Impact Measurement and Performance Analysis of CSR (IMPACT)

Report on synthesis assessment of the relationship between CSR implementation & motivation and CSR performance & impacts

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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. D6.3 – available individually as well - researched whether several types of variables and characteristics additionally influence the results mentioned in report D6.2.

This report will now proceed with the next analytical step and identify, whether the type of motivation and implementation of CSR activities, additionally influence the results mentioned in report D6.2.

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, analysing in how far several characteristics, like company size and type, sector, region, influence or change companies' CSR performance and/ or impact;
- D6.4, this report, 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 different types of motivation, and 2.2 on types of implementation - 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 and 2.2 – the chapters on synthesised results for the two dimensions – are not identical regarding their structure (subchapters). Due to the different characteristics of the dimensions this was not seen as something useful or even feasible.

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

2 SYNTHESIS OF WORK PACKAGE EMPIRICAL RESULTS

This chapter will now focus on the characteristics mentioned in the project description: the type of motivation for and implementation of CSR activities.

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. 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 Types of Motivation and their Influence on Performance and Impact

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In this section findings from the work packages are provided concerning the relationships between motivations for CSR performance and impact, including special attention to the three issues areas of Environment; Quality of Jobs; and Economy

In general survey evidence suggests that large and SME companies alike perceive that their CSR mostly affects their reputation rather than profitability, innovation and the meeting of regulation However, large companies indicate that mandatory rules for reporting have a small but significant effect on their CSR performance. In terms of where information on CSR comes from, large companies in the survey indicate that their information about CSR comes principally from industrial organisations rather than from business schools.

In very broad terms two types of motivation are identified in the survey research: those associated with membership of networks and those associated with size. Other studies in the project explored the more complex interactions of internal and external forms of motivation.

2.1.1 Network-based motivation

The network analysis found that networks fell into three types which correspondingly influenced motivations of their members in different ways.

First, there are networks that set out to amplify a CSR or sustainability trend, issue, event (TIE) and put companies under pressure to take more responsibility. Secondly, there are networks that are set up by business, for business to amplify attention to CSR as a whole and to professionalize managerial and organisational responses to CSR as a trend or to provide a platform for more concerted inter organisational response to a more narrowly focussed set of CSR sustainability TIEs.

A third form of network moves beyond “pressure amplifiers” and “knowledge exchange” to offer more collaborative structures that provide the basis for innovation in “business models” which involve new arrangements between businesses and other organisations to find new ways to create and capture value.

There may be a conceptual evolutionary pathway here, whereby the pressure amplifiers type encourages companies to find knowledge required responding to the pressure and they do so through the knowledge exchange type. These networks can lead to platforms with specific functions based on the exchange of knowledge and experiences that advance CSR and sustainability through a change or innovation in companies as a result of collaborations. In their most advanced form those collaborations become the basis for new business models where CSR or sustainability concerns provide for the creations of products or services that meet business and social or environment objectives.

It should also be noted that networks can influence companies in a variety of ways. They can provide a multi actor response to TIEs for a range of functions including knowledge development and exchange for the purpose of developing practice or innovation. Where the network seeks to influence others, the main influence of the network is experienced in terms of awareness raising and dissemination or the promotion of an idea or a cause or an issue or communication regarding how to address a particular TIE.

The econometric study found that information provided by industrial associations stimulated CSR indirectly by enforcing CSR motivation. This indicates that the type of information that industrial associations provide make companies more aware of the strategic effects CSR has on their profitability, reputation and innovation. It was found in the survey of large companies that currently the most important role of these institutes seemed to be stimulating awareness and not so much providing tools or instruments. It was found that pressure from market forces may lead to industrial organisations to drive for a coordinated industry response to inform members of threats and opportunities posed by CSR trends, issues and events occurring in the marketplace.

2.1.2 Motivation Type and Size

Econometric analysis of the large company and SME survey data suggests that motivation for CSR appears to differ between large companies which are mainly driven by strategic considerations and SMEs whose principal motivation is intrinsic (i.e. value driven). However, case studies of large companies uncovered more complexity. Whilst these companies were motivated to safeguard corporate reputation and image through CSR strategies, particularly around the *improvement* in CSR, nonetheless the *promotion* of CSR seems to be derived from internal values and corporate culture.

More generally, it appears that a value driven culture does not exclude expectations of improved financial performance of the companies. Therefore in terms of motives, there is not a clear-cut distinction between strategic and intrinsic but the case studies showed that the values and corporate culture seem to be more frequently brought up factor than the expectation of financial and business value improvement.

It was found in the econometric study of large companies, that a strategic motivation was significantly positively related to CSR performance. Although legal and intrinsic (value) motives were positive in relationship to CSR performance, they were not significant.

Moreover, the strategic motivation, rather than intrinsic (values) motives or legal motives, appears of crucial importance for the pattern of influences of several other factors driving CSR. It was found to mediate the influences of business culture, industrial self-regulation and the responsiveness of stakeholders in capital, product and labour markets

Furthermore, strategic motivation in both large and small companies is driven by the market responsiveness of stakeholders in the capital, product and labour markets. It is also related to the degree that the company is subjected to mandatory reporting in large companies and the intensity of technological competition in both large companies and SMEs.

For SMEs, the econometric study of the survey results found that intrinsic motivation was important in driving SCR performance. This intrinsic motivation was strongly linked to various explanatory variables. Business culture was positively related to intrinsic motivation, indicating that companies with a flexible management structure and external facing orientation are more intrinsically motivated. It was also found that within SMEs, time horizon was also positively related to the intrinsic motivation. Similar to large companies, intrinsic motivation was driven by responsiveness of stakeholders, however, on further analysis, this tended to be more the responsiveness of employees rather than other market stakeholders.

In the conceptual framework, it was assumed that the internal and external business environment and related institutions affect CSR performance indirectly, through shaping CSR motivations. This was confirmed in the econometric analysis of large companies.

The case studies and econometric analysis of the large companies and SMEs explored these themes more closely through analysis of external and internal drivers of CSR.

2.1.2.1 External and Internal drivers for CSR

In terms of external drivers of CSR, the strategies and CSR performance were frequently influenced by stakeholders’ demands in the market (e.g. customers, investors, NGOs).

On balance, the case study case companies suggested that market based demands dominate the external factors driving CSR. These include customer requirements and attraction and retention of employees, NGO pressures, and public concern. These are closely linked to concern with the reputation and risk management of the company. Finance, shareholders and SRI rating agencies can also be seen as market stakeholder pressure. The main sectors where these financial stakeholders influence CSR are the automotive and construction sector. This could reflect the financial and environmental risks associated with these sectors. It also might be due to ownership of the companies, as publicly listed companies are subject to higher levels of scrutiny from international institutional investors whereas the family owned or cooperative businesses it is irrelevant.

A similar pattern was found in the surveys of large and small companies, it was found that there was some similarity in the relevance of internal vs. external stakeholders driving CSR performance. In terms of stakeholders that were the most *sensitive* to CSR, both SMEs and larges companies stated own employees and potential employees (the labour market) as the most sensitive. Therefore internal stakeholders were the more responsive to CSR initiatives than were the external stakeholders.

However, when looking at CSR *diffusion* more generally, the stakeholders cited as the most influential on CSR diffusion are competitors within the sector were competitors, purchasers and end consumer, whereas the least influential are seen as trade unions, companies in other sectors, suppliers, CSR networks, employees.

The surveys of large companies and SMEs also underlined the role of the media, NGOs and industrial organisations as important in driving the type of motivation. In large companies, this pressure and scrutiny translates into strategic motivations, whereas in SMES the information and exposure leads to a more value-based orientation.

Overall, consumer and other market stakeholders are perceived to determine the responsibilities of the company outside the institutional demands set by governments and other legislative entities and thus in that sense an effective way of promoting responsible behaviour. In the Delphi study, the importance of public policy was underlined as an important driver for promoting responsible behavior, with procurement policies, subsidies and tax incentives and CSR reporting standards cited as key policy drivers for CSR diffusion. The importance of market stakeholders was reiterated by the expert panel in the Delphi study, where it was found that overall, competitors from the sector, purchasers and consumers are the most influential stakeholders in the diffusion of CSR practices. The least influential stakeholders identified were trade unions, companies from other sectors, suppliers, CSR networks and employees. NGOs were also seen as important in the ICT, retail and textile sectors.

Turning to the internal drivers, in the large company case studies culture and values are the most common driver, and tend to connect with some of the more thoughtful CSR practices that the case companies engage in.

The econometric study found that large companies and SMEs with an open business culture are more strategically motivated to CSR, as they place greater emphasis on innovation, which is one of the elements of strategic motivation.

As discussed previously, SMEs in the survey also tend to state that they were primarily driven by values. The SME survey showed that the vast majority of SMEs, who realized improvements in social or environmental outcomes, also indicated that these were due to their own voluntary initiatives. Only in a few cases were collective (e.g. industry or government) initiatives seen as a key cause for change.

Even though the case studies showed on balance CSR seems more externally driven than internally driven, they showed that in terms of strategic CSR the role of CSR was twofold:

1. The traditional view that better CSR performance may mean genuine competitive advantage or
2. Beyond compliance CSR performance may be considered as a ‘must have’ in the industry or a necessary condition for survival and completion: i.e. legitimisation.

The majority of companies in the case study saw CSR as only offering a limited chance of creating competitive advantage. Only in seven case companies was CSR seen as having a role in competitive advantage, and this was only in part of the business (e.g. an electric car in automotive industry, a new inclusive service in ICT).

Even when larger companies indicated that CSR was driven by strategic reasons, the strategic reason was their licence to operate, rather than competitive advantage. This potentially could be because of the “socialisation of markets”, and CSR becoming expected and embedded in the marketplace.

Case study analysis also revealed that nine industry leaders saw CSR as a ‘must have’, rather than providing competitive advantage. However in these companies, CSR was nonetheless used as a focus for innovation, and in four of the nine cases, CSR activities were seen as beneficial for business (ICT and automotive). Only in one case was the company a sector leader which considered CSR to offer considerable competitive advantage, and in this case there was significant CSR market place innovation.

2.1.2.2 Drivers for CSR improvements[1]

In the large company survey, it was also found that the requirement to report (mandatory reporting) improves CSR Performance due to increase the responsiveness of stakeholders, particularly in capital, labour and product markets.

CSR responses do appear to be substantiated by CSR strategy and output. For example, a substantial share of SMEs participates in CSR cooperative supply chains and CSR local initiatives. They also provide CSR training to employees and have ISO9001-3 certification. However, organizational instruments such as NGO dialogues, CSR related remuneration and ISO14001 are relatively rare.

[1] Please note: For the analysis of drivers for CSR improvements, different aspects were merged in the statistical analysis. What is called ‘CSR Performance’ in this part of the text is actually a mixture of CSR Performance and Impact aspects.

The econometric study also found competition affects large company CSR performance, but in different ways. Price competition affects CSR indirectly by stimulating CSR market responses of stakeholders whereas technological competition exerts both direct positive effects on CSR as well as several indirect effects through strategic motivation, open systems business culture and stakeholder response. It was found that technological competition also affected CSR in SMEs, albeit indirectly. It did not affect CSR performance in SMEs.

Government regulation of CSR through mandatory reporting affects CSR performance directly as well as indirectly by fostering CSR motivation and market responsiveness of stakeholders. Companies that are subject to more transparency perceive a stronger reputation motive which in turn motivates them to a more active CSR policy.

Monitoring by NGOs and media directly affects on CSR performance, as well and indirect effects through industry self-regulation. This active monitoring of NGOs and media enforces the reputation mechanism.

For SMEs, it was found that both strategic and intrinsic motivations mediate the influence of business culture, CSR information from business organisations and stakeholder responsiveness on CSR performance. However, unlike large companies, these factors also have a direct influence on CSR performance,

2.1.3 Drivers for future CSR

Looking to the future, 60% of the panellists in the Delphi study claimed that CSR would become more important during the next 5 years. The main reasons for this were suggested that it was due to primarily market reasons, which appear to combine competitive and legitimisation reasoning:

- Growing competitiveness pressures
- Customer expectations and pressures
- Growing environmental and social concerns
- Growing societal awareness and expectation
- Political reasons
- Companies ethical attitudes and self-commitment
- Employees and recruits expectations
- Pressure on the regulatory framework
- Globalization and fast flow of information

However 4% of the panellists suggest that market based issues could also reduce the importance of CSR because more clear-cut competitiveness factors:

- Companies are struggling with the financial and economic crisis
- Companies do not perceive CSR as a competitiveness asset
- Regulations are necessary to solve environmental and social problems
- Other economic issues are more important
- CSR is a marketing tool.

This was reiterated by the case studies in which EU policies and national legislation were regarded as key drivers of their CO2 emission reduction and of quality of jobs improvements.

2.1.4 Issue Based Motivations

2.1.4.1 Environment

The case study research found that activities relating to the reduction of CO2 emission were implemented by all companies in the automotive, ICT and retail sectors. The activities were directed towards energy efficiency and renewable efficiency.

The issue of reduction in raw materials (resource efficiency) came up particularly in the automotive, construction and retail sectors. This typically referred to the use of recycled materials (automotive) or the reduction of waste (construction and retail). The reduction of harmful substances was more of an issue in the textile industry, where all companies introduced supplier standards. In retail, some activities encouraging sustainable consumption were also shared by all companies in the sample. Indeed, the retail sector was distinguished by having the greatest number of activities shared by all companies therein.

Motivations were often quite complex. Energy efficiency, for example, was found to be motivated by market drivers (business opportunities and reputation) and NGO pressures. Given these pressures have been in place for a number of years, it is not surprising that a number of companies have strategies for implementing reduction in energy and cutting CO2 reduction.

EU regulation had led to the reduction of harmful substances (higher performance and less harmful impacts) but on the other hand the reduction of harmful substances is not among the most strategic issues in any of the companies. It shows that regulation of harmful substances is effective as a means to an end and shows that positive impacts can occur without the existence of a CSR strategy. For other environmental issues there was a variety of drivers for CSR. For CO_2 reduction, there are efficiency considerations, market drivers such as reputation, NGO pressure and legislation pushing companies to act. In the face of several external drivers, climate mitigation has become a strategic issue for most of the case companies. For resource efficiency, future regulation was also a driver.

The case studies also found that a combination of drivers and the availability of unambiguous indicators has proved a powerful motivator for monitoring CSR impact.

The Delphi study highlighted the importance of future expectations in driving initiatives to reduce impact. The study found that environmental effects (both the current and future) as well as environmental impacts of the voluntary activities are very sector specific. The future energy and CO2 effects are relatively well recognized, and are covered by both regulatory actions and corporate voluntarism. In the future, the availability of raw materials causes more concerns.

In terms of current CSR initiatives, the biggest impacts are currently in terms of product waste, local sourcing of products and in store operations and logistics. Future increased impacts are expected for product waste, local sourcing, sustainable consumptions, CO2 from stores and logistics.

2.1.4.2 Quality of Jobs

Quality of jobs issues appear to be highly important for companies for competitive reasons: to attract better employees. However, it is important to note that these issues have been a long standing, in some cases an implicit, responsibility for European companies. In terms of drivers most companies have internal drivers for quality of job issues, however, laws and regulations are also reported as drivers.

In the case studies, there was some variety in the focus of CSR activities addressing the quality of jobs. Three activities linked to the issue of skills and career development were used across the automotive sector. In construction, the most frequently implemented activities were for the issue of health and working conditions.

In retail and ICT, gender equality came up as an issue, where most of the companies have common activities. In retail two CSR activities relating to skills and career development were in use in three of the four companies. In textiles the most common activities involved the management of supplier and contractor relations with issues such as ILO standards and human rights as part of the contractor relations.

This pattern of findings was echoed in the Delphi study. Although there was some degree of sector specificity, job security, skills, life-long learning and career development, safety and health, and working conditions were the most frequently raised CSR activities.

For example, in construction, health and working conditions were seen as strategic, driven by legislation and employee retention, and due to its strategic nature, the quality of job aspect was implemented by ethical and safety codes, and the performance on several issues (e.g. accident rates, contract length, share of part time workers) was measured. Legal compliance also featured as strong driver for inclusion and wages, as evidence in two out of the three company performance measures.

In the ICT sector there were only two sector wide indicators, flexibility and job security, and work organization and work life balance. The strongest drivers for these were employee satisfaction and wellbeing, reputation issues and regulation. These were strongly related to strategy, with a concentration on improving work flexibility in terms of hours and location. This was reflected in performance as companies conducted job satisfaction surveys and codes of conduct, outplacement services and job rotation / training programs. Improvement in employee satisfaction and absence rates was reported, and some companies report an impact via job creation.

Equality and diversity and non-discrimination were driven by ethical standards (internal drivers), and these were implemented through codes of conduct. Common performance measurement took the form of number of women employed and initiatives for minorities.

However the only impact measurement across the board was the increase in women in management positions. Activity on the issue of inclusion and wages was driven by regulation, however in larger companies, reputation and social equity were also mentioned as driving forces, and implemented through codes of ethics and conduct.

Turning to the retail sector, companies measured their performance on skills, lifelong learning and career development. The drivers for this were heavily internal and based on company values, which could be linked to the nature of ownership in the retail sector (i.e. co-operative, family).

Performance was measured through, skills and learning related activities, where companies reported on issues such as employee turnover and satisfaction, public recognition as a quality employer and the number of training hours in relation to working hours. Similarly, internal drivers such as company culture were the main motivations cited for issues such as gender equality, inclusion and wage issues. Diversity was implemented through codes of conduct, ethics and principles. Performance was measured through the tracking of the percentage of women in managerial positions and company ranking in employer equality indices. In one case the number of employees with disabilities was monitored.

For the issue of inclusion, all companies monitored employee compensation; however two cases had a strategic initiative for poverty reduction. In one case, community giving, was also linked to their strategy, and was included in the performance indicators.

In the textile sector, the case-study companies indicated that intrinsic job quality was motivated by publicity, regulations and reputation. Two of the case companies also cited internal drivers such as tradition and culture. The textile sector stress flexibility and security in their strategies; but the measures relating to these are informal. In one case, the strategy pertains to the management of supply chain issues. On the other hand, inclusion and wages were driven by NGO pressures and public concern. Wage issues were implemented through codes of conduct, with one of the companies being meticulous in tracking wage issues throughout the supply chain. ILO standards and auditing were prioritised for two of the three cases, and featured strongly in the supplier relationships. This translated into performance in all the cases. The driver, public concern, shows though in both performance and impact, as cases focus on the public measures (audits) in response to this pressure. The third case had the same drivers, but implanted CSR through codes of practice.

In the textile industry human rights, safety, health and working conditions, wages and job security were seen to be the most important in quality of jobs, with the importance of these increasing in the future along with work life balance, social dialogue, worker involvement and intrinsic work quality. The expert panel believed that current CSR had the biggest impacts on human rights as well as safety, health and working conditions.

In the cases, most companies have internal drivers for quality of jobs, however laws and regulations also feature in what most companies report as drivers, as there are many regulations in place across Europe.

Furthermore, most companies cite competitive reasons for quality of jobs, in order to attract and retain staff.

The Delphi study re-enforces the findings of the case studies, where the expert panel stressed the importance of all the quality of jobs issues and assessed more or less equally, with job security, diversity, work life balance, wages and safety, health and working conditions showing slightly higher importance.

2.1.5 Conclusions on CSR motivation

Overall, companies tend to be motivated towards CSR on the grounds of reputation, although MNCs are also motivated by reporting rules. CSR motivation was associated with:

1. Membership of networks (which set agendas, professionalise responses and offer integrated solutions), and
2. Company size
    a. Being a large firm brings a greater strategic motivation for improving CSR performance and promoting CSR, including with reference to expectations of capital, product and labour markets;
    b. Being an SME which brings intrinsic motivation for CSR performance, often associated with expectations of labour.

External market-based drivers were instrumental in shaping CSR (particularly for CSR diffusion) around reputation and risk management, and these drivers are expected to have increasing importance. Public policy can be another driver when associated with procurement policy, subsidies and tax incentives, and ESG reporting. When companies are sensitive to internal drivers, this is mainly related to employees often reflecting company culture.

2.2 Types of CSR implementation

We now turn to the general question of CSR implementation and divide our analysis into five sections: Integration; general findings on implementation; implementation of CSR on environment; implementation of CSR on quality of jobs; approaches to measurement and relationships between impacts.

2.2.1 Integration

First, we consider the question of integration as a feature of implementation.

In the case studies it was found that in terms of integration and implementation of CSR into the core of the business, there was a clear division between companies:

1. Those with CSR clearly integrated in the core of the business and
2. Those with standalone CSR.

In 10 out of 19 case companies, there was evidence that CSR had been integrated to some extent into their core business, which had resulted in CSR related innovation and initiatives in their businesses. This contrasts with other cases where CSR is implemented in a stand-alone fashion, usually driven by the need to conforming reactively to legislative pressures.

Those companies that had integrated CSR into core strategy usually had been involved in CSR related innovation. CSR related innovation is the development of new value through new solutions that meet customer, market and sustainability needs. This was witnessed in the automotive, retail and ICT cases, but was largely absent from textile and construction sectors.

In the standalone cases, there was a clear commitment to CSR, however integration was missing.

The econometric model, found similar patterns: For environmental CSR, it was found that there was very little direct influence from CSR commitment to environmental performance. However, with quality of jobs, there was a significant influence on quality of jobs performance.

Output and implementation was found to incidentally affect outcomes: for certain programmes such as GHG emissions, programmes and EMS systems reduce the emissions, and similarly renewable energy programmes stimulate the use of renewable energy, programmes on board diversity enforce diversity. But for some issues, there was not relationship between implementation and outcomes. For health and safety, we find contrary evidence that the presence of health and safety programmes is related to high lost time incidence. Implementation does make a difference on performance, but does not do so in all cases. The structural equation modelling confirms our model, by showing that the implementation of CSR is a crucial stage for its realization. Similar findings were found for SMEs. In all 12 of the case issues researched, there is a significant positive association between the company's commitment to CSR and CSR output that integrates CSR into the organisational procedures. It was also found that CSR implementation is significantly related to CSR output, and in most cases higher issue specific CSR is related to a favourable change in CSR outcomes.

The econometric model shows that across sectors, GHG and renewable energy and diversity, there is a positive association between the company's commitment to CSR and CSR implementation that integrate CSR into the organisational procedures. It was found that in 4 out of 5 cases, a higher level of CSR implementation improves the CSR outcomes in the social or environmental dimension. However for sector level issues, such as water and waste, or health and safety, this was not robustly found across the sample.

2.2.2 General Findings on Implementation

In the SME survey, it was found that nearly two thirds SMEs' are engaged in explicit CSR and nearly a third are involved in implicit CSR. Only 7% of SMEs deny any CSR response. This is reflected in the fact that about two thirds of SMEs state that their commitment is manifest in a director answerable for CSR, with about half the sample having an internal code of conduct.

Very few SMEs employ external codes. However, only a minority of SMEs measure CSR performance or defines set CSR targets.

For social outcomes, many of the SMEs in the survey were able to estimate their performance, but did not estimate any significant change between 2007 and 2010. The findings suggest that estimates of performance are quite intuitive; given many SMEs do not measure CSR performance or set CSR targets. For environmental outcomes, 80% of the SMEs were not aware of their performance. Those that were, found a substantial improvement in the reduction of energy, water and waste in the time period.

There were two approaches to implementation identified within the case studies:

1. Those who had adopted certified management systems such as ISO 14001 and
2. Those who had implemented company internal solutions.

These internal solutions did not mean a less profound approach, but typically the internal approach was used by smaller or less experienced firms. So for example, in the retail sector, company solutions rather than external CSR management tools were used.

“Leaders” in CSR implementation were found within the automotive, ICT and retail sectors whereas in the construction and textile sectors, the companies were more conformist in their approach.

In terms of the organization of CSR, companies were classified into three categories:

1. Those which had a CSR department reporting to the top management
2. Those which the CSR department was reporting to other functions and
3. Those that had a CSR manager place in legal, communications or other department.

It is judged that the companies in the first categories were more advanced. This advanced group of companies extensively used KPIs for CSR and have adopted sustainability indicators recommended by the GRI. The second category of company adopted some KPIs but in a less systematic manner. The third group were companies whose CSR management makes random use of the indicators. Business sector and location seem to have impact upon the use of KPIs.

It was found that there was more variation in CSR organisation than in the implementation of CSR tools. In half the cases, there was a separate CSR department reporting to top management. On the other hand in 10 of the 19 cases, the CSR manager was in a legal, PR or other department, or the CSR department reported to another management function.

Overall, the bigger the company, the more likely there would be a separate CSR department reporting directly to the top management: key factors determining this is location and size of company.

Our research suggests that, implementation and integration influences performance and impact of company activities. Where an activity is seen as strategically important, and has been integrated into corporate strategies, this results in targets and assessment systems in most companies. As a result, e.g. performance and integration of CO2 into company goals was well advanced. However, for other issues, the introduction of targets remains less systematic, potentially due to weak commitment and the absence of targets. It has been found that the setting of targets might mean higher levels of visibility and scrutiny on the issue within the company. Similarly with Quality of Jobs,, certain social issues were deemed important in the companies, particularly health and working conditions, and human rights. These were included in corporate CSR strategies and assessment systems of most companies, and the materiality of human rights in the supply chains has become an important issue. However, the introduction of targets has been less systematic, which might signal weaker commitment.

The findings of the case study are echoed in the surveys and econometric analysis. In the large company survey, a commitment to CSR appears to be related to implementation and output of lower GHG emissions, use of renewable energy and diversity in boards. However, for other issues, such as water consumption, waste production and health & safety, no significant relationships between commitment, implementation and output were found. For SMEs, more evidence was found that CSR commitment encourages environmental and social CSR outputs. Thus for the most part, the implementation of CSR is crucial to the strength of the relationship between CSR commitment and outputs.

2.2.3 Implementation of CSR Strategy for the Environment

Case study research also indicates that in the auto sector where CO_2 outputs and reduction in the use of natural resources are seen as highly strategic issues, there have been initiatives leading to product innovation and tracking of CO_2 emissions/ natural resource use, with the use of materials featuring in waste and water management statistics. In comparison, reduction in harmful materials was seen as important, but not strategic. This issue was reflected in corporate planning and management approaches to greenfield investment, not in CSR strategy. This potentially was due to the issue being seen as more of a legitimacy issue than a strategic one.

Companies reported a reduction in both CO_2 emissions and materials used. Hazardous waste and waste water loads were also reported by all companies and these indicators were showing declining trends. Thus initiatives that might be framed as CSR might not be integrated through traditional CSR strategy routes, particularly driven for legitimacy reasons.

In ICT, energy efficiency and CO_2 emission reduction were seen as strategic issues, and measurement systems were in place. However, in contrast the protection of resources was not seen as strategic, with regulation being the primary driver, hence legitimacy is a primary factor, and policies implemented were quite reactive.

In retailing, there are many drivers for CO_2 reduction. The issue is strategic in the two cases of the co-ops. However, it is important to note that the companies were driven by internal sustainability values rather than competition. The same could be said about the other two retail cases, which are family owned, and the family owner's values drive the activities. The integration, performance and impacts were more far reaching in the two co-ops.

In three out of four retail cases renewable energy, and two cases energy schemes, were built into management rewards. Similar drivers and patterns of implementation and integration were witnessed for resource efficiency in the sector, only in one case was resource efficiency poorly structured, without integration into strategy, or assessment of performance. Sustainable supply chains and sustainable consumption were also seen as highly strategic, however, this apparently was driven by internal values also, This was reflected by systems, standards and targets managing issues such as CO_2 emissions, pollution and the use of natural resources were all part of supplier management systems.

In contrast, in the construction sector the reduction of CO_2 has not been viewed as strategic. However, there were some activities around CO_2 reduction from use of buildings. But lack of CSR strategy is in line with findings on lack of targets and integration. Similarly, resource efficiency does not appear strategic, and as a consequence, there was limited performance or impact data, although two cases in the sector were measuring their impact in terms of total raw materials used for construction.

In textiles, hazardous waste regulation (legitimacy) was reported as a primary driver. The issue of reducing harmful substances was considered important in all case companies. This issue was included in CSR strategies, targets and assessments, particularly in the two largest companies in the sample. In the smaller case, there were ideas and effort, but not much of a formal structure. All case companies had introduced supplier standards to improve their performance in terms of some specific environmental considerations. The largest of the companies had worked with its suppliers to reduce harmful chemicals and limit the use of pesticides in cotton cultivation, resulting in a collaborative supply chain approach. Two other companies followed either Öko-tex or GOTS certificates. No companies measured the impacts. The smallest company declared that its own processes did not generate harmful substances, but did not look into its fabric suppliers.

In the econometric study, it was found that for GHG emissions, the use of renewable energy, waste production, external verification for EMS, new commitments as expressed by related policies significantly contribute to implementation of the programs in the respective fields. For water no significant relationships were found between commitment and implementation. However, there was hardly any direct influence from CSR commitment on environmental outcomes.

2.2.4 Implementation of CSR Strategy for Quality of Jobs

Case study research provided in-depth findings here which we divide into three issue groupings: intrinsic job quality; human rights and equality; and inclusion and wages.

Issues of intrinsic job quality received wide attention among companies studied reflecting intrinsic drivers for job quality, the external driver of attracting quality staff as well as regulation, all impacted on implementation.

In the automotive sector these effects were complemented by the internal driver of high levels of unionisation, where overall implementation is high reflecting its key strategic significance and is also illustrated by the levels of tracking and reporting. These are particularly effective in skills, life-long learning, and career development and employee participation. In the construction sector, special attention is given to health and safety, again informed by regulation and employee retention, and this is reflected in monitoring of accidents, contract and part time work. The strongest driver for effective intrinsic job quality in the ICT sector is employee satisfaction and this is reflected in the attention to offering flexibility and to monitoring job satisfaction through surveys etc. Key drivers for effective implementation in the retail and textile sectors include company-based values reflected, for retail in life-long learning, job circulation and job-related training, and for textiles in job security and flexibility.

Issues of human rights and equality are well embedded in systems of employee participation in the automotive industry, and in the ICT sector policies of equality and diversity are effectively driven by ethical commitments. Implementation is thus informed by relatively high quality information on employee experiences. Company culture appears to be the key driver in the retail and textile companies particularly in driving codes of conduct and monitoring.

Turning to issues of inclusion and wages, in the automotive sector, employee participation and external standards appear key to performance in avoiding contributing to low wages. In some ways expectations of performance here are so strong that implementation is less a matter of strategy and more simple business as usual. Compliance and competitiveness are key to implementation of limiting low wages in the construction sector. Whilst this was also stated by ICT companies, performance was also driven by reputational and ethical factors. Retail sector performance here was largely driven by company values and textiles by reputational pressures to reduce low wage employment.

Overall, implementation of CSR in the automotive sector was effective due to labour union strength. In the construction, ICT, retail and textile sectors the practices are more variable due to the greater variation in company type and size. Retail has had a reputation for poor quality jobs but companies in our sample also reflect how ownership structure can alter commitments and performance here. Likewise in the textile sector, the general reputation for poor quality jobs can be obviated in a values-led context.

In the Delphi study it was found that the automotive sector's biggest effects were on skills, lifelong learning and career development, safety, health and working conditions as well as a job security. The perception is that all the quality of jobs effects will increase during the next five years (except for illegal employment, which will remain at the same level). CSR impacts were seen as the highest with regards to health and working conditions and skills, lifelong learning and career development, work life balance, intrinsic work quality and social dialogue and worker involvement. In the future, it is expected that most of these impacts will increase, especially in terms of safety, health and working conditions, skills, lifelong learning and career development and job security.

In the econometric study, it was found that there was a relationship between CSR output and implementation for diversity programs; commitments as expressed by related policies significantly contribute to the implementation. But this was not found to be the case in health and safety. It was found that policies on discrimination and freedom of association did have a direct positive impact on outcomes, but for lost time incidence there was a negative effect of commitment. This might indicate that companies with high rates of lost time paying more attention to it.

2.2.5 Three Approaches to the Measurement of CSR Impacts

Case study research reveals three different types of approach to measuring the impacts of CSR strategies on the three impact areas which reflect different ways of integrating CSR.

1. A systematic approach for considering CSR impacts in terms of environmental, social and economic development. In addition to interview evidence, there would be a structured presentation of environmental impact aspects in the corporate social responsibility report.
2. The second category consists of firms with some consideration of CSR impacts. Typically, the management interviews of these cases reflect that impacts have been considered by management, although the company has not set out to record or report the impact of its activities.
3. The third category those who do not identify or measure impacts at all.

Thirteen of the nineteen cases had some implicit consideration of CSR impact, but there were almost no structured considerations for them. Only one firm out of nineteen cases showed an explicit identification of and at least nascent systematic consideration of impacts.

In five company cases, CSR impacts hardly received any consideration; this was the case in all three textile companies.

In terms of impact metrics and assessments, eleven out of nineteen companies had data available for at least one impact indicator in addition to total direct CO_2 emissions. Only company (ICT - who had a systematic approach to identification of impact areas) reported more than three environmental impact indicators (In two cases information on environmental data was not available.)

The areas were CSR appears to have greatest impact are projects related to climate change (CO_2, carbon footprint, hybrid technology, improved processes), but also resource efficiency (recycling, reduction of raw material materials), job security and job satisfaction, diversity and skills advancement.

66% of the Delphi panel of experts answered that the environmental impacts of CSR should be measured in a systematic way. Although they had trouble suggesting what a measurement should look like - and based their answers on existing standards (e.g. ISO, GRI, BREAM, LEED, EMAS. CEN, TC 350).

Some experts did not believe that environmental impacts should be measured, stating that it is too complex, too little impact to measure, waste of companies resources, increased administrative burden, lack of data, and that the heterogeneity of companies means companies are too different to have a unified measuring system.

48% of panel experts argued that the impacts of quality of jobs CSR initiatives should be measured in a systematic way. However, about the same number of experts stated “I don’t know” whether this should be the case. Only a minority of the expert panel members rejected the idea of measuring the impacts: with similar reasons to those stated above. In addition to the above suggested standards, the experts also made other suggestions in the quality of jobs area, such as social life cycle assessment, benchmarking, social capital index, surveys and scorecards.

Turning to measuring impacts of CSR on economic issues, 52% of the experts answered that they did not know if the impacts of CSR should be measured in terms of impacts on the economy. Slightly more than 40% confirmed that there is need for such a measurement system. However, none of the experts could suggest what a measurement system could look like. Some named indicators, such as net job creation, knowledge level of the workforce, corruption levels, share of the shadow economy, infrastructure investment per capita, personnel formation and training hours, cases of illegal practices detected, effective use by population in country, region, city in period of time, remuneration programmes, 50+ employers.

2.3.2 Conclusions on CSR Implementation

Three main conclusions emerge from this synthesis:

First, types of motivation for CSR differ rather subtly between SMEs and large corporations. The CSR of the SMEs is primarily value-driven, however, this does not preclude their expectations of improved performance related to the CSR i.e. *CSR is good for its own sake but can also help one get ahead.* The CSR for large corporations is primarily driven by strategic motivations, particularly related to market factors which impact upon CSR performance. However, the majority see CSR as having only limited competitive advantage opportunities, *i.e. CSR is important to keep up rather than to get ahead.*

Secondly, it appears that CSR performance is driven by linkages with CSR strategy (which entail various drivers) and with CSR output. Depending on levels and context of competition, strategy can be driven: by price (which stimulates external stakeholders which drive the linkages) or by technology (which motivates internal values and stakeholders which drive the linkages) or by concerns with reputation prompted by NGOs, media or industry associations (which reinforces awareness of CSR agendas, and in the case of SMEs can lead to the acquisition of tools from associations, which drive the linkages), *i.e. companies which take CSR seriously in their strategy, appear to follow this through in outputs and performance.*

Thirdly, the levels of commitment to and outputs concerning CSR appear to improve implementation among large companies and SMEs. The more systematic approach taken to CSR the greater the level of performance *i.e. companies which are more to commit to CSR are generally better at doing it than those that fail to develop CSR policies.*

3 Conclusions

Regarding motivation, a major difference between large companies and SMEs was observed: while large companies are motivated mainly strategically, intrinsic motivation is more important for SMEs. Reputation was an important driving force for both types of companies.

Regarding implementation of CSR, CSR strategy seems to be a relevant link to CSR performance: Companies that take CSR seriously in their strategy are more likely to actually create CSR outputs.

This is an important insight, as analyses also prove that higher levels of outputs (and commitment) improve the implementation of CSR activities and thus improve CSR outcomes and impacts.