/ or impact;
- D6.4, analysing the specific influence of motivation and CSR implementation on companies' CSR performance and/ or impact.

This report consists of three chapters: chapter 2 – 2.1 on company size, 2.2 on company type, 2.3 on sector, and 2.4 on territorial unit - will focus on the actual results; chapter 3 will finally summarize the core findings of IMPACT across these dimensions.

It should be noted that subchapters 2.1 to 2.4 – the chapters on synthesised results for the three dimensions – are not identical regarding their structure (subchapters). This is because there were some kind of “framework guidelines” available for the authors of the three chapters. However, these guiding documents did not go into detail on the concrete structure. Due to the different

characteristics of the three dimensions this was not seen as something useful or even feasible. Still, all three subchapters fulfil the task to sum up major empirical results on relevant issues from the respective dimension with a special focus on outcomes, impacts and the relationship of the two.

The IMPACT approach was already explained in report D6.2, therefore it won't be explained in this report again.

## 2 SYNTHESIS OF CROSS WORK PACKAGE EMPIRICAL RESULTS

This chapter will now focus on the characteristics mentioned in the project description: company size, company type, region and sector of the company.

Each of the characteristics will be analysed individually and presented in a separate subchapter. The aim of these analyses is to summarize results regarding the influence of these variables from all empirical work packages. As already mentioned in D6.2, there are results already divided e.g. by company size in the empirical work packages. Such results will not be repeated in the forthcoming subchapters, but this report will highlight and discuss the differences caused by the variables mentioned above. It will for example not simply restate whether there is an improvement of environmental impacts for large companies and/or SME's but it will highlight and discuss the differences and commonalities between SME's and large companies. There of course will be some overlaps in both reports as it is not possible to discuss differences without referring to the basic results for large companies and SME's, but the focus of the discussion is on differences and commonalities caused by the characteristics mentioned above, not on results themselves.

Other than in report D6.2, each of the subchapters will deal with environment, quality of jobs, and economics in case the variable discussed in the subchapter does influence results in these areas.

### 2.1 Company size

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The IMPACT project generated information about the role of company size from two work packages in particular – Work Package 2 which offers information based on quantitative analysis of a very large dataset and Work Package 3 which offers information based on in-depth qualitative analysis of 19 company cases.

#### 2.1.1 Response

In order to evaluate the CSR response of companies we consider how companies perceive CSR as well as their motivation for undertaking CSR initiatives.

### 2.1.1.1 Perception of CSR

#### ***Large companies***

When asked about their perception of CSR, large companies responded that they believe that CSR to a substantial degree improves company reputation, to a small but significant degree improves profitability in the long run, and to a small but significant degree improves innovative capacity and helps prepare for (future) government regulation.

#### ***SMEs***

SMEs perceive CSR to limit reputational risks to some degree, and to a slightly smaller degree to improve innovative capacity. Also, to a more limited degree, SMEs perceive CSR to help meet (future) government regulation and to improve profitability in the long run.

#### ***Comparison***

Both large companies and SMEs perceive CSR to mainly limit reputational risks. Whereas large companies to some degree perceive CSR to improve profitability in the long run, for SMEs this perception only plays a limited role. On the other hand, SMEs more than large companies perceive CSR to improve innovative capacity. To a limited degree, both large companies and SMEs perceive CSR to help meet future government regulation.

### 2.1.1.2 Motivation for engagement in CSR activities

#### ***Large companies***

On average, large companies answer that they are mostly motivated to engage in CSR because CSR serves their long-term financial interests, secondly they are motivated to engage in CSR because it limits reputational risks and because the company claims to feel responsible for the planet and society, thirdly because CSR creates personal satisfaction for the people in the company, fourthly because it leads to innovation, and lastly because it helps to meet government regulation. The two highest scoring perceptions and motivations are probably linked together: perception of CSR as a driver of profitability is likely to be linked to companies being motivated by long-term financial interests. The perception of CSR as a way to improve company reputation is likely linked to the motivation of limiting reputational risks.

We find that financial strategic motivation drive CSR quality for large companies. This means that financial strategic motivation influences the CSR quality. In other words: if large companies are doing CSR for financial strategic reasons then the CSR quality is likely to be better.

The financial strategic motivation appears of crucial importance for the pattern of influences of several other factors driving CSR quality. It mediates the influences of business culture, industrial self-regulation and the responsiveness of stakeholders on capital, product and labour market. For example, customers may punish companies if they are seen to directly damage customer's interests or broader societal interests. Furthermore, industrial associations can inform those members that are not yet fully aware of the threats or opportunities posed by the sustainability trends that are evolving in the market place. In this way, the industrial association can raise the awareness of the strategic benefits of CSR and thus indirectly stimulates CSR by changing the perceptions of the strategic benefits of CSR for the company. In addition to financial strategic motivation as a driver for CSR performance, the IMPACT project identified the need to respond to stakeholders and mandatory reporting (these can be seen perhaps as core elements of financial strategic motivation also). Finally, values can also constitute a key driver for CSR performance.

Overall, it can be stated that large companies perceive CSR initiatives to mostly affect their reputation (when compared to the possible effects of CSR initiatives on company profitability, innovation and meeting regulation) and large companies are also mostly motivated by strategic motivation. The time horizon for investments in CSR is very much related to the time horizon used for financial targets. On average, large companies have a slightly longer time horizon than SMEs. Large companies give highest priority to customer relations while shareholders/ owners and employees receive second priority, and community and society are considered least important. 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 also plays a key role.

### **SMEs**

The motivation for CSR in SMEs is measured by asking SMEs of their motives in both a positively and a negatively formulated way. The results depend slightly on the formulation of the motivation. Thus, when formulated positively, SMEs are mostly motivated because their enterprises claim to "feel responsible for the planet and society", and because CSR creates personal satisfaction for the people in their enterprise. To a lesser degree, SMEs are motivated to engage in CSR because they see CSR as leading to innovation, fulfilling expectations of society and limiting reputational risks. To a small degree, SMEs are motivated to undertake CSR initiatives because CSR is seen to serve the long-term financial interests of shareholders and/or CEO or owner, because it reduces operational costs or because large customers ask for it. When asked about their motivation of CSR in a negatively formulated way, SMEs answer that CSR is less important because CSR is seen to increase operational costs, lack of demand from customers and employees do not see CSR as creating personal satisfaction for them.

Some scholars argue that organizational culture influences the level of innovation. Furthermore, other studies show that CSR may foster innovation (as is also indicated by the respondents). Hence, it is likely that companies with an open systems culture will be more strategically

motivated to engage in CSR, because of their focus on and interest in innovation. This is confirmed by our analysis: Companies with an open systems culture are more strategically motivated to engage in CSR. We also find a small positive effect from a company's time horizon on strategic motivation (the longer the time horizon the stronger the strategic motivation). Furthermore, information about CSR provided by industrial associations, stakeholder response (stakeholders are more likely to be interested in CSR if they can see a market need), and the intensity of technological competition foster strategic motivation. The involvement of industrial associations with CSR is very dependent on the pressure from NGOs and media. Then industrial associations will be more aware of the importance of CSR trends for their members. Also stakeholder responsiveness is fostered by transparency created by monitoring activities of NGOs and media.

### **Comparison**

We find that for SMEs intrinsic motivation is by far the most important driver of CSR performance and thus more important than strategic and legal motivation. In this respect, SMEs clearly differ from large companies. Large companies are mainly driven by strategic motivation. However, although this is a basic difference between SMEs and large companies, the underlying factors influencing strategic (in case of large companies) and intrinsic (in case of SMEs) motivation are very similar. Thus, the different relevant types of motivation for large companies and SMEs mainly serve as mediating factors for other variables.

Overall, it seems that strategic motivation is most important for large companies while intrinsic motivation is most important for SMEs. 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. SMEs perceive that the labour market, and particular their own employees, are most sensitive to the CSR of the company. Managers of SMEs state that banks for example do not consider the CSR of an SME in their decision to provide credit. SMEs give highest priority to customer relations. Shareholders/owners and employees receive second priority, whereas community and society are considered least important.

#### **2.1.2 Performance**

Drivers of general CSR performance<sup>1</sup>(defined as a construct containing all the different aspects of the theoretical model used in IMPACT – see report D6.2 for details) in large companies and SMEs and the type of their influence are:

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<sup>1</sup> Note that 'driving CSR performance' does not mean companies are motivated by these factors for doing CSR. 'Driving CSR Performance' basically means 'improving CSR Performance'.

**Table 2: Comparison of drivers of CSR Performance improvements for large companies & SMEs**

Variable	Influence on CSR Performance (Do factors lead to improvements in CSR Performance?)	
	Large companies	SMEs
Time horizon	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 which often only materialize after a considerable period of time	The same as for large companies
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	The same as for large companies
Industrial organizations	Only limited effect on large companies	Industrial organizations providing information on CSR and CSR tools fitting the needs and context of the companies positively influence CSR of their member organizations
Stakeholder responsiveness	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	The same as for large companies
NGOs and media	Pressure on companies by NGOs and media drives companies to better CSR Performance	The same as for large companies
Technological competition	Strongest effect on large companies: The more intensive technological competition on the output market, the more incentive companies have to pursue an active CSR policy as a means to	The same as for large companies though a slighter effect on SMEs

	innovation that distinguishes the companies from other companies.	
Legal requirements for reporting	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.	Only relevant for large companies
<b>Company size</b>	<b>CSR performance is substantially positively related to company size.</b>	<b>The same as for large companies.</b>
Market position	Market leaders companies following the market leader and companies operating on a level playing field have a higher CSR performance than companies operating in a niche market.	Only market leaders significantly over perform on CSR performance than companies in a niche market
Position in the chain	Does not influence CSR of large companies	SMEs supplying to consumers are slightly better on CSR performance than SMEs operating in business to business relations
Region <sup>2</sup>	Companies located in Scandinavia, Mediterranean countries and continental Europe significantly outperform companies in Anglo-Saxon countries and Asia on CSR performance.	Companies located in Anglo Saxon countries outperform companies in Scandinavia, Mediterranean Europe, continental Europe or East Europe on CSR performance.
Sectors <sup>3</sup>	Large companies operating in energy, material and industry sector outperform companies in consumer, health, IT and communication and financial sector on CSR performance.	For SMEs, in particular, companies in the food, paper, oil & chemical, metal, other manufacturing, public utilities and construction sector outperform companies in service sectors on CSR performance.
Legal motives	CSR performance is not influenced	CSR performance slightly affected by legal motivation for CSR

<sup>2</sup>For more detailed results on the influence of regional affiliation of companies please see chapter 2.4 of this report

<sup>3</sup>For more detailed results on the influence of sectoral affiliation of companies please see chapter 2.3 of this report

Degree of price competition	CSR is not or hardly influenced	The same as for large companies
Skill level of employees	Some influence	No influence

In addition to all the different factors influencing CSR Performance for large companies and SMEs, for both - large companies and SMEs - CSR (performance - see p. 68 of IMPACT Working Paper No. 10<sup>4</sup>) is strongly related to company size and the relationship between company size and CSR thus holds even within the group of large companies and the group of SMEs. It can be assumed that, due to a lack of scale and resources and experience, smaller companies are less able to explicitly recognize CSR issues and less known with important CSR standards.

### 2.1.2.1 Quality of Jobs

#### **Large companies**

When it comes to output of quality of jobs issues, on average, the large companies in our sample have only implemented mediocre programs on diversity whilst programs on health and safety are more common. The health and safety programs mostly consist of programs and targets to reduce health and safety incidents, while fewer consist of health and safety certifications. Regarding environmental issues, many companies have programs on GHG emissions, GHG reporting or participates in CDP (Carbon Disclosure Program). A few of the large companies in our sample have programs to ensure renewable energy, and some large companies have programs and targets to reduce water use or hazardous waste generation. Also, some companies have external verification (EMS - Environmental Management Systems).

Considering outcomes (quality of jobs), large companies report relatively better results on board diversity and their ability to reduce the number of fatalities (part of health and safety) but relatively low on collective bargaining (% of employees covered by collective bargaining agreements). We however do not measure whether these outcomes are caused by company CSR.

For large companies, CSR commitment fosters CSR output of diversity in the board. For health and safety issues no significant relationship is found between commitment, output and outcomes. This provides partial support that CSR commitment and output is effective in fostering sustainability at the company level.

For collective bargaining, we detect a relationship between commitment and outcome. However, in the case of sector specific links for health and safety, no positive relationship between commitment, output and outcome is found. This shows that the hypotheses that commitment

<sup>4</sup> Available at <http://csr-impact.eu/documents.html?PHPSESSID=29afd5bf7175c44f2cf7083d3b1377d5>

stimulates implementation and that implementation fosters positive outcomes are not robustly confirmed for all social aspects of CSR.

### ***SMEs***

For 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. Only a small minority measures CSR performance, defines concrete targets and report on the realisation of these targets. For social outcomes, most companies were able to fill in (or guess) their performance. This indicates that SMEs organize CSR in a rather loose or informal way. Social outcomes in CSR did not change significantly between 2007 and 2010. For the companies that realized improvements in social or environmental outcomes, a vast majority of firms indicate that these improvements are due to their own voluntary initiatives. Only in a few cases, were collective initiatives in branch or industry or government regulation perceived as the dominant cause for the changes reported.

SMEs put most effort into securing the reduction in work place accidents and sickness absence and in training of their own employees. The reason might be that these social aspects immediately affect the operation cost and competitiveness of the company. However, improvement of labour conditions in the supply chain is also an important item; almost 50% of SMEs say that they put continuous effort into improving these. Least effort is put into fostering the presence of women in top management of the company and recruitment of employees from disadvantaged groups. Only a small minority attaches such a high priority to improving CSR that performance is measured, concrete targets defined and realisation of these targets reported to guide their policies. This even holds for health and safety, employee training and most environmental aspects. Notwithstanding that they put substantial effort to improve, only 25% of companies measure CSR targets and reports performance. For the other CSR aspects, one out of eight companies employs these procedural measures. This indicates that a substantial part of SMEs organize CSR in a rather loose or informal way.

### ***Comparison***

In sum, we see that concerning the CSR performance of programs implemented to enhance quality of jobs, large firms systematically emphasize health and safety issues by adopting extensive programs with clear targets while SMEs also emphasize health and safety but in a less systematic manner. Employee training is also considered important in both types of companies but again large firms are more likely to adopt systematic programs in working with these issues.

### 2.1.2.2 Environment

#### ***Large companies***

On environmental issues, large companies report relatively better results on the reduction of waste and carbon intensity (carbon intensity relative to peers) but lower on carbon intensity trend (current year's carbon intensity figure compared to the average of the past 2-3 years), renewable energy and water consumption.

For large companies, CSR commitment fosters CSR output of CSR for GHG emissions and the use of renewable energy. For water consumption and waste production no significant relationships are found between commitment, output and outcomes. This provides partial support that CSR commitment and output is effective in fostering sustainability at the company level.

In the case of sector specific links for water and waste production no positive relationship between commitment, output and outcome is found. This shows that the hypotheses that commitment stimulates implementation and that implementation fosters positive outcomes are not robustly confirmed for all environmental aspects of CSR.

#### ***SMEs***

Half of SMEs continuously put an effort into improving their environmental performance, particular the reduction or recycling of waste. A substantial share of SMEs pays attention to the environmental dimension of their operations. This leaves only a small minority of SMEs that does not pay any attention to these aspects. An exception concerns the environmental conditions of suppliers (SMEs do not control this), maybe because SMEs feel incapable to change the conditions in the chain because of the lack of market power or because taking responsibility for the complex supply chain in which they operate is simply too costly. Only a small minority attaches such a high priority to improving CSR that performance is measured, concrete targets defined and realisation of these targets reported to guide their policies

#### ***Comparison***

For environmental performance the picture is the same as for quality of jobs – large firms are more likely to adopt systematic programs and indicators. Both large and small firms are interested in improving environmental performance but their different capabilities in terms of resources drives the difference in approach.

### 2.1.2.3 Economy

IMPACT did not create comparable economic results for large companies and SMEs. The main analyses of WP2 on economic aspects were limited to large companies (due to limited data availability for financial data of SMEs). An analysis of economic aspects focussing on SMEs (based on the data base Mannheim Innovation Panel, see IMPACT Working Paper No. 11<sup>5</sup> for details) did only take into account German companies and is not comparable to results of other economic analyses. Therefore no conclusions on differences or commonalities for the influence of CSR on economic variables can be derived.

### 2.1.2.4 Summing up on CSR performance

In 7 out of 8 potential (non-sector specific) cases for GHG emissions, renewable energy and diversity, there is a positive association between the company's commitment to CSR and CSR output that integrate CSR in the organizational procedures. Second, in 3 out of 8 (non-sector specific) cases, a higher level of CSR output improves the outcomes in the social or environmental dimension.

For SMEs there is more evidence that CSR commitment (measured by the presence of codes of conduct, CSR accountability of CEO/director and membership of CSR initiatives) encourages CSR output (measured by internal organizational measures, external cooperation and certification). CSR commitment also encourages issue specific implementation (measured by effort, measurement, targeting and reporting) of CSR, but most of the influence is mediated via CSR output. Output and implementation finally foster the change in outcomes, both for environmental aspects of CSR (GHG emissions, energy consumption, water consumption, waste production, use of renewable energy and recycling of waste) and social aspects of CSR (board diversity, recruitment from disadvantaged groups, work life balance, safety and health, collective bargaining, use of permanent contracts). This indicates that CSR is effectively fostering sustainability within the company.

## 2.1.3 CSR effects at the sector level

### 2.1.3.1 Quality of Jobs

#### ***Large companies***

We find no evidence of effects of companies' CSR on sector level. We find that the CSR of large companies has a small effect on employee training and health at risk, but for sickness absence, we find indications of a reverse causation: companies that are challenged by high rates of sickness absence will have a stronger incentive to intensify programs on improving health and safety in order to lower the costs of lost days.

<sup>5</sup> Available at <http://csr-impact.eu/documents.html?PHPSESSID=9492d8ab96853e13b52f73862db9274b>

### ***SMEs***

For the social dimension, there is no evidence of a sector level effect of CSR. For SMEs we find that CSR outcomes of sickness absence are, as expected, positively related to the sickness absence at the sectoral level. But the positive relationship indicates a reverse causality in the sense that companies operating in sectors with high sickness absence tend to spend more effort on reducing sickness absence. For training and health at risk no significant relationships are detected that indicate that CSR has a positive direct or indirect impact on the sectoral level.

### ***Comparison***

For both large companies and SMEs, there is no evidence of sector level effects of CSR on the social dimension.

#### **2.1.3.2 Environment**

### ***Large companies***

There is some empirical support that CSR programs in large companies affect sustainability at the sector level for the environmental dimension of CSR. For the growth in GHG emissions and for energy consumption, a high level of CSR has a significant effect on the sector level.

### ***SMEs***

For SMEs we do not find evidence of significant effect on sectoral environmental trends. Although CO2 measurement, targeting and reporting and CO2 outcome have the right signs, both are insignificant. This may be due to the low number of observations. For energy consumption, the effects of CSR effort and measurement, targeting and reporting are even opposite to what we expected, but the results appear to be insignificant.

### ***Comparison***

Only for large companies we find evidence that CSR affects sustainability at the sector level. For SMEs we find no evidence of such impact.

#### **2.1.4 Conclusions**

Both large companies and SMEs perceive CSR to mainly limit reputational risks. Whereas large companies to some degree perceive CSR to improve profitability in the long run, for SMEs this

perception only plays a limited role. On the other hand, SMEs more than large companies perceive CSR to improve innovative capacity. To a limited degree, both large companies and SMEs perceive CSR to help meet future government regulation.

Overall, it seems that strategic motivation is most important for large companies while intrinsic motivation is most important for SMEs. 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.

Concerning the CSR performance of programs implemented to enhance quality of jobs, large firms systematically emphasize health and safety issues by adopting extensive programs with clear targets while SMEs also emphasize health and safety but in a less systematic manner. Employee training is also considered important in both types of companies but again large firms are more likely to adopt systematic programs in working with these issues.

Concerning the CSR performance of programs aimed to improve environmental issues, large companies report relatively better results compared to SMEs. This applies to the reduction of waste and carbon intensity (carbon intensity relative to peers) but lower on carbon intensity trend (current year's carbon intensity figure compared to the average of the past 2-3 years), renewable energy and water consumption.

Concerning possible sector effects, for both large companies and SMEs, we find no evidence of sector level effects of CSR on the social dimension. There is some empirical support that CSR programs in large companies affect sustainability at the sector level for the environmental dimension of CSR. For SMEs we do not find evidence of significant effect on sectoral environmental trends.

Looking at large companies and SMEs as separate groups, in both cases company size positively influences outcome and impact results. This means within the groups of large companies and SMEs larger companies on average have better results than smaller companies. This finally means, that company size is another variable influencing outcome and impact results besides CSR

## 2.2 Company type

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In this section findings from the work packages are provided concerning the relationships between company characteristics and motivations for CSR performance and impact. A variety of company characteristics are found to influence CSR performance and impact. The two characteristics ownership and market status are exemplified in greater detail below.

As most of the insights on different company characteristics are from the company case studies and it was not possible to draw many conclusions from e.g. econometric analyses on these

issues, this section on company type is rather small (compared to e.g. insights referring to company size, sector or region).

### 2.2.1 Ownership

Ownership of companies appears to have an impact on the depth and breadth of their performance and impact. This is illustrated with reference to case study analysis of CO<sub>2</sub> reduction in the retail sector in which two cooperatives were compared with two family-owned businesses. Family-owned retail cases, whose family owners' values drove their activities, their impacts and performance are not as far reaching as the cooperatives. The IMPACT project only has explored the role of ownership in the 19 case studies – hence given the limited nature of the sample it is difficult to make strong claims about the role of ownership.

### 2.2.2 Market Status

Where competition is most intensive in technological outputs, companies are more likely to pursue innovative CSR policies for differentiation.

Large companies operating in non-niche markets (whether they are leaders or followers) tend to have higher CSR outcomes than those in the niches. However, only market leaders SMEs have higher CSR outcomes than those in the niche markets.

Four types of market status are identified as significant for understanding CSR commitment in case study research:

- The first is the industry leader where CSR creates genuine competitive advantage, and this can be described as “efficient use of CSR related opportunities”. There tended to be higher innovation related CSR in these companies.
- The second group is off industry leaders for whom CSR remains a must have in terms of strategy, and competition. For these companies, competitive advantage from CSR only develops occasionally. The CSR performance of these companies is ranked highly, for example by rating agencies, and there may be CSR inspired innovation in the companies, however it does not necessarily lead to a better position in the market. This position could be described as “wasted CSR opportunity”.
- A third group of companies are those who are not ranked very highly as Industry leaders in terms of CSR but for whom a decent CSR performance seems to develop CSR related competitive advantage. One reason suggested for this is a modest focus on CSR performance in the sector as a whole. This situation could be described as “underutilised CSR opportunities”, as there seem to be open opportunities and potential left for even better CSR performance and more competitive advantage.
- A fourth group of companies are could be classified as CSR conformists with a ‘must have’ role of CSR in business. CSR in this group of companies is practical: beyond

compliance, but not much CSR inspired product or business innovation exists. Eight of the cases fell into this category.

### 2.2.3 Conclusions

Ownership of companies appears to have an impact on the depth and breadth of their performance and impact.

Regarding market status - where competition is most intensive in technological outputs, companies are more likely to pursue innovative CSR policies for differentiation. Large companies operating in non-niche markets (whether they are leaders or followers) tend to have higher CSR outcomes than those in the niches. However, only market leaders SMEs have higher CSR outcomes than those in the niche markets.

## 2.3 Sector

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In the course of different empirical techniques applied in the IMPACT project (econometric analysis, case studies, Delphi study) selected cross-sectoral environmental and quality of jobs issues were investigated to reveal to what extent they are impacted by CSR. This part of the report summarises the importance of the sector as variable affecting the (CSR) performance and impacts on the selected cross-sectoral issues.

Additionally to this analysis of sectors as variable affecting (CSR) performance and impacts of companies, the IMPACT project, in general, used a sector specific approach. As the meaning and practice of CSR differs between sectors, the IMPACT project was designed to investigate and reveal these differences. The advantage of a sector-specific approach is that it helps to discern single-event cases from repetitive patterns in CSR impact when conducting comparisons. Moreover, the approach to individual sectors has been chosen because CSR activities are often based on sector-specific instruments and best-practices and because sector-specific aspects (e.g. market conditions, CSR risks and opportunities) strongly influence the impacts to be achieved.

The five sectors (automotive, construction, ICT, retail, wearing apparel) have been selected due to (a) their relevance for the social and environmental development of Europe, (b) their importance for Europe, member states and regions, (c) coverage of different stages of the value chain (e.g. supply-chain, production, services, consumer choice). In the IMPACT project the statistical classification of economic activities in the European Community (NACE) was used. It is, however, worth of mentioning that due to certain circumstances, in some work packages these sector definitions had to be adapted. For instance, due to too small number of companies from the selected sectors, the econometric analysis aggregated sectors based on the Global Industry Classification Standard (GICS). As a result the large companies were classified as follows:

- Automotive, retail and textile was included to the “Consumer sector”
- Construction was included to the “materials” and “industry” sectors,
- ICT was included to the “IT&telecommunication” sector.

Additionally, energy, and health sectors were included as control variables. The econometric investigation of the large companies did not use CSR outcome data (due to lack of the data), but the overall outcome data.

The econometric analysis of the SMEs considered the following IMPACT sectors: textile (linked to wearing apparel sector in the IMPACT project), construction sector, real estate sector, and telecommunications (linked to the ICT sector in the project). Moreover, the following sectors were treated as control variables: agriculture, mining, food, paper, oil and chemical, metal, machine, transport, other manufacturing, trade and hotels, transport services, finance, real estate, other services. In addition, the analysis of CSR performance among SMEs was based on factors derived from a Principal Analysis and included (a) CSR environmental efforts (which included reduction in waste and/or increase in recycling) and (b) CSR measuring, targeting and reporting (which included measuring, targeting and reporting of reduction in waste and/or increase in recycling). In the course of the survey among SMEs, certain additional, sector-specific questions concerning the voluntary activities implemented by companies and results of these activities were asked. Due to the small sample size these sectoral findings were not included to the econometric analysis, however, a basic descriptive analysis of these questions showed how frequently companies undertook voluntary activities. The findings of these sectoral supplements will also be presented in the present summary.

**Table 3: Summary of sectors investigated in the IMPACT project**

	Sectors
<b>Econometric analysis</b>	<p><b>SMEs:</b> Textile (linked to wearing apparel sector in the IMPACT project), construction sector, real estate sector, and telecommunications (linked to the ICT sector in the project). Moreover, the following sectors were treated as control variables: agriculture, mining, food, paper, oil and chemical, metal, machine, transport, other manufacturing, trade and hotels, transport services, finance, real estate, other services</p> <p><b>Large companies:</b> Consumer, Materials, Industry, IT&amp;telecommunication, Energy, Health<sup>6</sup></p>

<sup>6</sup>Based on the Global Industry Classification Standard (GICS)

<b>Case studies</b>	Automotive, construction, ICT, retail, wearing apparel <sup>7</sup>
<b>Delphi study</b>	Automotive, construction, ICT, retail, wearing apparel <sup>2</sup>

The econometric analysis estimated the CSR effects on environmental and quality of jobs issues among large companies by using a disaggregated data from the Sustainalytics rating system. Data for SMEs was collected in the course of the Europe-wide survey. The performed regression analysis used a set of control variables. Sector was one of them.

In the course of the Delphi study the experts from five sectors were inquired about the current and future effects of the sector on the selected environmental and QoJ issues as well as about the CSR impacts on these issues. Overall, more than 2700 experts Europe-wide were invited to join an on-line Delphi panel. Out of them more than 545 accepted the invitation and expressed their opinions on CSR impacts.

As a consequence of the IMPACT project’s methodological plurality, a matter of CSR impacts on companies’ economic performance was also targeted in the course of case studies. Overall, 19 case companies from 5 sectors were performed. Altogether, 98 interviews with companies’ managers and 66 external stakeholders were conducted.

In the following section only cross-sectoral environmental and QoJ issues will be taken into consideration, as for sector specific issues no sector differences and therefore no sector influence can be analysed. Among all issues investigated in IMPACT, the following cross-sector issues were selected: GHG emissions, use of raw materials, flexibility and job security, wages and poverty, work organization and work-life balance.

### 2.3.1 Sector influence on GHG emissions

The **econometric analysis** showed little influence of the sectors on CSR performance and impacts in terms of CO2 emissions. Firstly, the estimations exhibited that the sectoral variables were slightly more significant among large companies. Secondly, despite a small influence of the sector on SMEs, it seemed that SMEs of manufacturing sectors perceived as “dirty”, sectors (paper, oil and chemical, metal, other manufacturing) were more active in CSR implementation than other “cleaner” sectors. Thirdly, results from the sector specific supplementary questions concerning CSR activities revealed that activities aimed at managing the CO2 and energy related issues were the most frequently implemented activities regardless of the sector. However,

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<sup>7</sup> According to NACE 2.0

findings resulting from the econometric analysis require careful interpretation due to several methodological concerns (e.g. inconsistent sector definitions, factors instead of exact data).

The **case studies** performed showed that reduction of Scope 1 CO<sub>2</sub> emissions is the most significant and the most widely recognized environmental issue throughout the sectors. Companies in the respective sectors, however, differ in terms of the types of activities addressing climate change issues as well as in terms of measuring and reporting their performance and impacts.

The **Delphi study** revealed that CO<sub>2</sub> emissions and energy consumption are widely seen as being important - in some sectors even the most important of all environmental effects. In addition, CO<sub>2</sub> emissions and energy consumption related to the core business (e.g. either manufacturing processes or use phase of the building in case of the construction sector) were well addressed by CSR. Moreover, CSR impacts in many cases are expected to increase in the future, while the effects (CO<sub>2</sub> emissions and energy consumption) are foreseen to decrease. However, effects occurring in the supply chain are not well combated by CSR across all sectors.

### 2.3.1.1 Econometric analysis

The econometric analysis showed that CSR commitment towards GHG reduction leads to CSR output and implementation, which at the end limits the GHG intensity (Outcome) or emissions (Impact) of companies. Additionally, certain dummy variables were used in order to test their influence on the investigated dependent variables. Sector was one of the control variables.

As aforementioned, the econometric analysis did not exactly follow the IMPACT definitions of sector.

#### **Large companies**

For large companies almost all the sectoral dummies (except from the energy sector) had significant effect on CSR Output on GHG emissions; however the differences between sectors were minor.

Companies from consumer sector and IT are better on CSR output on renewable energies than other companies from other sectors.

The econometric analysis further showed that all the sectors had significant influence on the GHG intensity (Outcome), it is hard however to come up with any clear pattern of influence. Concerning the Outcomes on the use of renewable energy, only energy sector, consumer sector and health sector had significant (negative) effect on this variable, which implies that these sectors underperformed in terms of introducing renewable energy compared to other sectors.

### **SMEs**

For SMEs, the influence of most of the investigated sectors was insignificant or very weak (with coefficients lower than 0.3).

Similarly to the CSR output variables, the role of the sectors was minor or insignificant also for the CSR implementation variables. The latter included (a) CSR environmental efforts (which among others included efforts to reduce CO<sub>2</sub> emissions and energy consumption and/or efforts to increase the use of renewable energy) and (b) CSR measuring, targeting and reporting (which included measuring, targeting and reporting of CO<sub>2</sub> emissions, energy consumption and/or share of renewable energy). In case of the IMPACT sectors, textile and construction sectors were insignificant for both CSR implementation variables. The telecommunication sector underperformed (very weak, significant and negative effects) when compared to other sectors in terms of both CSR implementation variables. Overall, the manufacturing sectors, perceived as “dirty” sectors (paper, oil and chemical, metal, other manufacturing) seemed to perform slightly better in terms of CSR implementation than other sectors.

When it comes to the Outcomes (precisely: changes in outcomes between 2007 and 2010), almost none of the IMPACT sectors had significant effect on the variables including GHG or energy. The only exception is the real estate sector which underperformed in terms of the use of renewable energy. The analysis on level of environmental outcomes showed almost the same results – almost no significant effects of the IMPACT sectors on climate change outcome variables. Only the textile sector had a negative effect on CO<sub>2</sub> emissions and energy consumption. Overall, when considering all the sectors used as control variables, almost none of them had any effect on the Outcome.

In the course of the survey among SMEs, certain additional, sector-specific questions concerning the voluntary activities implemented by companies and results of these activities were asked. Due to the small sample size these sectoral findings were not included to the econometric analysis, however, a basic descriptive analysis of these questions showed how frequently companies undertook voluntary activities.

The most frequent voluntary activities in the **automotive** sector aimed at reducing the energy demand of the cars – 88.89% of companies introduced this type of activities (out of those which found this issue to be relevant for them i.e. 69.6%). Almost 89% of these companies reported positive effects on the energy performance of cars. Moreover, 75% of surveyed companies (out of those which found this issue to be relevant for them i.e. 65.2%) undertook activities attempting to decrease CO<sub>2</sub> emissions from energy consumption and 88.89% of them experienced positive results.

In the **construction** sector activities substituting energy intensive building materials were the most frequent – 82.24% of companies implemented them (out of those which found this issue to be relevant for them i.e. 71.5%). Interestingly, more than half of them reported negative effects of these activities, while the companies which did not implement these activities predominantly witnessed stable results.

In the **ICT** sector almost 90% of companies (out of those which found this issue to be relevant for them i.e. 58.2%) implemented activities aiming at reducing energy consumption from main operations. Furthermore, slightly more than 62% of companies (out of those which found this issue to be relevant for them i.e. 51.7%) undertook activities aimed at designing hardware in a way that it reduces energy demand in the use phase. Respectively 58.46% and 63.64% of both groups witnessed positive results for their energy performance.

Among the **retailers**, 86.89% of companies (out of those which found this issue to be relevant for them i.e. 72.8%) implemented activities decreasing energy consumption from stores operations and logistics. Out of them, almost 53% experienced positive results for their energy performance.

The **wearing apparel** companies most frequently implemented voluntary activities increasing energy efficiency. 78.57% of companies introduced them (out of those which found this issue to be relevant for them i.e. 62.5%) and more than half of them witnessed positive results for their energy performance.

### 2.3.1.2 Case studies

In the **automotive** sector CO<sub>2</sub> emission is treated as issue of a strategic importance and is combated by investment in renewable energy, development of alternative power train technologies, implementation of product innovations reducing energy consumption and CO<sub>2</sub> emissions etc. All investigated companies measure their CO<sub>2</sub> performance and almost all of them measure their impacts. **Construction** companies do not recognise CO<sub>2</sub> emission as being a highly strategic issue. This might be explained by the fact that the institutional context in which the sector operates has not incentivised companies to significantly deal with this issue. Nevertheless, companies start to implement activities increasing energy efficiency and reducing CO<sub>2</sub> emissions from the use phase of the building. Some companies also started to consult their clients to integrate renewable energy to the newly constructed houses. However, only some companies measure and report energy consumption and CO<sub>2</sub> emissions from the use phase of the building. Also the CO<sub>2</sub> emissions from the production and use of the construction materials were acknowledged and reported by companies. However, they do not monitor and report CO<sub>2</sub> emissions of their suppliers. In the **ICT** sector energy efficiency is the driver of the CO<sub>2</sub> reduction. Companies tackle both issues through switching to renewable energy, procuring green electricity, increasing energy efficiency of the data centers etc. The **retail** sector recognizes the importance of the CO<sub>2</sub> emissions and related energy efficiency, and approaches them through using efficient heating and refrigeration systems, changing lightening systems, training employees, optimizing logistics management, using renewable energy for heating. Three out of four companies measure their total amount of CO<sub>2</sub> emissions. The **wearing apparel** companies recognize the importance of the CO<sub>2</sub> emission reduction, which is reflected in the fact that they report relative (outcome) and absolute (impacts) CO<sub>2</sub> emissions resulting from scope 1, 2 and 3. None of the investigated companies, however, monitor and report CO<sub>2</sub> emissions of their suppliers.

Due to the data limitations it was not feasible to investigate causality from CSR commitment to outcomes and impacts in the case companies.

### 2.3.1.3 Delphi study

In the **automotive** sector CO<sub>2</sub> emissions and energy consumption from the use phase of the car were identified as the most important effects of the sector. However, there were rather large gaps between the perception of sectoral effects on the issues and CSR impacts on them i.e. the sectoral effects on CO<sub>2</sub> emissions and energy consumption were much higher than CSR effects on these issues. The sectoral effects are expected to decrease in the future. It can imply that the current efforts of the sector (driven by technological developments and existing regulatory pressures) will effectively tackle the GHG related problems. Also the energy consumption and CO<sub>2</sub> emissions from manufacturing are foreseen to decrease significantly during next five years. However, in case of these two issues, much smaller gaps between effects caused by the sector and CSR effects on these issues were identified.

Similarly to the automotive sector, the **construction** experts stated that the CO<sub>2</sub> emissions and energy consumption from the use phase of the products (buildings) were the most important environmental issues, both however well covered by CSR. Moreover, both these issues are expected to decrease in the future. Also CO<sub>2</sub> emissions from the construction process seem to be combated by CSR and are expected to decrease in the future. Talking about the CO<sub>2</sub> emissions from the supply chain (i.e. CO<sub>2</sub> from manufacturing of the construction materials and transportation activities) there were relatively large gaps between the effects caused by the sector and CSR influences on the issues.

In the **ICT** sector, the CO<sub>2</sub> emissions from the manufacturing and use phase of the products were found to be rather secondary environmental effects (after e-waste, rare metals, raw materials) and both of them relatively well tackled by CSR. Interestingly, CSR impacts are expected to increase in the future, more than effects. Furthermore, energy intensity, both from manufacturing and use phase of the products, was found to be more important environmental effects than CO<sub>2</sub> emissions. Currently, there are significant gaps between sectoral effects and CSR impacts, the latter, however, are expected to increase in the future and their growth will exceed the growth of the effects, which will partially close the aforementioned gaps.

In the **retail** sector both CO<sub>2</sub> emissions and energy consumption from the store operations and logistics are well combated by CSR impacts. The latter will further increase in the future and the environmental effects (CO<sub>2</sub> emissions and energy consumption) are expected to decrease.

In the **wearing** apparel sector the CO<sub>2</sub> emissions and energy consumption from manufacturing processes are strongly influenced by CSR impacts. The latter are expected to increase in the future more intensively than effects on the issues. However, CO<sub>2</sub> from the transportation activities was found to be important environmental effect, which was not strongly influenced by CSR.

### 2.3.2 Sector influence on the use of raw materials

The **econometric analysis** showed little influence of the sectors on CSR performance and impacts in terms of waste creation and recycling. Firstly, it seemed, however, that the sectoral variables were slightly significant among large companies. Secondly, the results of the sector specific supplementary questions concerning CSR activities revealed that activities aimed at tackling the consumption of raw materials were quite frequently implemented in different sectors, however their results remain ambiguous. In some case companies, which implemented these voluntary activities reported worse performance (in terms of raw materials) than other companies which did not undertake this effort.

The performed **case studies** showed that in all investigated sectors the efficient use of resources was found to be of a strategic importance; however, these sectors differ in terms of CSR drivers, activities and measurement.

The **Delphi panel** revealed that the use of raw materials is perceived as being of high importance in three sectors (automotive, construction, wearing apparel). However, in all these sectors CSR did not well tackle the sectoral effects on these issues.

#### 2.3.2.1 Econometric analysis

Use of raw materials, accordingly to the definition of the issue in other work packages, was not included to the econometric analysis. However, other variables were used, namely “waste intensity” for large companies and “Reduction in waste and/or increase in recycling of waste” for SMEs, which are closely related to raw materials and indirectly affect raw material use and thus can be treated as proxies for the use of raw materials.

#### **Large companies**

For large companies only **IT&telecommunication** and **Consumer** sectors had influence on CSR Output of programs reducing waste intensity. In case of the **IT&telecommunication** sector it might be due to the fact that e-waste represents one of the most significant environmental and social concern, and is more and more widely monitored and investigated by NGOs and media. The Consumer sector is more than other investigated sectors (material, energy, and industry) based on B2C relations, which exposes the sector much more to the public audience, NGOs activism, consumers’ pressures and boycotts. These could be the explanation for higher activism of these two sectors in implementing programmes tackling the issue of hazardous waste.

In case of outcomes, IT&telecommunication sector underperforms, while the energy sector outperforms other sectors.

## **SMEs**

Among SMEs, the role of the sectors was of minor significance or even insignificant for the CSR output, implementation and outcome variables. In case of the IMPACT sectors, textile and construction sector were insignificant for both CSR implementation variables and underperformed other sectors in terms of certifications (CSR output). The telecommunication sector underperformed (very weak, significant and negative effects) when compared to other sectors in terms of both CSR implementation variables and all three output variables. Overall, the manufacturing sectors, perceived as “dirty” sectors (paper, oil and chemical, metal, other manufacturing) seemed to perform slightly better in terms of CSR implementation than other sectors.

In case of the outcome variables (precisely: changes in outcomes between 2007 and 2010) related to waste (recycling of waste), the real estate underperformed other sectors. Textile, telecommunication and construction sectors were insignificant. Overall, the influence of a sector as a control variable was weak.

In the course of the survey among SMEs, certain additional, sector-specific questions concerning the voluntary activities implemented by companies and results of these activities were asked. Due to too the small sample size these sectoral findings were not included to the econometric analysis, however, a basic descriptive analysis of these questions showed how frequently companies undertook voluntary activities.

Out of the surveyed **automakers** 80% of the companies (out of those which found this issue to be relevant for them i.e. 65.2%) implemented voluntary activities increasing the use of recycled materials and reused components in production. However, only 25% of them reported positive results of these activities, while half of them witnessed negative changes of performance.

The **construction** companies mainly undertook activities applying building design and construction to reduce material input (more than 85% of companies implemented it out of 67.2% of companies, which named this issue to be relevant for them). Though, only ¼ of the companies' improved their performance in terms of material input. More than 38% experienced negative results.

In the **ICT** sector raw materials were mainly addressed by questions concerning waste and recycling oriented actions. About 86% of the companies (out of those which found this issue to be relevant for them i.e. 58.2%) answered that they practice design for repair and/or introduce supplier standards in these regards. More than 45% of them reported positive results of these activities. Another bundle of activities aimed at increasing the use of recycled materials and reused components in production. Almost 77% of these companies (out of those which found this issue to be relevant for them i.e. 42.8%) implemented the above-quoted activities and almost 54% of them led to positive results on companies' environmental performance. Finally, around 68% of SMEs (out of those which found this issue to be relevant for them i.e. 39.4%) exercised design for recycling (and/or introduced supplier standards) and almost 45% of them reported positive results. It is worth mentioning, however, that some companies, which did not implement

respective activities, reported similar changes in their performance. This implies that the results of the voluntary activities are still relatively weak.

Almost 74% of **retail** companies (out of those which found this issue to be relevant for them i.e. 53.4%) undertook voluntary activities reducing product resp. food waste. Interestingly more than 57% of companies witnessed certain results on their waste performance.

The **wearing apparel** companies were asked if they introduced activities increasing the use of recycled materials for textiles. More than 71% of companies (out of those which found this issue to be relevant for them i.e. 39.3%) implemented these activities. In 57.58% of them these activities led to positive results.

### 2.3.2.2 Case studies

In the **automotive** sector the use of raw materials was found to be an important environmental issue which companies targeted relatively proactively. Companies seem to be especially active in increasing the recyclability already in the design phase and when choosing the raw materials of cars. It is worth noticing, however, that this is strongly driven by EC Directive 2005/64 (on the type-approval of motor vehicles with regard to their reusability, recyclability and recoverability). Other activities aiming at improving resource efficiency include use of recycled materials, use of bio-based materials, production of smaller cars, minimizing the use of rare metals. Contrary to the automakers, **construction** companies do not consider the resource efficiency to be of a strategic importance. This is surprising given the material intensity of construction process and buildings. This finding is rather contradictory to findings of the Delphi study, which showed that the use of raw materials was one of the most important issues in the sector. Very similar evidence was revealed by the sectoral supplements in the econometric analysis. Although companies undertake certain activities increasing resource efficiency, they do not include it into their strategies, do not establish targets and do not measure it. The importance of the use of raw materials in the **ICT** sector depends on the type of a company. Hardware manufacturers seem to have a much more strategic approach to this issue. They establish targets for recycling and reuse and introduce take-back programs. Service providers are much less concerned with the resource efficiency issue. **Retailers** approach resource efficiency through reducing or reutilising product waste. This issue seems to be of a strategic importance for companies, which undertake activities in this regard and partly measure their performance and impacts. Moreover, it is worth mentioning that the anticipation of the future legislation was an additional incentive for improving resource efficiency. In the **wearing apparel** sector two resource-related issues were investigated: water consumption during cultivation and manufacturing process, and reducing the use of resource intensive fibres. Although companies seem to have a strategic consideration for the issue, it does not automatically translate into targets and activities. Companies tend to be locked-in into their predominant business models, which in most cases strongly rely on fast fashion.

### 2.3.2.3 Delphi study

In the **automotive** sector, the use of the raw materials, after CO<sub>2</sub> and energy from the use phase of the car, was among the three most important environmental issue. According to the experts' opinions there is a large gap between the current sectoral effects and the CSR impacts. This gap will be decreased as the future CSR impacts will increase more than the sectoral effect.

The situation in the **construction** sector is very similar. The use of raw materials was second most important environmental issue and currently is not well tackled by CSR. Nevertheless, in the future both, sectoral effects and CSR impacts are foreseen to increase and so the gap will remain.

In the **ICT** sector the CSR impacts on the use of raw materials is almost the lowest of all the CSR impacts and does not tackle the sectoral effects on the issue. Although the CSR impacts are expected to increase in the future, this will not close the gap.

In the **retail** sector the use of raw materials was found to be of low importance and so were the CSR impacts. In the **wearing apparel** sector, similarly to other sectors, the use of raw materials is of high importance and is not well tackled by CSR impacts. This gap will further increase in the future.

### 2.3.3 Sector influence on Flexibility and job security

Permanent contracts are the only indicator concerning job security, which was investigated in the **econometric analysis**. The econometric analysis showed little influence of sector on job security among SMEs. Job security was not investigated in the sample of large companies.

The analysis of the **case companies** showed that CSR motivation & performance significantly differ between sectors. Clear pattern concerning the influence of sector variables on job security was not revealed.

The **Delphi study** highlighted that in four out of five investigated sectors (except from the automotive) job security turned out to be of high concern. It seems, however, that the issue is not well targeted by companies' voluntary activities and their impacts remain much lower than effects caused by the sectors. Moreover, the situation (i.e. high effects of the sectors and low CSR impacts) is expected to stay similar in the future.

#### 2.3.3.1 Econometric analysis

The econometric analysis investigated the influence of implementation of CSR programs regarding permanent contracts among the SMEs. When estimating the CSR effects on the absolute level of permanent contracts in 2010, out of seventeen sectors, which were treated as

control variables, only the construction sector revealed a positive, statistically significant influence on the share of permanent contracts. However, this influence was very weak. When analysing the changes between 2007 and 2010 only three sectors had significant effect on the share of permanent contracts. Paper sector and “other manufacturing” underperformed when compared to other sectors, while the textile sector performed better than other sectors in the given period. All the effects were very small.

### 2.3.3.2 Case studies

In the **automotive sector**, two case companies witnessed a slight increase in the percentage of temporary contracts, while the third company significantly decreased this percentage. However, very little quantitative data is available, which does not allow describing any clear tendency or pattern. Although data on short-term employment in the **construction** companies was available, no clear pattern evolved. The share of short-term contracts increased in one company and decreased in two other companies. Percentage of agency contract workers increased in one company. In the **ICT sector**, three out of five companies collected data concerning short term contracts. However, this issue turned out to be of low importance. Two companies implemented ethic codes of conduct tackling job security in the supply chain, thus it can be assumed that this situation is different in the supply chain. The **retail sector** collects and reports data concerning short-term contracts, however no clear pattern can be seen. In the **wearing apparel sector** no clear pattern was revealed.

### 2.3.3.3 Delphi study

The main message from the findings of the **automotive** sector shows that quality-of-jobs issues are not of high concern. This also applies for job security. The issue itself was not assessed as being very important and the CSR impacts well correspond with the sectoral effects on the issue.

In the **construction** sector, not surprisingly, the job security was found to be the second (after health, safety and working conditions) most important QoJ issue. However, CSR impacts are relatively low, which means that there is a gap between sectoral effects and CSR impacts. This situation will remain the same in the future.

In the **ICT** sector job security was revealed to be of rather high importance and it will increase in the future. The current CSR impacts do not well tackle this issue and the gap between sectoral effects and CSR impacts will further increase in the future.

In the **retail** job security was found to be the most burning quality of jobs issue. Currently, however, it is not well tackled by CSR impacts and this situation will remain very similar in the future.

For employees in the **wearing apparel** sector job security, next to human rights, safety and working conditions and wages, represent one of the most important QoJ issues. The current CSR impacts do not well combat this issue. Although they are expected to increase in the future, so are the sectoral effects. Thus, the net gap between effects and CSR impacts will remain the same.

### 2.3.4 Sector influence on Wages and poverty

An issue of wages was not included to the **econometric analysis**.

The **case studies** did not reveal any pattern of influence of the sector variable on CSR engagement and impacts on wages and poverty. Undoubtedly, companies undertake certain voluntary activities targeting these issues, however almost none of them systematically measure their performance and impacts.

The **Delphi study** showed that wages are especially important in retail and wearing apparel sector. However, the issue is not well tackled by CSR impacts.

#### 2.3.4.1 Econometric analysis

An issue of wages was not included to the econometric analysis.

#### 2.3.4.2 Case studies

The wages and poverty issue was investigated based on the percentage of low wage employment of all employment, percentage of workforce with minimum wages and below, number of leasing agencies that have not complied with the ILO standards, number of major suppliers, which do not comply with ILO.

In the **automotive** sector workers' councils and long tradition of labour unions play an important role in driving companies' performance in terms of employees' wages. Regardless of that, two out of three case companies treated wages as a strategic issue. Companies implemented certain activities tackling this issue: programs for coupling management and employee wages, management programs based on ILO standards. However, none of the case companies measured their performance and impacts concerning wages. Although **construction** companies reported some activities targeting the wages related issues, almost none of them measure their performance and impacts of these activities. The legal compliance is perceived as the strongest driver for wages in the sector. Almost none of the companies reported their performance and impacts. In the **ICT** companies performance in terms of wages and poverty reduction is mainly driven by publicity issues (NGO, reputation). Three out of five case companies implemented activities limiting the share of low wage employment. Some of the companies also required from

their companies to comply with the local minimum wages. The impacts of these activities were rarely mentioned. Though two case highlighted significant poverty reduction through personnel development and philanthropic programs. For **retailers**, values and traditions are the main drivers for wages and poverty issues. Companies implemented some activities aiming at compensation issues, reducing poverty, community giving. Similarly to other sectors, data was hardly available for any of the investigated wage related issues. **Wearing apparel** companies' performance in terms of wages and poverty is mainly driven by NGO pressure and public concerns. Companies tend to implement activities and auditing schemes tracking down the wages related issues throughout their supply chains. Only one of the investigated companies, at least to certain extent, measured its performance and impacts in this regard.

### 2.3.4.3 Delphi study

In the **automotive** sector the issue of wages was not identified to be of a crucial importance. This reflects the overall perception of a sector as not facing any burning quality of jobs issues. The relatively low current CSR impacts on wages well correspond with the relatively low sectoral effects. In the future, both – sectoral effects on wages and CSR impacts – will remain similar to the current situation.

In the **construction** sector, safety, health and working conditions, job security, and illegal employment were the issues of the highest concerns. Wages were perceived as being of a medium importance and were not well tackled by CSR. This gap will remain in the future.

In the **ICT** sector wages were found to be one of the least important QoJ issues. Also the CSR impacts were the lowest in case of this issue. Interestingly, ICT is the only sector in which almost all the QoJ issues were not well tackled by CSR and the gaps between sectoral effects on QoJ issues and CSR impacts are expected to further increase in the future.

In the **retail** sector, wages represent one of the most important QoJ issues. It is, however, not well tackled by CSR as there is a relatively large gap between sectoral effects and CSR impacts. Moreover, this gap is expected in the future as wages are foreseen to become an even more important issue, while the CSR impacts will remain on similar level.

In the **wearing apparel** sector wages, next to human rights and safety, health and working conditions are of the highest concern. Moreover, issue of wages is not well covered by CSR engagement and impacts. This gap is expected to remain in the future.

### 2.3.5 Sector influence on Work organisation and work-life balance

The **econometric analysis** for SMEs showed that the textile sector outperformed other sectors in terms of work-life balance measured with the number of overtime hours. However, the overall influence of sector as a control variable was very weak.

In the **case companies**, data on work-life-balance was hardly available; hence it is impossible to derive any clear pattern of influence of sectors.

The **Delphi study** showed that the work-life balance is of high concern in the ICT and retail sector. In none of them, however, the CSR impacts tackle the issue well.

#### 2.3.5.1 Econometric analysis

Similarly to the influence of the sectoral dummies on the afore-mentioned cross-sectoral issues, also in case of the work-life balance there was very little influence of the sector.

Among SMEs the work-life balance was measured by the number of overtime hours. Out of all the sectors used as a control variables for changes in social outcomes between 2007-2010 only four sectors had effects on work-life balance: metal, transport, other manufacturing and telecommunication. All four sectors outperformed other sectors however their influence on the outcome variable was small. Concerning absolute social outcomes on the other hand the textile sector outperformed other sectors, and transport and transportation services sector underperformed when compared to other sectors. Again, the influence of sector variable was small.

For large companies work-life balance was not investigated.

#### 2.3.5.2 Case studies

The **automakers'** performance in terms of work-life-balance is mainly driven by laws and regulations as well as long labour unions' activism and thus is not strongly affected by CSR. One of the investigated case companies signed a collective agreement prohibiting overtime work. However, data on work-life balance was hardly available in the companies. In the **construction** sector an assessment of work-life-balance is rather ambiguous task because work is subcontracted to other companies. It implies that work-life balance might be much more important issues in the supply chain and requires more attention. In two out of three case companies none of the employees worked longer than 48 hours a week. **ICT** companies tend to avoid employees' over-working time. Some companies offer flexible working arrangements, but only for a relatively small share of employees. In the **retail** sector the work-life-balance did not play an important role and was not reported by companies. In the **wearing apparel** sector no quantitative data concerning work-life-balance was available.

### 2.3.5.3 Delphi study

In the **automotive** sector, the work-life-balance was found to be one of the least important QoJ issues. However, it was well tackled by CSR. The importance of this issue in the future as well as the CSR impacts will remain on the similar level.

The Delphi experts from the **construction** sector did not find the work-life-balance to be of high importance. Nevertheless, this issue is relatively well tackled by CSR. In the future, both sectoral effects and CSR impacts are expected to slightly increase.

In the **ICT** sector, the work-life-balance was revealed to be the second most important QoJ issue. The current CSR impacts are relatively low and do not tackle the issue well. In the future this gap between the sectoral effects on work-life-balance and CSR impacts on it will further increase as the effects are expected to grow more than CSR impacts.

Also in the **retail** sector work-life-balance was found to be of high importance and was not well tackled by CSR. The future situation will remain similar during the next five years.

Finally, in the **wearing apparel** sector work-life-balance was the least important of the investigated QoJ issues, but relatively well tackled by CSR. In the future the situation will remain similar as both sectoral effects and CSR impacts on work-life balance are expected to increase.

### 2.3.6 Conclusions

Due to the fact that in the course of the IMPACT project different sectoral definitions were used (as explained at the beginning of this summary), overarching conclusions on the role of sector as a variable influencing CSR are ambiguous, because results from different work packages can hardly be compared. Nevertheless, the results show that sector is influencing the drivers pushing companies towards CSR and affecting CSR performance (esp. outcomes) and impacts. We have found that the motivation for CSR engagement in the automotive for the use of raw materials is strongly driven by the EC Directive 2005/64. By contrast in the ICT sector it is of a strategic consideration, resulting (among others) from a scarcity of rare metals. Findings concerning the influence of CSR on wages showed that while the automotive sector has a strong tradition of labour unions and workers' councils pushing for decent wages, the ICT sector is mainly driven by its exposure to publicity (media, NGOs). It shows the very different roots and incentives of CSR engagement in different sectors.

However, the study did not show any clear pattern of influence of the sector e.g. if companies from certain sectors over- or underperformed companies from other sectors in terms of CSR implementation, outcomes and impacts. Results on these questions are highly issue dependent and do not show any clear pattern in sum. We also recognize that the conducted analysis and its

outcomes are sensitive to certain methodological and definitional issues such as the way the sectors are defined, level of data aggregation and data availability.

## 2.4 Territorial unit

*Prof. Peter Hardi, Gergely Radacsi*

In this section cross work package results on the influence of several territorial characteristics on environmental, quality of jobs, and economic performance and impacts are presented. Guiding questions for the analysis were:

- What role do regional characteristics play?
- Does the link between CSR performance (e.g. activities) and outcomes / impacts vary for companies differing with regards to specific regions (e.g. between small and large companies)?
- Is there any additional influence caused by the characteristic under research?
- Does this characteristic matter in any way for performance and/or impact? Or will the results be the same, no matter which territorial characteristics a company shares (e.g. do companies from region X in general say issue A is irrelevant)?

The regions under consideration are the following:

- Anglo-Saxon countries
- Central Eastern Europe (CEE)
- Continental Europe
- Mediterranean Countries
- Scandinavia

### 2.4.1 Results from Econometric Analysis

Although the econometric analysis provided the most comprehensive set of data for the analysis of territorial characteristics among all work packages, these findings are still not convincing enough to build solid arguments for regional trends. To understand issue specific trends, we listed all relevant findings in Table 4 below.

Even though WP2 presents several issue specific findings with territorial characteristics, we can only draw a few fairly vague conclusions, such as that regional influences are particularly significant for the issue of diversity and collective bargaining and especially in the case of SMEs.

The only significant conclusion that can be drawn from the econometric analysis is that the type of region in which the company is located affects CSR outcomes and impacts of large companies and SMEs in a different way. However, the results are somewhat conflicting and no clear patterns emerge. In terms of large companies, territorial differences are linked to the size and coverage of

the welfare state, but only much generalized conclusions could be drawn, such as that “companies from European countries with a fairly large welfare state outperform companies from Asia and from Anglo Saxon countries within or outside the EU with a smaller welfare state”. The interpretation of even this finding is complicated because different types of influences can affect the results, such as local culture and the extent of government regulations. The results, however, “do provide an indication that the larger potential for CSR in Anglo-Saxon capitalism is not confirmed”. Certain regional differences are due to different levels of government regulations, different bargaining power of the labour force, or democratic support for issues that can be identified with CSR activities. In the case of SMEs it is even more difficult to find links between CSR performance/impact and territorial differences. Some of these differences (i.e. women in company leadership, employment of disadvantaged groups or minorities) may probably be caused by differences in ethnic diversity in different countries. At the same time differences in other characteristics can be found in a different combination of countries from different regions, thus making any generalization impossible.

**Table 4: Findings on relevance of regions from econometric analyses**

	CSR Performance	CSR Impact
<b>Environment</b>	Scandinavian, Mediterranean and Continental European SMEs are more prone to use <u>renewable energy</u> and to <u>recycle</u> their waste than other European companies	N/A

<p><b>Quality of Job</b></p>	<p>Workers at Mediterranean European, Continental Western European, and Scandinavian large companies are more frequently covered by <u>collective bargaining</u> than workers employed by companies from other European regions.</p> <p>In terms of SMEs Scandinavian, Mediterranean and Continental Western European workers are much more covered by <u>collective bargaining</u> than those working at companies from UK and East Europe.</p> <p>Hiring people from <u>disadvantaged groups</u> is most popular in Continental Western SMEs.</p> <p>East European SMEs are relatively more often led by <u>female executives</u> than SMEs from other countries.</p> <p>Mediterranean SMEs make the least use of <u>overtime work</u>.</p> <p><u>Sickness absence</u> is relatively high in East European SMEs and relatively low in Scandinavian and Mediterranean ones.</p> <p>The <u>sickness absence rates</u> are highest for East European SMEs and, to a lesser extent in Continental Europe (particularly Germany shows relatively high rates).</p>	<p>N/A</p>
<p><b>Economic</b></p>	<p>N/A</p>	<p>N/A</p>

The case of Anglo-Saxon countries well illustrates these interferences:

According to the general analysis of drivers of CSR Performance improvements in the final report of WP2<sup>8</sup>, large companies located in Scandinavia, the Mediterranean countries and Continental Europe outperform companies in Anglo-Saxon countries and Asia on CSR Performance. However SMEs located in Anglo Saxon countries outperform companies in Scandinavia and Continental Europe – companies from Eastern Europe seem to be near to the same level as Anglo Saxon SMEs. These findings are somewhat frustrating in two ways. First, most of the CSR literature rank Anglo-Saxon large companies among the front-runners of CSR activities and performance and not among the followers. Second, in the case of SMEs different chapters of the

<sup>8</sup>IMPACT Working Paper No. 10, Available at:

<http://csr-impact.eu/documents.html?PHPSESSID=29afd5bf7175c44f2cf7083d3b1377d5>

report mentioned above show somewhat conflicting or at least more mixed findings: By comparing the results of chapter 6 (a more detailed analysis of the effect of CSR commitment, CSR output and CSR implementation on company outcomes and impacts) to chapter 5 (a general analysis of drivers of CSR Performance improvements), the result that Anglo-Saxon SMEs outperform SMEs from other countries, cannot be justified entirely. Based on Chapter 6 we may only say that:

- CEE SMEs outperform SMEs from other regions regarding CSR Output & CSR Implementation
- Anglo-Saxon SMEs outperform SMEs from other regions regarding environmental outcome
- SMEs from all other regions outperform Anglo-Saxon and CEE SMEs regarding social outcome

As a result we can only prove that on the aggregate level, large companies from other European countries outperform those from Anglo-Saxon; and SMEs in Anglo-Saxon EU countries on average outperform SMEs on CSR in most of the other regions. When looking at more detailed analyses however, differences appear and this overall conclusion for SMEs cannot be justified entirely.

#### 2.4.2 Results from Company Case Studies

Work package 3<sup>9</sup> provides several issue specific findings with territorial characteristics. These findings are listed in Table 5 below. However, the limited number of companies analysed in the case studies make generalizations impossible.

As mentioned earlier, due to the applied methodology the case studies offer no conclusive evidence for individual characteristics that depend solely on territorial differences. It is possible to draw a few vague conclusions; however these statements must be treated cautiously. The most likely differences in CSR performance that can be linked to territorial differences could be detected in employment and environmental issues in the CEE region. Compared to other regions, here companies face less social pressure to address environmental problems through CSR activities. In addition, fewer incentives are provided by the state or industry associations. A general impediment on labour and employment (quality of job) related CSR activities in CEE, is illegal employment and the presence of migrant workers. This phenomenon leads to a significant number of people being left without any kind of social security and has a negative impact on society. An additional characteristic that may influence CSR performance is the transfer of production and other low skill tasks from Western European countries to countries with lower labour costs, including the CEE region.

**Table 5: Findings on relevance of regions from company case studies**

<sup>9</sup> See IMPACT Working Papers No. 4, 5, and 6, available at: <http://csr-impact.eu/documents.html>

	CSR Performance	CSR Impact
<b>Environment</b>	Companies from the Transitional region demonstrate the lowest performance with regard to environmental sustainability	N/A
<b>Quality of Job</b>	<p>In the automotive and ICT sector outsourcing and the transfer of production to countries with lower labor costs is cited as relevant impediment to CSR.</p> <p>In the CEE region, illegal employment is a general phenomenon, making legal employment a responsible policy.</p>	N/A
<b>Economic</b>	N/A	N/A

In addition to these characteristics, different regulations of the different Quality of Job issues exist among the European countries. Furthermore, the QoJ-domain is strongly determined by trade union activities, which themselves are highly influenced by national traditions (despite the existence of European trade unions). This situation particularly affects the observed gap between CSR activities in Eastern and Western European countries. Thus, it is very difficult to distinguish between “regular” Human Resource practices and practices that could be qualified as CSR in this domain.

The influence of parent companies or majority owners as an internal CSR driver is clear among the case companies from the Transitional region that are subsidiaries of those bigger Western corporations or where the majority owner is a large Western firm. It sometimes leads to a situation in which companies in CEE could be considered CSR leaders in their markets, while they would be only CSR conformists compared to CSR standards in the parent companies’ home region.

### 2.4.3 Results from Network Analysis

As the IMPACT Working Paper No. 7<sup>10</sup> states, “it was difficult to create a precise fit between companies, sectors, regions and networks. In some parts of Europe – notably CEE countries – CSR related networks were found to be at a more emergent phase of development than other regions such as the Nordic area”. This meant that where networks were not long established they provided little useful empirical evidence on the role they played in performance or impact. (ibid. p. 3) Certain network characteristics influencing ecological sustainability and competitiveness in a

<sup>10</sup>Available at <http://csr-impact.eu/documents.html>

single region (like innovation network in FFTI in Finland) may be explained by company rather than territorial characteristics.

#### 2.4.4 Results from Delphi Study

During the Delphi analysis some significant results were found, however they did not show any consistent pattern. Therefore no clear correlation was found between the expert opinions and their territorial origin or residence.

#### 2.4.5 Conclusions

Territorial differences in CSR performance, outcomes and impacts are not independent variables. Territorial characteristics can be explained by many factors and by several different conceptual frameworks such as the types of capitalism, the role of the state, cultural and social determinants, etc. As a dependent variable, the territorial differences do not explain, only add nuances to, the characteristics of CSR performance, outcomes and impacts in different territorial units. Moreover, there is no clear pattern that would consistently explain all existing differences by regional differences, making the territorial characteristics even less significant.

The lack of a consistent trend that can be linked to territorial characteristics does not mean that there are no findings that show the influence of territorial differences on CSR performance, outcomes and impacts. These issues have been presented above based on the findings of the empirical Work Packages.

### 3 CONCLUSIONS

The aspects analysed above regarding their influence on CSR performance, outcomes and impacts of companies are rather diverse. It is therefore hardly possible to draw overall conclusions. Still, the analyses mainly show two things:

1. CSR Performance is not only affected by company activities and how well companies manage these CSR activities and processes, but also by other – hardly influenceable – factors, like company size, region or sector of the company and the company type.
2. Corporate outcomes and impacts are influenced not only by CSR but by other factors, at least company size, region, sector and company type, as well

It got not always clear from IMPACT how these factors actually affected CSR Performance, outcomes or impacts. In some cases it can be assumed that the variables analysed are only proxies for other aspects: e.g. in case of company size, the fact that, when separately looking at the categories SMEs and large companies, larger companies tend to perform better than smaller companies, may be caused by the better availability of financial and human resources the larger a company is; similarly the variable ‘territorial unit’ or ‘region’ probably is a proxy for things like type of capitalism, legal or cultural differences between countries and regions.

Conclusions can at maximum be drawn at level of the different aspects:

When comparing CSR performance of large companies and SMEs it appeared that CSR engagement of both is driven by different motivations: while SMEs were mainly motivated by ethical/intrinsic aspects, large companies mainly answered to be motivated by strategic-financial aspects. Additionally, for both categories of companies the same differences appear as well when comparing those factors that drive CSR performance improvements. Results on the relationship between CSR commitment, CSR output, CSR implementation and outcomes and impacts appeared to be more valid for SMEs than for large companies. However, this might partly be caused by methodological differences in the analyses. Finally, within the groups of SMEs and large companies the general trend was: larger companies tend to perform better than smaller companies.

Results regarding companies from different sectors very much depend on the concrete issue analysed. No overall conclusions can be drawn.

Results regarding companies from different European regions – Anglo-Saxon, Scandinavia, Mediterranean, Continental, and Central Eastern Europe – did not create a clear picture. Depending on the analysis, the results differed to some extent. As for the influence of sectors, no overall conclusions should be drawn without mentioning all the different results.

Results on the influence of company type were only based on case studies among nineteen cases. Overall generalizable conclusions are therefore not possible.