

CSR Trends

Making a difference



Editor
Agata Rudnicka

Centrum Strategii i Rozwoju Impact (CSR Impact)
Łódź (Poland) 2015
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INTRODUCTION

The business case for Corporate Social Responsibility (CSR) is getting more obvious. The current picture of social responsibility practices is rather positive. There is also high potential for further development of concept, strategies and tools that contribute to the meaning and understanding for CSR. Businesses invest in social and environmental solutions that improve their business models. The non-financial goals of enterprises seem to be integrated with economic dimension of their activities and treated as an element of building competitive advantage. CSR started being used as an element of strategic management. Moreover it supports the process of problem solving especially in the areas where the social and environmental standards of operation seem to be rather poor or in areas with high risk of unethical behavior.

The academic discussion as well as examples from business show that there is growing understanding for the CSR concept. There are some identified factors that play a crucial role. We can observe the increasing role of public administration encouraging organizations to more responsible decision making especially in the supply chain management. It also enhances the role of non-financial reporting what causes that more attention will be put on the results of business responsible conduct.

CSR Trends. Making a Difference is the second book covering different aspects of current development in the area of social responsibility of organizations published by CSR Impact Foundation. Thanks to authors representing different sectors and countries readers received interesting compilation of trends, practices and comments that helps to understand the CSR concept better.

I'd like to thank to all authors for fruitful work and impressive results. Thanks to their contribution readers will be acquainted with:

- usage of benchmarking tools,
- greening of marketing strategies,

- a comprehensive approach to CSR,
- social and environmental aspects of supply chains,
- models of public sector involvement in the promotion of social responsibility,
- sector-oriented social responsibility initiatives,
- non-financial data reports,
- socially responsible mutual funds,
- intersectoral cooperation,
- social entrepreneurship,
- and many other topics.

Separate words of thanks go to the reviewers of publication The monograph will be not publish without the CSR Impact Foundation and the Faculty of Management from the University of Łódź, Poland that created a space for the discussion between the authors.

On behalf of the whole team working on this volume I would like to invite to collaboration academics, practitioners, NGOs representatives and readers. I hope we can create the network to promote interesting and effective CSR solutions that can make a real difference.

Agata Rudnicka

USING A BENCHMARKING TOOL TO IMPROVE CSR MANAGEMENT AND PERFORMANCE IN A MULTI-NATIONAL CORPORATION - A CASE STUDY

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Keywords: CSR practices, CR benchmarking tool, CSR performance.

Abstract

Global companies that are publicly committed to Corporate Social Responsibility (CSR) have agreed to pursue a standard of responsible business that requires consistent integration in core business practice and in all countries of operation. Such businesses need to find ways of adequately supporting development and delivery of improvement plans on local levels.

The purpose of this Case Study is to analyse one such company's attempts to do so in order to identify the role of benchmarking tools in driving improvement in CSR management and performance. The target is multinational financial services company Legal & General (L&G).

Growth of international operations, especially in the US, Netherlands and France, gave L&G motivation to continue engaging with and supporting these Nationally-based business units to implement L&G's CSR agenda. At the request of Head Office, three subsidiaries used a benchmarking tool. Subsidiaries undertook a self-assessment and subsequent gap analysis against consistent criteria to measure how different business units integrate CSR policies and strategies within core business practices. The chosen tool was the CR Index, developed by Business in the Community (BITC). The benchmarking revealed inconsistencies in approach for managing CSR between the entities and helped develop actions plans for improvement. Subsequent assessments have been conducted to verify the impact of the first project.

In addition to identifying steps taken by L&G and its business units, the case study outlines examples of actions taken as a result of the internal benchmarking exercise and benefits gained from using benchmarking tools.

The study highlights the self-reported benefits by L&G of benchmarking tools in such circumstances, including their conclusion that tapping into internal competitive instincts is an effective catalyst for improvement. It also identifies a possible research agenda to more comprehensively respond to causes of change resulting from internal benchmarking.

Introduction – Why benchmarking

CSR concept and its drivers

In practice, and based in part on the variety of definitions available, understanding of the concept of CSR varies. For the purposes of the paper, CSR is "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" [Commission of the European Communities 2001: 6].¹

¹ Other influential definitions include those from:
International Standards Organisation [ISO 26000 2010 3]:
"responsibility of an organization for the impacts of its decisions and activities on society

Whichever definition of CSR is preferred, there is growing attention on businesses' purpose beyond profit and pressure on companies to manage their environmental and social impacts well. This is due in part to spreading ethical consumerism. Increasing numbers of consumers consider ethical aspects of their procurement decisions [Sustainable Brands 2014; Nielsen 2014]. Sales of ethical products grew by more than 12% in a year when the UK economy grew by only 0.2% [Ethical Consumer Research Association 2013] and the UK ethical market is now worth just over £54 billion – greater than the market for alcohol and tobacco [ibid 2]. Wald et. al. [2014] shows that “in developed countries, an average 8 percent of respondents said that they regularly buy RC products in most product categories, and 66 percent buy them at least occasionally. Of these groups, more than half said that they expect to extend these purchases to other categories in the future”.

Socially responsible investment has also increased, to the point that now approximately 17% of investments globally held in funds is made using one or more sustainable investment criteria [Global Sustainable Investment Alliance 2015].

CSR in context of Multi-National Corporations

and the environment, through transparent and ethical behaviour that

- *contributes to sustainable development, including health and the welfare of society;*
- *takes into account the expectations of stakeholders;*
- *is in compliance with applicable law and consistent with international norms of behaviour;*
- *is integrated throughout the organization and practised in its relationships”*

BITC [Exeter et al., 2011, p.20] identifies that a responsible business is one that is:

- *“Demonstrating clear leadership, governance and values and integrating responsible business practices across all business operations.*
- *Developing products and services with improved social and environmental impacts and positively influencing customers' behaviour.*
- *Developing employees and the future workforce to build successful working lives.*
- *Investing in the communities in which the business operates and those communities in greatest need.*
- *Manage social, environmental, and economic impacts in your supply chain.*
- *Managing resources sustainably, taking action to reduce climate change and prepare for a low carbon economy.*
- *Working with others in collaboration to create change that benefits both business and society.”*

The growing attention on CSR is influencing global competitive landscape and while some companies are looking for differentiation from CSR, others are focusing on cost reduction [Tantram, 2012]. Benchmarking may bring crucial information for both strategies. As estimated by Starbuck et al. [2014] about half of all organisations, regardless of size, use CSR reporting to gain competitive advantage and more than a third respond to public pressure on CSR issues.

Multinational companies arguably face even bigger challenges in terms of integrating CSR in their everyday operations and decisions. They are expected to meet expectations of their shareholders to generate good (and sometimes maximum) profits and also to make a positive contribution to multiple stakeholders in countries of operation [Husted and Allen 2006]. Difficulties in implementing global strategies are also caused by regional and national differences in relevant CSR issues, local regulations and factors like cultural differences [Godiwalla 2012]. Multinational corporations have to put emphasis on global CSR issues, local ones or a blend of both; which poses significant managerial challenges [Husted and Allen 2006].

CSR today

Increasing levels of CSR Disclosure makes it difficult for companies which are trying to be seen as CSR leaders. In addition, reputation of a responsible business, built through transparency and being seen in sustainability rankings, are key drivers for decision making processes internally and have a significant influence on how companies are managed [Knowles 2014].

Companies that do not meet expectations of stakeholders in relation to running business responsibly and communicating it publicly risk negative impacts on market share prices and profitability. Negative publicity about human rights issues triggered an average \$892 million drop in market value [Kappel et al. 2009 12], and public protests on labor and consumer issues caused an average 1% drop in stock prices in the days around the event [King and Soule 2007]. One way of building reputation and increasing transparency is by participation in independently audited benchmarks, which have the potential to improve a company's reputa-

tion and “provide a competitive advantage to companies that are indeed actively fostering social and ecological values.” [Graafland et al. 2004 3]

Other reasons for participation in benchmarks have been identified [ibid]. By translating a company’s CSR data into a performance score, which can be compared with other companies, benchmarks translate a company’s performance for its stakeholders. It is possible for them to determine, if the company is performing well and responsibly or not. Benchmarking also helps participating companies recognize weak areas and to assign responsibility for certain CSR achievements to specific employees [ibid].

Graafland has also concluded benchmarking can:

- enhance transparency
- improve accountability
- enhance the possibility of cross-company comparison
- simplify analysis needed to understand company’s performance
- provide a systematic approach to judge the relative contribution of the company
- provide an objective view on CSR policies if conducted by external independent parties
- help institutionalize CSR information supply processes by organizing a systematic database

Benchmarking

Originally the term benchmarking was used to mean a reference point, for example of one’s current position. In the 1970s benchmarking appeared in the business management language meaning a process of comparison [Bogan and English 1994]. It is now a process of comparison against peers or leading practice. It usually requires participants to collect specific data and present it in a standardised form. Such data is analysed automatically or by external experts and highlights best practice, performance gaps and overall positioning compared to other participants. There are many

benchmarking tools now available for international comparisons of various organisations, certain indicators and policies related to competence building and innovation [Lundvall and Rodrigues 2003 203].

Some benchmarking tools have been criticised on the basis that they are mere box-ticking-exercises in comparing quantitative data. To make good use of any benchmarking tool, participants are required to focus attention on the efficiency of a system, stimulating reflection and thereby supporting learning among those involved [Lundvall and Rodrigues 2003 223-224].

When used across countries, it seems that a bottom-up approach whereby various employees from within each country and experts from any group or head office get a chance to follow different steps from planning to policy implementation are necessary, in order to avoid polarisation and technocratic bias. When benchmarking across national borders, it seems it is:

“preferable to have the maximum of openness and cooperation between benchmarking countries. A mutual learning environment will be the most fruitful” [Lundvall and Rodrigues 2003 223-224]

The potentially barriers to maximising the value of benchmarks include “the assumption of commensurability of various values, the disregard of intentions, the subjectivity of valuation, the notion that the company is more responsible for some of its stakeholders than for others, the assumed context independence of a moral action, the possible lack of control of the company and finally the problem of communication.” [Graafland et al. 2004: 8]. In addition, it is the experience of the authors that there are further drawbacks of standardised benchmarking tools, as follows:

Gaming – benchmarks can be ‘gamed’ once a degree of familiarity is established; participants can discover ways to ‘trick’ the benchmark into getting a better score

Self-reporting Bias – achieving an undeservedly good score is possible when there is self-assessment as to quality or appropriateness of any self-selected metrics.

Purpose of benchmarking tools

Wise [2011] identifies growing competition and lack of stability in the global economy has intensified the need for reducing costs and increasing profits. Those issues pose a challenge for many executives, particularly those who don't have enough information about the performance of peers. According to Wise, the solution can be found in benchmarking tools, so long as Executives understand their limitations. As interpreted by Wise [2011 2], a good benchmarking analysis:

"helps leaders define the right strategy for their organization by enabling them to gauge where the organization leads, lags or operates at par with other organizations; provides the baseline by which an organization can articulate key issues and a means by which to measure their ability to achieve specific outcomes; helps to identify and address the areas that most urgently need improvement."

Legal & General

Background

This Case Study is focussed on Legal & General (L&G) and its use of the CR Index as an internal benchmarking tool. By way of background L&G is:

- a leading provider of risk, savings and investment management products
- one of Europe's largest institutional asset managers
- the biggest single Investor in the FTSE 350 All-Share with around 4% control held on behalf of their clients
- over 10 million customers in the UK, Netherlands, France and the USA
- employer of more than 10,000 employees
- the Group invests for more than 2,800 UK pension schemes
- as of 30th June 2014, The Group invests over \$1 trillion on behalf of its clients [Legal & General n.d. 1].

Legal & General was established in 1836 as a provider of insurance products for legal professionals. Since then company has been growing, increasing its portfolio of products as well as regional reach. L&G started international expansion by acquiring companies in France, and in 1980 continued its international expansion in U.S.A. and Netherlands. Figure 1 shows the current extent of wholly owned subsidiaries. Continuing its growth in 2009-2010, L&G created joint ventures in the Gulf, India and Egypt [Legal & General n.d. 2].

Fig. 1. Geographical spread of L&G business units.



Business case for using benchmarks in context of company development

L&G developed its “CR Strategy” in 2005, the basis of which comes from the publication called “Rewarding Virtue” [Mackenzie et al.: 2005], which suggests that the role of a Board in a company is to look for constructive ways for the company to solve external market failures (social, economic and environmental) through its operation and strategy [Legal & General, n.d. 3; Mackenzie and Hodgson 2005].

Soon after launching the CSR Strategy, L&G started working on its first CSR report. L&G expressed an intention to have CSR as part of its core

brand strategy, including communicating its strategy to wide range of stakeholders and also to seek feedback from a broad audience. L&G started using benchmarking tools and in 2006 started participation in the CR Index. L&G have participated every year since then, improving its score year-on-year.

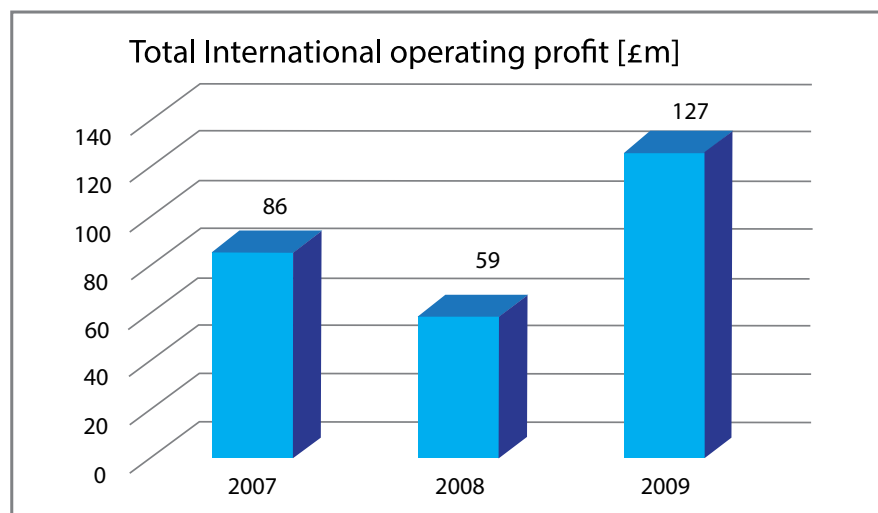


Fig. 2 L&G's International profits 2007-2009

In 2009 L&G experienced rapid growth in its total international operating profit (see Figure 2), reaching £127m, which was then about 10% of group's profit (see Figure 3). Prospect of further international growth resulted in a perceived need to engage with [and understand] what the international business units were doing in relation to CSR.

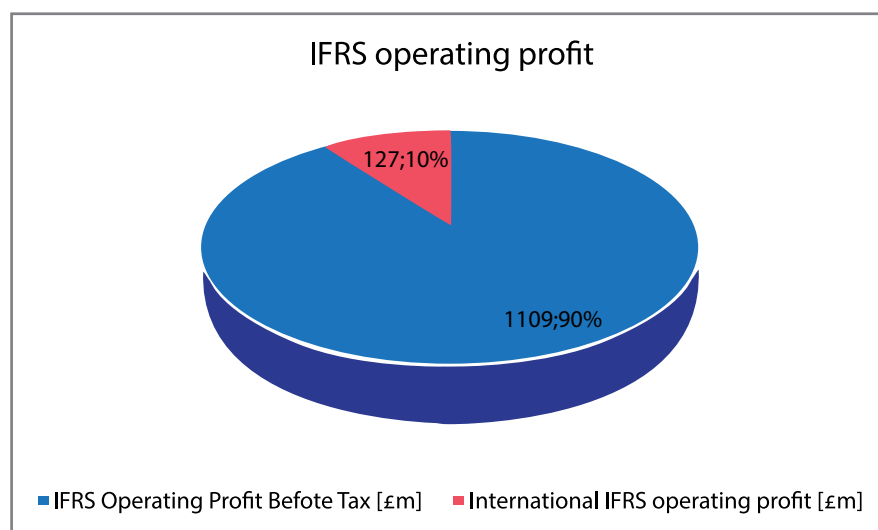


Fig. 3 L&G Profits - 2009

This was also about the time, when BITC [2008] first published results of research about the value of responsible business practice. The study showed that companies using the CR Index to consistently manage and measure their corporate responsibility outperform their FTSE 350 peers on total shareholder return in six out of the previous seven years. This financial business case for CSR further convinced L&G of the importance of CSR. Following publication in 2010 of the international profits and BITC findings, L&G decided to use the CR Index as a framework to internally benchmark its subsidiaries.

Benchmarking tool

Background to the CR Index

The CR Index (further detailed in Appendix 1) was developed in 2001 by BITC through a process of consultations with businesses and subject experts. Research [BITC 2013] demonstrates a strong correlation between financial performance and performance on the CR Index; companies that consistently manage and measure their corporate responsibility outperformed their FTSE 350 peers on total shareholder return and also recovered more quickly from the 2008 financial crisis. Participants receive feedback in the form of a summary benchmark against their sector peers, and also against the universe of all CR Index participants. The main result of the CR Index is an overall percentage score. BITC also sells further and more detailed feedback and several participants annually take up this opportunity.

Effects of the CR Index

The CR index has been the subject of several academic studies other than the one mentioned above, which have identified effective CSR governance models [Hansen and Spitzeck, 2010] and effective corporate responsibility reporting strategies [Sharp and Keeble 2005].

BITC also claims the following as benefits of using the CR Index [BITC n.d. 1]:

- identify gaps for improvement and reinforces good practice,
- track progress over time and drive continuous improvement,
- benchmark against peers and leading practice, and
- engage board members and raise awareness internally.

Except for the final claim about engagement of board members, these reasons for participation are not unique to the CR Index and consistent with some of the benefits of benchmarking as identified by Graafl and et al. [2004: 6]. However, each participant has different challenges and different approaches to the CR Index questions and as a result a variety of outcomes is possible. We conclude that the CR Index is an appropriate basis for analysis in this Case Study.

Methodology

This Case Study will compare the results across 2010 and 2012 benchmarks, and in doing so identify areas of success and failure in relation to constructive use of benchmarks. Analysis of the changes will be considered from L&G's perspective as well as those of an independent evaluator of information provided during the benchmarking process.

Further, and bearing in mind the limitations of this as a case study, to confirm previous areas of research on benchmarking (as identified above), except in this case (study) as uniquely applied to CSR and within a large multi-national company.

Firstly we will describe results of the benchmarking analyses and then make some observations about the improvements observed and relevance to the identified areas of research. The Case Study will also serve as something of a prompt for analysis of areas of research in relation to same.

Comparison of benchmarking results

Baseline

In 2010 (see Appendix 2), BITC offered the CR Index as a 'Global Portfolio' Benchmarking service. In essence it targeted use of the CR Index for multinational companies that want to benchmark their business units to find out how they internally integrate global CR policies and strategies. Graham Precey, Head of Corporate Responsibility and Ethics, Legal & General Group said [BITC 2012]:

"The BITC CR Index is one of a few international reaching standards that crosses industry sectors and provided Legal & General with a good proxy for how the business is doing. The confidential basis of the analysis also enabled [L&G] to do this in a safe environment for their overseas businesses who had not been involved with this sort of review before."

L&G used the CR Index to benchmark three subsidiaries of L&G Group in 2010: in America, France and Netherlands. For L&G the purpose was to understand what happened naturally in the subsidiaries, without interference from the Group. For research purposes it provides a relatively unique opportunity to understand how such internal benchmarking can change behaviour. Each business unit had several months to collect data and complete the CR Index survey online. After each business unit completed their survey, information was verified (not audited) by BITC. BITC prepared detailed benchmarking reports after all surveys were completed, as well as made recommendations for improvement. The results are the baseline for this study.

Public Commitment to Improve

After the results of the first benchmarking project in 2010 were available, L&G committed publicly to improving scores over the next 18 months [Legal & General n.d. 4]. Business units were made aware that they would be benchmarked again within that period. In conducting another benchmark in 2012, a second data set enabled comparison with information about changes implemented between benchmarking events. Comparison of scores and analysis of new data was conducted to understand any changes that took place in each business unit.

Results

2010 Results

In the first Global Portfolio Benchmarking assessment subsidiaries of L&G have been compared against each other and L&G group (LG): Legal & General America (LGA), Legal & General France (LGF) and Legal & General Netherlands (LGN).

The average score of participating business units was approximately 29%, with variation among the business units within a range of 16% - 39% (see Figure 4).

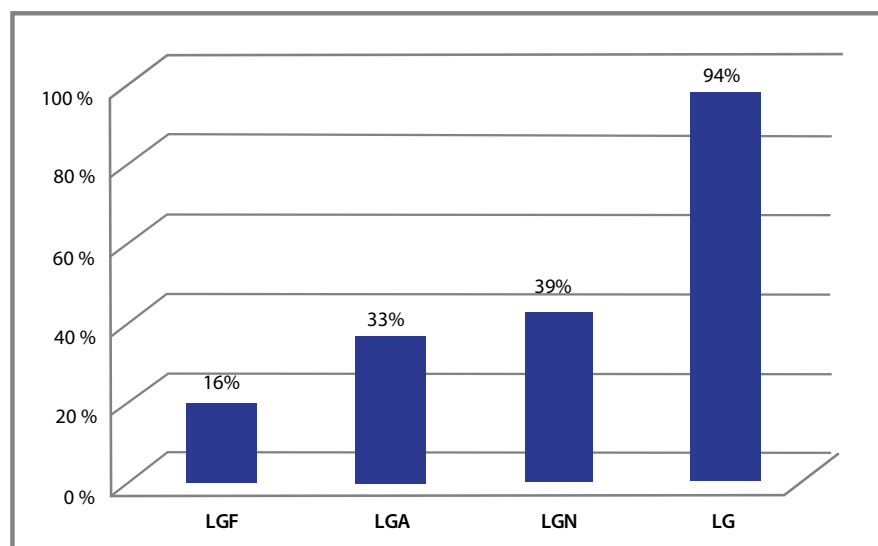


Fig. 4. First assessment of L&G Business units in 2010 (2009 CR Index survey) [Legal & General, n.d. 5]

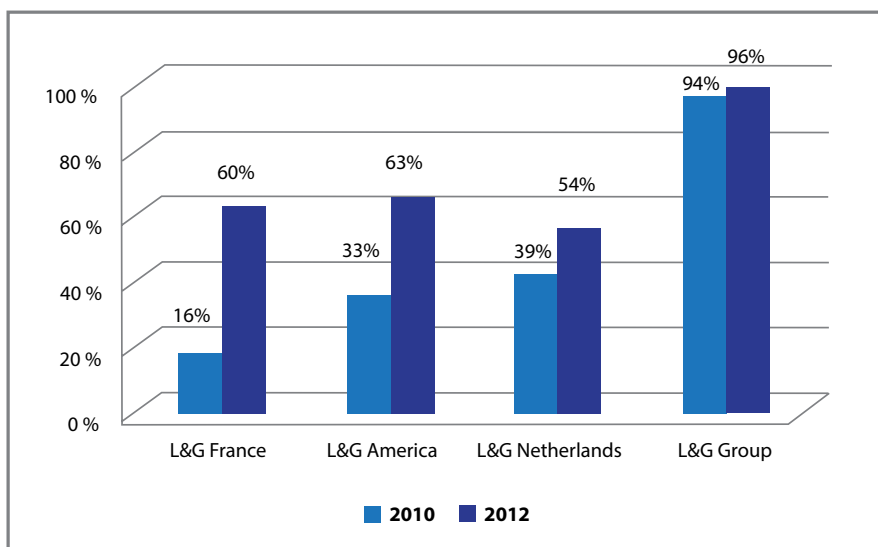
Legal & General was highly transparent with the results, by facilitating information exchange between participating business units and by including the business unit results in their published CSR report for 2012. Public disclosure of the results from the internal benchmarking exercise presumably had the effect of fuelling competition, encouraging business units to 'be the best'. There is very large difference between Legal & General Group and business units, as well as between business units themselves, which indicates

that each part of the business complies with L&G's policies in different way and that business units were at different stages of CR maturity.

2012 Results

Scores of all participants improved in the second benchmark. The average score of participating business units was approximately 59%, with variation among the business units within a range of 54% - 63% (see Figure 5).

Fig. 5. Comparison of results from 2010 – 2012 [Legal & General n.d. 5]



The practices and performance improvement after the 2012 benchmark demonstrates interesting changes in all participating companies. Many questions which in the first benchmark identified areas of weakness received high marks and became areas of strength or good practice. Detailed overview of changes recorded through the benchmarking survey is presented in Appendix 3.

As Graham Precey, Head of Corporate Responsibility and Ethics, Legal & General Group said:

“By using the Global Portfolio Benchmarking process within Legal General

Group, we have created a universal language and structure to understand what happened naturally within overseas businesses. The CR Index is flexible enough to accommodate local responsible business activities as well as global standards and has resulted in tangible public commitments to improve our responsible business performance. All of our overseas business improved their CR Index performance as a result of this focus and flexibility.” [BITC n.d. 2]

Observations, Conclusions and Recommendations

L&G’s observations

From the beginning of the benchmarking project in 2010 until the second benchmarking project in 2012, L&G appear to have improved integration and management of CSR. Their assessments show that internal benchmarking led to review of current activities, prioritisation of next steps and supported development of CSR action planning across the group. The most important changes reported by L&G, and ones which might have long lasting results are [Legal & General n.d. 4]:

- New co-operation - sharing knowledge and experience across units of operation
- Employee Engagement - cooperation between entities can be beneficial for all
- Decreased Group-think - supported development of action planning across the group
- Group support of Business Units – efficiencies for all entities recorded
- Better Reporting - increased scope and accuracy of L&G’s public reporting
- Behaviours and Branding – increased consistency in applying global policies

L&G’s observations

One of the authors was BITC’s assessor of L&G’s internal benchmarking. While conducting the benchmarking project, the following observations were recorded:

- Increased resources for CSR and delegation to employees of data collection

- Increase in CSR awareness among employees leading to being inspired to take action
 - Engagement of board members in the benchmarking project and interest in the CSR agenda – personal involvement resulted in stronger commitment for improvement
 - Improved transparency - first disclosure through Group CSR reports and own websites
 - Better external stakeholder engagement including establishing formal partnerships
 - More clarity about business strategy– established objectives for various policies, first targets for the identified material issues, etc.
- The above observations are based on the conclusions and processes noted in Appendix 3.

Conclusions

On first blush, it seems as though business unit level use of benchmarking that is publicly disclosed has resulted in better performance on a range of CSR indicators. Further, the increased cooperation across business units seems to have had other positive effects on business efficiency. The causes for such effects cannot be conclusively identified due to limited methodology, however the combination of self-reported observations and the observations of an independent assessor suggest that internal benchmarking could lead to the following:

- increased awareness of CSR
- a competitive CSR environment which leads to increased performance
- increased cooperation across business units; specifically on CSR but with flow-on effects
- better and more reliable reporting of CSR
- more consistent management of CSR issues and stakeholders across business units

Because of the limited nature of this case study, it is not possible to determine without any doubt the role of benchmarks. However some observations are in order. This case study reinforces the findings of Lundvall and Rodgriues [2003] in relation to a focus on efficiency of management systems and L&G Group's role in providing both CSR expertise and op-

portunity for reflective learning. It also indirectly supports other research on action research models. It also reinforces that by avoiding some of the negative aspects of benchmarking [Graafland et al. 2004], maximum opportunity can be gained. L&G Group were critical in this process by providing both an atmosphere of competition and cooperation at the same time. Indeed it is doubtful that progress on the CR Index by business units would have been so rapid without the support provided by L&G Group (in the form of training and expert help) and the transparent reporting of results (by disclosing business unit results publicly). The use of independent evaluators also avoided some level of subjectivity; one of Graafland et al.'s [ibid] key predictors of failure of benchmarking tools.

Recommendations for further research

The case study tends toward a few theories which might be tested. The improvement of weaker areas across benchmarks may be facilitated by the use of the benchmarking tool and the competitive forces it appears to have created. L&G self-report that the internal benchmarking exercise has created an internal competition for CSR performance, and some checking of other possible factors may eliminate other possibilities. In terms of alternative causes, one area of particular interest is market circumstances, which may have caused changes within the organisation. It is possible that some market factors had greater impact on L&G business units and therefore triggered actions for improvement. Subsidiaries did not participate in any other benchmarks assessing CSR management or performance and were aware that the benchmark would be repeated in 18 months. This tends toward concluding that the CR Index as a benchmark created some of the internal competition. The effectiveness of the CR Index as a driver compared to other benchmarks may highlight particular areas of benchmarking that lead to change.

It is also possible that certain improvement would naturally happen without the use of any benchmarking tool, or that business units implemented pre-existing plans (and that L&G Group is being dis-ingenuous in its self-assessment in relation to the CR Index), although the authors note that they have not seen anything to support such conclusions.

The authors are unable at this time to ascertain how much, if any, of the

observed changes might have been simply the Hawthorne Effect, or other observational effects.

Further research is recommended to:

- Verify the extent to which other benchmarking tools have similar effects (if at all)
- Analyse market circumstances that influenced business unit management decisions
- Compare improvement rates of companies using benchmarking tools and those that don't
- Identify and compare relevant other factors that act as facilitators or catalysts of change
- Assess the effect of cultural variables, particularly management approaches
- Determine if benchmarking tools influence the rate of change on CSR
- Assess the influence of public recognition in external benchmarks on the participants
- Identify the role of external influence from benchmarking assessors
- Verify to what extent external benchmarking tools are effective when used internally
- The effect of gamification on benchmarking.

Legal and General – Future Plans

In 2012, joint ventures from Egypt, India and Gulf participated in the benchmark. Through 2014-2015 all subsidiaries and joint ventures are participating in the global portfolio benchmark again. Such further data may help find some answers about the role of benchmarking tools.

Appendix 1 - CR Index

CR Index

Based on extensive consultations with members, BITC developed the CR Index in 2001. The CR Index was launched in 2002 and 123 companies

took part in the first benchmark. About 30% of them continues using the CR Index on annual basis. In the latest 2014 CR Index:

- 98 companies participated
- 30% of them were FTSE listed
- participants had £320,932.65m turnover
- 45% have reported their management practices and performance based on their global operations [BITC 2014 2]

The CR Index takes a form of an online survey, supported by detailed guidance notes. It is a self-assessment process supported by evidence, signed off by the board and independently validated by BITC's experts. The question set is being updated almost every year based on the latest research made by BITC's campaigns and in consultations with members and various subject experts. The content is divided into four main parts (see Figure 6).

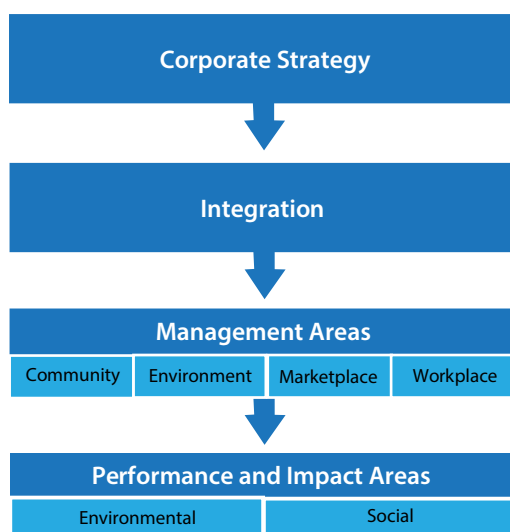


Fig. 6. CR Index Framework [BITC n.d. 3]

Corporate Strategy looks at the main corporate responsibility risks and opportunities to the business and how these are being identified and then addressed through strategy, policies and responsibilities held at a senior level in the company.

Integration is about how companies organise, manage and embed corporate responsibility into their operations through KPIs, performance management, effective stakeholder engagement and reporting.

Management Areas builds on the Integration section looking at how companies are managing their risks and opportunities in the areas of Community, Environment, Marketplace and Workplace.

Performance and Impact Areas asks companies to report performance in a range of social and environmental impacts areas. Participants complete three environmental and three social areas based on the relevance to their business. [BITC n.d. 3]

Appendix 2 - Timeline

Year	Event
2006 - present	Annual participation of the L&G Group in the CR Index
2010	AL&G America, France and Netherlands participants in the first internal benchmark
2012	L&G America, France and Netherlands participants in the second internal benchmark CIL, India First and L&G Gulf participate in the internal benchmark for the first time
2014-2015	L&G America, France and Netherlands participants in the third internal benchmark CIL, India First and L&G Gulf participate in the internal benchmark for the second time

**Appendix 3 - Identified changes
after the first benchmark**

This chapter presents observations after the two benchmarking projects. Presented below examples of changes are listed according to the CR Index structure and the question set.

CR Strategy and Integration

Relevant questions from the CR Index:

- Q1 and 2 about CR Vision, Values and Principles - Strategy Section
- Q3 Board members responsibility over CR - Strategy Section
- Q6 Policies - Strategy Section
- Q13 Strategic Decision Making - Integration Section

Strategy and Governance

Conducting the assessment was difficult as at that time none of the subsidiaries had dedicated resources for CSR. Employees from various department were involved in the project: Marketing, HR, Risk and Compliance, etc. Following the benchmarking project dedicated employees were assigned responsibility over specific areas of CR. For instance, Legal & General France have now a CSR programme and a Non-Executive Director overseeing progress for this part of the Group [Legal & General n.d.: 6].

L&G America developed and published new Business Ethics Policy addressing business and accounting practices, political contributions and conflict of interest among others [Legal & General America 2014]

L&G Netherlands uses Governance Principles – code of conduct for all employees [Legal & General Netherlands, n.d. 1]

Responsible Investment

Following the benchmarking project all L&G business units started working closely with Legal & General Investment Management on its Permitted Investment Policy for underlying funds invested.

L&G Netherlands developed target to work with The Dutch Association of Investors for Sustainable Development (VBDO) to build a sustainability strategy for Legal & General Netherlands. As part of this target they made the Permitted Investment Policy available to Dutch customers and inves-

tors which shows how they invest the underlying assets within the business. What is more, L&G Netherlands is working with the Fair Insurance Guide Eerlijke Verzekeringswijzer to develop this policy further [Legal & General n.d. 4].

Other strategic decisions

L&G America demonstrated environmental considerations during strategic decision making process that resulted in moving the headquarter to a new building which was quickly made environmentally friendly and achieved a Silver LEED certification and EPA's Energy Star certification [Legal & General America n.d.]

Community

Relevant questions from the CR Index:

- Q18 Key community issues - Community Management Section
- Q19 Community Strategy - Community Management Section
- Q21 Targets - Community Management Section
- Q22 Partnerships - Community Management Section
- Q23 Monitoring - Community Management Section
- Q82 Measurement of Inputs - Community Investment Section
- Q83 Measurement of Outputs - Community Investment Section
- Q86 Reporting - Community Investment Section

Prior to the first benchmark, most of the entities (other than Group) did not have any Community Strategy that would guide company's engagement and investment in local community initiatives. Quite often the activities were not focused on the self-identified material issues.

Following the assessment, all entities started considering community investment in more strategic ways, starting to identify key material issues that are important to stakeholders and to them as a business.

As a result of the benchmark L&G France not only identified financial education as a material issue, but also found a strategic partner to work with and also developed strategic targets for 2013: Work with IMS Entreprendre pour la Cité to provide Financial Education programmes to young

people [Legal & General n.d. 6].

L&G France wanted to continue addressing community needs that employees are passionate about. This led to setting up a customer and employee charitable foundation with the help of the NGO "Fondation de France". Based upon an employee and customer vote, it will be investing funds into issues of children and or the disabled [Legal & General n.d. 7].

L&G Netherlands works closely with CSR Netherlands [MVO Nederland n.d.], NGO that inspires, unites and strengthens businesses and industries to progressive steps in the area of corporate social responsibility.

Similarly a more strategic approach to volunteering as well as better monitoring of ongoing activities enabled better control and planning. Also a new target has been introduced by the L&G Group: deliver 1,750 working days of volunteering into communities to develop employees. In 2013 the target not only was achieved, but also exceeded - 2,247 working days of volunteering in 2013 in UK, US, Dutch and French businesses. Volunteering programme provided the organisation with useful information: understanding of material areas of the market including how customers cope with ill health, get access to housing or generate an income in later life [Legal & General n.d. 8].

As shown in Table 1, the measurement and monitoring of data improved following the benchmarking exercise. Better understanding of the reasons for collecting and analysing the data resulted in accurate data that could feed into group's reporting. Moreover, understanding what the key community issues are should help focus on resulted in the funds being more carefully invested in chosen projects/initiatives. Knowing the benefits of more strategic community investment, the investment can be increased.

Charitable UK investments					
Total Contribution	2010	2011	2012	2013	2013 versus 2012
GAYE, SM, Fund-raising	£1,346,241.53	£1,584,210.00	£1,572,850.30	£1,802,132.45	15%
Group campaign projects and gifts in kind	£568,034.76	£632,707.00	£618,346.65	£815,600.00	32%
Volunteering costs	£219,480.59	£183,750.00	£252,546.00	£330,382.50	31%

Tab. 1. Community investment

Tab. 1. Community investment

Community projects	£723,874.79	£437,729.00	£351,699.71	£430,709.59	22%
School Governors	£38,750.00	£46,500.00	£52,000.00	£48,750.00	-6%
Our overseas employees raised monies for 'not for profits' organisations					
	2010	2011	2012	2013	2013 versus 2012
USA	£538,609.00	£674,200.00	£742,688.00	£797,481.09	7%
Netherlands	-	£0.00	£5,234.15	£8,519.00	63%
France	-	£4,082.00	£6,585.37	£5,940.00	-10%
Total	-	£678,282.00	£754,507.52	£811,940.09	8%

Legal & General n.d. 9]

Environment

Relevant questions from the CR Index:

- Q6 Policies - Strategy Section
- Q25 and Q26 Objective and targets - Environmental Management Section
- Q45 Measurement and reporting - Climate Change section
- Q46 - Q47 Scope and Quality of Information - Climate Change section
- Q50 Measurement and reporting - Waste Management section

Following the benchmarking exercise, subsidiaries introduced environmental policies to manage environmental impacts of their operations. For instance L&G Netherlands introduced new environmental policy [Legal & General Netherlands n.d. 2] that focus on:

- reduction of paper through using marketing materials and policy document in an electronic format, and where it is not possible using FSC certified paper
- energy usage – raising awareness about using electricity and purchasing 'green' electricity

- reducing CO₂ emissions from transport – company promotes use of public transport and allow employees work from home (via Teleconferencing facilities).

Better environmental measurements allowed for closer control. To continue good practice L&G Group set targets for 2013:

- Reduce direct Group carbon dioxide emissions by 10% on 2011/12 volumes.
- Reduce waste per policy across the Group by 10% on 2013 volumes.
- Reduce paper consumption per policy across the Group by 10% on 2013 volumes [Legal & General n.d. 10].

This allows also more long term thinking and planning. L&G is now working towards achieving new target: with an expected business growth in customer policies of 4% over the period 2012 – 2014 reduce direct carbon dioxide emissions across the Group [UK and overseas] by 6% on 2011/12 volumes.

Performance indicator	Unit	2013	2012/13	2011/12	2010	2009
CO ₂ Total Group Emissions [Scope 1,2,3] ¹	tonnes	34 430	39 294	40 118	N/A	N/A
CO ₂ Scope 2 renewable energy ²	tonnes	20 856	N/A	N/A	N/A	N/A
CO ₂ Scope 1 & 2 non-renewable energy ³	tonnes	13 016	N/A	N/A	N/A	N/A
CO ₂ UK occupied properties	tonnes	9 182	N/A	N/A	N/A	N/A
CO ₂ UK occupied properties per employee ³	tonnes	1,24	1,51	1,77	2,74	2,69
CO ₂ UK occupied properties per policy ³	kgs	1,04	1,95	1,68	1,81	1,94
CO ₂ UK employee business travel ⁵	tonnes	3 810	2 986	2 923	2 654	2 950
CO ₂ UK occupied properties and business travel	tonnes	12 992	13,117 ⁶	15 887	17 230	18 244
CO ₂ per UK employee	tonnes	1,76	1.95 ⁶	2,16	2,47	2,51

Tab. 2. Environmental data - Carbon Dioxide [CO₂]

CO2 per UK Policy	kgs	1,46	1.62 ⁶	2,06	2,14	2,31
CO2 Overseas properties ⁶	tonnes	1 367	1 884	1 950	N/A	N/A
CO2 Overseas employee business travel	tonnes	747,80	N/A	N/A	N/A	N/A
CO2 per overseas employees	tonnes	1,33	1,87	2,41	N/A	N/A
CO2 per overseas policies	kgs	1,06	1,85	1,79	N/A	N/A
Fugitive emissions	tonnes	571,24	N/A	N/A	N/A	N/A

¹ Total CO2 emissions data is based on Legal & General's UK CRC Energy Efficiency Scheme disclosed emissions, Overseas property emissions and UK travel emissions. Calculated following the GHG reporting protocol (2013) and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2013.

² 100% of UK Facilities and 100% of Investment Property electricity supply is under a renewable energy tariff.

³ Suffolk Life [occupied properties], Cofunds, Legal & General Surveying Services and Estate Agency Franchising offices (including voids) and overseas properties Legal & General America, Legal & General Netherlands and Legal & General France.

⁴ Energy per UK employee and per UK policy includes UK occupied buildings, Suffolk Life (occupied properties), Cofunds, Legal & General Surveying Services and Estate Agency Franchising offices (including voids).

⁵ Data is collected from rail, air and road transport.

⁶ Includes overseas properties Legal & General America [LGA], Legal & General Netherlands [LGN] and Legal & General France [LGF].

[Legal & General, n.d. 11]

As presented in the Table 2 above, following the benchmarking project all subsidiaries established environmental data management and monitoring system. This enabled collection of carbon footprint data e.g. emissions from properties, employee business travel and other. L&G America started monitoring waste generated. Now not only has this company an accurate data available, there is also a recycling plan in place. [Legal & General America n.d.]

Workplace

Relevant questions from the CR Index:

- Q42 Employee Programmes - Workplace Management section
- Q44 Measuring and reporting - Workplace Management section
- Q70 Impact Measurement and reporting - Corporate Wellness and Engagement section
- Q71 Employee Wellness Programmes - Corporate Wellness and Engagement section
- Q77 Employee Programmes - Learning and development Section
- Q78 Corporate commitment and Engagement - Diversity and Inclusion section

Managing employee issues is well established among all business units. This part of the survey was the least diversified in terms of the results.

Employee Wellness and Engagement

Following the 2010 assessment, L&G America introduced Annual Employee survey. The results helped identify that employees need a wellness program to help them achieve the right balance between work and home. Existing Employee Assistance Programmes has been replaced by MY LIFE MY HEALTH programme. It now includes annual flu shots, seasonal Dermascan screenings to pinpoint sun damage, vision testing including Glaucoma screening, pulmonary function testing, "Stress Management 101", "Quick and Easy" similarly attracted employees on the move searching for nutritional, 20 minute meals, quick and healthy snacks, and desk-ready exercises [Legal & General, n.d.10]. Employees have access to a calendar of upcoming on-site seminars, links to health related newsletters and external sites for information on healthy eating and proper exercise.

Similar programme has been introduced in Netherlands. MY LIFE, MY HEALTH in L&G Netherlands resulted in home-working being offered to all employees. This programme focused on absenteeism prevention and led to sickness absenteeism improving by 1.4% [1.7% 2013 compared to 3.1% in 2012] [Legal & General, n.d. 10]. L&G Netherlands also encourages healthy behavior among employees through participation in Mus-

cles for Muscles CityRun Hilversum [Legal & General Netherlands n.d. 3]. In 2013, L&G included three new territories for employee survey; Netherlands, Gulf and CIL in Egypt [Legal & General n.d. 13].

Employee Learning and Development

All entities offer great learning and development programmes. Following the assessment these programmes are offered based on the personal development plans. For instance L&G America offers training courses available through The Learning Network with courses geared towards both professional and personal growth and tuition reimbursement program [Legal & General America n.d.]. Also available are behaviours events, the Future Leaders Programme, industry sponsored courses, external seminars and college/university tuition reimbursement [Legal & General n.d. 14].

Diversity

Based on the gap analysis received after the benchmarking assessment, L&G America developed and implemented a Diversity and Inclusion policy [Legal & General America n.d.].

Marketplace

Relevant questions from the CR Index:

- Q34 Supply Chain - Prioritisation and Engagement
- Q35 Supply Chain - Incentivising Continuous Improvement
- Q32 Supply Chain Policy
- Q36 Products / Services - Responsibilities to Customers
- Q38 Products / Services - Social and Environmental Impacts

Supply Chain

Supply chain questions revealed a weakness in all L&G entities. Better understanding of what is considered to be a good practice helped to determine next steps. For instance, L&G America set a target for improvement: to improve sustainable supply chain standards. L&G America introduced a Sustainable Procurement Policy and is actively engaging key suppliers in conversation about sustainability management and performance (e.g. XPEDX, Cigna Insurance and Dell). As a result all purchases are made based on the environmental criteria, e.g. renewable/recycled office products, cleaning products, and energy efficient equipment [Legal & General America n.d.].

Products and services

L&G Netherlands developed a target for product and service development: deliver a Customer Interest First Programme in Holland by informing and working with customers concerning product development, communication and customer service [Legal& General n.d. 15]. With a view of exceeding clients' expectations, company follows the Insurance Code and Governance Principles of the Association of Insurers [Legal & General Netherlands n.d. 1].

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THE EFFECTIVENESS OF GREEN MARKETING STRATEGIES IN THE AUTOMOTIVE INDUSTRY: A CONSUMER-BASED ANALYSIS

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Abstract

Global companies that are publicly committed to Corporate Social Responsibility (CSR) have agreed to pursue a standard of responsible business that requires consistent integration in core business practice and in all countries of operation. Such businesses need to find ways of adequately supporting development and delivery of improvement plans on local levels.

Introduction

In recent times, “Green” has become a pervasive buzzword in business. Companies brand their products with environmentally friendly features and labels, as they are trying to convey to the market the image of a sustainable company. These efforts are generally referred to as “Green Marketing” (GM) strategies. This study focuses on the GM tendencies in the automotive industry. The automotive industry is pushing forward the competition through the ecological and sustainable path, betting on hybrid technologies and electrification. Transport accounts for roughly a third of greenhouse gases (GHG) emissions worldwide and public opinion widely considers it one of the most evident symbols of pollution. For this reason, car manufacturers are largely investing in the development of more efficient and eco-friendly products, as well as in the communication of such features to the market: by 2020, it is predicted that electric vehicles will account for the 20% of the auto market (Milmo, 2009). The decarbonisation of the industry is a top priority also in governments’ and regional authorities’ agendas. The EU has established the European Clean Transport Facility (ECTF), a development fund for low or zero carbon projects. In the UK, the government announced plans to improve electric charging infrastructures and subsidy motorists to buy electric or hybrid cars. The US Advanced Technology Vehicle Manufacturing (ATVM) program has made available funds for the development of clean technologies, such as EV batteries and electric motors. In Japan, the government has been encouraging the electric automotive through tax incentives and R&D grants since the 1990s. Last but not least, Chinese government is aiming to become the world’s leading manufacturer of electric vehicles and batteries and is supporting the industry through consumer subsidies and extensive R&D grants (Milmo, 2009). This eco-trend offers a wide range of innovative occasions for businesses. Consumers generally consider environmentally friendly innovation as an important driver of differentiation (Kassarjian, 1971). Car makers are aware of this tendency, and they aim to exploit this trend fruitfully. Still, do car manufacturers GM strategies correctly address the consumers?

The main aim of this explorative study is to answer this question, i.e. to evaluate the effectiveness of car manufacturers’ GM in promoting and building consumers’ awareness on sustainability issues.

The first part of this work consist of a brief examination regarding GM in literature, observing the considerations of main scholars (Fisk, 1973; Polonsky, 1994; Peattie, 2001; Grant, 2007). The costs and the benefits of a corporate strategy based on sustainable values are analysed. Then, relevant studies regarding how GM can affect consumers' behaviour are presented. Finally, propositions are developed.

Through the use of a questionnaire and factor analysis, the four macro-components driving consumers' purchasing habits have been determined. Those are performance, functionality, eco-friendly and brand appeal. Then, each component has been evaluated for car manufacturers' brands. Results suggest the presence of a strong brand bias when consumers are called to assess the eco-friendly factor.

In the end, the outcomes are discussed, showing crucial implications for both academia and practitioners.

Theoretical Background

Green and Sustainable Marketing

The American Marketing Association (AMA) defines marketing as “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large”². The notion of GM stems out from a broader idea of “value for customers” that includes socially responsible and environmentally friendly elements. This re-interpretation of the customer value proposition relies on the strategic orientation of the firm toward corporate sustainability (CS).

Although there are various propositions of CS (Gobbels, 2002; Panapanaan, Linnanen, Karvonen, & Phan, 2003), a broad definition can be inferred from literature: “in general corporate sustainability and CSR refer to company activities – voluntary by definition – demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders” (Van Marrewijk, p.102, 2003). CS re-writes the relationship of trust between the company and all its interlocutors so

² American Marketing Association – approved definition, October 2007

that the company takes the responsibility of the requests coming from these in order to offer a service that goes far beyond the execution of a pure material need (Castaldo...). In this way, social issues lose the "generic approach" or the "value chain one-dimensional approach", and gain a significant impact in both economic and social results thanks to the "social dimension of competitive context" approach based on a two-variable strategy in order to maximize the two outcomes (Porter & Kramer, 2006).

The roots of the idea of an environmentally oriented marketing date back in the history of this field. Fisk (1973) sets out some fundamental considerations concerning a new equilibrium between production and consumption in an environmental key. The author denounces the lack of balance between production and consumption as a result of an irrational exploitation of the resources. Fisk notes how the lack of new and effective rules will cause the system to collapse, especially considering the growth in the population. Fisk's "warning" became a kind of admonition for the petrol crisis which occurred in the end of 1973, when the OPEC countries interrupted petrol supplies to the importing countries. Following the crisis, the American Marketing Association held the first workshop on "Ecological Marketing" in 1975. The meeting marked the official recognition of environmental themes by the principal operators and marketing experts.

In 1976, Henion and Kinnear focus on the real effects of marketing activity on the environment. Indeed, they use the term "ecological marketing" as "the study of the positive and negative aspects of marketing activities on pollution, energy depletion and non-energy resources depletion". The two scholars point out that there is a physical limit which the productive system cannot surpass, identifying the model of a consumer who accepts a responsible code of behavior because he has realized that the level of polluting refuses produced by the final users is not inferior to the refuse produced by industry. However, both Fisk's and Henion & Kinnear's contribution attempt to find solutions in a critical phase where there was a common need for immediate answers. The authors' attention concentrates on highly operative aspects which tended to reduce the emerging damage and the shortage of resources in the production and sales cycles.

Polonsky (1994) tries to draw a broader picture with reference to marketing in general (Stanton and Futrell, 1987). He links the effects of marketing activities to the impact that these activities might have on the en-

vironment. The author claims that “Green Marketing” or “Environmental Marketing” consist in “all activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants, such that the satisfactions of these needs and wants occurs, with minimal detrimental impact on the natural environment”. Another definition of GM is provided by Peattie (1992): “The holistic management process responsible for identifying, anticipating and satisfying the needs of customers and society, in a profitable and sustainable way”. Polonsky points out how the new “green” formulations concerning production and products are opportunities to be exploited in order to obtain a competitive advantage, since the public is more interested in environmental problems and, therefore, more attentive to the use of goods and services created in this direction³. He also considers the intervention of public rules as a necessary element to ensure that GM has proper features and aims: “1. to clearly quote the benefits for the environment, 2. to explain environmental characteristics, 3. to explain the benefits obtained, 4. to ensure that the differences compared are well-founded, 5. to ensure that negative factors are taken into consideration, and 6. to use only words and figures that have a sense.”

GM started to be considered a growth opportunity. Bradley introduces the “Green Marketing Mix”, adding packaging, distribution, advertising, sales force and the after sales service to the traditional four “Ps” (product, price, place, and promotion). Pierre and Prothero (1997), Ottman (1998, 2006) and Prakash (2002) underline how the introduction of green products is a new advantage from the differentiation point of view, just as Miller (2008), who refuses the idea of sustainability as a financial burden. Prakash (2002) also illustrates how GM not only needs new managerial approaches, but also public intervention policies through incentives and instruments dedicated to these. Van Dame and Apeldoorn (1996) develop the notion of “sustainable marketing, which is marketing within, and supportive of, sustainable economic development”, and distinguish it from ecological and green marketing. They indicate that ecological marketing, although highlighting the physical limits of production (because of the scarcity of the resources), does not clearly express the rules to be adopted to guide the dynamics of consumption along the path of sustainability. Even green marketing is incomplete because it takes as opportunities

² Polonsky gives some examples: a 1992 research carried out in 16 countries where more than 50% of the consumers state an interest in the environment (Ottman, 1995) and a 1994 research carried out in Australia where 84.6% of the sample thought that every individual is responsibility for the care of the environment.

what was originally felt to be a moral duty, thus it is relegated to a “number of companies which supply a limited number of green products to a limited number of consumers”. In conclusion, the scholars point out how sustainable marketing is a “macro-marketing concept” since it “includes every producer and every consumer” against their will and “requires a change in everybody’s virtual behaviour”.

Fuller (1999) describes sustainable marketing through an analysis based once again on the concept of product and satisfaction. “The process of planning, implementing and controlling the development, pricing, promotion and distribution of products in a manner that satisfies the following three criteria: (1) customer needs are met (2) organizational goals are attained, and (3) the process is compatible with ecosystems”.

Peattie (2001) indicates three phases or ages which turn in the challenges of sustainable growth. The first age, in the '70s, is defined “Ecological” Green Marketing. The attention is on the effects coming from production, that is to say pollution and depletion of the natural resources. Proposed solutions are technical in their nature and call for a more restrictive legislation. Environmentally friendly strategies are perceived as restrictions or duties, rather than opportunities. The second stage developed at the end of the 1980s; Peattie describes it as that of “Environmental Green Marketing”. In this period, the awareness of a new and re-considered relationship between economic activities and the atmosphere increased due to major environmental disasters (in Europe, the accident at the Chernobyl nuclear power station in 1986). In this climate, there was a more interested public opinion. The concepts of sustainability (as expressed previously in the Brundtland Report), of “clean technologies”, of “green” consumers, and of competitive advantages are linked to eco-compatible production, to environmental performances and to environmental quality (e.g. the TQM process, Total Quality Management). The final stage is called the age of the “Sustainable Green Marketing”. In this last phase, Peattie indicates three challenges that marketing has to face: 1. to guarantee satisfaction for consumers and profits for investors, now and in the future (futura), 2. to provide for an equal distribution of costs and benefits of economic growth between the various countries (equity), and 3. to concentrate more on the essential needs of the developing countries rather than on those of the industrialized countries (needs/wants).

Green Marketing and Consumer Behavior

A large part of literature has explored whether and how environmentally oriented marketing affects consumer behavior, originating a vast and multilayered area of research.

The first point to be considered is the effect on consumers' willingness to pay. As reducing environmental impacts of production requires extra investments, companies expect the market to pay a premium price for allegedly environmentally friendly products. Literature provides a strong evidence on the existence of an increased willingness to pay when consumers face goods that declare to be "green". In 1970, Kassarian examined the case of the F-310 gasoline, a fuel claiming to reduce polluting emissions through the presence of an additive. His results showed a significant willingness to pay premium prices, and he concluded "With a good product based on ecological concerns, the potential for a marketer seems to be impressive" (Kassarian, 1971, p. 65). Considering food industry, Teisl, Roe, & Hicks (2002) found that consumers are willing to pay more for canned tuna after the introduction of "dolphin-safe" labels, while Galarraga & Markandya (2004) observed a significant premium for organic and "fair trade" coffee in the UK. Another example is provided by Maguire, Owens, & Simon (2004), who calculated the hedonic price of organic babyfood, finding a premium from 16% to 27% as opposed to conventional babyfood. Nimon & Beghin (1999) and Casadeus-Masanell, Crooke, Reinhardt, & Vasisht (2009) showed consistent results in the textile industry. The consumers are willing to pay substantial price premiums (over 30%) when the manufacturers switch from conventional to organic cotton.

Nevertheless, some uncertainties still persist, calling for a deeper analysis of the GM-consumer behavior relationship. Some authors observed a gap between consumers' declared intention to purchase environmentally friendly goods and their actual consumption behavior. This so-called attitude-behavior gap (Peattie & Crane, 2005) has gathered considerable scholarly attention, which tries to understand in which conditions it occurs. Initially, skepticism of the "green" committed consumers was indicated as a key bias in determining their purchasing habits. Zinkhan and Carlson (1995, p.5) introduced the idea of a "green consumer, who is somewhat cynical about marketing activities and is likely to discount

advertising messages". Their proposal was supported by Shrum, McCarty and Lowrey (1995), who observed a correlation between green consumerism and advertising skepticism. These findings found wide recognition in GM literature, and still today are shared by a number of scholars (Bickart and Ruth 2012; Finisterra do Paço and Reis 2012; Fowler and Close 2012; Royne et al. 2012; Sheehan and Atkinson 2012). Despite the spreading of the skepticism argument, Matthes and Wonneberger (2014, p.115) pointed out that "many scholars have accepted the idea of the skeptical green consumer without systematically examining the factors that drive skepticism toward green ads". They claimed that general advertisement skepticism has to be distinguished from green ads distrust, as well as green consumers' reaction has to be disentangled from nongreen consumers' one. According to their research, green oriented consumers find informational utility in green ads, showing more trust when compared to nongreen consumers. Their assessment process of the green ad is based on rational elaboration, rather than on the emotional appeal of the message. Therefore, "if the arguments provided by the ads are strong, trustworthy, and high in informational utility, a positive evaluation of argument quality will follow" (Matthes & Wonneberger, 2014, p. 125), conversely "advertising claims that are difficult for consumers to verify are likely to prompt skepticism, consumer distrust, or disbelief of marketer actions" (Bickart & Ruth, 2012, p. 52). It is the case of the so-called "green washing" strategies, used to clean up a company reputation with illusory advertising or reparative campaigns, or cover up environmental or social misbehaviours. Thus, the reasons explaining the attitude-behavior gap do not lie in a general skepticism of the green consumers, but are linked to other factors.

In their studies regarding environmentally friendly consumption, Green and Peloza (2014) included two different forms of advertising appeals and the moderating effect of the setting (public versus private). Indeed, Advertising appeals can foster private benefits or societal benefits, according to the tone of message and the information provided. To put it differently, ads can stress benefits for the society and the environment in general, focusing on, for example, emission reduction or generation of collective good, or they can emphasize the benefits the product provides to the consumer in terms of money saving, reduced energy consumption etc. Scholars debate on which form of advertising appeal prevail when consumers are called to purchase green products. Webb, Mohr and Harris (2008) consider green consumption to be motivated by societal benefits

appeal because consumers pay more or give up part of their private benefit when they purchase environmentally friendly goods. On the other hand, Rotschild (1979), Allen (1982) and Peattie (2001) argue that private motivations, like money saving, are the only way to encourage prosocial behaviors and they often succeed even when the environmental benefits are marginal. Green and Peloza (2014, p.134) propose that “consumers’ responses to advertising appeals that encourage environmentally friendly consumption behavior are [...] significantly influenced by the decision-making context” in order to overcome the dichotomy in literature. In particular, they introduce in their model the moderating role of impression management, according to which individuals desire to have a positive impression on others and tend to present themselves in a favorable way. Their results show that consumers’ purchasing habits are driven by societal benefits appeals when they are publicly accountable for their behavior. Griskevicius, Van den Bergh and Tybur (2010) support this outcome, showing that preference for hybrid vehicles increases because they are publicly visible products. They address to competitive altruism (Miller, 2000; Zahavi, 1975) and costly signaling theory (Roberts, 1998; Van Vugt, Roberts, & Hardy, 2007) to explain this phenomenon. According to their view, altruism is a symbolic behavior that proves a prosocial status. Such status is highly desirable, as it is linked to reputation, trustworthiness, prestige and it can eventually affect the role of an individual in a group. For this reason, consumers compete to signal, even in a costly way, their prosociality and their capacity to spend resources, time and money for the collective sake without negatively affecting their lifestyle. This explains why, according to a market research published in 2007 by The New York Times, 57% of Prius owners bought the car because “it makes a statement about me”, while just 36% cited energy saving as a key motivation. “By purchasing a Toyota Prius [...] a person can signal that he or she is a prosocial, rather than a proself, individual. That is, instead of buying a conventional and more luxurious car that benefit only him or her, the Prius owner instead voluntarily chooses to benefit the environment for everyone- even though this act means forgoing the luxury of having a car with more features, comfort or performance” (Griskevicius, Van den Bergh, & Tybur, 2010, p. 393).

A Propositions development

As stated before, the automotive industry competitive arena is following the ecological and sustainable path, developing hybrid technologies and electrification. The investments in greener products are growing rapidly in this highly competitive sector. To quote some examples, Ford Motor Company's business plan includes a short-time electrification of the present fleet, including a full electric van-type vehicle for commercial uses, new hybrids, plug-in hybrids and battery electric models by 2012. Ford planned investments on fuel-efficiency for \$14 billion (\$5 billion loan from the US Department of Energy and \$9 billion in bridge loans), with the aim to achieve a 36% enhancement in fuel economy for its whole range by 2015. Thanks to a bridge loan of \$7 billion, Chrysler is investing in efficiency increase and emissions reduction with flex-fuel technologies and smaller fuel-efficient vehicles, such as its first electric-drive pickup and three further electric-drive cars planned by the end 2013. Audi challenges the energy production industry becoming itself a producer of alternative fuels in order to propose a valid ecological alternative to the oil market. The project is called "Audi Balanced Mobility" and the aim is to cut emissions starting from the car's production cycle through the development of "e-gas", synthetic methane obtained converting potential polluting CO₂ generated in industrial processes. The hydrogen needed is extracted in the North Sea with an investment of €50 million and private funds. Audi's new models will be assembled with flexible-fuel turbo methane engine exploiting the "e-gas". In the last two years, Audi has invested roughly €65 million for a new centre for electrified power trains in its headquarter in Ingolstadt.

Consequently, once understood the reasons and the dynamics of the relationship between GM and consumers' purchasing, it is important to be aware of the customers' opinion and feel the reactions to this trend. The main objective is to provide an estimation of the real distance between the green car and the customer, since "to be green" has become a common factor for the entire industry. The first proposition of this study regards the effectiveness of car manufacturers GM strategies on consumers purchasing behaviours.

Proposition 1: Car manufacturers GM strategies successfully create

“green” awareness in consumers, as they consider environmental performance in their purchasing decision process

Bickart & Ruth (2012) observed through two studies that brand familiarity plays a central role in guiding the consumers’ perception of a green advertisement. In particular, they showed that “when consumer [environmental] concern is high, an on-package eco-seal shown in an ad helps familiar brands but hurts unfamiliar brands. [...] low environmental concerned consumers evaluate the familiar brand more favorably than the unfamiliar brand” (Bickart & Ruth, 2012, p. 62). Evidently, brand image has the power to affect consumers’ trust (or skepticism) in advertising claiming the green performance of the product. Therefore, it is important to consider brand positioning effect in the mind of the customer, especially considering the car market, where brand image notably conveys the quality and the features of the car. For example, a brand commonly associated with the idea of safety might be as well considered as environmentally friendly. The second proposition deals with the relationship between perceived environmental performance and brand positioning.

Proposition 2: Car manufacturers’ brand positioning affects consumers’ perceptions concerning the environmental performance of their products.

Methodology

This explorative study supports the proposition analyzing data collected through a survey. The questionnaire consists of three sections: consumer general and specific purchasing habits, brand positioning and personal information. The questionnaire has been submitted through the internet, and in particular via social networking services (Facebook and Twitter mainly). Accordingly, social media users, excluding a priori under-18 users, constitute the sample. Indeed, it was possible to collect 300 completed surveys. The first part of the questionnaire is the self-identifying block, inquiring about the following personal features: gender, age, occupation, provenance and residence. Nevertheless, this block is put at the end of the survey in order to encourage the respondents to finish the filling with light personal questions in the last page. These factors are relevant influencer of consumer and allow segmenting the market.

When looking at the gender of the interviewees, male respondents accounted for 59% of the sample, against the 41% of female respondents. The age distribution of the sample is concentrated in the lowest ranges, the first two brackets 18-23 and 24-28 represent the 77% of the sample. Accordingly, the most frequent occupation is "student", followed by "employee" and "internship". Students and employees represent together the largest part of the sample, nearly 65%. Considering provenience, the Italian respondents were the absolute majority, 55.3% coming from North Italy, 16.3% from Central Italy and 20% from South Italy, barely the 8.4% was non-Italian. "City centre" and "Close the city centre" accounted for the 61.3% of the responses regarding the area of residence.

The first feature emerging from the answers in the purchasing habits section is the preponderance of the "Specialized magazine" as a reliable source of information. In the age of the Internet, the appeal of the periodical is still very high. However web factors come into play: 34.6% of the answers is divided into researches through "Specialized forums and blogs" (18.8%) and "Web search engine" (15.8%). What is losing importance is one of the traditional ways of approaching to the information. "Information pack from local dealers" is becoming obsolete because of the above-mentioned Internet generation explosion, as well as advice from friends or parents. Despite buying a car involves spending a significant amount of money and spend time gathering information, people consider easier and faster find out opinions and characteristics in a website, rather than going physically to the local dealer, and discuss with a professional seller.

Here below a bar chart represents the answers regarding respondents own cars, while a clustered by producer's country origin bar chart shows the weight of the most representative countries, led by Germany and Italy.

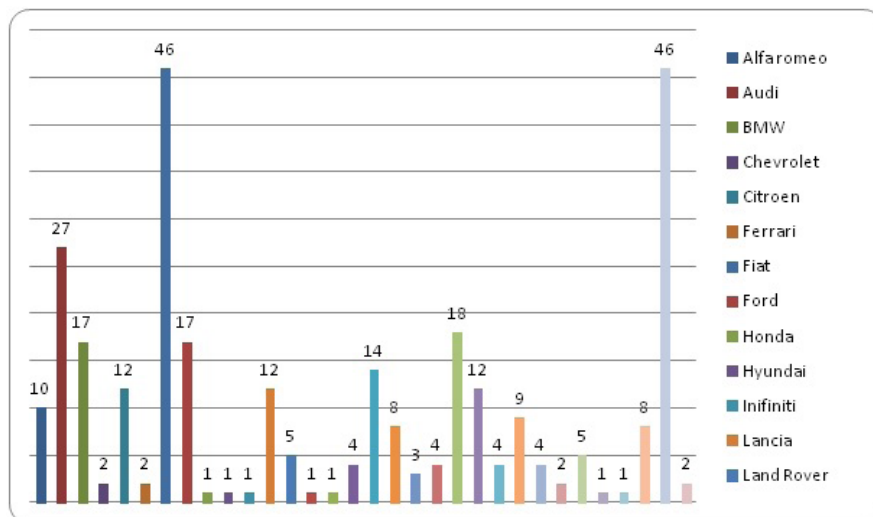


Fig. 1. Family car by manufacturer

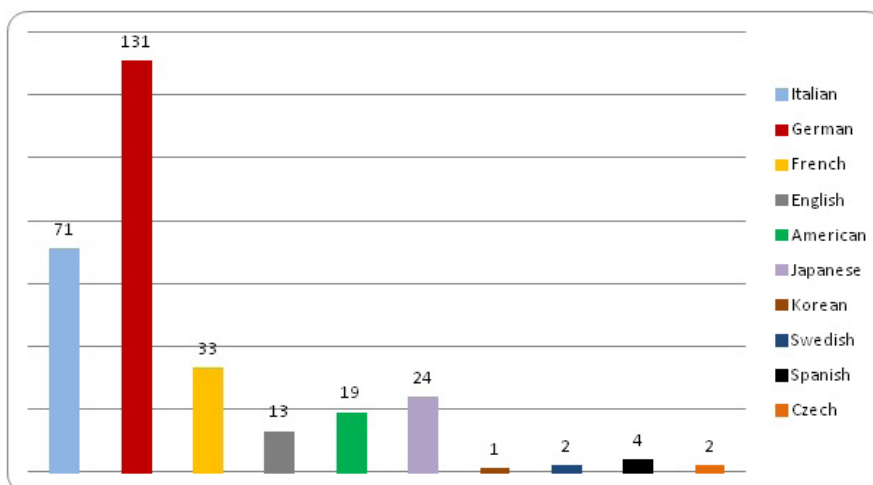


Fig. 2. Manufacturers' country

Results

Factor Analysis and Cluster Analysis

A focus group was established in order to identify the most important items in the choice of a car. The interview was conducted in an unstructured and natural way, and the respondents gave their free opinion about

their perceptions, opinions, beliefs and attitudes towards the car. In particular, the interactive group made up of 10 people, was stimulated to focus on the main drivers to take into consideration when buying a new car.

From the focus group emerged 16 variables, and these drivers have been revised for the questionnaire with Likert scale, a symmetric agree-disagree scale for a series of statements evaluated from 1 (strongly disagree), to 7 (strongly agree). The 16 statements are reported below with their means, the standard deviation and the sum. In the final survey they were mixed randomly.

Tab. 1. Survey Items

	Mean	Std. Deviation	Analysis N
I use the car to hang out with my friends, go out by night, go to clubs and pubs	4,82	1,466	300
I will choice a certain car in order to distinguish myself from other people	4,46	1,429	300
When I consider a car, I like to compare the different models' design	5,39	1,201	300
A label reputation is a byword for safety	4,66	1,360	300
I can mention several eco-friendly car models	3,61	1,678	300
I am disposed to spend up to 20% more for a hybrid o electric car rather than the same with traditional engine	3,68	1,839	300
I consider the social and environmental policies of a brand before buying a car	3,57	1,729	300
I take into consideration eco-incentives before buying a car	4,22	1,860	300
I use the car mainly to go to work or to tun an errand	3,38	1,452	300
When I choose the car, I am looking for a good quality/price ratio	5,25	1,373	300
Maintenance costs are a determinant factor in my choices about cars	5,33	1,445	300
I always consider the solidity and the practicalness of a vehicle before buying it	5,73	1,279	300

With my I car I wolud like to go on track days	2,95	2,165	300
I would like to buy cars only with more than 200 horsepower	3,52	2,076	300
Whn I choose a car, I am looking for a good 0-100 sprint	2,67	1,758	300
	4,04	1,594	300

The factor analysis was implemented in order to check the significance of each item and reduce the number of the factors explaining the phenomenon under investigation, thanks to an aggregation in macro-variables. The four extracted factors explain the 53.66% of the total variance. The last column labelled "Rotation Sums of Squared Loadings" shows the eigenvalues after rotation. After their optimization, the values do not change considerably, the distribution is less wide and goes from the 18.44% of the first factor to the 10.13% of the fourth factor.

Com- po- nent	InitialEigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Vari- ance	Cu- mu- lative %	Total	% of Vari- ance	Cu- mu- lative %	Total	% of Vari- ance	Cu- mu- lative %
1	3,453	21,580	21,580	3,453	21,580	21,580	2,950	18,439	18,439
2	2,215	13,844	35,424	2,215	13,844	35,424	2,074	12,964	31,402
3	1,576	9,850	45,274	1,576	9,850	45,274	1,941	12,129	43,531
4	1,342	8,389	53,663	1,342	8,389	53,663	1,621	10,132	53,663
5	1,027	6,417	60,080						
6	,937	5,856	65,936						
7	,819	5,116	71,052						
8	,722	4,510	75,562						
9	,652	4,075	79,637						
10	,582	3,636	83,272						
11	,560	3,503	86,775						
12	,509	3,183	89,958						
13	,480	2,998	92,956						
14	,437	2,733	95,690						
15	,412	2,577	98,266						
16	,277	1,734	100,000						

Tab. 2. Factor Analysis.
Total Variance Ex-
plained

The “Communalities” table reminds the single factors’ variance percentage; before the extraction the communalities (the proportion of common variance within a variable) are all 1.00, but once extracted and a part of information is lost, is possible to estimate the effective common variance. For instance, the first factor has a 50.3% of shared variance. The 53.66% of explained variance, is indeed an average value of all the single variables, fluctuating between 36.9% and 72.1%. In fact the sum of the extracted factors divided by 16 is equal to 53.66% again.

Even Kaiser’s criterion of retaining all factors with eigenvalues greater than 1 is on the edge here, since the fifth factor has an eigenvalue of 1.027. After some operational considerations, it was decided to consider four factors.

Tab. 3.
Communalities

	Initial	Extraction
I use the car to hang out with my friends, go out by night, go to clubs and pubs	1,000	,503
I will choose a certain car in order to distinguish myself from other people	1,000	,498
When I consider a car, I like to compare the different models’ design	1,000	
A label reputation is a byword for safety	1,000	,430
I can mention several eco-friendly car models	1,000	,573
I am disposed to spend up to 20% more for a hybrid or electric car rather than the same with traditional engine	1,000	,618
I consider the social and environmental policies of a brand before buying a car	1,000	,597
I take into consideration eco-incentives before buying a car	1,000	,493
I use the car mainly to go to work or to run an errand	1,000	,369
When I choose the car, I am looking for a good quality/price ratio	1,000	,653
Maintenance costs are a determinant factor in my choices about cars	1,000	,420
I always consider the solidity and the practicalness of a vehicle before buying it	1,000	,470
With my car I would like to go on track days	1,000	,618
I would like to buy cars only with more than 200 horsepower	1,000	,721
When I choose a car, I am looking for a good 0-100 sprint	1,000	,617
When I choose a car I inquire about the maximum speed and the road-holding	1,000	,603

The factor loadings matrix responds to the first proposition of the analysis, showing that eco performances are a significant driver when buying a new car. The output presented by the "Rotated Component Matrix" shows the correlations between the original variables and the detected components (factor loadings). Each variable is associated to a particular factor with the highest correlation after orthogonal rotation Varimax with Kaiser Normalization that has the aim to minimize the number of variables with high saturation for each factor. The result of the analysis is the determination of four macro-component that include the original 16 items:

The first component is called Performance and embraces the items "With my I car I would like to go on track days"; "I would like to buy cars only with more than 200 horsepower"; "When I choose a car, I am looking for a good 0-100 sprint"; "When I choose a car I inquiry about the maximum speed and the road-holding;

The second component is defined Functionality and encloses "I use the car mainly to go to work or to run an errand"; "When I choose a car, I am looking for a good quality/price ratio"; "Maintenance costs are a determinant factor in my choices about cars"; and "I always consider the solidity and the comfort of a vehicle before buying it";

The third component is labelled as Eco-friendly and encompasses the items "I can mention several eco-friendly car models"; "I am disposed to spend up to 20% more for a hybrid o electric car rather than the same with traditional engine"; "I consider the social and environmental policies of a brand before buying a car"; and "I take into consideration eco-incentives before buying a car";

The last macro-component is classified as Brand appeal and it includes the items "I use the car to hang out with my friends, go out by night, go to clubs and pubs"; "I will choice a certain car in order to distinguish myself from other people"; "When I consider a car, I like to compare the different models' design"; "A label reputation is a byword for safety".

Tab. 4. Rotated Component Matrix

	Component			
	1	2	3	4
I use the car to hang out with my friends, go out by night, go to clubs and pubs				,641
I will choice a certain car in order to distinguish myself from other people				,497
When I consider a car, I like to compare the different models' design				,584
A label reputation is a byword for safety				,628
I can mention several eco-friendly car models			,570	
I am disposed to spend up to 20% more for a hybrid o electric car rather than the same with traditional engine			,740	
I consider the social and environmental policies of a brand before buying a car			,765	
I take into consideration eco-incentives before buying a car			,535	
I use the car mainly to go to work or to tun an errand		,501		
When I choose the car, I am looking for a good quality/price ratio		,781		
Maintenance costs are a determinant factor in my choices about cars		,618		
I always consider the solidity and the practicalness of a vehicle before buying it		,643		
With my I car I wolud like to go on track days	,761			
I would like to buy cars only with more than 200 horsepower	,801			
Whn I choose a car, I am looking for a good 0-100 sprint	,743			
When I choose a car I inquiry about the maximum speed and the road-holding	,718			

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations.

Once the number of items has been reduced from 16 to 4 factors, it was possible to proceed with the cluster analysis of the sample, in order to understand more about the potential presence of homogeneous groups. With the K-means method, the choice was to assume 4 clusters, and in this way it was possible to

obtain a model with a perfect statistical significance (p-value is 0.000 for each cluster). In addition, the population of each cluster shows a good homogeneity. The Final Cluster Centers table shows the mean of the clusters for each variable used in the process, and in this way it is possible to discover the characteristics of the clusters compared with other variables used. Ranking each factor, the output highlights 4 clusters:

	Cluster			
	1	2	3	4
Performance	1,18299	-,70566	-,01400	-,42496
Functionality	,40615	,25412	-1,53049	,46413
Eco-friendly	-,03261	-,35253	,03543	,57347
Brand appeal	,18197	,58185	-,10281	-1,07524

Tab. 5.
Final Clusters
Centers

Cluster 1/Enthusiast (82 individuals): it is a group of people really cars-lovers, always attentive and updated to the latest news. They judge a car on the design and the appeal, but especially looking at driving dynamics, performances, safety, and comfort. Their perfect car is technically valid, eye-catching, solid and reliable, but they are not so keen on considering the environmental issue as a crucial point. They might consider green features as clashing with the performances of a vehicle.

Cluster 2/Conspicuous (99 individuals): they are people who care only about the brand. In their opinion, be part of an elite and distinguish from other people is fundamental, and achievable thorough the ownership of a prestigious brand. It does not matter if the performances are poor or excellent, or the emissions observe the latest standards, in their view a high brand reputation means safe and reliable cars. People in this group pay attention to the design of a car that should be eye-catching in order to communicate a good image of the owner.

Cluster 3 / Uninvolved (57 individuals): this is the less numerous group including people who are not interested in the argument, so less informed and influenced in the purchasing behaviour from friends and family. Here the car is seen as a means of transportation rather than a symbolic product or something offering emotions.

Cluster 4 / Eco-practical (62 individuals): it is a group uninterested in brand appeal or in performances, they recognize the functional features and the ecological orientation as fundamental when considering to buy a new vehicle. Maintenance costs, solidness, comfort, emissions, environmental and social impact, value for money, are the key words for these people.

The Positioning

Through a top of mind process, respondents were asked to indicate the first three automotive brands in their mind when thinking about a car. Then, they evaluated each chosen brand in four aspects: "functionality", "brand allure", "performance" and "eco-sustainability" with Likert scale from 1 (strongly disagree), to 7 (strongly agree).

Afterwards, it was decided to study the brands' positioning, with particular reference to cluster number 4, the eco-practical, in order to find evidence for proposition number 2.

It was decided to consider the brands with a total score of more than 20 preferences. These are: BMW, Audi, Fiat, Ferrari, Alfa Romeo, Mercedes-Benz, Porsche, Volkswagen, Lamborghini, Toyota.

Premium car manufacturers. BMW was the top of the choices in the test (150/900 preferences). In each two-measure correlation, the "eco-sustainability" value never reach a univocal evaluation in its case. Audi (126/900 preferences) is in the second position according to respondents' choice. The dynamics of the matrix are almost the same of the Bavarian manufacturer. The producer from Ingolstadt has results a little less concentrated towards the top of the "eco-sustainability" variable and nearer to the means of the scale. Despite a few superior evaluations, it has the worse sustainable perception among the eco-friendly users, even if Figure 13 reminds that Audi has the best fleet consumption against BMW and especially Mercedes-Benz. Maybe the Four-Ring automaker suffers the lack of an eco-label, which could grab the attention of the eco-practical consumers. It might also be that Audi experiences an inferior awareness because of the massive use of platforms and components sharing strategies. Mercedes-Benz (66/900 preferences) is the third of the German trio in this ranking with almost half the preferences collected by Audi. The

outcomes in terms of eco-sustainability are again a bit over the means of the scale but less scattered than the others premium producers.

Generalist car manufacturers. In this section, Fiat gained a good number of choices (77/900 preferences). Despite the effort of building greener vehicles and work on the social responsibility, the respondents did not reward Fiat with a univocal rating. In fact, the cluster is not clearly grouped showing a positive correlation between “eco-sustainability” and the other three factors. The other Italian manufacturer in this block is Alfa Romeo (77/900 preferences), which is part of the Fiat Group with also Lancia, Ferrari and Maserati. Here again the respondents’ perception seems not very lucid: nobody evaluated with top scores the “eco-sustainability”, the values in relation with the other traits are mostly on average with negative peaks when tied to “functionality” and “performance”, while “brand allure” is the less negative. Volkswagen (77/900 preferences) shows the most aligned values in terms of “eco-sustainability” and in correlation with the other factors the scores are always just over the average. Toyota (22/900 preferences) has a modest number of respondents, but it is interesting to see how the Japanese manufacturer has completely opposite concentration groups. Bad evaluations about its performances are followed by good assessments in functionality and ambiguous references in brand appeal, while the “eco-sustainability” items depicts contrasting opinions, revealing a massive misunderstanding in the brand perception.

Sport-luxury car manufacturers. In this section Ferrari (72/900 preferences) and Porsche (48/900 preferences) have almost identical matrix in terms of sustainability. Also Lamborghini (22/900 preferences) shows similar results. The “eco-sustainability” label seems to clash with the nature of the models produced in the sport-luxury segment, since powerful cars with big engines produce higher emission and show less efficiency than an average engine.

Discussion

Results emerging from the analysis are not easy to read, and numerous facets must be taken into considerations. First of all, even though the factor analysis confirms proposition 1, analysing the descriptive statistics of

the four items defined in the group eco-friendly, it is possible to observe that their average evaluation is below the global mean of 4.205. In detail only the item "I take into consideration eco-incentives before buying a car" has reached a value on the average (4.22). This suggests that consumers are driven mainly by the personal benefit appeal. The items "I can mention several eco-friendly car models" and "I consider the social and environmental policies of a brand before buying a car" demonstrate a poor involvement of consumers in the green issue, since they are not able to mention green models and they do not care much about Green Marketing and CSR policies upstream. Also the statement "I am disposed to spend up to 20% more for a hybrid or electric car rather than the same with traditional engine" had poor results, and in spite of the savings and the ecological advantages provided by green cars, a large number of respondents is not disposed to pay more for alternative fuel cars. In short, consumers recognize the importance of green features when considering to buy a new car, but this awareness does not go through an actual commitment stage.

Several exogenous causes might explain this outcome. First, there are a number of technical difficulties related to the product, as buying a hybrid vehicle means: installing an EV outlet at home, limited trip range, difficulties in recharging the batteries once far from home. In addition, as showed by people in the cluster "enthusiasts", car lovers are generally against the use of alternative fuels because in their opinion cars lose appeal when the sound is not a traditional rumble and the smell is not burnt gasoline.

The top of mind awareness was useful to get the picture of the most recognized brands among car manufacturers, in this way it has been easier to test the impact of brand familiarity on consumers' judgement. Premium car manufacturers Audi, BMW and Mercedes-Benz, have recorded very similar results and in every correlation there is not a clear polarization. A certain confusion pools these manufacturers, since they have the wider range of models which covers almost all classes, going from the premium small family-car (Audi A3, BMW 1 Series, Mercedes-Benz A-Class) to fast and performing sports sedan (Audi RS4, BMW M3, Mercedes-Benz C63 AMG). This leads the consumer to consider each brand in a ambiguous way. Again, the consumers are torn between the premium BMW and Mercedes-Benz's eco-labels Efficient Dynamics and BlueTec and the production of SUVs (Audi Q7, BMW X5, Mercedes-Benz ML-Class) or full-size

luxury vehicles (Audi A8, BMW 7 Series, Mercedes-Benz S-Class) with low efficiency and high emissions. Furthermore, this unclear awareness could derive from the massive use of platforms and components sharing strategies with other generalist and low-cost car manufacturers.

When looking at generalist car manufacturers, Fiat, Alfa Romeo, Volkswagen and Toyota, the results show an irregular polarization once more, but with different features. Indeed, the cluster is not clearly grouped and in addition a general tendency of positive correlations between “eco-sustainability” and the other factors is shown. This phenomenon is more evident in the cases of Fiat and Alfa Romeo. Volkswagen has a more vertical tendency line which highlights a good average score. Toyota deserves a specific mention because the Japanese manufacturer is widely known for its environmentally friendly strategy, led by the iconic Prius. The Environmental Action Plans, constantly implemented through the years, allowed Toyota to reach several environmental records, such as being the second most ecological car manufacturer in United States, and win three times in a row the Sustained Excellence Award⁴. Additionally, Toyota is fully involved in philanthropic initiatives and diversity preservation policies, like the Toyota USA Foundation and the Toyota Family Literacy Program that helps low-income families⁵. Despite these acknowledgments, Toyota has been chosen few times (22) and among the respondents only a small number of them were in the cluster of eco-practical. In addition the results are controversial, as they are polarized at the opposite side. This demonstrated a big misunderstanding in how the brand is considered: a first clue of the effect of the brand familiarity bias.

Moreover, the more consumers consider the brand as appealing, well-performing and functional to all the needs, the more they see it as ecological and vice versa. High values in the eco-friendly factor associated to high performances supports this bias. Sport-luxury car manufacturers Ferrari, Porsche and Lamborghini reveal a common path and same results in the analysis. First thing to notice is the confusion on the environmental matter, since this segment has the worst environmental performance due to cars low efficiency and high fuel consumptions. For instance a 2009 Ferrari 458 Italia V8 produces 307g/km of CO₂, a new Porsche Cayenne Turbo produces 270 g/km of CO₂, a 2009 Lamborghini Gallardo Spider 5.3

⁴ See http://www.energystar.gov/index.cfm?fuseaction=labeled_buildings.showplantProfile&plantprofile_id

⁵ http://www.toyota.com/about/our_values/

liter produces 330g/km of CO₂, a 2010 Alfa Romeo MiTo produces only 98 g/km of CO₂, which is less than one-third compared to Lamborghini's⁶. However, consumers seem not to be aware of this higher environmental impact, as the points are distributed all along the ranking range in every correlation, except for the correlation with "functionality", where the values are polarized towards the lowest levels, apparently judging a sport car as not functional in everyday life. Only Porsche has anyway better values in this sub-matrix thanks to a soberer design and smaller engines. Once again the high level of brand reputation associated to manufacturers belonging to this segment is driving consumers' opinions. Furthermore, the high visibility of such brands overemphasises their efforts to become more environmentally friendly. Top producers are investing in eco-friendly factories with cutting edge technology, where they develop high-efficiency models, for instance Ferrari introduced the HELE system on the model California, which stands for "*High Emotion Low Emissions*". *Although almost every brand in this segment is introducing new eco-friendly models or concept-cars, Ferrari CEO Amedeo Felisa pointed out the heart of the matter for sport-luxury car manufacturers: "we are forced to by the regulations [...] The issue of emissions for Ferrari is more a political one than real one [...] Lowering emissions of every Ferrari will not save the planet, but it will cost us a lot of money."*

Conclusion

This study confirms that GM strategies implemented by car manufacturers successfully raised the awareness of consumers on sustainability issues. However, the gap separating recognition of the issue from enactment of environmentally friendly consumption is still to be filled. In addition, without a well-shaped opinion about the eco-sustainability of each brand, consumers extended their general opinion concerning the manufacturer when answering to environmental related items.

Still, it is true that consumers are moving from first "innovators" to "early adopters" who "are typically younger in age, have a higher social status, have more financial lucidity, advanced education, and are more socially

6 <http://www.quattroruote.it/listino/>

forward than late adopters. More discrete in adoption choices than innovators. Realize judicious choice of adoption will help them maintain central communication position" (Rogers, 1962). Drivers have to take into consideration a number of trade-offs, principally regarding the difficulty in recharging while undertaking long trips. The previsions estimate that this weakness will be solved in the upcoming years by introducing more efficient batteries and more recharge-station. A Deloitte survey draws attention to the "range anxiety issue": US respondents says that few of them would travel more than 150km in an ordinary day, so an electric car with a range of 80 km will please more than 65% of the drivers on week-days. However 70% of the drivers expect an electric car to travel more than 480km at least⁷.

Bearing in mind the industry-specific factors, the gap analysis is able to point out that actually firms do not use resources properly in the face of large investment sin efficient technologies. Indeed, it is possible to identify four different gaps:

Product gap: it indicates the discrepancy between the green product as expected by drivers and the current green car, which presents some usability limitations as remarked before. This is a kind of "technological gap" for the reason that green solutions are still evolving and their upcoming path is still not fixed.

Pricing gap: when asked if disposed to spend 20% more for a green car rather than traditional car, customers' answer were considerably under the average value, although the potential savings in fuel's cost and the less polluting impact on the environment are valid motivations to pay more.

Communication gap: The lack of an adequate communication is the main cause of the misunderstanding emerged here, and every brand should be more focused in promoting its own green models, keeping in mind the brand familiarity bias. According to the survey, many respondents do not have a real awareness of the green issue, or they are not able to identify properly the greenest brands. The green cause seem to be an universal common factor for every car manufacturer, from Fiat to Porsche,

⁷ http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us_automotive_Gaining%20Traction%20FINAL_061710.pdf

but on the other side, it seems to be a not-so-common factor among the consumers.

Eco-managerial gap: managerial researches underscore that more than 90% of CEOs think that the CSR issue will be decisive to the upcoming success of their firms⁸. In this sense, Chief Green Officers may have a key role to integrate environmental and social goals with economic targets, in a triple bottom line approach.

Car manufacturers need to use the right tools to fill these gaps. Only firms ready to accept the current challenge will be able to face the crisis and catch the opportunities generated by market pressure in terms of green demand. Defining exactly the future profile of this industry, from now to 20 years, is nearly impossible. Many are betting on the electrification of the transports, but new models of mobility, like the car sharing, are emerging with several benefits for the environment. Peugeot's initiative "mu by Peugeot" entails a different concept of mobility based on vehicles sharing of cars, vans, scooters, bikes and accessories, and soon it will include an "electromobility" program. By means of a series of industry-specific aspects like strategies, networks, partnerships, know-how and managerial competences, automotive has the new vital mission of challenging the way of interpreting the concept of mobility. Innovative business models will have the tough duty to integrate software and hardware, services and products, in order to generate alternative sales sources. Change is the distinguishing mark of the automotive industry of the next age, so every firm should be open to learn from the experience of other industries and interact with contiguous businesses, flexible to integrate new business and trends into a holistic approach, be courageous to develop alternative innovations and catch opportunities. Altogether, an industry-level cultural change is essential to face challenges and opportunities ahead.

In conclusion, this work has started to assess the actual effectiveness of GM strategies, a topic that deserves a deeper and vaster analysis, making contributions for both academia and practitioners. New research avenues are still open, future studies might analyze in more detail the antecedents and determinants of consumers' reaction to GM initiatives.

⁸ A new era of sustainability: UN Global Compact - Accenture CEO study. UN Global Compact - Accenture CEO 2010.

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A VOLUNTARY APPROACH TO CSR – USING THE VELUX GROUP AS A CASE

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Abstract

The voluntary approach to CSR has been part of the VELUX Group's way of doing business for more than 50 years – the approach is based on the Model Company Objective first formulated by the founder of the company in 1965. The Model Company Objective is still a foundation of the VELUX Group today. Moreover, Corporate Responsibility (as CSR is called in the VELUX Group) is regarded as the means by which this model is put into practice.

This chapter presents the way the VELUX Group has been working with CSR over the years and argues that the VELUX Group is an example demonstrating that the voluntary approach to CSR can be successful. The analysis also sheds light on how sustainability and shared value can be part of a business model. By putting VELUX Group actions into a Polish context, the study presents tangible results of VELUX CSR engagement.

The historic journey and the VELUX Corporate Responsibility Model

The Model Company Objective (MCO), is a mission statement of the VELUX Group, an international manufacturer of roof windows and other products and services related to providing daylight and fresh air through the roof.

"It is the Group's purpose to establish a number of Model Companies, which cooperate in an exemplary manner. By Model Company we mean a company working with *products useful to society, which treats its customers, suppliers, employees of all categories and shareholders better than most other companies*. A Model Company makes a profit, which can also finance growth and maintain financial independence."

This quote almost sounds like a rephrasing of the EU definition of CSR - Talking about creation of shared value for owners/shareholders and for other stakeholders and society, while minimising possible adverse impacts (European Commission 2011: 6). Both describe the same intention – that companies shall create value for themselves and for society, and behave responsibly towards all their stakeholders. However, the MCO statement was first written down much earlier, already in 1965. The objective has been included in the company's policy ever since and has been modified only once, in 1973, to add the final sentence about financial independence.

The Model Company Objective was an idea of the Group's founder, Villum Kann Rasmussen, who started to envisage how the business – established in 1941 – could function without him. It was driven by a belief that companies should not only be focused solely on creating profit. They have to understand their impact on and be active participants in society. Today, the VELUX Group belongs to VKR Holding A/S, a financial holding company owned by foundations, and to the Kann Rasmussen family (VELUX Group 2015: 13). The ownership structure means that a mayor part of the profit surplus is transferred back to society.

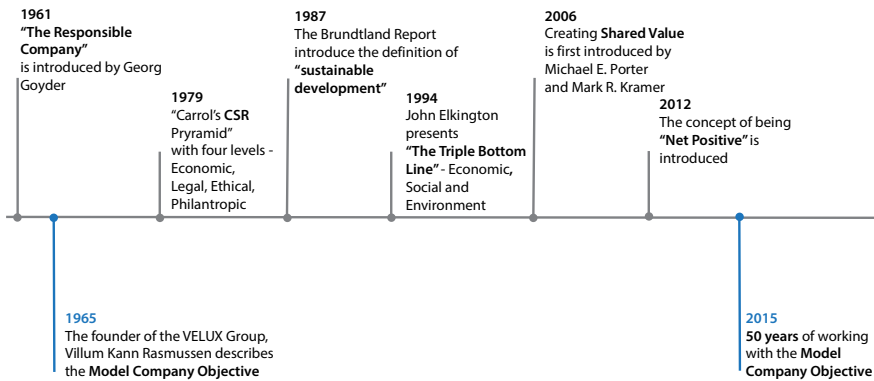


Fig. 1. Graph showing the history of the Model Company Objective and most significant concepts related to CSR

Over the years, the concept of CSR in society as a whole has developed as new understandings, agendas and ideas presented in the graph above. At the same time, the VELUX Group has maintained the Model Company Objective as its foundation, while responding to the external CSR related agendas. Corporate Responsibility is therefore, regarded as an important mean by which the Model Company Objective is put into practice. To structure the way the VELUX Group understands and works with sustainability and responsibility, the VELUX Corporate Responsibility model was developed in 2013.

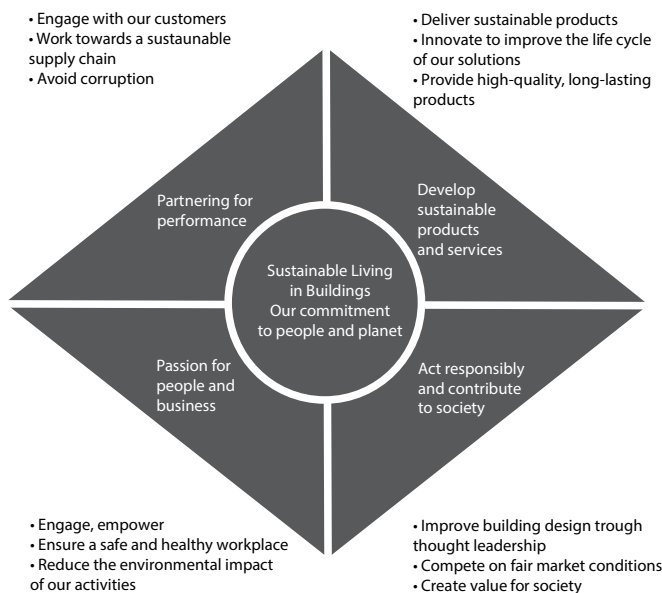


Fig. 2. The VELUX Corporate Responsibility Model

The model is based on five dimensions: Sustainable Living in Buildings, Passion for people and businesses, Partnering for performance, Develop sustainable products and services, and Act responsibly and contribute to society. Those dimensions reflect how the VELUX Group engages in Corporate Responsibility in a holistic way. The Model Company Objective and CSR have also been part of the VELUX decision-making process in the rapidly changing Polish economy – since the first sales office was opened in Poland in 1990.

Passion for people and business - Our own footprint

The first part of the commitment is Passion for people and business. The VELUX Group manages its business with an emphasis on people and environmental leadership. The Group focuses on creating a good workplace based on innovation, teamwork, mutual respect and safety. Examples of those efforts are two safety programmes in the company: the *Safety Excellence Programme* and *TAKE CARE*. These programmes are based on the long-term vision to have zero accidents at the work place. In 2014, for example, the number of work-related accidents in VELUX Polish factories was 1.3, which is the lowest number of accidents per million working hours ever registered in VELUX factories in this country (VELUX Poland 2015:25). As a reference point, the last publicly available average accident rate in Poland was 17.9 in 2012 (VELUX Poland 2015:25).

Another programme within on this dimension is the *[Re]vitalise* initiative launched in 2014. As part of the initiative structured People Reviews of top managers have been carried out. Going forward, *[Re]vitalise* will evolve and become more tangible to all VELUX Group employees – through surveys, follow-up processes, annual dialogues, which are in the process of implementation. At this moment 70% of employees in the VELUX factory in Gniezno declare that they are highly motivated to work, that is 12% more than the average in Poland (VELUX Polska, Market Economy Research Institute 2015: 35). The VELUX Group hopes that with the well trained leaders and upcoming changes, employee satisfaction will grow even higher.

The last initiative within Passion for people and businesses is the group's efforts to minimise environmental impact of its operations. One of the key initiatives is the reduction of CO₂ emission. The VELUX Group has set a goal to reduce its carbon emissions by 50% by 2020 (relative to 2007 levels). By 2014, through internal operations the VELUX Group has achieved a 29% decrease (VELUX Group 2015: 75). The key to this reduction is the production process. The VELUX Group uses wood that requires drying in specific temperatures. In VELUX factories in Poland the production sites have used the waste wood chip to fuel a biomass heating system since 2011. As a result, between 2010 and 2014, the emissions at the Polish production sites have dropped by 36%, despite the growing production. Moreover, in 2015, CO₂ reduction on group level has been given another kick in the right direction as the group has initiated an energy management programme that will see action plans drawn up for energy saving at all European factories, based on monitoring and analysis of energy consumption.

Partnering for performance - Extended value chain

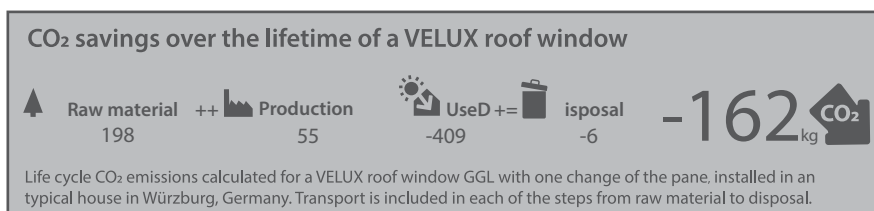
The next dimension of the VELUX Corporate Responsibility Model is Partnering for performance. It is focused on improvements based on partnership with customers and suppliers. The partnership provides the company with necessary feedback to increase performance. We support the customers (specifiers, distributors, end-users) before, during and after their purchase of a VELUX product. According to a research conducted on the Polish market, 77% of respondents associate the brand with high quality and 71% see the VELUX Group as a company that can be trusted. Still, a need for an improvement can be highlighted – only 39% of respondents acknowledge that the VELUX Group is socially responsible. The most popular answers were 'neutral' or 'not sure' (VELUX Poland 2015: 37). This score challenges the company to communicate its actions in a better way.

The partnership approach is also a component of VELUX interactions with suppliers. The VELUX Group strives for the highest standards of business practice and promotes responsibility throughout its supply chain. Both, wood suppliers of the VELUX Group, and all VELUX factories in Europe, including those in Poland, are certified according to PEFC or FSC.

In 2014, 96% of the wood used in VELUX production sites was sourced from certified sources, and the remaining 4% was from sources described as controlled by FSC or PEFC standards (VELUX Group 2015: 56). Therefore, all of the used wood comes from known, non-controversial sources. Furthermore, Poland is one of the company's main suppliers of certified wood used in our production (VELUX Group 2015: 56).

Develop sustainable products - Impact through our products

The VELUX Group is committed to developing sustainable products and services and pays attention to the impact of its products and services throughout their life cycle. The aim is to continuously improve, through research and innovation, the sustainability of the products offered to the global market of new-builds and building renovation. VELUX products are manufactured for up to 40 years of service life. The VELUX windows are also carefully designed to minimise heat loss through the windows and to make the most of the solar heat gain. As a result, VELUX roof windows can make a positive contribution in terms of CO₂ emissions.



The infographic above illustrates that VELUX roof windows can have a positive carbon footprint in the course of their life spans due to passive solar gain during the use phase. Since the production site in Poland is one of the leading production sites of the VELUX Group, it also plays a crucial role in the process of manufacturing sustainable products and providing them to other European countries.

Act responsibly and contribute to society - Impact on the rest of society

The fourth dimension of the VELUX approach to act responsibly and contribute to society. In this respect, the VELUX Group benefits the broader society through interaction with industry partners, researchers, politicians and other stakeholders. The VELUX Group contributes to society through its owners, the VELUX Foundations. Each year a share of VKR Holding A/S' (the main shareholder's) profits is paid back as grants by the two foundations VELUX FONDEN and VILLUM FONDEN, supporting scientific, environmental, social and cultural purposes around the world. The foundations operate independently from VKR Holding A/S and its companies.

Since 2003, the foundations have donated 22 grants totalling 77 million PLN in Poland. The grants have been targeted at long-term projects, of a value of minimum 300,000 PLN. Supported NGOs have worked in such areas as equal opportunities, education and support to chronically or terminally ill (VELUX Polska, Market Economy Research Institute 2015: 39). An example of such a grant is the cooperation with the Barka Foundation. The grant of 3,3 million PLN allowed to build two new buildings in an educational and resocialization centre for formerly homeless people (Kamińska 2010).

Sustainable Living in Buildings and Shared Value

At the core of the VELUX Group's corporate responsibility is the commitment to Sustainable Living in Buildings. This is where the group's core competences can be applied to develop a new paradigm for the buildings of the future, in which human health and well-being go hand in hand with high-energy efficiency and low environmental impact.

This concept taps into the group's core belief of being useful to society. People spend up to 90% of their time living, working, learning and playing inside buildings. However, around 80 million people in Europe live in buildings that are damp and unhealthy (Grün, Urlaub 2014: 2). At

the same time, the energy used in buildings accounts for approx. 40% of the total energy consumption in Europe (United Nations Environment Programme, 2007:1). Due to their position in the sloping roof, roof windows are highly efficient as sources of daylight, fresh air and solar energy, thereby creating value for both the company and society, reflecting the thoughts behind shared value.

Since 2005, the VELUX Group has been one of the promoters of the Sustainable Living in Buildings agenda. The first step was to conduct research on living in buildings. Afterwards, the VELUX Group became a co-creator of the movement that links health, comfort of inhabitants and energy balance. The Active House Alliance association and the Model Home 2020 project have proven that developing sustainable buildings is possible with the technology available today (www.activehouse.info). The Model Home 2020 houses, tested by real families and monitored by scientists have been instrumental in demonstrating that energy saving, healthy indoor climate and comfort can go hand in hand. The VELUX Group thereby wishes to share knowledge, raise awareness, influence house builders and future legislations.

VELUX Polska also engages in knowledge-sharing when it comes to creating healthy and comfortable lives without causing harm to the climate and environment. The company is a partner of the Smart Living Campaign organized by the Danish Embassy in Poland. It takes active part in conferences organized in municipalities and shares good practices that can be implemented in Polish cities, such as Lublin, Kielce, Szczecin, Kraków, Warszawa. The project started in 2014 and will continue until 2017. The main focus is on energy efficiency, renewable energy, resource management and healthy lifestyle (Danish Embassy in Poland 2014).

Conclusion

The VELUX Group is a showcase demonstrating that the voluntary approach to CSR can be part of a successful business. As described in this paper, the voluntary commitment can be long term, holistic and embedded in the company's DNA. It is not only about how the company spends money; but it is mainly about how the product is being created and han-

dled, regardless of the country the VELUX Group operates in. On the examples from Poland, the VELUX Group is able to show that the Model Company Objective is visible in many of its activities – in its approach to employees, products, production process and interactions with stakeholders.

Still, the VELUX Group acknowledges that there is room for improvement, especially on the Polish market, which is crucial for the group's operations. There is a risk that in Central Europe the role of CSR can be oversimplified and seen as a form of sponsoring or marketing (Deloitte 2015: 18). Nevertheless, the VELUX Group wants to show that implementation of CSR on a deeper level is possible. Moreover, the Group wants to be an example for other companies on the Polish market. In terms of our products, as a provider of daylight and fresh air through the roof with energy efficient windows, the VELUX Group has the opportunity to take a leading role in defining the design of sustainable buildings, thereby securing a holistic focus on comfort, energy and environment, and the future relevance of its products and services, while also, creating value for society and the company.

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THE IMPORTANCE OF SOCIAL AND ENVIRONMENTAL ASPECTS OF SUPPLY CHAIN MANAGEMENT - PILOT RESEARCH RESULTS

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Keywords: CSR in supply chain, social and environmental aspects of management,

Abstract

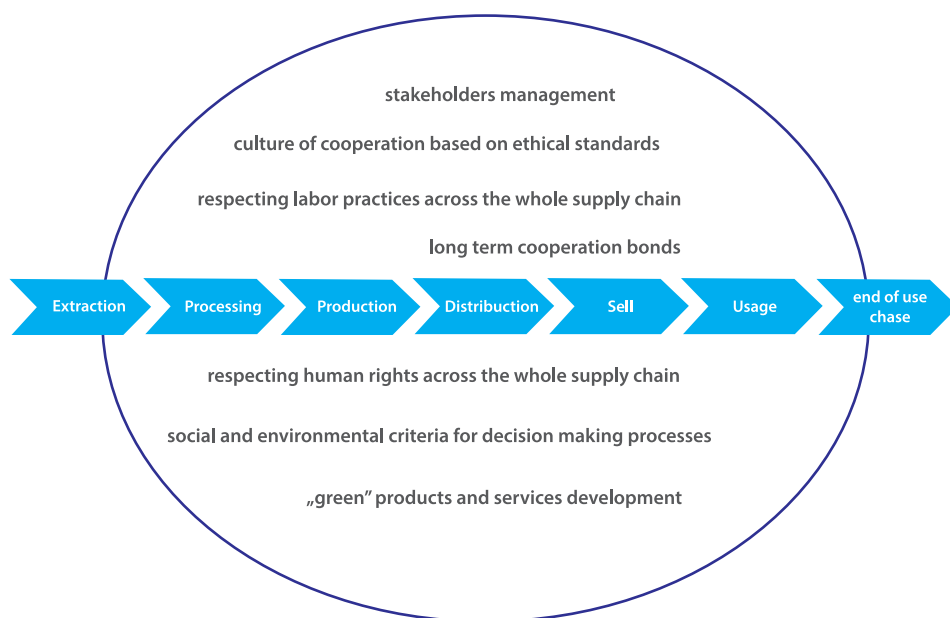
Management of modern supply chains not only requires good coordination allowing a constant flow of resources and information but also taking into account the social and environmental effects of activities. The chapter focuses on awareness of the non-economic challenges in the supply chain. The main objective was to identify areas and enterprises' approaches to management of the environmental and social aspects of relations with suppliers. The results of the initial studies suggest that entrepreneurs are aware of the non-economic risk appearing in the supply chain but it is not translated into concrete actions that go beyond the minimum criteria for the selection and control of suppliers. Businesses recognize the role of their suppliers in shaping the quality of the final product and are aware that customers want to have more and more knowledge about the products offered but incentives are not strong enough to implement comprehensive solutions.

Introduction

Despite increasing knowledge and awareness of entrepreneurs about the role of CSR (Raport Społeczna odpowiedzialność... 2014 oraz Raport Ocena stanu... 2013) non-economic aspects of managing the whole supply chain are still regarded as difficult to manage due to the large diversity of the participants and the geographical dispersion of elements of the chain. An additional difficulty is the wide variation in social and environmental standards in each country (from no or low standards, e.g. in developing countries to high standards and regulations in EU countries). What's more entrepreneurs that build relationships with their first tier suppliers usually have poor knowledge of what is happening in their sub-contractors' firms which, in many sectors, is crucial from the point of view of social responsibility concept. The results of research conducted by the Harvard Business Review Poland on a group of 335 people, readers of Harvard Business Review Poland, showed that while 50% of respondents know what is the attitude to the sustainable development among first tier suppliers but in the group of third tier suppliers such knowledge declares already only 10% (CSR w łańcuchu dostaw aspekty... 2012). The quality of the product reaching the market depends on the conditions in all stages of its life cycle. In order to offer products that meet CSR standards business should ensure transparency throughout the supply chain which is closely related to the awareness of the whole life cycle beginning from raw materials till the end-of-use phase. To make this possible all market participants need to be involved. Consumers can push organizations expecting responsible behaviour starting from the stage of a product design and making a decision where it is produced. From the perspective of the largest recipients the much work has to be made in the area of education and enhancing ethical behaviour among suppliers. The attitude and reaction of the suppliers themselves including their response to the needs posed by clients is equally important.

The Problem of Social Responsibility in Supply Chain

The supply chain is defined as a structure that “encompasses all activities associated with the flow and transformation of goods from raw materials stage (extraction), through to the end user, as well as the associated information flows. Material and information flow both up and down the supply chain” (Handfield and Nichols, 1999). Managing such a complex structure is a big challenge especially considering the fact that the flow of goods is accompanied by additional results such as impact on environment and society. Hence, the issue of supply chain management is increasingly set together with the concept of social responsibility and subjected to scientific reflection. Author of the chapter defines social responsibility in the supply chain as taking into account social and environmental aspects in the strategy of individual link giving common results for the whole supply chain like high labour standards, good quality of life of local communities and high environmental standards.



Source: Own elaboration

The key features of supply chain responsibility are:

- a chain-wide commitment to achieving social (and environmental) benefits,
- the legitimacy and possibility of all links in the chain to have a voice,
- genuine partnership approach (Spence and Bourlakis, 2009).

The same authors define Corporate Social Watchdog (CSW) having in mind the dominant link in the supply chain. This way CSW is a notion of extended responsibility. It means that the dominant partner in the supply chain is expected to set the standards for the whole supply chain and make suppliers accountable for their fulfilment. Social and environmental issues are also discussed as elements of sustainable development related to supply chain (Spence and Bourlakis, 2009).

Taking into account the sustainability we can define the supply chain management as: "the management of material and information flows as well as cooperation among companies along the supply chain while taking goals from all three dimensions of sustainable development. (Seuring *et al.* 2008). Moreover the literature distinguishes also the Green Supply Chain Management (GSCM) understood as "an approach that aims at the overall optimisation of material and information flows along the value chain. The main aspect is a stronger focus on ecological and sociological aspects when making managerial decisions" (Kumar *et al.*, 2012: 1278). The definition which specifies what is the value of the environmental approach to supply chain put attention on "integration of environmental thinking into supply-chain management, including product design, material sourcing and selection, manufacturing processes, delivery of the final product to the Consumers as well as end-of-life management of the product after its useful life" (Samir, 2007: 54-55). This meaning of green supply chain management underlines the importance of environmental aspects (Vachon and Klassen, 2006.; Sarkis, 2003). The problem of non-economic aspects of management in the supply chain can be also presented from the strategic management perspective including risk management (Gallear *et al.*, 2015; Giannakis and Papadopoulos, 2016; Cruz, 2013). When thinking about managing sustainable supply chain risk one should understand it as: "the ability of a firm to understand and manage its economic, environmental, and social risks in the supply chain" (Carter and Rogers, 2008: 366). The issue of supply chain also appears in

the literature in the particular context of human rights protection (Brown, 2015; Gold *et al.*, 2015; Connor and Haines, 2013; van Opijnen and Oldenziel, 2011).

Specificity and variety of issues related sustainable development make the supply chain management a complex process that requires a good plan, strategies and appropriate tools. The complexity of the process is also emphasized by Hall *et al.* who “suggest that sustainable supply chains are particularly complex, as they involve two dimensions of complexity – the coordination of supply chain members and the interactions among financial, environmental and social elements.” (Hall *et al.*, 2012: 1332). Taking into account the above remark and the scale and range of the definitions of the concept of responsible and sustainable supply chain one can distinguish three spheres of influence: economic, social and environmental that cover the aspects of managing modern supply chains. The following table presents the three aspects and their definitions (Table 1). It also includes the examples of Key Performance Indicators (KPIs) which may be helpful to assess how the matter is important and can be a sensitive issue for the management of the supply chain.

Aspect	Meaning	Examples	Exemplary KPIs
Economic aspects	The business sphere directly related to the flow of materials, information and financial resources. It is the basis of every operation in the supply chain related to its profitability and effectiveness for the value creation.	- investment in research and development - introduction of new products - sale - business model - wages	- costs of supplies - storage costs - costs of complaints - transportation costs - return on investment - number of deliveries without delays - delivery time - the number of orders executed without incident

Tab. 1. Three dimensions of current supply chain management

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Social aspects	The sphere of impact on issues directly and indirectly related to the people. Social aspects should be analysed both in terms of individuals (employees, customers) and relationships with groups (local community, business partners) etc.	- labour rights - human rights - safe and healthy working condition - investment in local communities	- number of accidents per year - number of human rights violations - amount of investment in the area of social problems - the sum of money spent on social engagement - number of social projects - number of training hours
Environmental aspects	The sphere of the environmental impact of the activities and operations carried out within the supply chain on each stage of product life cycle .	- cleaner production techniques and tool - environmental friendly techniques and technologies - pollution prevention approach - environmental management systems - design for environment	- total emission - amount of water and energy used - % of energy from alternative sources - % of recycled material used in products - amount of waste - number of environmental projects implemented

Source: Own elaboration

Chaabane *et al.* also defined the three elements of sustainability in supply chain. Their point of view is very similar to the author's remarks. The economic sustainability aims at minimising the total logistic cost or maximise the profit of different supply chain activities throughout all the product life cycle stages: purchasing, production, warehousing, distribution and recycling. Environmental area focuses on avoiding environmental damages and maximizing the positive effects on environment e.g energy should be used efficiently; waste (liquid and solid) should be treated and air pollution should be reduced through the use of cleaner energies or other technologies. The social aspect of sustainability is related to the improvement of the quality of life of the communities in which the supply chain operates through various initiatives such as funding special projects (school, hospital, etc.), noise reduction and community services (Chaabane et al., 2011: 728).

To facilitate the operation of businesses in such a complex environment international governmental institutions, non-governmental organizations and representatives of public administration are proposing a number of initiatives and standards that aim at ease the management of the sustainable supply chain (Table 2).

Examples of covering CSR/sustainability issues in supply chains	Short description
Standards like: SA 8000, ISO 26000, AA 1000, OECD Guidelines for Multinationals Corporations	Highlight important issues related to the management of supplier relationships. Show the scope of social responsibility. They suggest tools to build cooperative bonds in supply chain.
SEDEX	Collaborative platform for sharing ethical supply chain data.
Ethical Trading Initiative	The Ethical Trading Initiative (ETI) is a leading alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe.
BSCI	The code of conduct established by the Foreign Trade Association setting up the values and principles related to the social responsibility in supply chain.
Social Fingerprint® Supply Chain Management	An example of commercial program that helps to measure social impacts and gives the tools and methods for improving social responsibility.
Guiding Principles on Business and Human Rights	Explains the meaning of human rights and fundamental freedoms. Shows the interrelation between human rights and the role of business enterprises in respecting them.
The Roadmap to a Resource Efficient Europe	The Roadmap to a Resource Efficient Europe (COM(2011) 571) outlines the way in which Europe's economy is going to be transformed into a sustainable one by 2050. It is a framework in which future actions can be designed and implemented coherently. It addresses issues to increase resource productivity and decouple economic growth from resource use and its environmental impact.

Tab. 2. Exemplary initiatives standards and programmes that address CSR and sustainability issues in supply chains.

Tab. 2. Exemplary initiatives standards and programmes that address CSR and sustainability issues in supply chains.

Guidelines for sustainable supply chain management published by The Danish Council on Corporate Social Responsibility	Aims at building understanding for the role of sustainable supply chain management for both companies and their stakeholders. Highlights the main areas of social and environmental impacts in supply chains.
Guidelines for Social Life Cycle Assessment of Products	The guide for assessment of social and socio-economic impacts of products life cycle.
Supplier Self-Assessment Questionnaire: Building the foundation for sustainable supply chains CERES	The tool for self-assessment of the most important areas related to the social responsibility and sustainability.

Source: own elaboration based on websites of standards, programmes and initiatives.

The issue of sustainable supply chain is already fairly well described in the international literature (e.g. Touboulic and Walker, 2015; Ashby et al., 2012) but this does not mean that there are no more scientific challenges in this area. In the case of Polish entrepreneurs the issue of socially responsible or sustainable supply chain still remain not fully explored and there are many research topics.

Initial research results

The essence of the study concerned an extent to which entrepreneurs take into account social and environmental aspects of supply chain management. The questions focused on the role of entrepreneurs in making the effort to become more environmentally and socially conscious. The study was conducted on a group of exhibitors participating in the fair Nature Expo in Łódź in 2015. The sample was small because of the initial stage of the research. The study involved 10 representatives of entrepreneurs, who expressed their willingness to respond to the questionnaire. The intention of the author was to examine the degree of difficulty of the questionnaire and to assess how the issues presented in the survey are known and understood. The proper research are planned in the first half

of 2016. The study involved representatives of manufacturing companies (4), production and services (3), commercial (2) and commercial services (1). All except one organization were Polish companies with private capital. Respondents represented mainly cosmetic and food industry and the distribution of household chemistry.

Respondents (9 out of 10) agreed with the statement that the quality of the product is determined to a large extent by a supplier of raw materials and subproducts. Only one person had a completely different opinion. Six respondents also agreed with the fact that the certified materials (eg. according to environmental criteria) are a guarantee of a better quality of the final product and nine considered that customers pay attention to the place of origin and on this basis make final purchasing decisions. Businesses (6) are of the opinion that websites should provide information on the origin and way of production of each material and the raw material used in the production of final products. Everyone agreed that the role of corporate social responsibility is increasing as an element of building a competitive advantage.

This kind of extended perception of the quality of the product is a good symptom for the introduction of a comprehensive system of social and environmental life cycle management. Only one of the respondents has no knowledge of whether his/her organization knows the source of all raw materials needed to produce the final products. The surveyed companies used to assess both social (6) and environmental risk (6).

The essence of a sustainable supply chain is awareness of the challenges that are directly related to current business operations. The following table summarizes the responses to the question about the potential challenges for supply chains in general and for the supply chains of key products of the respondents.

Tab. 3. The social and environmental challenges for modern supply chains (number of answers)

Issue	Which of the following issues is a potential challenge to modern supply chains?	Which of the following issues can be a challenge for the supply chain of your key product?
Violation of human rights	4	3
Violations of the rights of workers including low wages	5	1
Cases of child labour	5	1
Cases of forced labour	3	1
Lack of transparency in supply chain processes	5	3
Lack of environmental criteria at each stage of the product life cycle	5	4
Irresponsible acquisition of raw materials	5	3
No high standards of occupational safety and health in developing countries	1	1
Dependence of the local community from businesses operating in the region	3	1

Source: Own elaboration

The questionnaire also included a question about environmental actions that an organization takes under the frame of cooperation with the suppliers (Table 4).

Tab. 4. Environmental actions addressed to suppliers

How does a company translates environmental action addressed to suppliers?	No of answers
Environmental audits at suppliers'	3
Managing projects to increase environmental awareness of suppliers	3
Quality audit performed by the recipient before accepting orders	3
Information meetings for suppliers (to share knowledge and experience in the field of environmental practices)	2

Regular quality audits run by independent certification body	2
Conducting social projects concerning eg. health and safety at supplier factories	1
Joint setting of environmental objectives	1
Joint setting of objectives related to the implementation of corporate social responsibility	1
The monitoring of working conditions and regular compliance assessment of suppliers	1
The use of environmental criteria when selecting suppliers	1

Tab. 4. Environmental actions addressed to suppliers

Source: Own elaboration

The respondents were asked to answer a question about criteria for selecting suppliers. Criterion present in all answers was quality. Important factors were also a price and delivery time.

The results show that organizations rather use traditional methods of improving “green” behaviour among suppliers as audits and projects. It seems that from the perspective of actual cooperation it is more reasonable to use tools that will not only evaluate the degree of fulfilment of certain requirements but first and foremost pay attention to the context of the strategic cooperation. Organizations that plan over the next twelve months to develop their products using the environmental characteristics are going to do it because of image building (4), due to the expectations of the consumers (4) and the desire to achieve economic benefits (3). Reduction of the environmental impact and tightening of the law in this area were not considered as factors in initiating change.

Conclusions

The results of the pilot study allow to specify the following research topics. One of the areas that requires deeper analysis is the relation of the size of the organization and the complexity of the enterprise’s approach to managing of environmental and social aspects. One of the remarks given from the respondents was clarification of some terms used. The

explanation about the meaning of social and environmental risk will be provided. The questionnaire will be extended to the list of challenges specific to the selected industries. The research will be extended and a cooperation with suppliers in the supply chain integration tools such as analysis of emissions throughout the life cycle will be included.

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ENGAGEMENT OF PUBLIC ADMINISTRATION IN CORPORATE SOCIAL RESPONSIBILITY'S PROMOTION

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Introduction

The aim of this article is to address the question of whether and how public administration engage in promotion of corporate social responsibility (CSR). To begin with, I am going to briefly describe the meaning of CSR notion and then move on to presenting the CSR promotion models, developed on the basis of social administration activity in chosen countries.

The first regularized definition of corporate social responsibility was announced in 2001 by the European Commission, in the document Green Paper: Promoting a European Framework for Corporate Social Responsibility. According to the European Commission, it is the concept of a company's voluntary consideration of social and ecological aspects during business operations and contacts with stakeholders¹. After 2001, a range of various CSR definitions appeared in the literature. As Marcin Żemigła points out, the majority of notions describing this phenomenon involved the claim regarding the voluntary character of CSR². Over the next ten years, however, the concept of CSR evolved. Although

1 GREEN PAPER – Promoting a European framework for Corporate Social Responsibility, 2001, p. 6, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2001:0366:FIN:en:PDF>, 25.10.2012
2 M. Żemigła, Społeczna odpowiedzialność przedsiębiorstwa – budowanie zdrowej, efektywnej organizacji, Oficyna Wolters Kluwer, Kraków 2007, p. 20

to a large extent it is still the range of voluntary activities, sometimes coercive instruments can be applied.

With regard to the CSR concept's evolution, in 2011 the European Commission presented a communication, which included a new definition of CSR³. The most important change in comparison with the previous version was removing the notion of „voluntary activity” and the announcement of developing CSR strategy in the European Union policy, which can mean slightly better regulation and imposing new rules and obligations on entrepreneurs.

In Poland the example of the restriction of the voluntary aspect in CSR activity is the obligation of non-financial reporting, which – starting from January 1st, 2017 – is going to refer to the so-called public interest entities (mainly listed companies and the banking and insurance sectors' units), employing over 500 staff members. It is clear that the new approach to CSR – no longer voluntary but obligatory – is going to change a lot in business activity. It is not certain, however, whether entrepreneurs are already aware of this fact and if they are taking any steps to address this change.

Whether or not a company implements responsible social activities might depend on its size, industry, but also on the environment it operates in. Nevertheless, a crucial role in CSR activity is played by the state, which is linked to the entrepreneurs with a network of formal and legal connections. The state is the first stakeholder, which entrepreneurs encounter on their business path. It has, therefore, the opportunity to reach entrepreneurs. It can encourage them to adopt an appropriate approach. Educate them in different fields. Inform about the imposed top-down changes or motivate to developing new changes, adequate for a particular market or economy. In order to understand the scope in which countries engage in CSR promotion, the existing models of CSR promotion will be analysed, both historical and modern, and also the actions taken to date by Polish public administration. At the same time, the model best suited to Polish reality will be identified.

3 Renewed EU strategy for 2011-2014 concerning corporate social responsibility, 2011, p. 7, [http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0681:FIN:PL:PDF, 25.10.2015](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0681:FIN:PL:PDF,25.10.2015)

Three directions of social responsibility promotion

In the literature we can find three historical models of corporate social responsibility, which characterise the state's role in shaping the idea. They are: the American (Anglo-Saxon), Asian and European models⁴.

The American model is characterised by the focus on success and consumption. A company focuses on the profits, but this does not mean that it is insensitive to the needs of other, more disadvantaged groups. In this model, the state encourages entrepreneurs to conforming to ethical rules and uptaking good practice. For American politicians, companies are simply good citizens.

The Asian model, also referred to as the family model, focuses on creating conglomerates

in particular economic sectors. This model can be best presented on the example of Japan. The state is an architect of large organizations, interferes in the economy, it even turns to preventing external competition tactics. Corporate social responsibility first appeared in Japan in 1956, when the resolution issued by the government prescribed more interest in social matters as opposed to focusing only on the pursuit of profit⁵. The later reduction of business activity in social area resulted in the return of the subject in the 90's, making the Japanese CSR similar to the American model.

The European model – the last of the three and the most relevant to Poland – is often called the „social market economy” model. Its basic principle is social solidarity, according to which all citizens should have the possibility of benefitting from economic growth and civilizational development in equal measure⁶. In this model, a company is a part of a socio-economic whole, aiming at achieving co-operation of all social groups. Whereas the state, and especially the European Union, guards respecting the idea of solidarity.

4 J. Nakonieczna, Społeczna odpowiedzialność przedsiębiorstw międzynarodowych, Difin Publishing, Warsaw, 2008, p. 130

5 Ibidem, p. 145

6 Ibidem, p. 130

The basic differences between the approaches presented above lie in the fact that in the American model, a company is mainly subject to its shareholders' aims. However, it follows the rules of corporate governance and it takes into account the expectations of social environment in its actions. It is different in Asian model, where companies analyse their stakeholders and take their needs into consideration in their actions already at the stage of strategy building. The European model is in a way similar to the Asian model as companies take into account the expectations and needs of the environment at the strategy stage, the only change is that they do not do it of their own will, but due to top-down regulations imposed by the European Union. It is not certain whether they would still behave in the same way if those regulations did not exist.

CSR in Europe

It was not easy to write down recommendations concerning corporate social responsibility homogeneous to the whole European continent. The reason for this was that Europe is unusually varied. It is shaped by countries and nationalities of different histories, cultures and economies. Until the mid 90's, CSR had been developing more intensively and had been more homogeneous in the United States.

CSR implementation in Europe took place with the help of the European Union for a reason. Whereas in the United States this process, which started as early as in the 19th century, was conducted in participation with entrepreneurs themselves, a different management concept was rooted in the economic system of the old continent. In Northern America, the approach was targeted at shareholders, and in Europe – at stakeholders.

In the United States at the beginning of capitalism development, large corporations and companies were managed for the purposes of their shareholders, in accordance with the agency's theory. Whereas in our continent, the importance of business was greater – it was supposed to create and support overall social harmony⁷. It was to a large extent related to the counterbalance for corporations existing in Europe, that is,

7 P. F. Drucker, Zarządzanie w XXI wieku, Muza, Warsaw 2000, p. 60

to monarchy and empire. Since business in Europe had been, so to say, restrained by the authority, the entrepreneurs had to receive directives concerning the changes in the management concept from the authority itself. And such directives were formed by the European Union.

In 1995 a group of entrepreneurs led by Jacques Doloires, the President of the European Commission at that time, issued a social manifesto („Manifest of Enterprises”), which became a starting point for a debate on CSR within the European Union⁸. At the Lisbon summit, this issue became a part of the policy agenda and a priority subject of the EU. In 2001, the Green Paper: Promoting Framework for Corporate Social Responsibility mentioned above came into being – the document, which described the scope of corporate social responsibility in the internal (investment in human capital, health and safety at the workplace, respect of human rights and eliminating discrimination) and external dimensions (local communities and stakeholders – partners, suppliers, customers, public authorities, non-governmental organisations, natural environment)⁹.

Apart from the Green Paper, the Lisbon Strategy and the White Paper are also considered crucial for CSR in Europe. The most recent document with the structuring effect on CSR in the European Union is the renewed EU strategy 2011-2014 regarding corporate social responsibility. At present Europe, as formerly the United States, becomes to be seen as the leader in CSR promotion area. The European Union, however, can only form recommendations, strategies and procedures, particular governments of member states are

in charge of the implementation, promotion and enforcement. That is why the role of public administration in promoting the idea of CSR in a particular country is so significant.

8 M. Rybak, „Etyka menadżera – społeczna odpowiedzialność przedsiębiorstwa”, Wydawnictwo Naukowe PWN, Warsaw 2004, p. 10

9 <http://www.twojaeuropa.pl/423/spoleczna-odpowiedzialnosc-przedsiębiorstwa-w-unii-europejskiej>, 25.10.2015

CSR in Poland

In Poland CSR started developing no sooner than after 1989. As Anna Lewicka-Strzańska wrote: „Recommendations and ways of CSR implementation should be adjusted to special conditions. The success of CSR strategy on the level of particular companies as well as the whole economy, depends on a variety of situational factors, which can be found in the sphere of economic, institutional, social and cultural conditions”¹⁰. In fact, for corporate social responsibility to be rooted in Polish reality, many problems, unprecedented in the western European countries so far, needed to be overcome. The change of political system, the shaping of the new economic order, the past state’s interference in the economic sphere, all that made the unimpeded integration of CSR principles in Polish companies impossible, because there were simply no companies ready to accept them. A few years had to pass before the political transformation and market reforms made it possible for Polish branches of foreign corporations to implement such actions, and consequently, to educate Polish companies in this field.

In this sense, CSR implementation in Poland is still in progress. For years, intensive efforts promoting this field have been made by the Responsible Business Forum. In its annual reports, it publishes more and more socially responsible initiatives of Polish companies. There are also other organisations, for instance, Corporate Responsibility Institute, CentrumCSR.pl or CSR Impact, which on a day-to-day basis deal with promotion of the idea through conferences, trade meetings and also through numerous analyses and publications. The Ministry of Economy – which in 2009 in co-operation with numerous experts created the Team for Corporate Social Responsibility, which is the assisting authority of the Prime Minister of Poland – has also engaged in the popularization of the concept.

It was the Ministry of Economy, which commissioned the preparation of the analysis of institutional models of CSR promotion in selected European countries, to determine on its basis in what way these countries carry

10 A. Lewicka-Strzańska, Społeczna odpowiedzialność biznesu w Polsce: ograniczenia i perspektywy, *Annales : etyka w życiu gospodarczym*, 2006, p. 285, http://www.annalesonline.uni.lodz.pl/archiwum/2006/2006_01_lewicka_strzalecka_285_294.pdf, 25.10.2015

out the task of the CSR concept popularization among local entrepreneurs, set by the European Union.

CSR promotion models

In the report entitled „The analysis of institutional CSR promotion models in selected countries”, prepared by CSRinfo on the request of the Ministry of Economy¹¹, four CSR promotion models were presented: the observer model, the patron model, the promoter model and the partner model. The models were designed on the basis of the role of a government institution in the process of CSR concept promotion.

Governments' attitudes towards the CSR concept implementation have changed with time. At first, the passive attitude was dominating, but over the years, governments' attitudes have changed profoundly. Among the motivations of public authorities supporting and getting involved in CSR promotion, first and foremost we should mention the aspiration for sustainable development, the growing role of social or environmental problems, and considering business as an important actor having a significant influence on the shaping of social reality¹². An essential reason for the governments' interest in CSR issues, is also searching for new models of social governance and co-operation aiming at crisis prevention, and also increasing competition and innovation of countries and regions.

The authors of this analysis emphasise that is visible that governments have moved from passive to active attitudes in CSR issues. Obviously, the levels of their engagement are different. They depend on a variety of factors, such as historical aspects, individual socio-economic conditions of a

11 http://odpowiedzialnybiznes.pl/public/files/analiza_instytucjonalna_promocji_csr_CSRinfo_2011.pdf, 25.10.2015; the data and information presented below come from this report, unless the footnotes state otherwise.

12 J.M. Lozano; A. Tencati; A. Midttun and F. Perrini, The Changing Role of Governments in Corporate Social Responsibility, *Business Ethics: A European Review*, 2008, p. 348-349, http://www.academia.edu/4080362/The_Changing_Role_of_Governments_in_Corporate_Social_Responsibility_with_J.M._Lozano_A._Tencati_A._Midttun_and_F._Perrini, 25.10.2015

particular country, the level of stakeholders and pressure groups' activity and other¹³.

For the needs of the report, 14 countries have been analysed in terms of their governments' engagement in CSR issues: Belgium, Brazil, Denmark, France, Spain, the Netherlands, India, Canada, Germany, South Africa, Sweden, Hungary, Great Britain and Italy. On the basis of their actions and behaviour, the four models described below have been selected.

The Observer model

The model characteristic to Brazil, South Africa, and within Europe, to Hungary. As the name suggests, in this model the government stands aside and observes, not engaging much in CSR promotion. Individual actions are implemented and regions are not engaged in further work. The charge of promotion is therefore on business organisations and non-governmental organisations. There is no government policy, strategy or CSR plan. There are only regulations concerning some CSR areas, such as labour and environmental law, or social issues.

Among those three countries, Hungary comes to the fore. Only in the case of this country, its government adopted the National Sustainable Development Strategy and took first steps towards creating CSR policy. We can say that the Hungarian model is on a border line of the observer and patron models. At the time of the publication of this report, creating the national sustainable development strategy was in progress in South Africa. In fact, it was created in November 2011 under the name of: National Strategy for Sustainable Development and Action Plan 2011-2014¹⁴. There is still no such document in Brazil.

This model does not involve central, governmental regions' engagement in CSR activity, however, local authorities take joint actions with social organisations. These organisations are the major originators of all CSR pro-

13 http://odpowiedzialnybiznes.pl/public/files/analiza_instytucjonalna_promocji_csr_CSRinfo_2011.pdf, 25.10.2015

14 https://www.environment.gov.za/sites/default/files/docs/sustainabledevelopment_actionplan_strategy.pdf, 26.10.2015

motion activities. In South Africa it is for example the Institute for Corporate Citizenship, in Brazil – the Brazilian Business Council for Sustainable Development, and in Hungary – the Hungarian Business Leaders Forum.

The Patron model

The next model can be found in countries such as Spain, India and Italy. Here, a dominant unit responsible for CSR concept promotion in a country can be identified. There are also government advisory bodies created and units, which co-operate with stakeholders for developing the most effective institutional solutions. As in the previous model, the government does not engage regions in its actions, but they are still active, independently implementing central authorities' policy. Business partnerships are created in this model. Entrepreneurs or social organisations receive answers to their enquiries on a regular basis. The actions taken concern labour law, social issues as well as environmental protection, however, the government does not have a uniform policy or a CSR strategy. Taking into account the number of actions taken and the number of units involved in those actions, among the countries characteristic to this model, India has been moving towards centre stage. The Ministry of Trade and Industry and the Ministry of Corporate Affairs are responsible for CSR policy implementation in India. Nevertheless, the Ministry of Labour and Employment as well as the Ministry of Environment and Forests are also active. As a result, in 2009 guidelines for private entrepreneurs concerning corporate governance and corporate social responsibility were published in India. A year later, the Guidelines on Corporate Social Responsibility for Central Public Sector Enterprises were announced, which imposed an obligation of budgeting for CSR activity (0.5%-5% depending on the profit level). Interestingly, the guidelines include a recommendation to take necessary measures not to repeat the implemented CSR programmes on central and local levels.

In two of the selected in this model European countries, there are no such bold guidelines. In Italy and Spain similar ministries are responsible for CSR development (the Ministry of Labour and Social Policy in Italy, and the Ministry of Labour and Immigration in Spain). In Italy, the ministry

is in co-operation with government, business and social institutions to promote CSR and is particularly supportive of employment and working conditions issues. In Spain, there has been the National Council for CSR established, which is the government's advisory body. It consists of the representatives of public administration, corporations, trade unions and CSR institutions.

In Italy, regions can take their own CSR actions consistent with elaborate central concept. Tuscany can be a good example here, which, together with the local stakeholders, aspired to implementing issues such as: certification of the region and production process, financing ethics and the tools for CSR implementation in small and medium-sized enterprises. What is more, local authorities supported the small and medium-sized in obtaining SA8000 certificate, covering 50% of the related costs.

The Promoter model

The Promoter undertakes CSR activities at several levels – in several ministries. All projects are coherent and coordinated. There are government institutions established, which deal with CSR issues only. There is also a law referring to CSR. Those are mainly regulations imposing on companies the obligation of reporting. Long term partnerships with stakeholders are developed and a policy of dialogue is maintained. The promoter governments see CSR issues from a wider not only local perspective. They are in charge of the responsible delivery chain and financial assistance for developing countries. The countries where this model has become firmly established are France, Germany and Sweden.

In France, the leading government unit responsible for CSR policy implementation is the Ministry of Sustainable Development. There is also the State Council for Sustainable Development working with the Prime Minister and two ministerial offices dealing with CSR have been established in the government – the Interministerial Delegate for Sustainable Development and the Ambassador for CSR of the Ministry of Foreign and European Affairs. In Germany, the major ministry responsible for CSR is the Ministry of Labour and Social Affairs. A significant role, however, is

also played by the Ministry of Environmental Protection together with the Ministry of Economic Cooperation and Development. There are also the Multistakeholder Forum and the Sustainable Development Council, both essential advisory bodies for CSR concept promotion. In Sweden, considering its international perspective mentioned above, the Ministry of Foreign Affairs is in charge of CSR development. Together with three other ministries – of Commerce, of the Environment and of Development Cooperation, they form the Swedish Partnership for Global Responsibility (so-called *Globalt Ansvar*), under the leadership of the CSR Ambassador, who co-operates very closely with the Swedish ambassadors in other countries, as he is appointed by the Minister of Foreign Affairs. It also makes sure that all Swedish obligations concerning the Global Compact principles and the OECD Guidelines for Multinational Enterprises are implemented. What is more, it supports all local activities in Sweden.

It is clear that these countries treat Corporate Social Responsibility issues very seriously. They implement numerous coherent policies and strategies, which regulate individual sustainable development issues, such as working and employment conditions, environmental issues or gender equality. Local authorities in these countries also engage in CSR promotion and the central governments support such initiatives. In Germany, for example, the government established an internet platform, whose aim is CSR information exchange between regions.

Finally, it is worth mentioning that among the Promoter group countries it was Sweden, which in 2007 introduced reporting guidelines for public enterprises, which impose a reporting obligation according to GRI standards. Importantly, after the regulation effects' analysis, it was stated that the reporting obligation had increased the awareness level, contributed to the growth in knowledge of sustainable development in companies and accelerated the process of learning and accumulating knowledge in an organisation. Also, it was shown that companies had been learning how to actively use GRI guidelines for improving their processes.

The Partner model

The last CSR promotion model includes the largest group of countries – mainly European – Belgium, Denmark, the Netherlands, Canada and Great Britain. These are countries with mature CSR markets. The leading government unit is operating in these countries, which coordinates the work of all ministries concerning CSR. There are also government advisory bodies and promotion centres. There is active communication established with stakeholders and the government includes regions in CSR promotion activities. As in the Supervisor model, the unit acts on an international scale, attaching great importance to the delivery chain and development aid.

In Great Britain, for years there had been a separate government office responsible for corporate social responsibility. Only the recent government did not appoint the CSR Minister. Nevertheless, the leading role in creating this policy is played by two government departments – the Department for Environment, Food and Agriculture, and the Department for Energy and Climate Change. The Commission on Sustainable Development, which reports to the Prime Minister, is equally important. An active promoter of CSR concept is the Prince of Wales. In Denmark, the Ministry of Economy is the leader in CSR promotion. Whereas in the Netherlands, Belgium or Canada, the international dimension of social responsibility is especially important, and that is why the main role in CSR promotion is played by the Ministry of Foreign Affairs.

Since these countries represent the perfect form of CSR promotion, they undertake numerous actions activating entrepreneurs and are very active in regions. The fact that they have all had the sustainable development strategy for years, confirms how important the subject of social responsibility is for each of them.

The table below shows the most essential characteristics of all the models and the most important promotion activities carried out within the framework of each of them.

MODELS (COUNTRIES)	CHARACTERISTICS	PROMOTION ACTIVITIES
The Observer (Brazil, South Africa, Hungary)	- no unit responsible for CSR in government institutions; - no coherence of government actions and no CSR policy or strategy (only in Hungary – the National Strategy of Sustainable Development); - individual regulations regarding CSR areas, such as labour law, environmental protection, social issues; - social and business organisations are in charge of CSR promotion.	- in Brazil campaigns on CSR subjects (e.g. combating child labour); - in Hungary government patronages over events such as competitions for companies or good practice fairs.
The Patron (Spain, India, Italy)	- the presence of the government unit responsible for CSR (often more than one ministry); - advisory bodies established by the government; - no coherent CSR policy or strategy; - the government establishes regulations on individual CSR areas (such as labour law, environmental protection law, social issues); - CSR soft-law guidelines created additionally; - CSR promotion institutions built in co-operation with stakeholders; - the government acts in favour of social responsibility, communicates with stakeholders and creates partnerships;	- in Italy the government supports CSR research and creates I-CSR website, providing basic information on CSR; - in India and Spain the patronages over CSR Award competitions.

The Promoter (France, Germany, Sweden)	- there is a leading government unit on CSR, but action is taken by more than one ministry; - the actions are coordinated; - there is a CSR activity policy, strategy or plan; - there are guidelines and soft-law on CSR; - there are all basic regulations referring to individual CSR areas; - there are regulations imposing an obligation of social reporting on companies; - government institutions dealing with individual CSR issues are established; - communication with stakeholders; - the governments pay attention to the international perspective (in the context of delivery chain and development aid).	- there are workshops and seminars on CSR (in co-operation with various stakeholders' groups); - support for research initiatives and CSR competitions; - there are awareness campaigns concerning CSR for consumers.
The Partner (Belgium, Denmark, the Netherlands, Canada, Great Britain)	- there is a leading government unit responsible for CSR; - apart from the leading unit, other ministries also deal with CSR (but their work is supervised by the unit dedicated to CSR issues); - there are advisory bodies to the government; - CSR promotion centres are established; - there is a CSR plan, policy or strategy; - stable communication with stakeholders; - government activities encourage other social actors to take action promoting CSR; - visible synergy effect between them, which results in activity coherence.	- the Ministry of Social Affairs in Denmark started a promotion campaign in 1994, connected with companies research – „Our common concern – the social responsibility of business“; - government's financial support for socially responsible initiatives; - financing online tools promoting CSR, which are useful for business; - supporting social reporting.

Source: own study based on: CSRinfo, the Analysis of Institutional CSR Promotion Models in Selected Countries, Warsaw 2011

The actions of Polish government administration related to CSR promotion

The Ministry of Economy is one but not the only one of the ministries in Polish government, which is engaged in CSR concept promotion. In co-operation with the other ministries and entities involved in social dialogue, it has made an effort to enter corporate social responsibility in the country strategy papers, which are crucial for the economy and development¹⁵. Within Polish government, the Ministry of Labour and Social Policy, the Ministry of Culture and National Heritage and the Ministry of the Environment are also involved in CSR promotion. In 2006, on the initiative of MPiPS (the Ministry of Labour and Social Policy), an inter-ministerial working group for CSR was established, which supported by the Responsible Business Forum organised various workshops and training sessions, mainly for public administration units. Over the period 2009-2013, there was the Panel on Corporate Social Responsibility acting within the office of the Prime Minister. It consisted of business representatives, scientists, experts and representatives of civil organisations, whose main task was to form recommendations and guidelines for the government to reach the best possible CSR policy. At the end of 2014, the panel was re-activated. Moreover, within the Ministry of Economy and in co-operation with the panel, there are working groups supporting public authorities in CSR promotion. At present, these groups include: the Working Group on Education and CSR Promotion, the Working Group on Sustainable Consumption and Production, the Working Group on CSR Trend Monitoring and the Working Group on the Implementation of CSR Rules. The panel's main responsibility is developing recommendations concerning the directions of Corporate Social Responsibility rules' implementation in the process of the country's economic policy development, and in particular:

- 1) developing recommendations concerning the directions of Corporate Social Responsibility guidelines implementation in the country's economic policy, and particularly, in public authorities activities (the central and local government authorities);

15 A. Rudnicka, CSR - doskonalenie relacji społecznych w firmie, Wolters Kluwer Publishing, Warsaw 2012, p. 34

- 2) creating conditions for the dialogue and knowledge and experience exchange between the authorities, business, social partners and non-governmental organisations in relation to Corporate Social Responsibility;
- 3) analysing and evaluating tools, trends, reports and examples of good practice related to Corporate Social Responsibility;
- 4) promotion and popularization of Corporate Social Responsibility, particularly, popularising good practice in CSR¹⁶.

Moreover, the Ministry of Economy establishes a regular dialogue and co-operation with one of the leading organisations promoting corporate social responsibility – the Responsible Business Forum. It has been invited to take part in the consultation on „*The programme of the co-operation of the Ministry of Economy with non-governmental organisations for 2016*”¹⁷, as a representative of NGO environment in Poland.

The recent initiative of Polish government is so-called 2050 Vision – a project of the Ministry of Economy, Responsible Business Forum and the Deloitte consulting company. The initiative’s programming document is „Polish Business Declaration on Sustainable Development”. It describes 10 key challenges, in relation to which business should take part in supporting socio-economic changes in Poland. The working groups appointed within 2050 vision act in the following areas:

- 1) sustainable production and consumption
- 2) renewable sources of energy and efficient energy use
- 3) social innovations
- 4) small and medium enterprises¹⁸.

At present, nearly 100 companies have joined the declaration.

16 http://www.mg.gov.pl/files/upload/22130/Zarz%C4%85dzenie_DU_MG_Zespol_CSR_21_07_2014.pdf, 25.10.2015

17 <http://odpowiedzialnybiznes.pl/aktualno%C5%9Bci/rekomendacje-forum-odpowiedzialnego-biznesu-do-programu-wspolpracy-ministerstwa-gospodarki-z-organizacjami-pozarzadowymi/>, 25.10.2015

18 <http://odpowiedzialnybiznes.pl/wp-content/uploads/2014/03/Wizja-2050.pdf>, 25.10.2015

The table below presents the most important aspects of Polish public authorities' actions on CSR.

COUNTRY	CHARACTERISTICS	PROMOTION ACTIONS
Poland	- no indication of a particular unit responsible for CSR in government institutions, with the leading role of the Ministry of Economy; - appointing the CSR Panel; - at present no coherent policy or government CSR strategy (on the Ministry of Economy's website referring to the Europe 2020 Strategy) - individual regulations referring to CSR areas, indicated by the Ministry of Economy (OECD guidelines, GRI guidelines, ISO 26000 standard, SA8000 standard, series AA1000 standards) - social and business organisations are in charge of CSR promotion to the largest extent.	- organising periodic conferences on social responsibility under the patronage of the Ministry of Economy; - sponsoring competitions organised by NGO sector.

Source: own study

The analysis of the Polish government's actions so far and the development directions of corporate social responsibility confirm that the promotion model closest to Polish public administration oscillates between the observer and the patron models. The observer model is familiar, because no particular ministry has been appointed for CSR promotion in Poland. We have no coherent CSR policy or strategy and non-governmental organisations are still in charge of its promotion. Nevertheless, as it is in the case of the patron model, there is a leading unit responsible for CSR promotion in Poland – the Ministry of Economy. There are also advisory bodies appointed, which are the Panel for CSR and the four Working Groups acting within the panel. Whereas the conferences organised in co-operation with Responsible Business Forum show the engagement in the dialogue with the NGO environment and the intention to reach numerous groups of stakeholders. Analysing the above, it can be stated that the Polish government administration is closer to the patron model.

Summary

CSR in Poland is characterised by a relatively short history, but also by its dynamic development (especially in recent 10 years). The level of knowledge and awareness of what corporate social responsibility is, and also the amount of good practice implemented by companies, have increased. To maintain the recent growth dynamics, it is necessary for various groups of stakeholders to co-operate with one another. It is also necessary for the government to control this co-operation. As stated above, Polish public administration presently oscillates between two CSR promotion models – the observer, which is passive in its actions and distanced towards what is happening between the NGO sphere and business; and the patron, which engages in promotion through appointing an informal leader within the government structures (the Ministry of Economy) and enters into a dialogue with various groups of stakeholders (thanks to recommendations established by the working Groups). Thanks to conducted analyses, it can be confirmed that presently, Polish public administration is closer to the patron model.

To summarize the present article, it is worth mentioning that among the 9 recommendations for the Polish market, which were included in „the Analysis of Institutional CSR Models’ Promotion in Selected Countries”, apart from inter-ministerial actions’ coordination, establishing a clear plan and assigning suitable financial resources for its implementation, or appointing a permanent supervisory board for CSR and trade co-operation, what is also essential, is the education of government and government administration representatives. It is hard not to agree with this, since it is the understanding of corporate social responsibility principles that the success of this concept’s promotion on a larger scale depends on – not only nationwide, but locally as well.

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**PUBLIC SECTOR INVOLVEMENT IN THE PROMOTION
OF SOCIAL RESPONSIBILITY – EXAMPLES OF SECTOR-SPECIFIC
INSTRUMENTS WITH THE SPECIAL FOCUS
ON FINANCIAL SECTOR IN POLAND**

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Keywords: corporate responsibility, CSR, socially responsible investment, public sector, industrial sectors, financial services sector, Poland

Abstract

The Corporate Social Responsibility concept has developed as a set of practices and tools that rely on a voluntary approach. The importance of the CSR concept and practice is acknowledged by public authorities. Public bodies have been involved in creating CSR policies at local, regional as well as country levels. There are many reasons for which the public sector is committed to promote social responsibility. In Poland one can observe a fast development of many initiatives that aim at promoting CSR in the business sector. For example, the Ministry of Economy established the Team for Corporate Social Responsibility in 2009. It consist of four working groups to help prepare recommendations for including CSR issues into new governmental strategic documents. One of those working groups was the Working Group on Social Responsible Investment (SRI). The initiative to promote socially responsible investment through the Working Group on SRI will be described and its role analysed in the paper. The sector-oriented CSR instruments and initiatives will be a background for this description.

Introduction

The Corporate Social Responsibility (CSR) concept has developed as a set of voluntary practices and tools. It helps companies to address their social and environmental impacts and can positively influence the society as a whole. The importance of the development of the CSR practice is acknowledged by public authorities. Different public bodies have been involved in creating CSR policies at local, regional as well as country level. The main aim of those policies is to spread the idea and the understanding of corporate responsibility (CR) to support more stable and fair economic environment.

The European Union, governments and regional authorities engage in the process of development of social responsibility. There are many examples of public sector policies that show social responsibility as a concept which can bring tangible benefits for all parties. Most of them usually focus on promoting activities of those enterprises that have already implemented social responsibility approach. They also promote a cross-sectoral dialogue and partnerships (businesses – NGOs – public sector organisations) [Albareda *et al.* 2007:391-407].

There are reasons for which the public sector is committed to promote social responsibility. There are also numerous examples of actions that can be used by public authorities to encourage companies to behave in a socially responsible way (the overview is presented in: Reichel, 2009: 31-38). These activities are usually addressed to all enterprises in general or only to small and medium sized companies. They often rely on disseminating the knowledge about existing standards and other CSR initiatives (e.g. SA 8000, AA 1000, ISO 26000, Global Compact or the Global Reporting Initiative). But on the market one can observe examples of instruments that are addressed to specific industrial sectors only. Many of them are just starting to be adopted by the enterprises and are not known for their actual effectiveness.

The slow but continuous development of CSR in Poland begun to accelerate over a decade ago. As described in the study from 2007 the phase of CSR development that started from 2003 can be treated as period that "brought interest or even fashion for declaring recognition of ethics and social responsibility" [CSR in Poland, 2007: 22]. The number of different initiatives has exceeded the critical mass necessary and further things moved

faster. It means stronger interest of companies, media, NGOs and also public sector. The accession to the European Union was not also without significance: among other things EU regulations had to be incorporated into Polish law including, for example, EMAS regulation (Eco-Management and Audit Scheme). Other EU policies were adopted too.

Currently there are many corporations that run their CSR programmes and implement CSR strategies. There are countless organizations that actively promote the concept among business organisations. It is worth mentioning such organisations as: non-governmental organisations, employers' organizations, labour unions, universities both public and private and consulting companies. The public sector is also active at the national and regional level. Although in order to fully incorporate CSR into Polish economy the work and efforts of many different organizations have to be more integrated and systematic. [CSR in Poland, 2007: 9].

The engagement of public sector in developing CSR policy mainly comes from a necessity to follow sustainable development requirements. As CR is perceived as a contribution of business to sustainable development [ISO 26000, 2010: xi, 9, 10] all public policies referred to business should include this notion. Not to be underestimated is the fact of mainstreaming CSR into the EU strategic documents and communications. The public sector in Poland had to take up the challenge. In 2009 the Ministry of Economy established the Team for Corporate Social Responsibility and its four working groups to help prepare recommendations for including CSR issues into new governmental strategic documents. The four working groups were: Working Group on Social Responsible Investment, Working Group on CSR promotion, Working Group on CSR education and Working Group on Responsible Consumption. It could lead to a conclusion that banking and financial sector are particularly important sectors in terms of CSR. However the structure of these working groups has been reorganised in 2014. Their current work is supervised still by the Ministry of Economy with the help of the Responsible Business Forum (Forum Odpowiedzialnego Biznesu). In the new structure the new working groups are as follows: Working Group on CSR Principles Implementation, Working Group on Sustainable Consumption, Working Group on Monitoring of CSR Trends and Working Group on CSR Education and Dissemination [Zarządzenie Ministra Gospodarki... and Ministry of Economy website]. None of the currently operating groups is industrial sector oriented. The main aim of the new Team for Corporate Social Responsibility is to create a space for dialogue and exchange of experi-

ences between public administration, business, civil society organizations and scientific institutions in the field of corporate social responsibility. And the representatives of all these interested parties are included in the Team.

In this chapter the initiative to promote socially responsible investment through the Working Group on Social Responsible Investment functioning at the Ministry of Economy is described as the example of sector oriented initiative from financial services market in Poland. The financial services sector is understood here in terms of the ISIC classification [ISIC, 2002: 146-150]. The working group and their activities can be classified as partnering and awareness rising instruments according to the typology developed in the report *The CSR Navigator* [*The CSR Navigator*, 2007: 26-27]. This working group operated as a kind of multi-stakeholder forum and was very active. The termination of its existence provided extra arguments for describing it and asking whether such kind of sector oriented multi-stakeholder forum was an effective instrument and what is the heritage of this initiative.

This chapter is one of the results of the Bertelsmann Foundation research project on sector-specific approach to Corporate Responsibility. The research results of the project were presented in the book Beschorner et al. (2013). But a presentation of the research in the book was limited only to three case studies from every participating country. This way the case study on Working Group on Social Responsible Investment was not included.

Research

The Bertelsmann Foundation research project searched both for explicit CR policy instruments that directly concentrate on CR issues and for implicit CR policies that address the broader spectrum of related issues. In the study the CR-related topics were drawn from the core subjects of social responsibility defined in ISO 26000 [ISO 26000 Guidance on Social Responsibility (2010)].

The research project focused on the following eight European countries: Denmark, Germany, France, United Kingdom, The Netherlands, Poland, Spain and Switzerland. The intention was to cover the following industrial sectors in the eight countries:

- wholesale and retail trade,

- construction,
- information and communication technology,
- chemicals and chemical products,
- financial services.

Methodology of the research consisted of four elements: surveying experts (an online survey), desk studies, interviews and case studies identified during the interviewing process. This mixed-method approach helped to cover both a quantitative and a qualitative dimension of the subject of interest.

The online survey was used to ask national experts in the field about the public policy instruments promoting sector-specific CR and to prepare the comparative analysis between the project countries. But the main idea was to use the data from the online survey to identify best practices and examples of sector-specific CR instruments and then describe them in the case studies. To better understand how every single instrument or initiative works the face-to-face interviews took place. This way each project partner compiled a country profile with its case studies (three per country).

The online survey was based on a standardised online questionnaire with most of the items being on an ordinal scale. In each country the representatives (at least 20 interviewees per country) of the following groups (at least five interviewees per group) were asked to answer the questionnaire: government, business and business-led associations, civil society including trade unions, academia and CR consultancy. The research was designed also to capture the perspectives beyond the national context but this is not the subject of this paper which concentrates only on the piece of results from Poland.

One of the main elements of research was to conduct three to four face-to-face interviews in order to qualitative materials for three to four case studies that capture existing practices and examples of sector-specific CR (but finally only three per country were published [Beschorner et al., 2013]). The interviews were based on an open interview guideline.

For the purpose of presentation of the whole project in book form, country profiles were compiled [Beschorner et al., 2013]. To better understand

the respective country they provided an overview of the overall context for CR in each partner country, the drivers for CR and national policies aimed at promoting CR in the selected industrial sectors and the already mentioned case studies. This way the basis for a benchmark of sector specific policy approaches for CR in Europe was created and practitioners from the public sector could learn. The project findings from Poland were presented by the author at the “CSR Trends” International Conference series held in the Faculty of Management, University of Lodz, Poland in 2013 and 2015.

Research results. Typology of policy instruments and actors involved

The typology for the policy instruments developed in the report *The CSR Navigator* [*The CSR Navigator*, 2007: 26-27] was used. It covers the following: awareness-raising, partnering, soft law and mandating instruments.

Awareness-raising policy instruments can help governments to promote the idea of CR and to develop incentives for attracting business. There could be many examples of chosen activities like award schemes, conferences, information platforms, campaigns, training and capacity-building measures, labels, toolkits and other.

Partnering instruments in fact mean partnerships between different parties from different sectors that can be facilitated by the government. The main advantage of such partnerships is the ability to combine competencies and resources of public, private and social actors (e.g. public-private partnerships, multi-stakeholder-initiatives).

Soft law refers to the non-regulatory instruments that promote CR and covers such initiatives as corporate governance codes and other codes of conduct, implementation of international principles, standards, guidelines for social and environmental reporting. Tax exemptions for philanthropic activities and linking CR aspects to public procurement procedures can be mentioned too.

In general the CR and most of the instruments that public sector can develop to promote it are voluntary in nature. However, should the instruments prove their usefulness (or a particular public body thinks that they already did) mandatory approach may be applied. Mandating instruments usually set minimum standards for business (e.g., company laws, regulations for pension funds, mandatory CR reporting, penalties for non-compliance, ...). It can be observed that different binding/mandatory policy instruments in that area were started by some governments over the past years.

Current CR initiatives identified during the research in Poland are presented in the table below.

Type of instrument	Initiatives
Awareness-rising	Many (often dispersed) activities like patronage, conferences, trainings, research and publications, Respect Index on Warsaw Stock Exchange, many rankings and contests. But communication on CSR by public sector is still rather weak in general.
Partnering	More dialogue and cooperation between stakeholders within established platform of dialogue (e.g. the Team for Corporate Social Responsibility and its working groups at the Ministry of Economy), rising role of employers' associations and labour unions as well as NGOs and academia.
Soft law	Legislation on EMAS, codes of good practices even sector and subsector oriented.
Mandating	Legislation concerning public-private partnerships, corporate governance, social and environmental criteria for public procurement, civil society organizations and social economy organisations.

Tab. 1. Current CR initiatives identified in Poland

Source: own elaboration.

As the partnering initiatives can be important to promote CR it is crucial to identify engaged actors. This was done thanks to the result of desk studies and the online surveying experts.

Tab. 2. Actors responsible for the political framework governing CR in Poland and involved in CSR promotion and development.

Organization	Responsibility	Political level
Ministry of Economy	Coordination, programming, leader, promoting CR, providing space for multistakeholder dialogue, leading role of the Team for CSR, deputy minister responsible for CSR.	Government, Ministry, Undersecretary of State
Department of Economic Development, Economic Policy Department in Ministry of Economy	Chair of the CSR Working Group	High, Ministry
Team for CSR and its working groups	Coordination, promotion.	Advisory team to Polish PM, governmental level
Ministry of Labour and Social Policy	Representing Polish Government in High Level Group on CSR in EC.	Ministry
Ministry of Environment	Responsible Care, EMAS, ISO 14001, ...	Ministry
Other ministries	Ministries representatives in intergovernmental Team for CSR.	Ministries
Forum Odpowiedzialnego Biznesu, Akademia Rozwoju Filantropii, Instytut Odpowiedzialnego Biznesu, Centrum CSR.pl, CSR Impact, ...	Promotion and cooperation with companies, bridge between business and society, ...	NGOs
Polish Confederation of Private Employers Lewiatan	Pressure to remain CSR as a voluntary for private business.	Social partner
Office of Competition and Consumer Protection	Regulatory body, expertise on sustainable consumption	Expert, regulatory body
Polish Financial Supervision Authority	Regulatory body on financial market, soft law	High, regulatory body
Inspector General For Personal Data Protection	Data safety	High, regulatory body
Universities, consultants	Courses and postgraduate studies, research and studies, publications, trainings.	Market

International organisations (UNDP, World Bank, International Business Leaders Forum, ...)	Promotion of the concept, publications, research, trainings, cooperation.	International organisations
Some regional public authorities	Promotion of CSR in regions.	Regional public authorities

Tab. 2. Actors responsible for the political framework governing CR in Poland and involved in CSR promotion and development.

Source: own elaboration and Instytucje rynku CSR w Polsce 2010, WSP TWP, Warszawa 2010.

Respondents of the conducted survey indicated that CR in general is seen as a competitive advantage ("companies acting responsibly are economically successful") and as a business contribution to sustainable development. Subsequently CR is seen as a driver of innovation ("companies must be innovative in order to meet their responsibilities"), as a symbolic, fad-driven issue ("corporate responsibility is discussed, but is neither required nor actively promoted") and as philanthropy ("companies donate to charitable causes"). It is still true that CR is not already an implicit part of the economic system and it is necessary to actively promote it.

According to the information gathered during the face-to-face interviews, there are no typical sector oriented initiatives to promote CSR that come from public sector. But there are some organized and run mainly by sector organizations (e.g. Chambers of Commerce) in which public sector is somehow involved. One example of sector oriented initiatives is the project run by Pracodawcy Rzeczypospolitej Polskiej (Pracodawcy RP) (eng. Employers of Republic of Poland). Pracodawcy RP successfully implemented the project (funded by EU funds) that was addressed to 6 sectors: pharmaceutical, FMCG, financial, construction, fuel/energy and telecommunication. It was based on research and then preparation of a manual. Generally public sector was not involved here. But important thing is that the financial sources from EU were dedicated for CSR promotion – well, but there were no sector oriented recommendations about spending these funds. More of these funds were dedicated mainly for trainings and took place in regions.

There are also initiatives inside the energy sector. The regulatory body, Urząd Regulacji Energetyki (URE), established the team for research on corporate social responsibility of energy sector enterprises (Zespół ds. Prac Badawczych nad Problematyką Społeczną Odpowiedzialności Przedsiębiorstw Energetycznych) [Decyzja Prezesa URE, 2008]. Its main

objective is to promote CSR in energy sector. [Figaszewska *et al.*, 2009].

The public sector strongly supports the “Responsible energy” initiative (“Odpowiedzialna energia”) carried out by PGNiG and PwC (sector oriented conferences and declaration of “Responsible energy” that can be signed by firms from energy sector) [PGNiG website, 2015]. Energy sector is generally advanced in CSR development.

There are a lot of separate initiatives that are addressed to SMEs but they are not sector oriented (most of them are local/regional rather than run on a country scale).

There are also some regional initiatives like establishing the Regional Council for Corporate Social Responsibility affiliated at regional government in Upper Silesia region (Council for the CSR in Upper Silesia website, 2015) but they did not formulate a target group of enterprises – one could expect that they would tend to concentrate on heavy industry strongly represented in the region but they do not.

If considering only the **financial services sector** the following initiatives presented in Table 3 can be enumerated.

Tab. 3. CR initiatives oriented for financial services sector

Type of instrument	Initiatives
Awareness-rising	a. Publication promoting SRI and other activities of Working Group on SRI. b. SRI in-depth research (SRI analysis - current state and recommendations for investors, policy makers) prepared by Responsible Business Forum.
Partnering	a. The Team for Corporate Social Responsibility and its Working Group on SRI.
Soft law	a. Corporate governance code on the Warsaw Stock Exchange (Code of Conduct obligatory for companies listed at WSE). b. Canon of good practice on financial market (see case studies below) by Polish Financial Supervision Authority. c. Linking CR aspects to public procurement procedures.
Mandating	Exclusion from the public tenders and use of EU funds: if employee is lagging behind paying social benefits and wages company/institution is excluded from public tenders and use of EU funds. Regulatory body: National Procurement Office. Target groups: employers (this is ‘financial issue’ but all sectors targeted!).

Source: own elaboration

Research results. Case studies

Within the research project 4 case studies were described: Responsible Care in Poland (chemical sector), Child safety in Internet (ICT sector), Canon of Good Practices of Financial Market and Working Group on Socially Responsible Investment. The last two refer to the financial services sector. The Canon of Good Practices was presented in details in the already mentioned book (Beschoner *et al.*, 2013) and is summarized below in Table 6 together with other summaries from case studies (Table 4 and 5). The last one initiative, Working Group on Socially Responsible Investment, was not presented before and is developed below in the next subchapter.

Type of instrument?	A kind of Environmental Management System dedicated to chemical industry (broad programme), self-commitment of the chemical sector.
Aim of instrument?	Promoting good environmental practices in chemical industry.
Motivation of instrument?	To strengthen chemical industry and its image in society.
Specific role of government?	Ministry of Environment supports this initiative and delegates the Chairman of the Chapter of Responsible Care programme.
Who exactly is addressed? (Companies? Associations?)	Companies from chemical industry.
What are the specific sector needs?	Low reputation of chemical industry in society, possibilities of performance improvement of companies' operational practices, ... „Program places chemical companies and associations under an obligation to promote safe management of chemicals at simultaneous improvement of living standards resulting from everyday application of chemicals”.
Effectiveness?	Already about 20 years and over 30 big companies (success or not?).

Tab. 4. Responsible Care in Poland - case study summarised

What makes this instrument a good example of sector-specific CR?	International reputation of the programme, addressed to all companies in the sector, education and dialog with society, ...
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Source: own elaboration

Tab. 5. Responsible Care in Poland - case study summarised

Type of instrument?	Coalition of telecommunication companies, NGOs and public bodies
Aim of instrument?	Aim was to establish a platform of communication, education and collaboration between companies, NGOs and public bodies around the issue of children safety in Internet
Motivation of instrument?	Education of parents, other adults and children that use Internet
Specific role of government?	Partners, patronage, content creation, information and operational activities [Involved bodies: Urząd Komunikacji Elektronicznej (regulatory body), Pełnomocnik ds. Równego Traktowania, GIODO]
Who exactly is addressed?	Open to any organizations and companies from the sector
What are the specific sector needs?	Children safety
Effectiveness?	It attracted big companies from the sector and helped to assure safety for children surfing in Internet
What makes this instrument a good example of sector-specific CR?	A spontaneous initiative, the collaboration itself and communication opportunities it created for its signatories.

Source: own elaboration

Tab. 6. Canon of Good Practices of Financial Market - case study summarised

Type of instrument?	Code that covers 16 rules for financial market that are recommended by the Polish Financial Supervision Authority.
Aim of instrument?	A kind of self-commitment to practices mentioned in the document.
Motivation of instrument?	Self-regulation of relations with customers and employees.

Specific role of government?	Polish Financial Supervision Authority is the regulatory body.
Who exactly is addressed? (Companies? Associations?)	The initiative is addressed to many different institutions from banks, brokerage houses, insurance companies, financial intermediaries, financial advisors, ...
What are the specific sector needs?	There is need to protect customers: there is unequal distribution of information in the market, protection against bad practices, ...
Effectiveness?	A trend towards development of subsector codes of good practices development.
What makes this instrument a good example of sector-specific CR?	Self-regulation, engagement of the regulatory body, close collaboration with institutions from the market, help for example to draw attention to certain problems in the market, ...

Tab. 6. Canon of Good Practices of Financial Market - case study summarised

Source: own elaboration

Working Group on Socially Responsible Investment. Case study

The study on Working Group on Socially Responsible Investment is a result of the interview with Robert Sroka from Accreo Taxand (at the moment of the interview) who was the Chairman of the Working Group (date of the interview: 3.11.2011) and is based on the post-script of the interview if not expressed otherwise⁹.

Working Group on Socially Responsible Investment was established in 2009 by the Ministry of Economy and finished its activity in 2014. The group – as described before – was one of four working groups that acted under the supervision of the Team for CSR. It was a kind of multi-stakeholders forum the aim of which was to prepare recommendations to public policy in the area of CSR to help the government to prepare strategic documents. But the Working Group itself (like other three working groups) extended its activities behind this main purpose and acted successfully as a CSR promoting body addressing its activity to financial market.

⁹ The following information is, inter alia, based on an interview with Robert Sroka, the chairman of the Working Group for SRI, 2011.

The subject of SRI seemed to be a little "exotic" during the financial crises but paradoxically in turbulent times investors sought for more stable and less risky opportunities on financial market. This led to increase in assets of responsible investment funds. Although this is observable and growing trend around the Globe (increasing assets and new instruments) but it is not very strongly visible in Poland.

Working Group on SRI started in fact from scratch. Even the existence of the, so called, Respect Index on Warsaw Stock Exchange, and operation of the first ethical funds (for example SKOK etyczny), the interest of the market was not still very strong. But there were people and institutions that wanted to engage in the development of this subject here in Poland and there were initial analyses and research in the field. One of the biggest centres for analytics of non-financial data exists in Poland (GES Investment Services Analytical Centre). It delivers analyses to investment funds in the whole world.

Despite the main objective of the Working Group on SRI which was to elaborate recommendations to the government, as was said already above, the autonomous decision of the group was to increase its activity and soon its main objective became to increase an interest in the subject on the financial market. Representatives of banks, investment funds and analytical firms were invited to the group. Meetings were held every month and new subjects were presented and discussed, experts - even from abroad - were invited. Presenting good practices was also included. The audience consisted regularly of about 20-30 people every month. The group was growing, new persons and institutions were interested in participation.

The Group organized a workshop during the huge CSR conference under the Polish EU Presidency in Gdańsk, September 2011.

Other workshops were held with participation of representatives of investment funds that base their decisions also on non-financial data – two target groups were invited: persons responsible for investor relations and financial analytics. Themes discussed were: how to report non-financial data to gain an interest of financial market, how responsible funds operate in the market and how to build responsible investment policies.

Also analytical work was undertaken. The good practice was that public administration started from itself and they prepared the analysis on pre-

senting non-financial data by state owned companies. It is a signal for the financial market that public administration seriously treated this subject. These activities allowed to prepare these firms for new reporting requirements that were considered by EU Commission.

The publications were prepared to spread the idea and knowledge for example "Odpowiedzialne inwestycje kapitałowe" ("Responsible investment") [Sroka, 2011] considered the first one in the field on the market.

In general the groups did not have their own budget and operated based on voluntary free personal activities of their members. There were some small funds from Ministry of Economy dedicated, but the groups tried to find sponsors and some additional sources (a lack of stable sources of financing). The main problem was that the working groups had no formal structure (e.g. they were not legal persons) so it caused problems also when trying to attract funds.

Among other problems and challenges a lack of the vision in Ministry of Economy about a directions of development of these working groups after they have prepared required recommendations can be mentioned. Groups continued their activities without formal goals established (a lack of vision). It also caused difficulties when trying to attract persons to be active in the group.

Persons from the Ministry, that supervised the working groups, were active and cared about these groups development and activity. They did it as an additional work to their everyday duties in Ministry. So in fact no one was dedicated to care about their development on a continuous basis (a lack of delegation only to this task). As a result they did not have enough time to deal with this task.

In general the lack of vision was the most important problem.

The great advantage was that the group existed and was able to continue its work and had achieved goals that supports the thesis of its necessity.

Working group on SRI summarized:

- Ministry of Economy established in 2009 the Team for CSR with its working groups (terminated and reorganised in 2014).
- One of them was **Working Group on Socially Responsible Investment**.

- The Working Group on SRI operated as a **stakeholders forum**.
- Its main task was to prepare recommendations to public policy documents.
- The interest of the market was still not very strong. That is why the group self-established a **new goal** to increase an interest in the subject on financial market (and was successful as a CSR promoting body within the sector).
- Representatives of banks, investment funds, analytical firms were invited.
- Meetings were held every month; new subjects were presented and discussed, experts were invited.
- Analytical work was undertaken.
- The group was growing, new participants were interested in participation
- The existence of the group was terminated in 2014.

The chairman of the working group was asked by the author about the heritage of the group and any partnerships that continue to operate thanks to the past group activities. In the private e-mail to the author (2015) the chairman of the group Robert Sroka wrote:

"In addition to the publications, that I know are circulating and quoted, the most durable effect, and I think the most valuable one, is the "ESG analysis of companies in Poland" project led by the Global Engagement Services, Association of Listed Companies (SEG, Stowarzyszenie Emitentów Giełdowych) and Crido Taxand. The Global Engagement Services is one of the greatest players in the world providing non-financial data for funds investment, investors and asset managers on the stock market. The level of reporting of non-financial data of all companies on the Warsaw Stock Exchange has been analysed for three years. The project is unique not only in Poland but also in the world. This year, the partnership has been left by Crido (...) and only the GES and SEG have continued the partnership. There will be a conference announcing the results of the fourth edition of the survey on October 21, 2015. This year the survey was limited to those companies that are subject to the reporting obligations. But there are also miscellaneous unused opportunities..."

The latter sounds like the expression of regret that the Working Group on SRI stopped its activities during the prosperous moment of its lifetime.

Conclusions

The **development of CSR in Poland is in a very dynamic phase now**. But this still requires changes in attitudes of state, public institutions and society towards business activities and businessmen in general. In this light it is not surprise that more deliberated **policies (and sector oriented among them) are the future rather than current practice**. But the development in sector-specific instruments can be observed and some of them even seem to enter the maturity phase.

In the author's opinion the main drivers of development of sector-specific instruments and initiative comes straight from these sectors. Internal problems characteristic for certain sectors evoke action of regulatory bodies, legal authorities or civil society and sometimes create a will of different companies and their stakeholders to work together for the better image of their industry and their companies.

Still the discussion about **soft law vs. mandatory solution** matters and the search for the balance between **general awareness building** and **sector-specific problems and challenges** will be observed.

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**PUBLICATION OF THE DATA REQUIRED BY THE BUSINESS
AND FINANCIAL MARKETS AND INFORMATION USERS
IN THE NON-FINANCIAL DATA REPORTS PUBLISHED
BY THE FINANCIAL INSTITUTIONS IN POLAND**

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Keywords: non-financial data reporting, stakeholders, financial sector, GRI

Abstract

According to the Freeman's definition, stakeholder is "every person or group that can have impact on the particular organization or, on which the organization can have impact" [Freeman, 1984:5]. In recent years business organizations understood that this mean that each organization has a number of important groups of stakeholders, and shareholders are not the only ones.

Therefore it can be observed that companies focus more on proper defining of their stakeholders, identifying their needs, conducting dialogue with them. On the other hand, stakeholders have changed. They are well educated and with better access to the information [Idowu, Papasolomou, 2007: 138]. They also become more aware of their needs and expectations towards business. These expectations are not only profit maximization, but are also connected with the way the business is conducted.

Some researchers state that this stakeholders' interest not only in economic, but also in social and environmental issues became one of the reasons for the increase in non-financial data reporting over the last twenty years [Adams, Frost, 2006:283]. Such in-

crease in disclosure on social and environmental data can also be observable in Poland since the beginning of the XXIst century.

In the last ten years not only the number of the non-financial data reports have increased, but they also become more standardized due to the existence and development of the non-financial data reporting standards, among them the most popular – Global Reporting Initiative (GRI) Guidelines. Nowadays almost every second non-financial data report published all over the world is a GRI based report [Perspectives 2013, Global CR reports trends and stakeholders' views, CorporateRegister.com].

The aim of the paper is to answer the question if the GRI based non-financial data reports of the financial sector companies, published in Poland in years 2009-2013 consist of the data indicated as important by two groups of stakeholders: Business Associations and Financial Markets and Information Users based on the publication "Sustainability Topics for Sectors: what do stakeholders want to know?"

Introduction

Since the last several years there can be observed the growing importance of the non-financial data reporting, both in Europe and in Poland itself that results in the increasing number of the non-financial data reports published year by year.

The need of transparency and disclosure of non-financial data has been also spotted by the international governmental bodies. In response to that on 15th November 2014 was published the Directive 2014/95/EU of the European Parliament and the council amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. The directive defines the kind of the information that should be published and types of the companies that are obliged to do that. The EU member countries have time till 6th December 2016 for the implementation of the directive, which should go into effect latest since 1st January 2017.

Obligation for non-financial data disclosure is an important motivator for number of companies to either start publishing non-financial data

or start preparing to this process and should result in further increase of publication of such reports. That increase of number of the reports published in the EU countries, including Poland, however, does not necessarily must be significant, while number of the companies that will be obliged to published non-financial data report according to the directive, already do that.

For instance, in Poland, the rise of the number of non-financial data reports can be observed since at least four years. The number of the reports submitted to the best CSR reports contest, organized by Responsible Business Forum, SGS Polska and PwC, has risen by over 40% between 4th and 8th¹⁰ edition of the contest [Konkurs Raporty Społeczne 2007-2013, Responsible Business Forum, 2014]. Together with the increase of the quantity of the reports published, their quality increases too, what is confirmed also by increasing number of the Global Reporting Initiative (GRI) based reports. In 2007 8 out of 18 reports (44%) submitted to the contest were GRI based, in 2013 it was 26 out of 32 (81%) [Konkurs Raporty Społeczne 2007-2013, Responsible Business Forum, 2014].

Global Reporting Initiative (GRI) is an international not-for-profit organization based in Amsterdam. According to its own declaration: GRI's mission is to make sustainability reporting standard practice for all companies and organizations [www.globalreporting.org].

Since almost fifteen years GRI has been developing the framework for non-financial data reporting. The first version of the GRI Guidelines was released in 2000, the last one GRI G4-in 2013. At the moment there are over 22500 GRI based reports registered in GRI database¹¹, and every year number of the reports registered in the database increases by no less than 20% (based on presentation GRI reporting, available at www.globalreporting.org).

As GRI is also a network based organization and collaborates with various groups of stakeholders, also the Guidelines are worked out in the dialogue process that was engaging the representatives both of the reporters and the readers.

GRI spots also the increasing role of the stakeholders for the companies.

¹⁰ Year 2010 and 2013

¹¹ Status for 15.02.2015

Following the definition of the Corporate Social Responsibility developed in 2011 by European Commission (EU COM 2011: 6) which says that it is "responsibility of the enterprise for its impact on society", forces reporting company to present their non-financial data with taking into account their impact on the society and with engagement of the stakeholder. The understanding of the need of engagement of the stakeholders is clearly visible in the new G4 GRI Guidelines, that oblige the reporting company to engage the stakeholders in the process of defining the materiality of the report, to make sure that it consists of the data that are material not only from the reporting organization's perspective, but also the readers' one.

The observation of rising role of the stakeholders has the companies itself and they try to engage them more. Moreover, companies are aware of the fact that the stakeholders' profile have changed within the time and nowadays they are well educated and informed and require on companies not only conducting business in the responsible way [Idowu, Papasolomou, 2007: 138], but they also demand for information, what results in the development of a variety of forms of stakeholder dialogue.

There appeared also the "stakeholder responsible approaches" [Zambon, Del Bello, 2005: 131] claiming that the approach to the reporting non-financial data should be focused on providing the stakeholders with activities and data they are looking for and that the only comprehensive and valuable report can be published if organization prepares it to satisfy the needs and expectations of the stakeholders [Brockett, Rezaee, 2012: 31].

Various groups of stakeholders that become the readers of the report and their need of information should be than taken into account when preparing the non-financial data report. It should be designed in a way that enables the key stakeholder groups find the data they are looking for.

Methodology

In May 2013, together with the new version of the reporting Guidelines, GRI published "Sustainability Topics for Sectors: What do stakeholders want to know?" publication. It was prepared together with almost 200 organizations, representing 5 groups of stakeholders:

- Business associations
- Labor representatives
- Civil society organizations
- Financial markets and Information users
- Mediating institutions.

Each of the stakeholder group defined the issues that are important for it and in its opinion should be reported by the companies. The issues were defined separately for 52 sectors. They are subjective and represent the point of view of the particular stakeholder group.

That is the unique value of this publication, while it is not saying “what should be published” in general, but gives the information what do concrete groups of stakeholders want to read about in the non-financial data reports and what information are important for them.

Therefore “Sustainability Topics for Sectors: What do stakeholders want to know?” publication was used as a basis for the research. There were two stakeholders groups chosen:

- Business associations
 - Financial markets and information users as for the financial institutions¹²
- these two groups out of the five engaged in the publication’s preparation process are important external stakeholders from the business perspective. The main weakness of the non-financial data reports highlighted often in the discussions by the business stakeholders is that these usually do not consist of the data that are interesting and important from the business perspective, focusing mainly on the social data important for the civil society organizations or employees.

The aim of the paper is to show if the reports of the financial institutions that fulfill the following criteria:

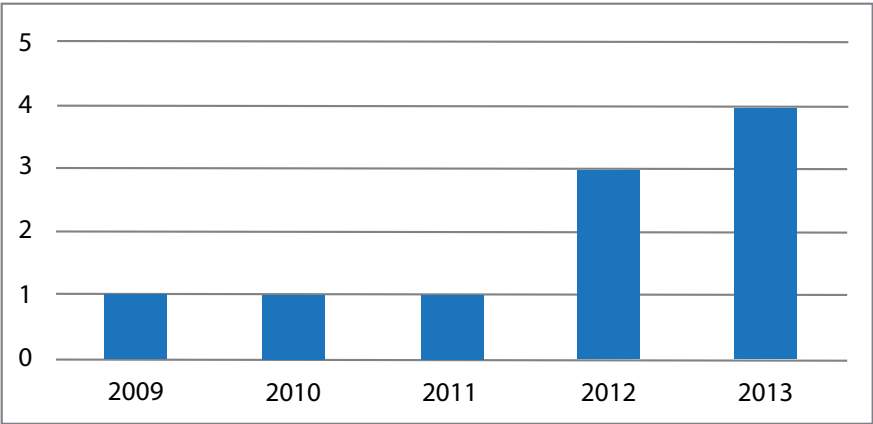
- were published in Poland
- base on the GRI 3.0 or later versions

¹² Financial institutions consist of banks and insurance companies

- were submitted to the best CSR report contest consist of the information that were indicated as important for the business and financial markets and information users, defined in the "Sustainability Topics for Sectors: What do stakeholders want to know?," publication.

There are 10 reports that fulfill the above criteria (Figure 1) and that were analyzed. 8 of these reports were prepared by banks, and 2 by the insurance company.

Fig. 1. No. of financial sector companies' GRI based reports published by year and submitted to the Best CSR report contest



Source: own elaboration, based on the www.raportyspoleczne.pl/biblioteka-raportow/

Each of the issues identified by each group of the stakeholders (Business Associations and Financial Markets and Information Users) was linked to the GRI 3.1 or 3.0 topic and then to the proper indicator within that topic, both general and from the sector guidance. GRI G4 was not taken into account as none of the analyzed companies used this version of the Guidelines. The non-financial data reports published by the financial sector companies were analyzed to check if these indicators are present in the reports. The appearance or lack of the indicators was the basis to formulate the conclusions.

Findings and discussion

The representatives of Business Associations and Financial Markets & Information users indicated 11 topics as particularly relevant and important

from their perspective for the financial sector (see table 1).

Topics indicated by Business Associations	Topics indicated by Financial Markets & information users	Relevant GRI 3.0 indicators	Relevant GRI 3.1 indicators
	Employment practices	LA1, LA2, LA13, LA14	LA1, LA2, LA13, LA14, LA15
Labor conditions		LA2	LA2, LA15
Labor management relations		LA5	LA5
	Employee education and development	LA10, LA11, LA12	LA10, LA11, LA12
	Political funding	SO6	SO6
ESG risk assessment and management	ESG risk assessment and management	EC2, 1.2, 4.11, FS2,FS5, FS9, FS11	EC2, 1.2, 4.11, FS2,FS5, FS9, FS11
	Business models	1.2, 2.8, FS6	1.2, 2.8, FS6
	Financial firm complexity	2.2, 2.3, 2.5, 2.6, 2.7, 2.8	2.2, 2.3, 2.5, 2.6, 2.7, 2.8
	Political accountability	SO5, SO6	SO5, SO6
Corporate governance	Corporate governance	1.2, 4.1, 4.5, 4.11, 4.12, 4.13	1.2, 4.1, 4.5, 4.11, 4.12, 4.13
Business strategy	Business strategy	EC2, 1.2	EC2, 1.2

Tab. 1. Topics indicated as important by Business Associations and Financial AMrkets and Information Users with relevant GRI indicators

Source: own elaboration

The representatives of Business Associations and Financial Markets & The topics indicated by the stakeholders were matched altogether with 29 GRI G 3.0 and 30 GRI 3.1 indicators (GRI 3.1 indicator that is not present in the previous version of the Guidelines is **bolded** in the table 1), including 4 from the sector supplement for the financial services.

As the next steps, these indicators were searched in the GRI based CSR reports of the financial sector companies, published in Poland in years 2009-2013.

Out of all 11 topics indicated by the stakeholders, 3 were indicated as important for both stakeholder groups:

- ESG risk management
- Corporate governance
- Business strategy

These are the topics that are important from the risk management perspective, as allow to evaluate not only the current company’s position but its long term plans. They cover also the information if the company is aware of the all crucial, also ESG, risks and manages them properly.

Tab. 2. Topics important both for Business Associations and Financial Markets & Information users and relevant GRI 3.0 and GRI 3.1 indicators (with a number of companies reporting each indicator)

	EC2	1.2	4.1	4.5	4.11	4.12	4.13	FS2	FS5	FS9	FS11
ESG risk assessment and management	0	9			6			1	0	1	1
Corporate governance		9	10	6	6	10	8				
Business strategy	0	9									

Source: own elaboration

Despite the fact that the ESG risk assessment and management, corporate governance and business strategy were indicated by both stakeholder groups as important for the financial institutions, only two indicators that relate to these topics was reported by all or almost all companies. Out of these two, the 4.1 indicator is a profile indicator that the company is obliged to report according to the GRI Guidelines. The second one: 1.2 indicator is not obligatory for the companies that report on the C level. That means that in three reports where it was not mandatory, 1.2 indicator: *Description of key impacts, risks and opportunities* was reported voluntarily. The 4.11, 4.12, 4.13 indicators are mandatory for all companies reporting on at least B level are mandatory, and as such should be reported by at least 6 companies (see Figure 2). Out of these three, 4.12 indicator: *The information on membership in associations* was reported by all organizations, also these reporting on the C level, for which it was not obligatory.

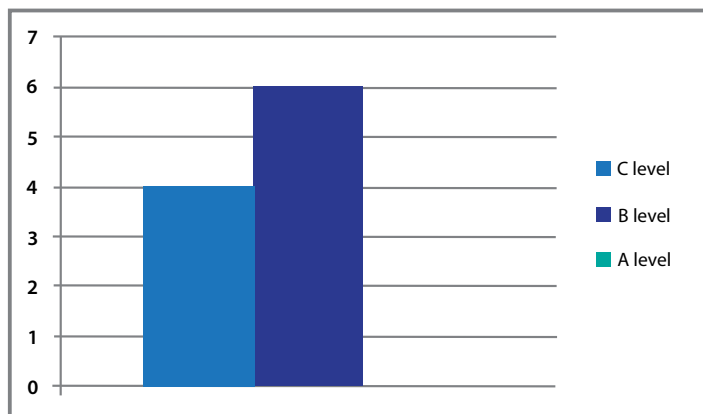


Fig. 2. Number of reports on each level of GRI application level

Source: own elaboration

None of the companies reported the EC 2 indicator: *Financial implications and other risks and opportunities for the organization's activities due to climate change*. The possible reasons could be two: either they not perceive that indicator as material one or do not have any data to report.

Companies also did not use the GRI indicators that are in the sector guideline (the FS indicators), despite the fact that sector guidelines were developed to be more relevant for the sector specificity. Only 1 company disclosed any of the FS indicators.

None of the companies disclosed FS5 indicator: *Interactions with clients/ investees/ business partners regarding environmental and social risk and opportunities*. The data required in this indicator are not the quantitative but qualitative does not seem sensitive and leave the reporting organization wide freedom on what to report, but still are not disclosed. There could be two reasons for that similar to the mentioned above on EC2 indicator: either the companies do not see that issue themselves as material and therefore did not decide to report on that or find this issue as material but do not do enough in this area to feel comfortable with reporting these data. The third option can be a compilation of the two above: that companies do not find this issue as material and therefore do not do enough in this area.

Also the other ESG risk management related FS indicators (FS2, FS9 and FS11) were reported only by 1 company.

Although ESG risks are still by number of companies treated as additional ones, the financial institutions cannot omit them. Inclusion of the ESG risks in the analysis of the companies, especially these that have significant environmental impact is crucial for the proper valuation of the companies. *Information on the procedures for assessing and screening environmental and social risks in business lines* (FS2 indicator) allows investors and shareholders who are reading the report to see if all the operational but also strategic risks that can have impact on the reporting company's business are properly and completely analyzed and taken into account.

As the ESG issues become more regulated in the European Union, they cannot be omitted in the risk analysis, while that can result in fines, delays in investments etc. As such are taken into account by financial institutions, and at least G (governance) and E (environmental) issues are not treated as irrelevant – but still are not reported.

For the Business Associations the labor issues were also important, specifically two of them:

- Labor conditions
- Labor management relations

Tab. 3. Topics important for Business Associations and relevant GRI 3.0 and GRI 3.1 indicators (with a number of companies reporting each indicator)

	LA2	LA5	LA15
Labor conditions	8		2
Labor management relations		4	

Source: own elaboration

The LA2 indicator consists of the basic statistical information on the: *Total number and rate of new employee hires and employee turnover by age group, gender and region*. That gives the reader the information on the scale of the company from the employment perspective. Information on the employment is available in every company, usually publicly and often reported. However, the data that is usually published is the total number of employees without breaking down by the diversity dimensions. Companies may not have such statistics and therefore not all companies reported them.

The LA 5 indicator: *Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements* in Poland is correlated with the relation with trade unions. The collective agreements are signed by employer and the trade unions that are employees' representatives. In companies where there are no trade unions the relations between employer and employees (or their representatives) are usually not so formal and as such do not require collective agreement and base on the open and regular communication and in such cases that indicator rather presents the communication process than precisely answer the question about the notice period.

Out of 10 analyzed reports, 4 were prepared based on the GRI G 3.1 standard, therefore only 4 companies could have had report the LA15 indicator; 2 of them decided to do that and disclose the data on: *Return to work and retention rates after parental leave, by gender*.

Also for the Financial Markets and Information Users the social indicators, especially LA (labor relations) and SO (Social) are important. However, this group of stakeholder is interested more in the soft LA indicators, focused on the employment practices and education and development.

	LA1	LA2	LA10	LA11	LA12	LA13	LA14	LA15	SO5	SO6
Employment practices	10	8				8	2	2		
Employee education and development			10	0	6					
Political funding										1
Political accountability									2	1

Tab. 4. Topics important for Business Associations and relevant GRI 3.0 and GRI 3.1 indicators (with a number of companies reporting each indicator)

Source: own elaboration

The result of the analysis shows that all companies report the basic, statistical information about employment that are under LA1 indicator: *Total workforce by employment type, employment contract, and region, broken down by gender*.

All companies disclose also statistical data on employees education (in-

indicator LA10: *Information on the average training hours per year per employees in various categories*), but none of them reported on LA 11 indicator: *Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings*. As it is the qualitative indicator with no sensitive information to be disclosed, the reason for that may be that companies do not have such programs and lifelong learning is not the concept that is present in this sector companies and that HR managers focus on.

Only 6 out of 10 companies reported what is *The percentage of employees that receive the regular performance and career development reviews* (indicator LA12). That indicator is not complicated and consist of one data that if exist in an organization, is rather easily accessible. For the financial institutions sector, where high skilled people are needed, the way of development of the careers is important for the overall success of the company. The reason behind not reporting these data by the rest of the companies may be that the percentage of the people that receive the performance and career development reviews is quite low and the reporting companies do not want to share that information with public.

Companies have no problem in reporting on some aspects of the diversity, 8 out of 10 reported the LA13 indicator: *Composition of governance bodies and breakdown of employees by employee category according to gender, age group, minority group membership and other indicators of diversity*. The picture that present reported data answers the question if there is diversity management in the companies and what are the main areas of diversity where the results are satisfactory and what are the ones that the company should still focus and work on.

It is not surprising that only 2 companies reported LA 14 indicator: *Ratio of basic salary and remuneration of women to men by employee category, by significant localizations of operations*, not only because it could show the potential inequalities in remuneration between men and women but basically because transparency in communication about remunerations is still a problem on the polish market. A very few companies disclose the information on the remunerations, also internally.

On the other hand, the low number of companies reporting the SO5 and SO6 indicator is surprising. According to the polish law, business cannot support financially political parties that can be supported only by citizens and the state itself in a definite ways [Ustawa z dnia 27 czerwca 1997 o

partiach politycznych, Dz. U. 1997 nr 98 poz. 604]. That would suggest that for SO6 indicator: *Total value of financial and in-kind contributions to political parties, politicians and related institutions by country* would always be the same and equal 0.

In terms of SO5 indicator: *Public policy positions and participation in public policy development and lobbying* – as lobbying has in Poland negative connotations, companies are very cautious on any lobbying activity and communication on that. That may be the reason why only two companies reported that indicator.

The remaining two topic that are important for Financial Markets and Information Users focus on reporting organization's business (Table 4). As the overview on the reporting company's business is important to really understand its impact and responsibility, GRI indicated the basic indicators that define business model and allow understanding business firm complexity as the obligatory ones.

	1.2	2.2	2.3	2.5	2.6	2.7	2.8	FS6
Business models	9						10	0
Financial firm complexity		10	10	10	10	10	10	

Tab. 5. Remaining topics important for Financial Markets and Information U and relevant GRI 3.0 and GRI 3.1 indicators (with a number of companies reporting each indicator)

Source: own elaboration

The last, not obligatory indicator is the one from the sector guideline (FS6: *Percentage of the portfolio for business lines by specific region, size and sector*) and that one as the previous sector ones was not reported by any of the companies.

Conclusion

The main conclusion is that companies report:

- the data that are obligatory either by the GRI Guidelines or any other standard or regulation
- the basic statistical data that are available in the company and are often needed for any other internal or external purposes and therefore are collected.

To the similar conclusions came the authors of the publication "Transparentność w obszarze ESG jako element przewagi konkurencyjnej spółki giełdowej" that analyzed over 800 publicly listed companies in Poland. Their first statement is that companies report nothing above the regulations [Stowarzyszenie Emitentów Giełgowych, GES, Grido Consulting, 2013: 59].

Analyzed companies did not use the sector guidelines that could have had been helpful also for themselves, while make the GRI indicators more financial sector specifics and the same time more relevant. The reporting companies do not focus on the issues that are important for the sector – both for the reporting companies and the readers, an example of that may be no or little data disclosed on ESG risk management what would be recommended for better understanding of the specifics of the reporting companies, but also risk and opportunities.

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DEVELOPMENT TRENDS OF SOCIALLY RESPONSIBLE MUTUAL FUNDS

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Keywords: SRI, investing, ESG criteria, socially responsible mutual funds, socially responsible mutual fund market.

Abstract

In the presented paper there is analyzed the whole evolution of socially responsible investing from the biblical times up to the nowadays emphasizing the main ideological changes. Also there is discussed about the green philosophy of socially responsible investing and ESG criteria importance, analyzed the investment strategies. Afterwards there is made a brief review of socially responsible market changes in the United States and Europe with more emphasis on European market specifics. Presented results of development trend analysis might be leading to the further scientific researches such as performance and risk analysis of socially responsible mutual funds, comparative analysis to benchmark or ordinary mutual funds

Introduction

The challenges of the globalization process, such as climate change, waste of Mother Nature resources, social–demographic and ecological problems – all these issues promote people and business to be more conscious. As a result, in the past few decades growing concern over environmental and social issues made socially responsible investing to take an outstanding place in the financial markets. It entered the finance vocabulary and consciousness of mainstream finance, while moving from its origins in the US and UK to the global movement. Today more and more individuals, financial and other institutions, investment companies and money managers that are practicing socially responsible investing (hereinafter - SRI) seek to achieve long-term financial returns together with the social impact on society. SRI strategies that are applied by the investors promote stronger corporate social responsibility, build long-term financial and social value for the companies and shareholders, also foster the business, generate new job opportunities and introduce products and services that yield community and environmental benefits (Sustainable and Responsible Investing Trend in the United States, 2012).

More than 40 years investments into socially responsible mutual funds generate not only the financial benefits, but also social benefits for the investor and for the society as well (Žėkienė et al, 2012). Therefore, in order to find out what is the uniqueness about the socially responsible investing, in the presented paper there is analyzed the historical assumptions of socially responsible investing evolution first, later made it's definition and strategy analysis, ESG criteria importance analysis. Afterwards there is made a comparative analysis of the United States and Europe markets. The presented results of the research might be leading to the further scientific researches: performance and risk analysis of socially responsible mutual funds, comparative analysis to benchmark or ordinary mutual funds.

The emergence and evolution of socially responsible investing

The original roots of socially responsible investing are linked to the religious moments - hundreds of years ago in the biblical times Jewish law laid down directions on how to invest ethically. Later, in the middle of 1700s, John Wesley, the founder of evangelic movement known as Methodism, had spread the ideas of socially responsible investing worldwide. It was found that the use of money is the second important subject of New Testament. The religious investors started avoiding investments in enterprises that earn profit while enslaving or even killing human beings. The investment decisions were based on peace and nonviolence principals. These deep religious origins can still be seen in nowadays – such investment decisions are called as avoiding “sin stocks” or “sin industries”. Mostly these companies are engaged in alcohol, tobacco and gaming industries (Schueth, 2003).

The modern roots of socially responsible investing started in 1960s with the topics of civil-rights, feminism, environmentalism and protest against the Vietnam War (Ferruz et al, 2007). Later, the decade of 1980s was booming – the number of socially concerned investors grew dramatically because millions of people, churches, universities, cities and states focused on investment strategies related to earthshaking incidents like Chernobyl and Bhopal (gas disaster in India), also on pressuring the white minority government of South Africa to destroy the racist system of apartheid. The information about global warming and ozone depletion came to the attention of the world, therefore issues of environment, human rights and healthy working conditions in the factories became the most important aspects for lots of investors (Schueth, 2003).

Therefore, lots of “funds were developed that met the moral requirements of individual investors, but the onus was on the investor defining the moral standards rather than the fund providing a comprehensive definition” (Howell, 2008). Together with global problems, one of the main topics to be discussed about became investors’ motivation. Some authors Schueth (2003) stated that there are two groups of socially responsible investors:

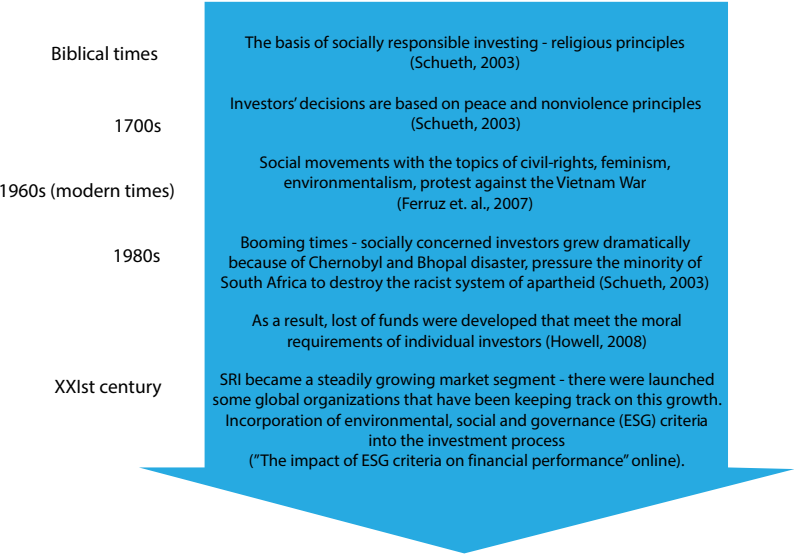
(1) First group – „feel good” investors choose the investment that is close-

ly aligned with their personal values and priorities. Such investors want to feel better about themselves when they are investing;

(2) Second group – the investors want to put the investment in the way that supports and encourages improvements in their quality of life. Such investors are interested in doing positive changes for the society.

Glac (2009) highlighted that one of the most important motives for the investors is extension of their life – style or identity. Such investors want to apply their own value and beliefs in the area of their economic life. Other researcher Umlas (2008) named social investors as long-term investors, because their goals go beyond return on investment to broader aims, such as changing corporate’s behavior or increasing accountability for it’s impact on society. In other words, investors evaluate company’s performance in areas of human rights, employee well-being or environment first.

Fig. 1. The evolution of socially responsible investing



Source: (Schueth, 2003; Ferruz et al., 2007; Howell, 2008; "The impact of ESG criteria on financial performance" online)

Together with the funds there were established special research groups, such as Experts in Responsible Investment Solutions (EIRIS), for provid-

ing the information about companies' behaviour that in turn enable the investors to make decisions about the screening out "sin" companies. The onus for the investor remains to define the moral standards (Howell, 2008). Also during the last few decades there were launched some global and local organizations that provide principles or framework for the investors to help making the right decisions during the investment process:

- Principles for Responsible Investment by United Nations Environment Programme. The principles provide a framework for the investors to help them incorporate environmental, social and governance (ESG) criteria into their investment process;
- Social Investment Forum in U.S. It is the national forum for social investment and finance intermediaries (SIFIs), the aim of the Forum is to co-ordinate policy and practical work to improve the way the social investment market works for all concerned;
- Social Investment Organization in Canada is the national membership-based organization that includes financial institutions, investment firms, financial advisors, and various organizations and individuals interested in socially responsible investment;
- EuroSIF in E.U. is the leading non-for profit pan-European sustainable and responsible investment membership - organisation whose mission is to promote sustainability through European financial markets;
- Association for Sustainable and Responsible Investment in Asia is the leading association in Asia dedicated to promote sustainable finance across the region;
- Responsible Investment Association in Australasia is the peak industry body representing responsible and ethical investors across Australia and New Zeland. The association has over 150 members including funds, fund managers, consultants, researchers, impact investors, property managers, community banks, communities, religious groups and other individuals.

During the whole XXth century financial performance of mutual funds remained one of the main empirical questions for most of the scientists and researchers, and were discussed starting from the classical portfolio the-

ory of Markowitz (1952) where he stated that the additional constraints of the diversification freedom may inhibit the creation of the optimal portfolio, up to totally different theories in the XXIst century – that there is no significant difference between the performance of conventional un-screened benchmarks and socially responsible funds (Bello, 2005; Slapikaitė, 2013; Torres, 2013).

The green philosophy of socially responsible investing

Socially responsible investing is typically understood as an investment type in which social and personal values instead of financial considerations are the basis for the making the investment decision. However, recently it has been suggested that SRI should be a “profit - seeking” approach that accommodates investors for their traditional financial goals as well. The idea is that socially responsible investors want to do well, not merely do good (Yu, 2014). Together with the strong idea of making a world better, the bottom line, is that SRI not only allows for the investor to make money for a secure retirement, it also empowers to make a difference with the invested money (Kridel, 2005). Some researchers tend to incorporate environmental, social and governance (ESG) factors into socially responsible investing concept (Umlas, 2008). ESG criteria importance on company’s performance, and on the investment’s performance respectively, include:

Environmental	Social	Governance
• Avoid or minimize environmental liabilities • Lower costs/increase profitability through energy and other efficiencies • Reduce regulatory, litigation and reputational risk • Indicator of well-governed company	Workplace • Improved productivity and morale • Reduce turnover and absenteeism • Openness to new ideas and innovation • Reduce potential for litigation and reputational risk Product Integrity • Create brand loyalty • Increased sales based on product safety and excellence • Reduce potential for litigation • Reduce reputational risk Community Impact • Improve brand loyalty • Protect licence to operate	• Align interests of shareholders and management • Avoid unpleasant financial surprises or “blow-ups” • Reduce reputational risk

Tab. 2. ESG impact on company's performance

Source: „The impact of ESG criteria on financial performance” online

Carter (2007) specifies the areas of interests that socially responsible investors favour corporate practises:

1. Corporate governance and ethics;
2. Workplace practices;
3. Environmental concerns;
4. Product safety and impact;
5. Human rights;
6. Community relations;
7. Indigenous peoples' rights.

Generally, socially responsible investing includes a wide and growing range of products and investments: stocks, bonds, savings, checking and other banking accounts, venture capital. The investors can be individuals and institutions, such as corporations, universities, hospitals, founda-

tions, insurance companies, public and private pension funds, nonprofit organizations, and religious institutions. Institutional investors represent the largest and fastest growing segment of the SRI world.

Investment strategies

Socially responsible investing has been also analyzed through three main strategies – investment screening, shareholder advocacy and community investment. (a) Investors can perform investment screening strategy using one of two ways - positive screening or negative screening. Positive screening is the practice of using various filters to screen for companies or funds that meet specific social standards, such as exhibiting good corporate behaviour. Negative screening is the practice of using a variety of filters to exclude companies or funds that do not meet specific social standards (Andritolu, 2013; Ferruz, 2007; Plakys, 2009). (b) Shareholder advocacy is another powerful SRI strategy where shareholders put pressure on big corporations such as McDonald's and JC Penney to be more socially responsible through shareholder resolutions and divestment campaigns (Braden *et al.*, 2007). According to this SRI strategy, the investor acquires shares in companies that would be rejected by the first strategy (social screening). The goal of such strategy is to make an impact on the company's policies. The tool of this pressure on the company's management is through a dialogue or filing shareholder resolutions to amend any social, environmental or labor issue. The biggest advantage of this strategy is that investors are allowed to benefit from the company's stock price appreciation and dividends together with changing with company's policies, but the minus is that generally it requires a large commitment of time and capital (Andritolu, 2013). (c) Community investment strategy involves investing in various projects that traditionally benefit disadvantaged communities (Branch *et al.*, 2014). „With this strategy, the investor directs capital to communities around the world that have limited access to traditional financial services institutions” (Andritolu, 2013). A common misconception is that these investments are donations. This is not that case - these investments allow investors to give to a community in need together making a return on their investment. Many community investments are put toward community development banks in develop-

ing countries or in lower-income areas in the U. S. for affordable housing and venture capital. Generally, you can lend your money and get paid interest and get paid back and help the world (Carter, 2007).

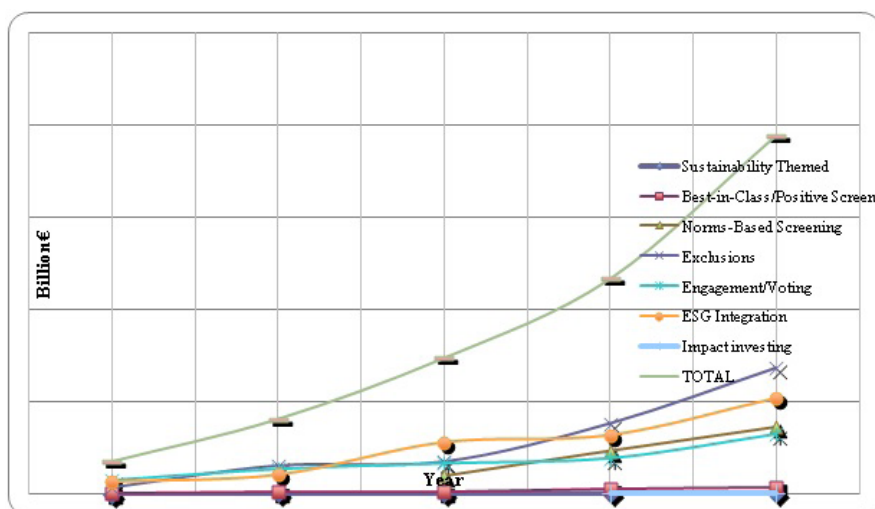
European SRI Study (2012; 2014) presented 6 strategies in total – Sustainability Themed Investment strategy, Best-in-Class (Positive Screen) strategy, Norms-Based Screening strategy, Exclusions strategy, Engagement (Voting) strategy and ESG Integration strategy:

- (1) Sustainability Themed Investment strategy – the strategy is based into focusing on one or more themes directly related to sustainability. The themes typically are - renewable energy, clean technology, climate change, forestry, and are usually based either on environmental or social theme, but environmental themes are the most prevalent;
- (2) Best-in-Class (Positive Screen) strategy – it entails the selection of the top investments based on the best ESG criteria and financial analysis combination;
- (3) Norms-Based Screening strategy is the newest one and based on avoiding companies in breach of one or more internationally recognized norms covered by ESG practices;
- (4) ESG Integration strategy uses ESG information to adjust the forward-looking financial projections for companies upon which fund managers base their investment decisions. This strategy is more specific comparing to the others because it attempts to place a financial benefit or costs on ESG information;
- (5) Exclusions strategy is founded on religious beliefs and is based on the different motivation of assets managers and assets owners – some have reputational concerns, whereas others may be unwilling to finance the production and marketing of certain products;
- (6) Engagement (Voting) strategy includes responsible ownership through engagement with companies and voting shares at general meetings. At its essence, the strategy is very similar to the above mentioned Shareholder Advocacy strategy where the shareholders has the power to pressure the companies to be more socially responsible through shareholder resolutions and divestment campaigns;

(7) Impact investing strategy spans a large range of social issues and topics that are classified into two categories: (a) social integration - includes access to affordable housing, health, finance, education, personal care or employ ability, also microfinance; (b) sustainability-related projects in the field of production and access to, for instance, renewable energy, food, water, sustainable agriculture. This category is heavily focused on developing markets.

In Figure no. 3 there are presented total assets of funds in Europe for the period 2005 – 2013 by the certain investment strategy.

Fig. 3. Total assets of Europe-domiciled funds according to the involved strategy, period 2005 - 2013



Source: (European SRI study 2012; European SRI study 2014)

As the majority of the stated strategies have similar features as the generalized screening strategy, therefore it can be stated, that this is the most popular group of strategies in Europe.

Report on US Sustainable, Responsible and Impact Investing Trends 2014 (2014) distinguished two big groups of strategies:

(1) ESG Incorporation group of strategies includes:

- Negative/Exclusionary – the exclusion from a fund, certain sectors or companies based on specific ESG criteria;

- ESG Integration – inclusion of ESG risks and opportunities into traditional financial analysis;
- Positive/Best-In-Class – investment in sectors, companies or projects selected for positive performance relative to industry peers;
- Impact Investing – targeted investments for solving social or environmental problems;
- Sustainability Themed Investing strategy – the investment related to sustainability into single- or multi-themed funds.

(2) Shareholder Resolutions strategy – as it was mentioned before, some of the authors (like Braden et al., 2007) call this strategy as Shareholder Advocacy strategy.

As there were no data available of total assets by the detailed strategy, Figure no. 4 presents total assets of funds in United States for the period 2005 – 2014 only by the certain group of investment strategies together providing total assets of the overlapping strategies.

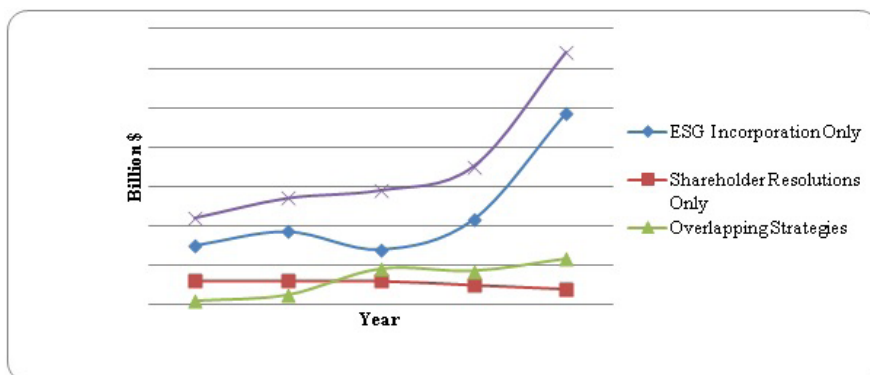


Fig. 4. Total assets of US funds according to the involved strategy, period 2005 – 2014

Source: (Report on US Sustainable, Responsible and Impact Investing Trends 2014)

Nevertheless, despite the dominant strategies in Europe and U.S. market, generally, all SRI strategies are meant to promote stronger corporate social responsibility, help building long-term value for companies, stakeholders, foster businesses in a good way, help generating jobs and creating production with community and environmental benefits.

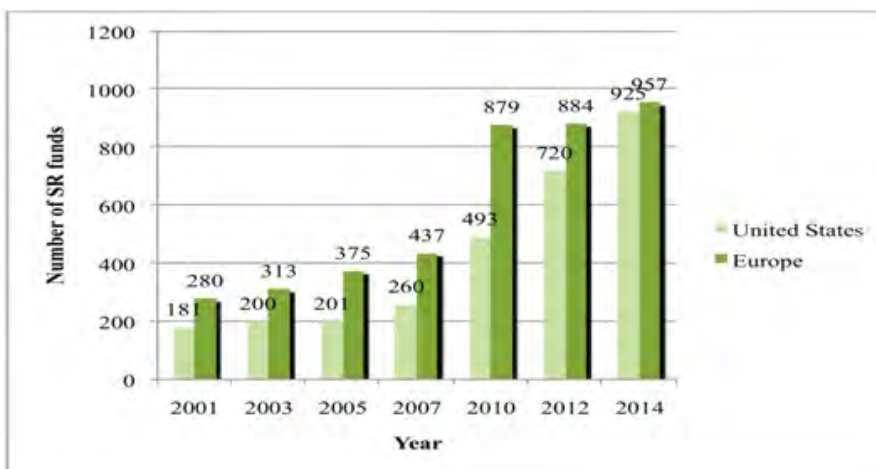
Socially responsible mutual funds’ market

Socially responsible investing is called as a global phenomenon. With the international scope of business itself, social or ethical investors invest in companies with international operations. During the whole evolution of SRI, products and investment opportunities have expanded as well together with the growing amount of socially responsible investors throughout the developed and developing countries.

This growth is simulated by the investors who incorporate social and environmental beliefs into their investments. Conversations about socially responsible investing are rather difficult because they combine facts with beliefs. Statman (2008) stated that „proponents of socially responsible investing believe that combining social goals with investments does good; opponents believe that such combinations are unwise or even illegitimate”. But the facts and figures of SRI market analysis speak for themselves.

Investing in socially responsible mutual funds has been a highly prospering trend worldwide in the past few years. In year 2001 number of such funds differed significantly in the United States and Europe – there were 181 and 280 funds accordingly. From year 2007 to the year 2014 number of such funds grew more than twice in Europe – from 437 to 957 mutual funds, and in the United States this trend was even more booming – from 260 to 925 of growth of such funds.

Fig. 5. Number of SRI funds in the United States - only incorporating ESG factors and Europe - incorporating all strategies, period 2001 – 2014



Source: (Sustainable and Responsible Investing Trends in the United States 2012; Green, Social and Ethical Funds in Europe 2012; European Responsible Investing Fund Survey 2012; Green, Social and Ethical Fund in Europe 2014; European SRI study 2014; "Report on US Sustainable, Responsible and Impact Investing Trends 2014" online)

Measuring in total assets, SRI market in the United States has grown from 1.9 billion euro in 2007 up to 2.9 billion euro in 2011, in Europe it has grown more than two times – from 2.7 billion euro in 2007 up to 6.8 billion euro. European SRI market takes more than a half of total world's market with top four countries accounting approximately 70% of total SRI funds in Europe: France, U.K. Switzerland and Belgium. During the last year the most significant growth in number of SRI funds was in France – the market has grown from 215 mutual funds in 2010 up to 263 units in 2014. In Switzerland, U.K. and Belgium the trend was negative, but not so significant.

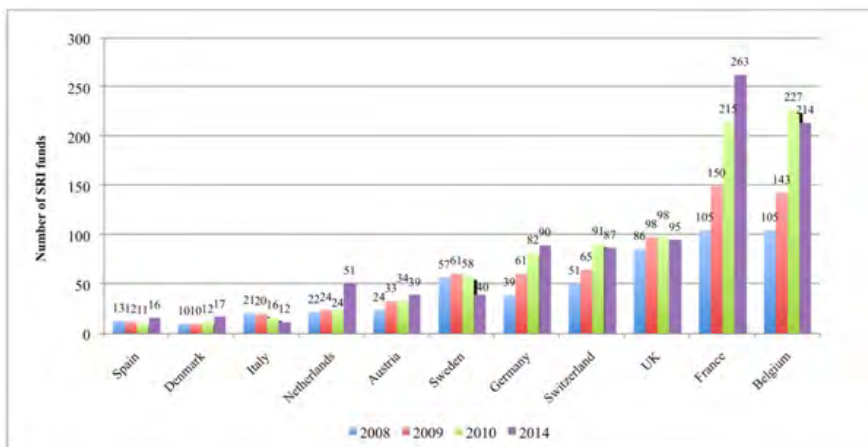


Fig. 6. Number of SRI funds in each country, period 2008 - 2014

Source: (Green, social and ethical funds in Europe. 2010 Review; Green, Social and Ethical Fund in Europe 2014)

Despite the booming growth in market and popularity of SRI mutual funds in the United States and Europe during the past few years, the dissemination of socially responsible investment ideas and their practical implementation in Baltic States can be named as being in an inception stage. The first SRI fund, called New Europe Socially Responsible Fund at Limestone Funds, was launched in Estonia in 2008 with assets under management in amount of 650 million euro by the end of 2011; another

fund SEB Ethical Europe fund is offered by local asset manager SEB Asset Management but is managed externally. Generally, there might be defined some common main issues regarding the market specifics:

- Scandinavian banks are the main players in Baltic countries, i.e. insolvency proceedings sued for two Lithuanian commercial banks during the past 2 years;
- The choice to invest into foreign managed socially responsible funds is also rather limited mainly due to the lack of information – the investors are not introduced to the socially responsible funds in a right way (Žėkienė et al, 2012);
- Sometimes managers offering specific financial instruments are not aware themselves that their company is actually offering socially responsible investment funds (Žėkienė et al, 2012).
- The number of socially responsible companies has not been increasing significantly for the past several years already - the number of such entities in Lithuania has not changed since 2010 (67 in early 2012). Žėkienė et al (2012) states that the development of SRI requires bigger support from the State and international organizations.
- Finally, the ideas of socially responsible investing (investing in mutual funds generally) might not be that popular due to the economic situation generally and the different standard livings, as well as priorities for the people comparing to European countries mentioned formerly.

Nevertheless, the positive examples of socially responsible investment development in the United States and Europe, as well as possible evidence of sustainability idea that might come together with positive financial performance for the investor, can be considered as a matter of prime importance inspiring Lithuanian, Latvian and Estonian investors to follow the successful examples and to facilitate the development of SRI in these countries.

During the past ten years SRI growth within financial markets was obviously booming and it is likely to be expanding further with the trends that keep the influence on growth and some of these major drivers may

be applicable to the Baltic's market as well:

- Money managers are increasingly incorporating ESG (environmental, social and corporate governance) criteria into their investment analysis, decision-making and portfolio construction, awakening to the demand for ESG investing products and services from institutional and individual investors. This could be grounded by the formerly presented SRI market growth in number of funds and total assets. Moreover, according to Report on US Sustainable, Responsible and Impact Investing Trends 2014 (2014) managers' decision on mutual fund management strategy mostly (85%) depends on the client demand;

Further drivers are given by European SRI studies (2008 and 2010):

- Institutions (mostly public funds) are incorporating ESG criteria in part because of legislative mandates;
- New products and fund styles are increasing ESG investment vehicles, particularly ETFs (exchange-traded funds) and alternative investment funds such as social venture capital and responsible property funds;
- Environmentally themed investment products and services are rapidly emerging because of the growing investor desire to manage environmental risks and seize opportunities in clean and green technology, renewable and alternative energy, green building and other environmentally driven businesses;
- There were made several legislative and regulatory developments in 2009 and 2010 that set higher standards for corporate disclosure on ESG criteria and could help make corporate management to be more accountable to shareholders and other stakeholders.

Socially responsible investing with a strong idea of making a world better seems to be not only as an additional investment opportunity for the investors with an increasing popularity and attention to the social – ethical topics, it has also became a new era with an unrevealed opportunities for all of us: business and human beings.

Conclusions

1. The historical assumptions of socially responsible investing emergence and development show the concern of environmental, social and governance issues that was existing for the centuries. One common attribute that can be applied for all decades is that the level of concern and the investor's reaction depends much on the global problem or disaster at the time.
2. According to the most researchers and scientists, socially responsible investing concept is interpreted as the investment strategy or investment practise of incorporating environmental, social and governance factors into the decision making. Also it is very often described as the investment strategy that seeks to maximize both financial return and social good. Some researchers tend to incorporate environmental, social and governance (ESG) factors into socially responsible investing concept.
3. The most popular strategy for the period 2005 – 2013 in Europe was the Screening strategy that consists of such sub-strategies: Best-in-Class (Positive Screen) strategy, Norms-Based Screening strategy, Exclusions strategy. While for the period 2005 – 2014 in the U.S. the most popular strategy was ESG Integration.
4. Socially responsible investing has been a booming market during the past few decades. From year 2007 to the year 2014 number of such funds grew more than twice in Europe – from 437 to 957 mutual funds, and in the United States this trend was even more booming – from 260 to 925 of growth of such funds. SRI market takes more than a half of total world's market with four countries such as France, U.K. Switzerland and Belgium that account approximately 70% of total assets of SRI funds in Europe. The dominant strategy of socially responsible investing remains the same in Europe and United States – screening strategy.
5. Although SRI is a booming market worldwide, the situation in the Baltic States is totally different. The first SRI fund, called New Europe Socially Responsible Fund at Limestone Funds, was launched in Estonia in 2008 with assets under management in amount of 650 million euro by the end of 2011; another fund SEB Ethical Europe fund is offered by local asset manager SEB Asset Management but is managed externally. Practically

no local funds have been established due to the main reasons: different economic situation comparing to the economically strong countries, lack of the information on such investments, development of the SRI requires bigger support from the State and international organizations and because of the biggest players in the Baltic market - Scandinavian banks. As a result, there could be initiated a further research to analyze market specifics of the Baltics more deeply.

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INTERSECTORAL COOPERATION OF BUSINESS ORGANIZATIONS AND SPORTS CLUBS

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Key words: CSR, innovations in sports, intersectoral cooperation, learning organization, managing diversity

Abstract

In the article ideas pertaining to creation of a modern sports organization taking into consideration current developmental trends in business organizations, e.g. the concept of corporate social responsibility (CSR), have been presented. The aim of the study is to indicate the possibility of building partnerships accounting for intersectoral cooperation. The authors present the possibilities in the development of non-governmental organizations toward building partnerships realizing the seventh area of ISO 26 000 (local communities). Important competitive advantages in this field have been presented. Significant barriers, limitations and most frequently made mistakes while building partnerships and implementing the ideas of CSR have been identified. Moreover, the possibilities of generating innovations in the social and economic dimension of sports have been presented.

Introduction

Creation of the space for development of learning organizations and building adaptive organizations is the future for modern organizations, also those of the third sector. Assumptions of the CSR strategy of the enterprises, accounting for new concepts of management, constitute a buffer of changes between various organizations and show some openness to new solutions. This is also a type of manifestation of readiness for organizational and management adaptation and also an important message to other organizations (e.g. third-sector organizations) encouraging them to introduce changes and take an important step toward building intersectoral cooperation on the basis of concepts of CSR. Those changes condition success and build mature relations between business and non-governmental organizations. This change is the beginning of transformation in organizations.

As given by Peter M. Senge, those changes, such as so-called quiet transformations, are introduced by change leaders. Effectiveness of such innovators is largely dependent on their abilities to utilize strategies of skillful translocation between political forces, habits and stereotypes present in an organization. Innovators willing to build the culture of learning and openness face a difficult task, as they will work simultaneously in parallel realities: in the open, willing to learn world of teams in an organization or at least the part of an organization which would like to develop and the so-called traditional environment, very firmly established in a sports organization [Senge 2012: 324]. The paradigm of changes is very visible here. A learning organization, open to adaptive changes and innovations, starts when managers accept a rule that is very well-known from their sports environment, that is: without appropriate preparation there are no results and without practice there is no learning. One may use here a pragmatic example that no sports team can expect to reach a high level if the players simply participate in matches but do not appear at training sessions. This behavior should be expected from modern and adaptive organizations. CSR and the scope of possibilities connected with the way of implementation of this concept places a business non-governmental organization in the space and area of change and then directs it toward the space of a learning organization. On the one hand, this is a voluntary action by such an organization; on the other hand, this is, among

others, what a quickly reacting to changes business will expect from its partner in the CSR strategy. Actions within implementation of CSR concepts are adjusted to a given organization under its own conditions. It is a sports organization that adjusts to CSR strategies of another enterprise (if it does not have its own). On the one hand, learning by oneself occurs here, however, so-called team learning, that is learning from each other, also takes place. This relationship is the essence of CSR actions and constitutes real partnership. The model of striving for perfection, popularized by W.E. Deming, is well-known in the business environment. Companies frequently use those applications while upgrading their activities. However, the sports environment does not know so much about the PDCA¹³ model, although most sportspeople apply it unconsciously. A sportsperson must always be demanding toward oneself and keep on perfecting his or her skills. This model and character, as one may notice, is frequently missing in managers of sports clubs. Motivation to take action by people engaged in a sports club is the "circulatory system of the organization," which explicitly shows the direction of changes. One would have to create such conditions through management so that the organization itself could be freely and properly inspired. Suitable prevention and diagnosing the dynamics of occurring changes are very important. In order to interpret it all well, it is necessary to have some management competences and openness to change. It can be achieved by implementing changes first in oneself and then by inspiring a team in an organization to do so.

Managing diversity as an organizational ability

Managing diversity in sports organizations is still not a very well-known idea. It is understood better by business organizations, especially corporations. The awareness and understanding of this concept introduce some ability and dynamics of organizational activities, including use of the diverse potential of employees of an organization, which is so desired and, as a result, allows for measurable financial and non-financial benefits [Wiktorska 2011: 24]. Striving to realize one's potential as an individual as well as a larger whole is obvious here.

¹³ Deming's Cycle (the PDCA cycle) is a concept of quality management created by W.E. Deming. The concept is concerned with constantly perfecting oneself (known from Kaizen, among others) in four consequent stages: plan – do – check – act.

Teams diverse in terms of age, competences, race, religion or sexual orientation are a reality of every organization. Knowledge of those differences is capital, which can be consciously and effectively managed. The sports environment frequently operates in the atmosphere of diversity of its internal and external stakeholders. On the one hand, this is human capital management performed by managers working in sports organizations or closely cooperating with the business sector, e.g. by entering sponsorship contracts, organizing sports events; CSR strategies of enterprises are necessary for a modern and effective organization. The human capital is a referent specifying and related to the value and exceptionality of the position in the organization of its participants (workers, so-called internal stakeholders) with a large developmental potential. In a noticeable process of transformation of sports organizations that build or develop their human capital in the context of expectations of the external environment (so-called external stakeholders), they must take into consideration the conditions of this environment as well as its expectations [Stosik *et al.* 2009: 54]. Neither the company nor the sports organization, in the context of CSR strategies, operates in a void; they cooperate and interact with their local communities. Both the entities must show good social abilities. Contemporary orientation in sport management, focused on the changes taking place in the environment of a sports club and try to apply them in the area of socio - political, economic or legal (law). This makes it necessary to adapt the organization's management on a variety of levels of operation including strategic, tactical and operational [Łasiński 2003: 24].

Changes in organizations as a postulate of intersectoral implementation of CSR concepts

At present, demographic changes, increased competition, relocation of the sources of financing of non-profit organizations from the local to the central level, directly influence the condition and functioning of sports clubs. The ability to create beneficial alliances with the "profit" environment is another challenge faced by contemporary managers of sports clubs. Such a situation may be another source of problems of an organization that does not notice the changing conditions. It may also be a challenge and a chance for those organizations that will create a suitable

“offer” for cooperation with other entities. They will show appropriate organizational abilities. Each offer is based business strategy. It is no different with the strategies of CSR executing tasks, although they may function as substrategie created in response to the needs and expectations of each stakeholders. They are activated only when adequate resources are available [Jonker *et al* 2011: 58-59]. Sport organizations exist and operate in an increasingly competitive business environment and must respond to and make strategic decisions about the challenges that this decisions relate to an increased emphasis on social involvement, which is most commonly addressed through the notion of corporate social responsibility [Anagnostopoulos *et al.* 2014: 259-260].

In alliances on the basis of CSR concepts meet various entities representing different sectors, which, just as e.g. non-profit organizations, are not as profit-oriented as the government sector but are established and function by means of the willingness of people who gather for a common purpose, just as in case of an economic activity. Only enterprises are profit-oriented and function in dynamic conditions. In policies of all those sectors (profit, non-profit, government) more and more often the motivation, aside from strategic or economic aims, is this social aim that neither excludes profits nor causes loss. It is perceived as an investment and classified as a style of running one’s own activity. Today, CSR is not fashion but a reality of the social and economic picture. Cooperation of those sectors might be embarking on the later implementation of CSR strategies of an enterprise through sports initiatives (through a club). Both the organizations, before starting cooperation, take actions aiming at introduction of some changes, adjustment. They embark on the so-called stage of team learning. This kind of establishment of conditions of participation and implementation of CSR concepts of a company may at this very stage constitute corporate social responsibility. This process may occur in sports organizations if there are managers who, first, understand the philosophy of CSR, and second, will represent the necessary change leaders through their charisma. As leaders and change leaders they will be characterized by specific features, such as:

Necessary characteristics of a leader [Majewska 1998: 34]:

- self-esteem
- proactivity

- self-reliance
- positive thinking
- co-dependence
- internal consistency
- the feeling of profusion
- the ability to create visions
- the ability and willingness to learn
- intuition

Necessary characteristics of a change leader [Higgs 2006: 3]:

- prediction
- engaging others
- support
- curiosity
- developing others

The synergy of actions marked by the common CSR concept of both partners was and is visible and tangible to all participants of the concept. It may be a clear sign from a business for non-governmental organizations that changes are possible and that they constitute a sign of the times as well as that common implementation of CSR concepts requires them.

The process of change management, understanding and, consequently, accepting it through implementation into the structure of the organization is still a challenge for sports clubs. It usually arises not from lack of specific knowledge within human resources management or identification of chances for development by the management staff. This reservation arises from some apprehension of the new and of taking a step toward the change itself. It is different in "profit" organizations. There, change and adaptation to changing economic, political or environmental conditions is excellently identified and understood. The business organizations that would like to be visible and successful on the market must

be flexible and show typical characteristics of adaptation and innovativeness.

The broadening of thinking horizons and awareness of quick ageing of the knowledge acquired at universities or during trainings create a significant necessity to learn all the time [Kieżun 1997: 34-35]. Traditional management has been replaced with charismatic leadership and the manager – with a leader. To J.P. Kotter, effective transformation is 70-90% the result of leadership and only 10-30% – the result of management. Criticism toward managers of organizations is mostly concerned with too quick perception of success, forgetting about the essence of the organizational culture in implementation of changes. Leadership, on the other hand, allows for survival until the end of a long process of changes, completion of every stage and successful completion of the process itself. The changes introduced by the leader are innovative changes (e.g. a new service or product, a new approach toward management) [Balcerek 2008: 20]. Surprisingly little attention has been devoted to how corporate governance and organizational control systems may affect the firm's leadership approach to CSR strategy and the way it is implemented. Although researches on responsible leadership and CSR helps to develop a better understanding of the economic and social challenges that confront corporate leaders, its findings are yet to be integrated into the mainstream corporate governance domain [Filatotchev *et al* 2014: 290].

Innovativeness in building intersectoral cooperation and its social and economic effects

Innovativeness in the intersectoral building of cooperation will, first and foremost, pertain to its basic dimensions, that is the so-called common vision based on acceptance of each other's organizational diversity ¹⁴ Non-governmental organizations such as sports clubs need to remember that the aim of every company is to generate profits. On the part of the business sector, activities within implementation of CSR concepts are usually classified as investments, not costs. Therefore, in order to build a

¹⁴ Inter-sector cooperation usually pertains to three entities, that is a non-governmental organization, the private and the government sector. Each of them has a different organizational structure and way of accounting.

suitable model of sectoral cooperation one must know and understand the principles of the functioning of his or her future partner. The beginning of cooperation of a business with an NGO starts when the non-governmental organization is able to present a project taking into consideration its own aims and needs, at the same time remaining within the CSR strategy of the business. It is important to present one's concepts in the form of facts and numbers as well as show benefits of cooperation. Every company has specified groups of external and internal stakeholders, who are taken into consideration in its CSR-related activities.

Improving the functioning of a sports organization through generation of innovations within intersectoral cooperation is an element of the process of organizational change and requires organizational effort. The intention of introducing new solutions is obvious from the point of view of introduction of innovations, however, it is not easy to implement on the level of the unchanged mentality of people creating a sports organization.

The process of innovation, just as in case of the process of creativity, will suffer if one approaches it in an excessively mechanical and inflexible manner. The process of working on, applying, running and developing the creative idea and managing its maturation and downfall is called the organizational process of innovation [Griffin 1996: 424].

As given by Adriana Paliwoda-Matiolańska, intersectoral partnership is a basis for building social engagement, which, in turn, is the essence of CSR concepts but also one of the seven areas of ISO 26 000. The policy of corporate social responsibility as well as the form of cooperation may take on a various character defining intersectoral partnership; however, it should also take into consideration the following elements:

- focusing on the strategic area for the company,
- focusing on the areas that are significant for potential partners of the enterprise,
- selection of suitable social partners (public or non-profit organizations),
- engaging all resources of the company (material, human, informational, financial).

Social engagement based on the abovementioned rules will lead to significant benefits for the enterprise, exceeding sponsorship and allowing

for access to assessments, strategic knowledge and non-material resources. Governmental and non-governmental organizations might be a source of knowledge based on studies that are either unavailable or too expensive for an enterprise, or positively influence the organizational culture of the company, strengthening its entrepreneurial and innovative spirit. However, the largest benefit arising from intersectoral partnership consists in uniting forces in order to effectively solve social problems (including ecological ones), which endanger operation in the social and economic space [Paliwoda 2011: 73–81] (table 1).

From the point of view of an economic organization	From the point of view of a third-sector organization
• Knowledge arising from the process of learning about social problems and forms of solving them as well as the functioning of non-profit organizations, • connection of the pro-social activity with the process of management of an enterprise, • innovations resulting from solving social problems, which could be a barrier in the development of the enterprise; social legitimization for the enterprise's activity (answering the stakeholders' expectations), • reputation, • experience and advantage over competition that has not commenced activities of this type and in this area.	• Knowledge arising from the process of learning in general and learning the rules of the functioning of the world of business, • solving and managing social problems, using the principles of economic effectiveness and efficiency, • innovations within coping with social problems, • change of orientation from confrontation on the non-profit part to cooperation, • gaining a strong and valuable partner for cooperation, • change of operation of the organization into more effective.

Tab. 1. Benefits of intersectoral partnership

Source: Paliwoda-Matiolańska A. (2011).

Conclusions

The holistic and processual approach toward the concept of CSR places it among management sciences and gives it aspects of competitiveness and innovativeness. The advantage of this way of management is espe-

cially visible in case of large competition, when more and more important become non-material values, such as the company's reputation. The company that is a leader on a given market determines standards both in the space of economy, administration as well as law, that is within ecology or safety norms. Such a company is evaluated for the effects of its work, also the non-financial ones, and simultaneously accepts some social responsibility. Interest in the concept of corporate social responsibility and the direction of its development toward innovativeness and changes in the organizational structure might be a type of message for sports clubs to be ready for organizational adaptiveness. Improvement of the basic organizational and management processes is an essence of a flexible organization. The processes start with opening communication channels and end with taking responsibility for oneself as a representative of a given organization. This is a difficult but crucial task of the new manager – the leader. Responsibility in such environment, a club, starts with a change from the reactive to the proactive attitude. Identification of external and internal stakeholders is necessary on the part of the sports organization in order to build a well-functioning CSR strategy. Sports might be an excellent place for implementation of CSR tasks, norms or standards by companies which run their business in a conscious and responsible way. Particularly important here is the seventh area of ISO 26 000, which refers directly to local communities. Sport clubs unquestionably an important element of the local community.

In the nearest future it will be very common to combine CSR into social and business benefits. It creates chances and competitive advantages of those sports organizations which react to it appropriately, are prepared and open to such a change as well as gain crucial processual and systemic knowledge. Only by means of openness to new systems of communication, management and organization can one broaden his or her scope of operation and create an attractive array of activities for companies willing to implement the strategy of CSR. Responsible business becomes not only fashion but, above all, a source of competitive advantage, confirming the prospective thinking of the managerial staff.

Companies and non-governmental organizations should also learn a lot within CSR. This knowledge should help them consciously and effectively use the potential arising from the concept of CSR. In spite of large willingness and declarations on the part of enterprises to start cooperation with non-governmental organizations, companies do not implement partner-

ship relations, which happens at the very beginning of attempts at establishing common aims and ways of implementation of the possible CSR strategy of one of the entities.

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VOICE OF SOCIAL PARTNER

USING SHARED VALUE. DOING BUSINESS WITH SOCIAL ENTERPRISES.

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Introduction

This article describes the key aspects of doing business with social enterprises and generating a shared value between private companies and civil society. Through this shared value, private companies can increase the sustainability of their business.

A current trend has emerged in the business community to take a broader look at social responsibility through a shared-value approach. Under the concept of shared value, companies incorporate community needs into their value chain, making their businesses stronger and more sustainable. A way to achieve this shared value is through business engagement with social enterprises. Social enterprises use the tools and strategies of a business venture to sustainably fulfill a social mission. A social enterprise is not the same as a project or initiative seeking to fulfill only social purposes.

Social enterprises are working in different sectors and impact areas. Their business models are generating greater environmental awareness, increasing income for small producers, creating new jobs for people with limited opportunities, and improving quality of life for marginalized groups through access to health, sanitation and education, just to name a few.

The main benefit for companies that choose to incorporate social enterprises into their value chain is that they are fulfilling two purposes at the same time. They acquire a high-quality product or service that they need for operations, while simultaneously fulfilling social purposes established under their corporate social responsibility strategy.

Companies can reach more goals when they engage with social enterprises and adopt a “win-win” strategy. This is effective when there is an alignment between both organizations’ strategic objectives, for example a supply chain relationship that forms part of the company’s business model and clarity in the cost-benefit indicator for both parties.

There are several types of social enterprises and many opportunities to generate links with the business models of private companies. The cases analyzed in Poland indicate that a social enterprise can form part of the primary value chain in a company’s support area or social investment initiative, thereby being competitive but also environmentally and socially responsible.

What is a social enterprise?

A social enterprise is an innovative business that works to solve a social problem in a way that is both sustainable and profitable¹. Social enterprise combines the tools and strategies of a business venture with the mission and values of a social enterprise to create lasting social impact. The success of a social enterprise is not measured solely by the social benefit it generates. To ensure the social impact’s sustainability, it must also generate economic value.

¹ Etchart N. and Comolli L., *Social Enterprise in Emerging Market Countries: No Free Ride*, USA 2013.

Some experts have started to coin social enterprise as “The fourth sector”², in an attempt to set it apart from its counterparts in the public sector, private sector and non-governmental organizations. Social enterprises are considered “companies” because they use business principles to generate income. This is why they are subject to market rules. They are also considered “social” because their primary motivation is to positively impact social and environmental problems. Social enterprises represent a new paradigm: they generate financial returns and social/environmental benefits at the same time, so they don’t depend on grants and donations like traditional social organizations. Social enterprises offer a hybrid response to current social problems and, as they are based on market logic, they do so in a financially sustainable way.

The table below describes the characteristics of a spectrum of organizations based on their diverse objectives (table 1).

Traditional civil society organizations and charities	Civil society organizations with revenue-generation strategies	Social enterprises	For-profit businesses with CSR strategies incorporated into their business model	For-profit company without CSR strategy
Social mission and purpose predominate over financial goals. Financing dependent on donations.	Social mission and purpose predominate over financial goals. Financing through activities linked to the social mission.	Has social and financial objectives. Financing through a sustainable business model.	Financial objectives predominate over the social mission. The social impact is incorporated through CSR programs.	Has purely financial objectives. The performance is assessed in terms of economic returns.

Tab. 1. Spectrum of organizations in relation to their social and financial impact

Source: Etchart N. and Comolli L., *Social Enterprise in Emerging Market Countries: No Free Ride*, USA 2013.

² Burnside C. and Dollar D., *Aid, policies and growth*, American Economic Review, Number 90, USA, 2000.

The benefits of a business relationship with social enterprises

A social enterprise provides products and services to potential customers, just like any conventional business. It competes under the same market logic in terms of price and quality, as well as other indicators, like any other supplier. What sets social enterprise apart as a supplier is the fact that it incorporates a social purpose into the creation of its product and/or service, which may lead to additional costs. Thus, for a social enterprise to remain competitive in the market, it needs innovative business strategies that incorporate the social dimensions, but keep prices competitive.

When a company establishes a business relationship with a social enterprise, it meets its own specific requirements and generates a positive impact on its operations and in the community at large. Unlike traditional corporate social responsibility, which directs resources to a social purpose associated with company stakeholders, but not necessarily related to its business, when a company incorporates social enterprises into the value chain, its response is more sustainable and creates shared value for both parties.

Furthermore, it is common knowledge that conventional economic needs are not the only force that drives the market. Social needs can have a big impact on the success or failure of a corporate business, and can even lead to its downfall. According to the Ernst & Young report, "Business Risks facing mining and metals 2012-2013," social license³ to operate has been classified as one of the six major risks for companies in this sector, as it represents an ongoing long-term challenge.

In Peru – one of the country where NESsT is operating in - cases such as Electroperú and the OAS group have witnessed a paralysis in the construction of the Iñambari hydroelectric project, a clear example of this risk in action. This new social responsibility model⁴, where the social and

³ Social License means ongoing or widespread acceptance of an investment project by the local community and its stakeholders (social organizations, trade unions, businesses, professional associations, NGOs, etc.).

⁴ The concept of social responsibility is defined as an ethical form of management that includes the expectations of all company stakeholders (shareholders/investors, employees and their families, community, customers, suppliers, environment and government)

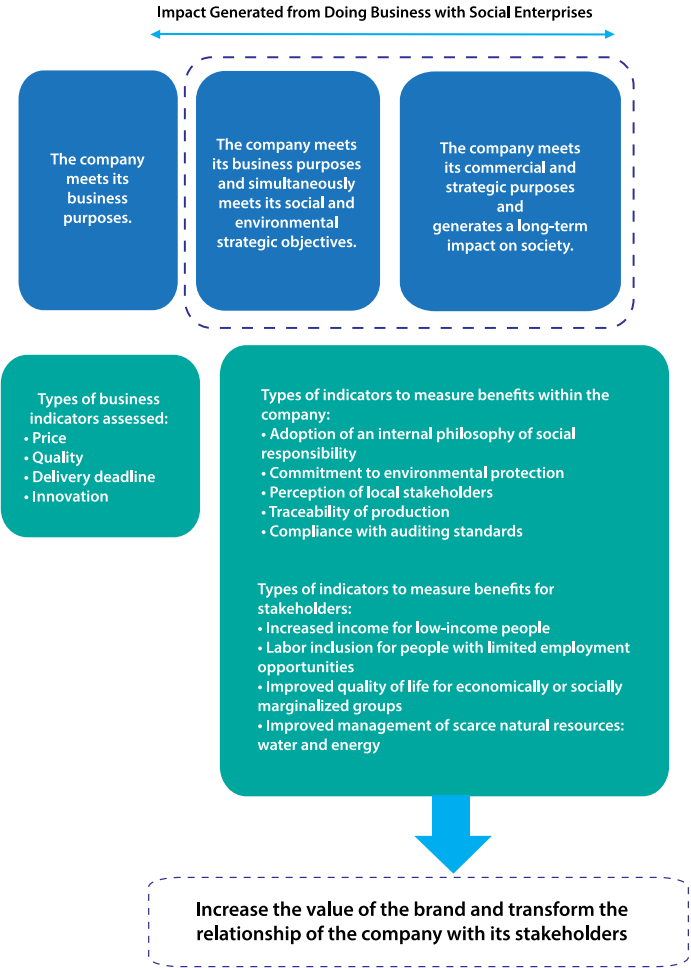
environmental purpose is part of the company's core business and value proposition, is an attempt to reduce this risk. Its purpose is to generate a positive relationship with different stakeholders, defined from the corporate business model. This strategy is well-known and is usually included in business operations. The purpose of social responsibility, then, is directly related to business sustainability through social impact. In Poland there are also such cases and some of the companies are supported by NGOs and social enterprises during the public consulting processes or even designing their communication strategy.

This is where the real value of social enterprises can be seen. They fulfill an operational requirement for the business, while offering a quality product or service. They can also play a key role in the implementation of social purposes defined in the social responsibility strategy. These purposes may be related to the company's internal or external reputation, traceability of the production process or compliance with auditing standards.

Finally, the inclusion of a social enterprise in the value chain of a business generates a long-term impact on society, which can be measured using indicators such as: creating new jobs, improving the quality of life of low-income populations or improving the use of natural resources. This long-term effect also improves the company's relationships with its stakeholders.

Social enterprises can add value by providing products and services to large companies, while generating a positive impact on society from different perspectives, as seen in the following figure. This guide proposes that companies engage in business with social enterprises as a way of creating shared value and generating long-term relationships that contribute to the environmental, social and economic sustainability of both organizations.

Fig. 1. Shared Value - the benefits of doing business with social enterprises



Success factors for engagement with social enterprises

For companies to successfully engage with social enterprises, they must take the following three key factors into account:

- Alignment of economic and social purposes: the social enterprise’s purpose must be aligned with the corporate strategy from a business and social standpoint. Both organizations must have common goals to generate a “win-win” situation.

- Integration of the social enterprise into the business model: the engagement strategy with social enterprises must align closely with the nature of the company's business model. The more the social enterprise integrates into the company's business model, the more the engagement increases its chances of success, since there is a genuine business interest that is far removed from the traditional subsidy model for social projects.

- Identification of all costs involved: the costs involved in the business relationship are included in the cost of the social enterprise's product or service. However, in some cases, companies can contribute to the development of social enterprises by supporting organizational development initiatives for their suppliers.

Models of engagement with social enterprises

During its 17-years activity NESsT has identified different models of corporates' engagement with social enterprises.

Suppliers for the primary valuechain

- Sale of supplies
- Sale of manufacturing services
- Sale of end products

Suppliers for support areas

- Sale of technology support services
- Sale of job placement services
- Sale of merchandising

Suppliers of social investment services to stakeholders

- Sale of services for creating social business models or self-sustaining social programs

Social enterprises that are primary value chain suppliers

Social enterprise that sells supplies to the agro-industrial sector: This is the case of farmer cooperatives or associations that sell supplies to large companies. Companies benefit from this business relationship because they have access to raw materials at a pre-established quality and predictable prices⁵. The business relationship also leads to increased income for small producers who may otherwise live below the poverty line and/or be excluded from the market.

Example: Eko Bielska Kraina from Bielsko Biala, Poland, provides food products that have been produced in a socially and environmentally responsible way. Bielska Kraina is an online marketplace for small-scale farmers and fishermen to sell their crops, fish, and agricultural products. The enterprise offers also direct sales to catering companies and institutional clients, as well as short-term group excursions in the region. Their social impact is to guarantee fair income for local food producers, fishermen and rural communities. They invest in the education of farmers and fishermen.

Social enterprise that provides manufacturing services: Large companies can outsource certain production tasks to social enterprises. The workforce in this type of social enterprise generally tends to be low-income and/or with few opportunities in the formal labor market. The inclusion of these groups not only fulfills a company's operational needs but also has a positive impact on society through a profitable and efficient business transaction.

Example: Social Company Siedlisko from Kolonowskie, Opolskie region is providing high-quality catering for local schools, hospitals and companies. The social enterprise has contracts with local government and thanks to that is able to employ young people with mental disabilities.

Social enterprise that provides end products: In recent years, consumers have become more concerned about the responsible production of the

⁵ "Buenas prácticas de responsabilidad social empresarial. Apuntes de Estudio N 58", Centro de Investigación de la Universidad Pacífico, Lima, 2004.

products they consume. Social enterprises as suppliers, with a core mission focused on social, environmental and economic sustainability, can play a strategic role by supplying finished goods that can be sold in large, high-volume points of sale, through virtual platforms or chain stores. The brand thereby becomes associated with responsible practices that support the company's sustainability through its suppliers.

Example: The WellDone® products, manufactured by the "Being Together" Foundation (Cieszyn, Poland), made from natural materials, simple, witty and intelligent are not only very useful but are also the perfect gifts. They were designed by young designers and are now being produced by people returning to the labour market, who are supported by the "Being Together" Foundation. The WellDone® products are of excellent quality, unique design and at attractive prices, additionally providing each buyer with an opportunity to do something good. Meble Vox Company – owner of the chain of the shops with the furniture and decorative materials has decided to offer WellDone products in their shops.

Social enterprises that provide support areas

Social enterprise that provides technological services: Social enterprises can provide digital and technological services to major companies. This type of business model generates social impact by creating jobs for people excluded from the formal labor market. These services are labor intensive and employees are the most valuable resource, so this considers the reinvestment of a significant percentage of profits into training, reasonable salaries and the workforce onboarding process.

Example: The Integration – NGO from Warsaw, Poland supports people with disabilities offers their consulting and technical service within the area of developing and designing accessible websites. They employ people with disabilities as a software developers and also as testers for the new software and websites. They also offer legal support on employment of people with disabilities.

Social enterprise that provides job placement services: The demand for unskilled personnel in companies has generated an opportunity for social enterprises to connect supply and demand, acting as head hunters or employment agencies. Social enterprises work to reduce the high unemployment rates among unskilled and informal workers and improve their employability through education and training. Part of the company's profits are used for this purpose.

Example: Capuchins Foundation from Warsaw, Poland trains homeless people and prepares them to do simple jobs (storages, security services, production etc.). Together with Randstad – private work agency – they offer to homeless people employment, providing them sustainable income and psychological support.

Social enterprise that provides merchandising: These are social enterprises that supply products that have been produced in a socially and environmentally responsible way. The products are also part of campaigns to raise awareness about different issues, contributing to the welfare of society.

Example: Vocational Training Centre in Piła is manufacturing ecological bags and bags made of plastic advertising banners for Kompania Piwowarska, the biggest brewery company in Poland.

Social enterprises that provide services for social investment in stakeholders

Investing in social enterprise has a large multiplier effect. A company interested in making social investments in its area of intervention can maximize its impact by using the services of social enterprises. These are responsible for the design, management and implementation of business models with high social impact. The advantage of this business model compared to a direct investment in the beneficiary is that it doesn't require the investment of the company's own resources in social projects and ensures transparency and objectivity in business relationships.

Example: The Sendzimir Foundation from Cracow, Poland is offering their advisory service for companies and local governments. They provide consulting and trainings on sustainable business development and corporate social responsibility, in particular on: communication and dialogue with company's stakeholders, strategic planning, sustainable business strategy, principles of implementing community projects.

Conclusion

In order for companies and social enterprises to build a successful relationship, they must share similar economic and social purposes. As mentioned in this guide, there are diverse models of engagement between companies and social enterprises, and a company must identify the areas that will be involved in managing the business venture with social impact. Engagement with social enterprises has social, technical, economic and administrative aspects. A proper coordination between the areas involved within the company is essential to avoid the duplication of efforts and resources.

In the medium term, engagement with social enterprises leads to an internal commitment and external results that reach beyond commercial considerations. In the long term, the benefits of doing business with social enterprises can lead to institutional changes in the way that companies engage with these entities and a more formal process of incorporating them into their operations and value proposition.

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CSR TRENDS CONFERENCES IN ŁÓDŹ, POLAND

Faculty of Management (University of Łódź, Poland) and CSR Impact Foundation are pleased to invite you for the conferences under the title „CSR Trends”. Please find details for the nearest event on the website: **www.csrtrends.eu**.

The meetings are prepared in a collaboration with International Working Group for Business Ethics Education (IWBE).

If you are interested in participation please contact us: **biuro@csri.org.pl**

The proposal may address following areas:

- The role of ESG reporting including issue of mandatory reporting
- Sustainability and materiality of CSR strategies
- Sustainable business models and shared value creation
- Human rights and business
- Sustainable supply chains
- Social innovations and social entrepreneurship
- Good and bad practices from different sectors
- Voluntary versus mandatory solutions
- Methodology of CSR and how to measure CSR?
- Intersectoral cooperation
- Sustainability of larger systems and the role of business (e.g. sustainable cities)
- Responsible management education (including a role of PRME)

The official language of the meetings is English.

The main idea of the conferences is to create an excellent platform to exchange ideas and experiences between academics and representatives from all sectors. In an agenda you will find discussion sessions, workshops (business game among others) and social events.

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**Center for Strategy and Development IMPACT (CSR Im-**

pact) is a foundation established in 2010 to provide support for social innovations and promote social responsibility and sustainable development. We are interested in building ethical consciousness among participants of social and economic system, development of civil society and social economy. In these areas we help to plan, implement and improve management processes. We train and consult organisations and their human resources from business, social and public sectors. We support scientific and research activities. We realize projects and collaborate with organisations from all over the world. We believe that these activities can help us to create a better society.



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