



**Corporate social responsibility for sustainable development –  
reflections on theory, practice and on the role of government**

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## 1. Introduction to sustainable development

By the end of the 20th century, in response to a growing environmental crisis and inequalities in global development, the international community adopted sustainable development as a leading development model with action-guiding power that calls for particular orientations of actions (Reid, 2005).

There is considerable consensus among sustainability scholars and practitioners about the meaning of sustainable development (Gibson et al., 2005; Lafferty & Meadowcroft, 2000). However, as contemporary buzzwords, prompted by an increase of public awareness and concern over environmental and social issues, the terms “sustainable development”, “sustainability” and “sustainable” have become over- and/or misused by several stakeholders in society, individuals and groups (Robinson, 2004; Du Pisani, 2006). Some (over)used the terms without a true understanding of its’ original meaning (Du Pisani, 2006). Others deliberately (mis)used the terms as a “green or sustainable smoke screen”—resulting in a watering down of the concept’s fundamental principles or simply neglecting them—window dressing unsustainable “business as usual” activities (Sneddon *et al.*, 2006). Hence, to many people the terms have become meaningless, although any similar term that manages to break into the public eye, would probably suffer the same fate (Dahle, 2008). Clearly, while the concept allows various sustainability views to co-exist, the “anything goes” mentality must be overcome. Random conceptualizations that do not respect the fundamental sustainability principles undermine the concept’s objective to steer action and arguably inhibit its practical realization (see e.g. Sneddon *et al.*, 2006). After more than two decades of debating and implementing sustainable development, to overcome arbitrary interpretations and reinforce the concept’s action-guiding power, a better understanding of sustainable development and its implications for decision-making and policy-making is still needed (Lozano, 2008; Kuhlman & Farrington, 2010).

Intuitively appealing to the common sense of mankind (Lafferty & Meadowcroft, 2000), sustainable development is like happiness: something that everybody wants and is hard to be “against”. But what sustainable development precisely encompasses varies greatly amongst various stakeholders (Palmer *et al.*, 1997). There is great arbitrariness in the concept’s interpretation and there are probably as many views and definitions as people dealing with the issue, each with their own focus, suiting the particular view of the stakeholders concerned (Hopwood *et al.*, 2005).

Reasons for this variety include: the normative nature of sustainability; the different disciplinary and professional background of people dealing with the sustainability issue; and, the battle for influence (Hajer, 1995) over the concept’s meaning and the appropriate way to achieve it, given the importance of the concept for future developments of society and visible in various discourse coalitions.

Such a divergence of understandings is especially likely in highly charged normative concepts such as “democracy”, “freedom”, “justice/equity” and “sustainable development”—sometimes described as the “essential contestability” of widely supported social and political concepts. However the range of understandings hardly prevents the application of such contestable concepts in practice (Lafferty & Meadowcroft, 2000). Many of the so-called sustainability views are in need of conceptual clarification (Robinson, 2004; Kuhlman &

Farrington, 2010) because they are often based on dogmatism and vague assumptions, lacking rational justification and scientific foundations. Sustainable development is for example meaningless and even contradictory when interpreted as “sustained change” or “sustained development” (simply a process of change that can last forever without objectives), “sustained growth” (sustaining economic growth and material consumption, contradicting the general recognition that the planet has ultimate environmental limits) or simply “successful development” (Lélé, 1991). Instead, sustainable development as a concept possesses a precise and unambiguous meaning.

First, and serving as the sustainability bottom line, sustainable development aims to meet human needs and aspirations, now and in the future, in an equitable way while protecting our environment which we share with other living species on Earth.

Second, in support of the sustainability bottom line, sustainable development has clear interpretational limits and incorporates a more or less stable set of general defining characteristics, which must always be respected, no matter which view one amounts to (Hugé *et al.*, 2011). These characteristics can be termed fundamental principles that embody sustainable development. They represent the sustainability play field/arena or some kind of common denominator/ground that anyone who justifies a line of action with an appeal to sustainability should respect and take into account (Hugé *et al.*, 2011).

Based on the scholarly literature, we distinguish four fundamental sustainability principles, also defined as rules of action towards sustainable development representing key principles, which are of equal importance:

- the normativity principle
- the equity principle
- the integration principle
- the dynamism principle

First, the concept of sustainable development is always socially constructed and normative (Haughton, 1999; Hugé *et al.*, 2011; Lafferty & Meadowcroft, 2000) or subjective—the normativity principle—because ultimately what sustainability means depends entirely on our views regarding the kind of world we want to live in and want to leave as a legacy for future generations. Sustainable development always implies societal and normative choices, which are ultimately based on the values we maintain. Values are abstract ideals, which evoke emotional reactions and are typically expressed in terms of good or bad, better or worse, desirability or avoidance. They define or direct us to goals, frame our attitudes and views, and provide standards against which human behaviour can be judged (Leiserowitz, 2006). Consequently, sustainability can never be determined with recourse to objectifying “theory” (Hajer, 1995) nor can it be empirically proven (Christen *et al.*, 2011). While science is crucial for sustainable development it cannot resolve the basic question of what is sustainable and what is not (Robinson, 2004). The concept is characterized by interpretive flexibility and allows various views and interpretations to co-exist, be it within the concept’s interpretational limits.

However, following the traditional scientific objective—subjective dichotomy it is clarifying to distinguish between ‘objective’ and ‘subjective’ views on sustainability, and any combination that appears is likely. The former considers sustainable development as a concept that is “objectively” measurable informed by scientific evidence while the latter considers it as “subjective”, being a result of societal preferences, where different opinions can co-exist and which are contextually determined (Van Zeijl-Rozema *et al.*, 2008). Taking

the “objective—subjective” scientific dichotomy for granted, one can distinguish between (partly) objective and subjective aspects of sustainable development and given the widespread use of the divide this is a reasonable and helpful way to frame the sustainability concept and its debate.

Second, the equity principle (or justice/fairness) (Cairns, 2001; Gibson *et al.*, 2005; Lafferty & Meadowcroft, 2000; Hugé *et al.*, 2011) is a central principle of sustainable development and could be subdivided into inter-generational equity, intra-generational equity, geographical equity, procedural equity, and interspecies equity (Haughton, 1999). Inter-generational equity refers to the long term or futurity aspect of sustainability, as the concept not only aims to meet present human needs and aspirations but also includes the right of future generations to meet their needs and aspirations. Because we depend on natural resources to meet our needs and aspirations, this principle includes the requirement to keep within the environmental limits of the Earth.

Intra-generational equity is similar to intergenerational equity but with regard to present generations. It refers to the realization of contemporary social equity—the right of every human being for a decent quality of life. Geographical equity or global responsibility refers to the need for worldwide cooperation in a spirit of ‘shared but differentiated responsibility’ in tackling sustainability issues. Procedural equity refers to democratic and participatory governance systems, involving concerned stakeholders in decision-making. This is particularly essential because of the normative nature of sustainability. Interspecies equity refers to the survival of other species. It highlights the critical importance of preserving ecosystems integrity and maintaining biodiversity, not only for utilitarian reasons, but also because other species have the intrinsic right to survival (Haughton, 1999).

Third, sustainable development is a concept of integration (Christen *et al.*, 2011; Gibson *et al.*, 2005; Giddings *et al.*, 2002; Lélé, 1999; Robinson, 2004). As a logical consequence of its modern genesis and in need of a whole system’s perspective (holism), sustainability should harmoniously integrate various development objectives with environmental objectives. This means that all sustainability principles should be applied together —integrated—, and that mutually supportive benefits should always be sought. Integration contrasts with the idea of ‘balancing’ or ‘trading-off’, suggesting sacrifices among sustainability objectives. This is pernicious because of the objectives’ inherent linkages and interdependence, as failure to achieve one or more sustainability objectives undermines the success of the other objectives (Gibson *et al.*, 2005). Fourth, sustainable development is always a process of directed—sustainability oriented—change, and not a defined end-state. This reflects the dynamism principle (Lafferty & Meadowcroft, 2000; Robinson, 2004). Society, the environment and their interaction are subject to a continuous flow of change. As a result sustainable development is not a “fixed state of harmony”, but instead an ongoing evolutionary process (Hodge & Hardi, 1997). In other words, sustainability is not a final destination but a destiny-oriented long voyage. Hence it is sometimes argued that sustainability—per definition—can never be achieved, and that its perfect realization is elusive. While this type of reasoning sounds theoretically correct it might be a pitfall and it might be an argument to escape from the societal commitment to the objective. Instead sustainability can and should be achieved—it ultimately depends on societal and political will—and should be regarded as a continuous search for a delicate equilibrium in a dynamic setting.

This dynamism brings about uncertainties and (potential) risks due to unpredictable evolutions and unanticipated effects, underlying the need for precaution. Precaution requires respecting uncertainty, avoiding even poorly understood risks of serious or irreversible damage to the foundations for sustainability, designing for surprise and managing for adaptation. It involves willingness to act on incomplete but suggestive information where social and environmental systems are at risk (Gibson *et al.*, 2005).

Any list of fundamental sustainability principles has a number of limitations:

- (1) principles are only generally stated and their implications should be further elaborated and specified before being implemented in practice;
- (2) considered together—integrated—the principles are more complex and sophisticated than we are used to manage;
- (3) although reasonable in theory, in practice it seems to be overly ambitious and unrealistic to realize positive results for all sustainability objectives and principles at the same time in every instance: ‘balancing’ or ‘trading-off’ are sometimes unavoidable in decision-making but this is only acceptable as a last resort when all other options are considered to be worse. In any case the general rule is that trade-offs must not violate the fundamental objective of net sustainability gains. The integrated application of sustainability principles and simultaneous reconciliation of sustainability objectives remains central in achieving sustainability in the short and long term;
- 4) no set of principles can be more than a part of the solution and should hence always be applied and interpreted within a particular context of implementation. This context is at least as important as the principles themselves (Gibson *et al.*, 2005).

After this necessary clarification of the concept of sustainable development, this working paper will now focus on private enterprises.

Corporations, because they are the dominant institution on the planet, must squarely face the social and environmental problems that affect humankind, and must hence be actively involved in the societal commitment to sustainable development. The notion of Corporate Social Responsibility (CSR) is described as a concept from which businesses can assure a role in addressing the challenges of sustainable development and thus contribute to moving society towards a sustainable future (Blindheim, 2008).

## **2. Research approach**

### **2.1 Context**

This working paper is the first deliverable of Research Project 9 ‘Evaluation of sustainable management systems: potential and application in Flanders, Belgium’, carried out by the Flemish Policy Research Centre for Sustainable Development (Steunpunt Duurzame Ontwikkeling). The research process benefits from the input and feedback of an ad hoc advisory committee, as well as from advice from the Policy Research Centre’s Steering Group. The objectives in section 2.2 were adapted from the initial project proposal after the feedback given at the advisory committee meeting of November 16, 2010.

## 2.2 Objectives

- To deepen the conceptual understanding of corporate social responsibility (CSR) and firms' underlying motivations to engage in CSR;
- To gain insight in existing CSR approaches in an international and Flemish context;
- To analyze the function of government in fostering CSR, with a focus on Flanders' small & medium enterprises.

## 2.3 Research approach and methods

### 2.3.1 Research approach

Classical approaches to CSR research include the instrumental approach and the ethical approach. The instrumental approach to CSR holds the position that companies engage in CSR only when their underlying motivation is the attainment of financial performance, while the ethical approach to CSR states that companies engage in CSR because it is 'the right thing to do' according to some ethical pathway (Blindheim, 2011).

However, these both approaches often fail to recognize the political and institutional mechanisms needed to support responsible business behaviour. Blindheim (2011) suggests to focus on the institutional perspective on CSR which states that the pursuit of the common good –sustainability- does not only depend on economic and social conditions, but also on the appropriate design and functioning of political institutions.

Given the focus of our research objectives on the –potential- function(s) of government in fostering CSR, we follow this institutional perspective on CSR. Moreover, our CSR research perspective combines descriptive analysis with normative assumptions about the preferred institutional order and about corporate responsibility. This perspective is in line with an action research methodology, where researchers work with others to propose new courses of action to help communities improve their practice (Reason & Bradbury, 2006).

### 2.3.2 Research methods

- A review of the relevant scholarly literature will be combined with a review of existing CSR schemes to sketch the state of the art of CSR knowledge and experience (this working paper)
- A series of expert interviews in Flanders will provide input to develop policy recommendations on the functions of government in CSR (next working paper)

## 3. Corporate Social Responsibility: what's in a name?

In line with the 'instrumental' and 'ethical' approaches to CSR research (see § 2.3.1), the underlying theories and interpretations of what CSR 'actually' means are heavily influenced by these schools of thought.

Although the origins of the concept go back to concerns on the social responsibility of

businessmen in the 1930s (Hediger, 2010), the milestones of the modern re-emergence of the concept of sustainable development (especially the United Nations Conference on Environment and Development in Rio de Janeiro in 1992 and the 2002 World Summit on Sustainable Development in Johannesburg in 2002) led to renewed interest in CSR.

Just as with its mother concept 'sustainable development' -the OECD (2001) sees CSR as 'the business contribution to sustainable development'-, many interpretations and definitions co-exist even if all do reflect different emphasis.

The World Business Council for Sustainable Development defines CSR as 'the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force (WBCSD, 2002). CSR hence no longer represents a burden, but instead it is seen as a means of enhancing reputation and credibility among stakeholders. Similarly, Hediger (2010) defines CSR as a strategy to cope with externalities and serve as insurance for reputational risks that harm profit prospects and corporate values.

To avoid falling into the trap of unachievable exhaustiveness and to provide the reader with a set of general common characteristics of CSR definitions, we refer to the five characteristics listed by Devooght *in*: De Prins *et al.* (2009):

- Respect for man and nature;
- Plural objectives;
- Creation of value;
- Responsibility
- Voluntariness;

In light of our research focus on the potential role of government in CSR, the voluntary character of CSR, put forward by McWilliams & Siegel (2001), is important, although it is criticized by Hopkins (2004).

McWilliams & Siegel (2001) define CSR as 'actions that appear to further some social good, beyond the interest of the firm and that which is required by law'. This voluntariness should however not be a substitute to regulation or legislation concerning social and environmental standards (Hediger, 2010).

If CSR is to contribute to change a company's *modus operandi*, it is safe to say that it needs to be more than a commitment, hence it should above all be a strategy.

Although many instruments exist to support a CSR strategy in companies, they are basically all –supportive to- management systems. A management system consists of a company's interlinked agreements and methods, responsibilities and procedures, and of its organizational structure, so as to ensure a planned and systematic management and improvement of company processes (based on De Prins *et al.*, 2009 and on Tsai & Chou, 2009).

The Belgian Normalization Institute (in De Prins *et al.*, 2009) adds that a management system must consist of: planning activities, responsibilities, practices, procedures and means.

Elkington (1997) speaks of sustainable management, as a form of management, which states that enhancing the value of a business, is not only about continuously increasing revenues and profits, but also about reconciling the economic prosperity of a business with environmental quality and social justice.

#### **4. Rationale for CSR**

Many CSR interpretations emphasize the win-win character of CSR: it is a practical strategy to cope with externalities (let us assume that this amounts to actually diminish the negative externalities) as well as an advantage for the firm's reputation, hereby contributing to 'brand' the firm. This means that CSR is indeed carried by a social/ethical/sustainability dimension and by a business dimension, the latter referring to companies' prime responsibility to generate profits (Hediger, 2010). Lynes & Andrachuk (2008) also stress the importance of pragmatism in explaining the rationale for CSR, as *'corporations are made up of individuals whose values, goals and ideals often clash with the rigour and inflexibility set in laws and institutional structures that guide the operation of corporations. It is within this context that the issue of corporate social and environmental responsibility sits, torn between social consciousness and shareholder profits. Increasingly, however, corporations are realizing — for varying reasons — that being environmentally and socially conscious makes good business sense.'*

De Prins *et al.* (2009) list four driving forces for companies to initiate a CSR process:

- CSR as an instrument for damage and risk control and for reputational management;
- CSR as a business opportunity;
- CSR as a product of the vision of an ethically motivated leader;
- CSR as a product of a company's core values.

While the above vision gives an indication of the rationale for CSR, Lynes & Andrachuk (2008) propose a model that allows us to explain how a firm interprets and processes motivations, derived from various influences and subsequently makes decisions about its CSR commitments. Their model consists of four influence levels:

- Systems of influence (including the market system, the political-institutional system, the scientific and social systems);
- Motivations (*e.g.* image enhancement (Starkey & Welford (2001) speak of a firm's 'societal license to operate'), stakeholder pressures, international comparative advantage – as stressed by Angel & Rock (2009), globalization is generating intensified market pressures for addressing environmental concerns. In some cases these pressures have resulted in the adoption of firm-based global environmental standards that exceed existing country-based environmental regulations.
- Catalysts, that shape influences (such as the financial position of a firm, or internal leadership)
- The level of commitment of the firm.

A case study performed using this analytical lens underlined the importance of cultural and sectoral context in explaining CSR motivations (Lynes & Andrachuk, 2008). It is particularly important to stress that CSR commitments and subsequent strategies are not to be seen in isolation of the broader context that might be –or not- encouraging firms to actually engage in CSR. Gjolberg (2009) states that in order to solve the image of CSR as 'the failing discipline', it needs to be able to relate to structural conditions, such as globalisation, political-economic institutions and power relations. This is also a prerequisite for an informed analysis of the potential role of the government in CSR.

Numerous academic studies have analyzed to what extent the company's expectations and motivations materialize. The results vary according to the motivations, the CSR strategy and the organizational culture. Poksinka *et al.* (2006) mention improved customer relations and improved market shares, while Robson *et al.* (2007) list a better safety climate and a better

workplace productivity as key results of CSR implementation at the firm's level. On the level of international competitiveness, firms that are motivated to adopt CSR (through more comprehensive environmental management systems) because of their complementary resources and capabilities, such as export orientation, employee commitment and environmental research & development, observe greater overall facility-level business performance (Darnall *et al.*, 2008).

An **analysis of a company's motivation** for engaging in CSR is of **key importance** for at least **two reasons** within the frame of this project:

- CSR is and will most probably remain –by definition?– a voluntary commitment (see section 3); yet
- If there are options for the government to stimulate and encourage CSR, insight into the motivations and influences on firms is essential.

## 5. Potential and limitations of CSR

Regardless of the motivations and approaches underlying CSR strategies in any particular context, CSR is a dynamic concept. Just like sustainable development, CSR's essential contestability means that many actors gather behind its banner –as everyone interprets it in his own way–, yet it also means that it faces the risk of becoming a meaningless triviality. The previous sections have shown that CSR does refer to a stable set of components (thereby reducing the risk of trivialization), and that different approaches can be followed to implement it in some way.

Yet it is key to recognize the dynamism of the concept. This is not a disadvantage, quite the contrary. CSR frameworks allow firms to bring the concept of the 'learning organization' into practice in businesses.

Learning organizations successfully define their own futures by questioning and changing the foundation visions, values and assumptions that underlie the way people in organizations think (Stead & Stead, 1994).

Ultimately, learning organizations may contribute to realize an actual transition to sustainability, which would amount to a paradigm shift. Paradigm shifts entail changing the fundamental assumptions and values from which the world is viewed.

Indeed, any paradigm shift requires long-term organizational and societal change efforts. Virtually all of the organizations which comprise the underlying economic forces of our culture will have consciously to adopt shared organizational value systems which support ecological sustainability, they will have to examine and modify what they stand for in the context of serving the needs of their ultimate stakeholder, and they will have to develop learning structures which emphasize and perpetuate ecologically-sensitive values and assumptions, supporting a nurturing, synergistic relationship with planet Earth (Stead & Stead, 1994). Of course, CSR is not a panacea, and needs to be combined with other actions in favour of sustainability.

Although the scope of this project and working paper does not extend to a fundamental questioning of CSR practice, critical views cannot be eluded. The powerful statement of Hawken (1993 in Stead & Stead, 1994), certainly gives food for thought: *'If every company on the planet were to adopt the environmental and social practices of the best companies, the world would still be moving towards environmental degradation and collapse... Today there is a contradiction inherent in the premises of the socially responsible corporation: to wit, that a company can make the world better, can grow,*

*and can increase profits by meeting social and environmental needs. It is a have-your-cake-and-eat-it fantasy that cannot come true’.*

The question is if CSR will be a first step towards a necessary paradigm shift and to a sustainability transition, or if it will just be a cosmetic approach to continue business-as-usual is key: the answer is still not known. Only practice will tell to what extent CSR contributes to sustainability.

In the next section, different approaches to CSR are proposed.

## **6. Approaches to CSR**

While the general principles of sustainable development (see section 1) and CSR (see section 3) are clarified by now, developing and applying a consistent methodology to achieve sustainable development in a private business context is difficult in practice (Tsai & Chou, 2009).

There are different strategies to operationalize CSR, listed a.o. by De Prins *et al.* (2009) and by Gjolberg (2009). This section is not intended to provide an exhaustive overview; it is merely an introduction to the vast body of practice and theory regarding CSR approaches.

### **6.1 Sustainability accounting and reporting**

This approach recognizes that classical financial accounting covers only one aspect of business activity and that this needs to be corrected by accounting for social and economic aspects too (Starkey & Welford, 2001). Sustainability accounting is a combination of accounting for different things; in different media (this means: not only in financial terms); to different groups and individuals (this means accounting not only to the providers of finance); and accounting for different purposes (that is accounting not only to enable the making of decisions whose success would be judged in financial or even only cash flow terms). The bottom line is powerfully stated by the assumption that companies should not only report to their shareholders, but also to their stakeholders (Starkey & Welford, 2001). Sustainability accounting amounts to multidimensional accounting. The results of sustainability accounting are then communicated through sustainability reporting. Different standards for reporting exist, but the Global Reporting Initiative is probably the most well known (De Prins *et al.*, 2009). Comprehensive CSR reporting should consist of a number of information components (i) vision and goals, (ii) management approach, and (iii) performance indicators (Bouten *et al.*, 2011). Concretely this means that CSR reporting methodologies should (1) define the full spectrum of sustainability concerns and of relevant stakeholder dialogue contexts; (2) mobilise a relevant “data bank” which provides a profile of candidate CSR indicators; (3) obtain a selection of indicators in a site-level CSR reporting process through a stakeholder dialogue; and (4) obtain a “representative diversity” of indicators at the interface of site-level and higher-level CSR reporting contexts (O’Connor & Spangenberg, 2008).

Yet an analysis of the practice of CSR reporting in Belgium by Bouten *et al.*, (2011) reveals a low level of comprehensive reporting, thereby casting doubts on the extent to which CSR reporting can contribute to achieving sustainable development.

### **6.2 Achieving CSR through sustainable marketing**

Sustainable marketing goes beyond classical marketing perspectives and hence does not engage in greenwashing or in granting sustainable smokescreens to unsustainable practices and products (De Prins *et al.*, 2009). Instead sustainable marketing is committed to encourage more sustainable consumption. This can be done by making markets more responsive and enthusiastic for sustainable alternatives, and as such by making markets proactive as well as reactive to the demand side, as many consumers are expecting information on the sustainability score of the products they buy (cf. the many existing certification schemes). Some authors seem to have a very instrumental perspective on CSR marketing, as Eun Kyoo Kim *et al.* (2012) state that firms need to develop strategic CSR ads that positively influence consumer attitudes and decisions, because advertising certain products or services triggers the feeling of hope and creates specific goals. This means that if CSR is to contribute to sustainable development, marketing strategies need to move beyond their immediate goal and need to be related to a broader firm-wide CSR strategy. As such, sustainable marketing, which is based on the adaptation of the contemporary commercial marketing theory and practice as a means of guiding and aiding social change campaigns (Dann, 2010), is an interesting field that might contribute to make CSR more tangible.

### **6.3 Achieving CSR through sustainable procurement**

Sustainable procurement is the pursuit of sustainable development objectives through the purchasing and supply process, and involves balancing environmental, social and economic objectives (Walker & Philips, 2008).

Procurement is an essential activity of any firm, and sustainable development needs ideally to be integrated in all different steps of a firm's management, and in all steps of the production process. In the literature, public procurement has received a great deal of attention in recent years, as an operationalization of demand-oriented innovation policy (Edler & Georghiou, 2007).

### **6.4 Achieving CSR through sustainability-oriented innovation**

Although CSR can be seen as an innovative concept in itself, as is indeed a new vision on the way businesses can be run (De Prins *et al.*, 2009), innovation for sustainability is actually the key to anchor CSR into the long-term transition to a sustainable future. This means that entrepreneurship would actually become a solution to environmental -and potentially also social- degradation instead of one of its causes. Entrepreneurs can contribute to solving environmental problems through helping extant institutions in achieving their goals and by creating new, more environmentally sustainable products, services and institutions (York & Venkataraman, 2010), i.e. by innovating. It is only through taking the step from risk management to sustainable value creation that firms will actually contribute to sustainable development. In other words: CSR needs to be a real firm-wide strategy.

## **7. CSR policy - what role for governments?**

### **7.1 Introduction**

The potential role of the government in fostering or encouraging CSR is interpreted here in its broadest sense, yet in order to speak of CSR strategies, voluntariness remains key (see

section 3). CSR is not a substitute for public policy, but it can contribute to a number of public policy objectives (a.o. skill improvements, innovation, more rational use of natural resources etc.) (EC, 2006). CSR concerns actions of companies over and above their legal obligations towards society and the environment (EC, 2011). This means that public engagement in CSR ideally contributes to the alignment of business activities and public policy to achieve societal goals.

CSR also has clear potential links with government strategies aiming at ensuring better access of certain categories of citizens to the economy (UN, 2007).

Another broad concern for governments is to address market access for domestic enterprise. Governments can also use the CSR agenda to promote socially responsible forms of business practices by domestic and foreign enterprises. Finally, governments can work — preferably with business, labour and NGOs — to raise the CSR content and profile of major —exported— products and services, perhaps encouraging the development and use of certification or labelling schemes (UN, 2007).

The range of policy instruments used by governments to promote goals related to CSR is wide and reflects varying policy approaches as well as socio-economic circumstances.

In the broadest sense of CSR, the entire body of social and environmental legislation in any country can be seen as an expression of public sector engagement with CSR. Other areas of legislation including competition policy, basic investment and enterprise frameworks, and rights of access to information and public participation in decision-making are also important parts of the ‘enabling environment’ for CSR (UN, 2007).

The importance of a stimulating enabling environment for CSR was also stressed by the authors of the VIONA Research Report on Social Auditing and CSR in Flanders (Heireman *et al.*, 2002). As the application and design of CSR is heavily influenced by the political and institutional context, it is important to work with CSR stimuli instead of with sanctions and to promote collaboration between different stakeholders (government, businesses, NGOs, trade unions) (Heireman *et al.*, 2002).

The next sections focus on the CSR policy of the United Nations and the European Union, before turning to the situation in Flanders.

## **7.2 United Nations CSR policy**

This brief introduction to the United Nations CSR policy sheds light on the international context of CSR.

Agenda 21 (UN, 1992), the United Nations Conference on Environment and Development (UNCED) Action Plan states: *‘Business and industry, including transnational corporations and their representative organizations, should be full participants in the implementation and evaluation of activities related to Agenda 21’* and *‘responsible entrepreneurship can play a major role in improving the efficiency of resource use, reducing risks and hazards, minimizing wastes and safeguarding environmental qualities’*.

In 2002, the World Summit on Sustainable Development was organized as a follow-up conference of UNCED to accelerate the implementation of Agenda 21. In its plan of action, known as the Johannesburg Plan of Implementation, countries and their governments are called to promote sustainable production and consumption patterns and to integrate this into their policies, strategies and programmes for sustainable development (UN, 2002). The

enhancement of corporate environmental and social responsibility and accountability would include actions at all levels to ‘encourage industry to improve social and environmental performance through voluntary initiatives, including environmental management systems, codes of conduct, certification and public reporting on environmental and social issues, taking into account such initiatives as the International Organization for Standardization standards and Global Reporting Initiatives guidelines on sustainability reporting, bearing in mind principle 11 of the Rio Declaration on Environment and Development (UN, 2002). The UN also launched the UN Global Compact Initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption ([www.unglobalcompact.org](http://www.unglobalcompact.org)).

### **7.3 The European Union’s CSR policy**

The European Commission (EC) presents CSR as a part of the Europe 2020 strategy for smart, sustainable and inclusive growth and states that CSR can shape the kind of competitiveness that Europe wants. The European Commission had the ambition of making Europe a pole of excellence in CSR. The European Commission issued a Green Paper (2001) and two Communications (2002 & 2006) and a EU Multi-Stakeholder Forum on CSR (CSR Forum) was set up (EC, 2006). In October 2011, the European Commission issued a renewed European Union Strategy 2011-2014 for CSR (EC, 2011) encompassing eight key actions: enhancing CSR’s visibility; improving & tracking levels of trust; improving self- and co-regulation processes; enhancing market reward for CSR; improving companies’ disclosure of environmental and social information; integrating CSR into education, training & research; emphasizing the importance of national and sub-national CSR policies and better aligning European and global approaches to CSR.

The Commission also backed the launching of the European Alliance for CSR. The Alliance is a political umbrella for new or existing CSR initiatives by large companies, SMEs and their stakeholders. The Alliance has an open nature and European enterprises of all sizes are invited to voluntarily express their support. It is not a legal instrument and is not to be signed by enterprises, the Commission or any public authority. There are no formal requirements for declaring support for the Alliance, and the European Commission will not keep a list of companies that support it (EC, 2006). Anno 2011, the European Alliance for Corporate Social Responsibility is an open partnership for enterprises to promote and encourage CSR; it is a joint initiative of the European Commission and the business community (CSR Europe, 2011). The EC (2006) emphasizes the following aspects in promoting CSR: awareness raising and best practice exchange, support to multi-stakeholder initiatives; cooperation with Member States; consumer information and transparency; research; education; SMEs; the international dimension of CSR.

Next to these policies who explicitly carry the CSR label, other types of governmental support may be supportive of sustainable development, yet as stated by Angel & Rock (2009) in their analysis of the role of the state in supporting industrial and technological capability building the East Asian newly industrialized countries, this is often a very context-specific and time-dependent situation: as firms emerged as technological leaders within focal industries, the state became a less important contributor to the direct acquisition of technological capability, and to the strategic development of industries (Angel & Rock, 2009).

## 8. CSR in ‘Flanders SME land’

### 8.1 CSR in SMEs

There is increasing recognition that a ‘one-size fits all’ approach to CSR in operations is ineffective in responding to the business drivers of ecologically and socially responsible behaviour (UN, 2007). Moving towards sustainability requires an insight into the organizational culture of firms (Baumgartner, 2011) in order to provide tailor-made guidance if necessary. Given the specificity of the Flemish economic structure, due attention needs to be given to small & medium enterprises (SMEs).

According to the Flemish CSR Platform ([www.mvovlaanderen.be](http://www.mvovlaanderen.be), accessed October 10, 201) SMEs deserve special interest as SMEs:

- can use extra facilitation and help in CSR, as most management systems are tailored for bigger firms;
- typically do not have the opportunity to invest in specific sustainability jobs;
- are often –unconsciously- already practicing CSR;
- are typically more flexible in designing business solutions;

SMEs are typically characterized by shortage of resources (time, manpower, money) compared to bigger companies (Tsai & Chou, 2009). These differences in resources need not be negative, indeed differences in resources should be utilized and can lead to differences in sustainable competitive advantages. When SMEs brand themselves as sustainable entrepreneurs, they need to devote time and effort to their CSR engagement and they need to select a pragmatic and effective format that is tailored to their needs and compatible with their competitive strategies (Crals & Vereeck, 2005). Under the constraints of finite resources and budgets, SMEs cannot implement all the required management systems simultaneously. Yet the importance of SMEs is key, as the collective impact of CSR as practiced by SMEs is critical if the potential of CSR to contribute to growth and jobs and sustainable development is to be fully harnessed (EC, 2006).

The 2011 ‘CSR Barometer’ developed by Business & Society Belgium shows that 65% of the surveyed Belgian SMEs employ a person who is specifically responsible for CSR. Furthermore, 80% of the respondents expect that their involvement with CSR will grow in the next ten years (Business & Society, 2011).

Deciding on which CSR strategy to use is no easy task. Tsai & Chou (2009) propose a multi-criteria decision-support tool for SMEs that allows these firms to pick the most suited management approach, based on four clusters of evaluation criteria: learning and growth perspective, internal business process perspective, customer/stakeholder perspective, and financial perspective.

### 8.2 CSR in Flanders

As early as 2001, the Flemish Government took the initiative to promote CSR through pilot projects and experiments. More recently, CSR is one of the core components of ‘Vlaanderen in Actie’ as well as of the ‘Flemish Strategy for Sustainable Development (VSDO)’ ([www.mvovlaanderen.be](http://www.mvovlaanderen.be)).

The Flemish Pact 2020, whose objectives are closely linked to ‘*Vlaanderen in Actie* – Flanders in Action’, formulates ambitious development targets for the 2020 horizon. One of these targets is to become a ‘sustainable top region’ in Europe (Flemish Government, 2009). The same policy document also states that government support for eco-innovation needs to be at the level of the European top regions by 2020, thereby allowing to make a link with the CSR strategy introduced in section 6.4 ‘CSR as innovation’.

Moreover, in the ‘*Vlaanderen in Actie*’ strategy, the government aims at stimulating innovation in the clean-tech sector. The June 2011 Concept note ‘Innovation centre Flanders’ aims at creating multidisciplinary innovation hubs by combining Flanders’ scientific and technological strengths with existing economic and societal challenges (Flemish Government, 2011).

Next to the focus in CSR on these overarching policy strategies, references to CSR can be found in the policy programmes (beleidsnota’s) of various Flemish regional ministers: CSR is respectively promoted as a motor for innovation (Minister Van den Bossche), as a realization of sustainable development and the green economy (Minister Peeters) and as an inspiration for economic development (Minister Schauvliege) ([www.mvovlaanderen.be](http://www.mvovlaanderen.be); accessed on October 10, 2011).

Numerous initiatives exist, of which the CSR Charter in West-Vlaanderen was initiated with support of the Provincial Development Board (POM West-Vlaanderen), which allows participating firms to actively work on 10 CSR topics linked to yearly actions. The interested reader is referred to [www.mvovlaanderen.be](http://www.mvovlaanderen.be) for an overview of additional existing CSR initiatives in Flanders.

Flemish CSR policy cannot be seen in isolation from federal Belgian CSR policy, of which a brief outline is presented below.

In agreement with the Belgian Federal Plan for Sustainable Development 2004–2008, and following an initiative of the Belgian Federal Government, a CSR reference framework for Belgium was recently developed. The objective was to offer a shared framework for governments, businesses and stakeholders and to contribute to a more unified vision, language and definition of CSR. Subsequently, a Federal Plan of Action for CSR was established. The principal objective was to stimulate, facilitate and enhance the quality of CSR by governmental actions. The main objective was elaborated in three sub-objectives: i. mapping federal and regional government initiatives regarding CSR support; ii. mapping stakeholders’ expectations with regard to government support; iii. establishing concrete actions to achieve the principal objective (ICDO, 2006).

An independent study by Louche *et al.* (2008) however concluded that it would be inaccurate to suggest that CSR is a well established concept and a popular practice in corporate Belgium. Indeed, CSR in Belgium offers great disparities and diversities.

## 9. Next steps

Having clarified the meaning of CSR and of its motherhood concept ‘sustainable development’, research objectives were set. An exploratory critical literature review allowed to reflect on the motivations and influences of firms to engage in CSR, which was then

followed by a reflection on CSR policy. CSR is most probably more relevant than ever in the context of the current economic crisis. It can help to build (and rebuild) trust in business, it can also point the way to new forms of value of creation based on addressing societal challenges, which may represent a way out of the crisis (EC, 2006)

The next phase of this project will consist of a series of expert interviews with actors from the private sector and the Flemish government, with the final objective of providing recommendations on CSR policy in Flanders.

A detailed outline of the interview structure will be developed in a next working paper. An indicative outline is proposed here:

Part 1. Conceptualization of CSR by the two actor categories

Part 2. Perspectives on influences and motivations to engage in CSR by the two categories

Part 3. Perspectives on the potential division of labour /potential support between the two actor categories

The next working paper will synthesize the findings of this literature review and of the expert interviews in recommendations for policy-makers in Flanders.

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