The Evolving Nature of CSR within the Organisation: an Empirical Investigation on Large European Corporations

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The aim of this paper is to present the results of an empirical research in 25 European large companies in Italy, France, Germany and Switzerland in Corporate Social Responsibility topic, highlighting the existing CSR practices in companies and their effects on the managerial agenda, defining the impact of CSR on a series of variables within the organisation in order to verify the existence of a dynamic model for the adoption and implementation of CSR in corporations.

**The REBUS project - Relationship between Business & Society: goals and methodology**

The REBUS - Relationship between Business & Society - project is a research project funded by the European Union under the mainstreaming "Article 6 - Innovative Measures - New Approaches to Corporate Social Responsibility". The project, which lasted two years (November 2001 – December 2003), aimed at investigating how the concept of CSR is perceived and dealt with by managers of European companies, thus fostering a wide reflection on the managerial task, with particular reference to the values exercised in performing the task and promoting the exchange of good practices that might facilitate the adoption of CSR practices in European corporations.

In particular, the project analysed the relationship between CSR and some relevant variables in organisational contexts, in relation to i) company strategy and communications; ii) impact on organisation; iii) management style; iv) planning and control – the overall aim being to improve understanding of the implications and knock-on effects in terms of managerial CSR actions and behaviour and to understand how CSR influences each variable. In order to achieve these goals, a field research in 25 large European companies settled in Italy, France, Germany and Switzerland was carried out. The methodology chosen was that of the ethnographic case study. Within the context of these project goals, this paper focuses on defining the impact of CSR on a series of variables within the organisation in order to verify the existence of a dynamic model for the adoption and implementation of CSR in corporations.

**Project structure and methodology**

The structure of the project and methodology could be described as follows.
Phase 1 - Framework definition

During this phase researchers carried out a preliminary survey, whose purpose was to understand how CSR is perceived among managers. This analysis was performed through a set of focus groups (one with CEO's, one with HR managers and one with representatives of all other functions), which involved a total of 60 managers in the four countries.

Through creative techniques like mind mapping or metaplan (Eden, 1990), the participants in the focus groups were asked for their definition of CSR, the conditions for its implementation and its impact on company results and behaviour.

The following results emerged from this part of the research:

1. Perception of CSR appeared to be confused among participants. Among the definitions given it is possible to trace a continuum, at the extremes of which there is, on the one hand, the idea that CSR is a good practice in itself, without any argumentation of a rational type in support of this assertion; on the other, however, there is a perception of CSR as a ‘super-structure’, which companies must adopt to respond to the expectations of the outside environment, but which involves costs and complexities within the company structure.

2. In the view of focus group participants, the adoption of CSR practices requires strong support on the part of top management. In this connection, there seems to be no place for a bottom-up approach. In addition to leadership, another fundamental instrument for the implementation of CSR appears to be economic willingness on the part of the company. This perception views CSR as an extra cost, rather than a business opportunity capable of improving processes and products or services.

3. No clear perception has emerged as to the benefits of CSR within the organisation and the ways to measure them.

Phase 2 - Data gathering and elaboration
The second step of the research consisted in drawing up 25 case studies in large companies in Italy, France, Germany and Switzerland, with the objective of analysing
existing CSR practices in companies, with particular focus on the evolutionary nature of the phenomenon. The sample is comprises 12 Italian, 7 German, 3 French and 3 Swiss companies.

The following criteria were used to select the companies:

- Long established commitment to CSR;
- Strong ability to develop CSR initiatives internally;
- Effort to formalise CSR practices through a set of formal indicators;
- Operation on markets or in industries with a considerable public trade off;
- Relevance of CSR for both the company headquarter and subsidiaries.

The analysis of these companies was based on the following techniques:

1. Analysis of documents, as well as other material artefacts. The research team analysed the documents produced by the companies on CSR practices and strategies, from which it was possible to draw ‘objective’ data and information as well as indications of the relative ‘cultural climate’ (e.g. social report, ethical codes, accounts of important decisions, declarations of intent – customers’ charter, etc. – and mission statements, internal newsletters, selections from the external press circulated and perhaps commented on internally, projects, material on training/updating programmes, web sites);

2. Direct observation of company meetings, events and activities on CSR or specific projects within the corporate responsibility framework;

3. Interviews with managers responsible for implementing CSR programmes at different levels within the organisation. These interviews were run using the ethnographic approach and methodology (Spradley, 1979; Van Maanen, 1988). The aim of the interviews was to produce relevant information on the dynamics of the material and the socio-cultural construction of CSR on the part of these subjects, since they are “in action” in and on behalf of their respective organisations. Considering the complexity of the subject the number of individuals interviewed was relatively high, both horizontally (with respect to the company functional units and areas of activity) and vertically (with respect to its hierarchy).

In particular, the actors interviewed during the research comprise:
- the organisational top management i.e. the body of subjects who theoretically have greater discretion and power within the context of decision-making processes and coordination relative to CSR initiatives;
- managers of individual functions;
- CSR managers, where present;
- privileged witnesses of the impact of CSR, or other actors considered significant due to the specificity of the case.

In each company between 5 and 7 managers were interviewed, depending on the characteristics (dimensions, ambiguity etc.) of the setting studied, with a total of 150 interviews carried out by a team of 20 researchers.

Main findings emerging from the research

The framework emerging from the research concerns the complexity and heterogeneity of the practices implemented by companies. The strategies adopted by companies to translate CSR into concrete actions could not be easily related to consolidated and institutionally legitimated models and testify to an effort towards exploration and experimentation, guided by the firm's desire to find its own unique and unrepeatable approaches. The results of REBUS research could be grouped into the following set of phenomena:
- CSR & company strategy;
- CSR & communication;
- CSR & impact on the organisation;
- management style for CSR development;
- CSR influence on planning and control.

CSR and company strategy
Analysis of the relationship between CSR and company strategy was carried out with respect to the impact of CSR on the following variables: (i) value chain; (ii) business and product innovation; (iii) link with the stakeholders representing the reference context. Finally, the dimension of quantification of economic investments in CSR made by the companies studied was also analysed. With regard to the relationship between CSR and the value chain, it was shown that core activities are significantly influenced by CSR principles in more than half the sample. Though CSR strongly influences parts of the value chain, there is poor evidence of the contribution of CSR to business and
product innovation. With regard to stakeholders, it is interesting to note that although division by category of stakeholders is a conceptual reference model, which the managers interviewed often referred to in their analysis, consistently with the predominating analysis models (Freeman, 1984), in their daily practice there is a tendency to ‘blur’ the border between categories of stakeholders. Almost all the companies pursue a synergy of actions to the advantage of different categories of stakeholders. This is the case, for example, with initiatives in favour of the community, which have then had positive knock-on effects among employees; or again initiatives with respect to the environment that have had positive knock-on effects on stakeholders in the territory and so on. This demonstrates that, although for the companies reasoning in terms of the stakeholders represents a useful simplification, in reality it does not constitute a real criterion for the organisation of work. The existing literature on the subject suggests that an organisation could adopt different approaches to deal with each category of stakeholders: reaction, defence, accommodation and proaction (Carroll, 1979; Clarkson, 1988, 1991, 1995; Gatewood & Carroll, 1981; Wartick & Cichran, 1985). Moreover, it has been suggested that organisations could adopt different approaches according to their specific organisational life cycle (Jawahar & McLaughlin, 2001). The field research corroborates the hypothesis that organisations tend to move from a reactive approach to a proactive one. In relation to CSR economic-financial investments, it clearly emerges that there is a general tendency not to quantify such investments. A low level of awareness of this dimension therefore emerges, testifying to the fact that for the moment it does not represent a priority for companies.

CSR and communication
With regard to the subject of communication, two different basic approaches emerge from the sample studied. The first focuses on action. There are different motivations for this sort of underlying ‘reserve’: from the conviction that it is important to carry out certain initiatives because they are right in themselves, and that therefore to communicate them would mean in some way to ruin the authentic spirit with which they were carried out, together with a parallel and old company tradition of confidentiality. The second philosophy defines the need to communicate CSR actions to a public that is as large as possible, with the fundamental aims of positioning the corporation as a socially responsible company and of generating a culture around this subject and diffusing positive models of entrepreneurial activity. Neither of the two trends noted prevails over the other, since the two clusters just described divide the sample into equal groups. The approach chosen is the result of the company’s culture. It is possible to note that the institutional movement and the growing concern about CSR is leading
some companies to adopt more visible communication strategies. In the totality of cases the target of communication is external. The point we wish to make in this regard is, however, that in half the cases the primary target of communication is internal, testifying to the great importance this stakeholder acquired in CSR practices.

CSR and impact on the organisation
Responsibility for CSR seems to be distributed throughout the structure: only in a few cases is a dedicated organisational unit present. With regard to the levels involved, this is a phenomenon led essentially by top management, which is helped in the creation and realisation of initiatives by staff functions. Top management, in this study, means not just the managing director and chief executive, but also the level immediately beneath them. Quite surprisingly, there is a lot of talk about the involvement of top management and the need to involve the company base in CSR policies to create a feeling of belonging and a sharing of values. On the other hand, there is very little mention of middle levels, whose participation and involvement in CSR appears to be decidedly limited. Involvement of the lower levels of middle management appears to be a weak point in achieving the actual transmission and diffusion of CSR and responsibility within the organisations. With respect to the impact on the organisation, the situation is not stable, but dynamics are observed within companies studies, according to which the involvement of the organisational structure is much greater when successful situations related to the adoption of CSR practices are experimented over a period of time.

Management style for CSR development
The presence of strong leadership is important, but not always decisive. It is fundamental during phases of change and innovation and when CSR does not fully influence corporate strategy, while it is less important when many organisational actors share a CSR culture. The prevalent approach in the implementation of CSR policies is for the most directive, with a top-down involvement of actors. In the research there are no companies seeking to involve employees in the design and planning of the ‘new’ culture. In line with the attention devoted to the internal stakeholder, according to what emerged from the research, the connection between CSR principles and human resources management systems appears widely diffused. The overall picture of practices relative to employees also shows a rich and variegated array of actions implemented in this field by companies. Among the formal artefacts present within the organisations, whose main function is to generate common knowledge and create commitment, as well as to circulate information that goes beyond official declarations, ethical codes and charters of values appear to be widespread. In a certain sense, this fact too is absolutely
consistent with the importance attributed to the internal stakeholder, since these artefacts are mainly addressed to employees, with the aim of orienting their behaviour within a shared universe of values. Only in a few cases, on the other hand, is there an explicit reference to CSR in the mission.

The influence of CSR on planning and control systems
In general terms, it is possible to state that the link between CSR and planning and control is rather weak. As with quantification of CSR economic-financial investments, this subject too plays a marginal role in the company’s formal planning and control process. In the majority of cases, indeed, CSR is not treated as a specific planning and control subject at all. In terms of instruments, the social report – with its various structures and contents – is present in three quarters of the sample studied. It is important to emphasise that there is a prevalence of cases where the report is used as an internal and external communication tool. However, a trend emerges involving a ‘management’ use of the company report, according to which specific CSR objectives and the means of implementing programmes are defined during the planning phase and are then subject to audit and control. It is possible to identify a trend according to which the social report is drawn up initially with the sole intent of communication and subsequently evolves into a more complex instrument of management and reporting on the social performance of the company, drawn up by inter-functional working groups. In almost all cases ISO 14000 and/or EMAS environmental certification is present. ISO 9000 is often cited as an origin and point of departure for reflection on the subject of responsibility and on the revision of processes in terms of sustainability. SA 8000 (Social Accountability 8000), called “ethical certification”, on the other hand, is present in just two cases.

Conclusions and open questions
In analysing the cases through these categories, it is observed, first of all, that the adoption of CSR practices does not always take place through explicit, aware and deliberate strategies. On the contrary, it is more frequent for the specific situation of each company to be largely the result of a series of implicit choices and processes, which are sometimes made with awareness, by particularly “receptive” managers (Swanson, 1995; 1999). Additionally, analysis of the variables described permits us to observe a dynamic nature of social responsibility and to hypothesize a model for the adoption of CSR within the organisations. According to this hypothesis, the creation
and diffusion of a CSR culture in companies goes through a succession of phases in which CSR influences strategic options and organisational solutions and in turn produces, in the most positive, though still rare cases, the harmonious and coherent development of both dimensions (see fig. 1, CSR adoption cycle).

The transversal analysis carried out suggests the plausibility of the hypothesis that CSR has an evolutionary and dynamic nature. According to this idea, it is possible to trace a “CSR adoption cycle”, determined by the particular combination of the manner in which CSR influences the following aspects in each company:

a) the relationship with the external world i.e. how and to what extent CSR influences what I do and how I communicate it;
b) the processes of internal integration i.e. how and to what extent CSR influences organisational co-ordination and control.

Fig. 1 - CSR adoption cycle
The model suggests three stages in the adoption of CSR practices within organisations:

A. Experimentation
In this phase the initiatives undertaken are quite independent of the core business: this is the case in all philanthropic situations and in the promotion and support of collective interest initiatives that are characterised by reduced proximity with respect to the core business. Typically, considerable energy is dedicated to the elaboration and publication of ethics and behaviour codes. Another action privileged by companies that adopt this strategy is represented by the support of causes that are socially relevant and particularly visible for public targets that interest them. It is in this sense that "cause related marketing" is expressed, or that partnerships are set up with non-profit organisations that are particularly well known and accredited. The actions realised can be sporadic – and even isolated – yet despite this they can have considerable impact. They can also be translated into truly complex action programmes, which involve structured and coherent initiatives, with well-defined objectives.

On an organisational level, these initiatives are usually assigned by top management, the internal sponsor of these initiatives, to those functions which, under different names, focus on communications and external relations and rarely involve other units, unless indirectly. The poor involvement of the internal stakeholder could be linked to the managerial style often adopted in these companies, which are often defined as visionary (Berman & Elms, 1999). The control mechanisms are limited to the project or to the individual action and have as their sole aim the verification of correct progress with respect to planning. The control exercised is of a direct first level control type, according to the classic division by Perrow (1975).

In compliance with the objective of visibility, the communication of CSR initiatives is highly developed. Considerable emphasis is given to the publication of social reports, codes of conduct and ethical codes, especially those intended to divulge information about CSR, and to their diffusion on the company web site among various stakeholder publics. The targets of this communication are for the most part external (non-profit organisations, territorial communities, pressure groups). Internal stakeholders are involved to a minimal extent, sometimes through employees' participation in the various initiatives on a voluntary basis.
B. Organisational learning and rationalisation

In this phase CSR influences the redistribution of the company’s core processes: purchasing, production and sales. Companies tend to totally reformulate their action and processes in the light of CSR principles. In one company analysed, a manager declared: "CSR is part of our business… it is a way of doing business that influences everything you do." This orientation can be seen in many of the companies observed and sometimes different behaviour is even stigmatised. One manager explicitly stated: "I am against a marketing-oriented approach to CSR, which for me means “washing your conscience” with charity… what really matters is how I produce value, not how I distribute it." The purchasing function begins to adopt criteria inspired by CSR principles in the selection and management of suppliers, with particular attention devoted to the provision of raw materials or semi-finished items. For example, transferring know-how to suppliers, companies tend to obtain, at the same time, a product of better quality and an improvement in the suppliers’ internal and external working conditions. This becomes crucial where suppliers are in turn subject to the risk of social or environmental "accidents", or where the level of development in supplier countries is extremely backward, as in some cases in the agricultural and foodstuffs industry. R&D and production are profoundly influenced by CSR issues such as the reduction in environmental impact of products and processes, and the quality of both production process and the work environment (safety of machinery, reduction in acoustic pollution, comfortable environments…), and often go well beyond the prescriptions of national and international regulations regarding such matters.

Commercial processes are also modified by CSR principles. This phenomenon can be observed in both business to consumer and business-to-business. In the first case, the relationship is always more oriented towards the valorisation of the product and brand, which are enriched with social values, enjoying high symbolic content, in this way reinforcing the relationship with customers who increasingly wish to identify with products or brands that express a socially significant content (this is the case, for example, of a company that is starting to advertise itself as an "ethical company"). In the case of business to business, the accent is shifted to the technical quality of the product per se, and on the definition of commercial policies which are able to set market quality standards that are not damaging for the final consumer, especially in cases where the product and its use can have an impact on the health or life of intermediary operators or final consumers (this is the case of a company producing kitchen components, which renounced, for safety reasons, to a business in Brazil).
As a direct consequence of these processes, on the organisational front, all the line functions, those directly implicated in core company processes, are made responsible by the "conversion" of operational processes. In some rare cases a function specifically dedicated to CSR begins to appear in the organisation chart. Control systems are translated into procedures and standards that tend to be integrated with those usually adopted to control and monitor company performance. All attempts to adopt forms of control over company performance are moves in this direction, such as the social report or the application of the "triple bottom line" method. The forms of control also include certifications. In almost all companies that adopt the “strategic rationalisation” strategy, quality certifications have been obtained, together with ISO 14000 environmental certification. In these companies there is a sort of ‘leitmotif’ that links the route, usually initiated with quality certification, through to the social and environmental certifications. The certifications are sometimes considered to be an obligatory step by management, especially since: "...on one hand they formalise the commitment made by the company towards the surrounding community; and on the other, they involve an essential activity that allows us to achieve and maintain a certain image".

The aim of communication, within this strategy, is clearly to assert and reinforce the internal and external reputation as a socially responsible company, with the conviction that today CSR represents an essential long-term investment. Investments in external communication – which are mainly expressed through the publication of the social report or the institutionalisation of cause related marketing campaigns – are flanked, often equalling or exceeding the latter in terms of volume and intensity, by investments in internal communication. CSR is starting to become an element in organisational identification and cohesion, and the introduction of CSR principles is becoming an opportunity to specify or redefine the company mission, thereby re-establishing the ‘pact’ between the company and its employees.

C. Consolidation
In this phase CSR principles implicitly inspire and orient managerial decisions at all levels. In general, this strategy is matched by a long and deeply rooted tradition of openness towards the social aspects of business, often accompanied by the presence of a ‘mythical’ founding figure who left the legacy of a mission that explicitly presupposes a concrete commitment to society. Having experimented, at some time in the history of the company, the collective experience of success, following the adoption of socially responsible management practices, contributes to stabilising the values that underpin these practices and which, typically, are part of a managerial paradigm that differs from
the strictly utilitarian type. There is almost never any explicit reference to a direct link with the achievement of objectives of a strategic or tactical nature, while, on the contrary, socially responsible behaviour is declared to be right per se. As one interviewee remarked: "we have never even thought of measuring the costs of these actions. It is a question of faith rather than calculation: you have to do it because it is right".

The actions undertaken are no longer explained as such by the current management but are a profoundly inherent part of the company’s action. In addition to core processes, support processes also appear to be oriented towards CSR principles, such as that of human resource management. In particular, in companies belonging to this group, initiatives and programmes have existed for some time, aimed at improving the quality of life inside and outside the company, with programmes such as diversity management, work-life balance, maternity management with a view to valorising the period of leave etc.

As a result, on an organisational level, all business areas are generally involved, including those that are less exposed to business and the market. In particular, social responsibility extends to roles involved in human resources management. Organisational control is not effected either through 'direct orders' or 'indirectly through programmes and procedures'. Rather, in this case, one notes modes of implicit control, which occur on the basis of the 'ideological premises of the action' (Perrow, 1972).

Communication seems to be less of a priority than in the other strategies, probably due to the motivation of CSR itself: "...we do not carry out actions because they are communicated, but because we feel they are right". The formal artefacts that are found in these organisations relate back to the origin of the company and testify to the age of certain conceptions, present since the company was founded. These artefacts are often treated like a "Bible"; they are exhibited and celebrated; sometimes they are forgotten and replaced by a system of principles that have been consolidated in memories and consciences, able to implicitly inspire and guide important decisions. "At times when difficult decisions must be made it is important to share the company values... otherwise it is difficult to make the right decision". Some companies are pursuing the opposite road: internally rediscovering the traces of a culture that was always inspired by CSR principles. Their problem is that of valorising the culture to make it an element in communication and competition. This rediscovery phase has been encouraged by external pressures and by the behaviour of many competitors who are faster in
communicating their CSR practices with respect to the above companies, in a period, like the present, in which the process of institutionalisation of CSR practices is requiring companies to make their choices and orientation both visible and explicit.

All the companies studied are represented within this matrix, in the sense that in each of the quadrants it is possible to find one of the companies analysed. In fact, reality shows us a wide variety of alternative, apparently incoherent behaviour, inasmuch as it is imbalanced from time to time according to the need to be “compatible” with the external context or, vice versa, with the need to guarantee a high level of internal integration and consensus.

The analysis performed enables us to identify several useful indications to continue the activity of research within single companies.

First of all, the research carried out suggests the usefulness of defining the company positioning with respect to this CSR adoption cycle, in order to understand what the current stage of application is and to avoid the risk of “straying” in ways that would be misleading and detrimental to a harmonious process of organisational learning.

Finally, the analysis enables us to envision – without considering the merits of specific proposals, which will be the object of future work and research – a series of options that could be implemented for efficient management of the process of development of a CSR culture within the organisations.

References


Perrow, Complex Organisations,


