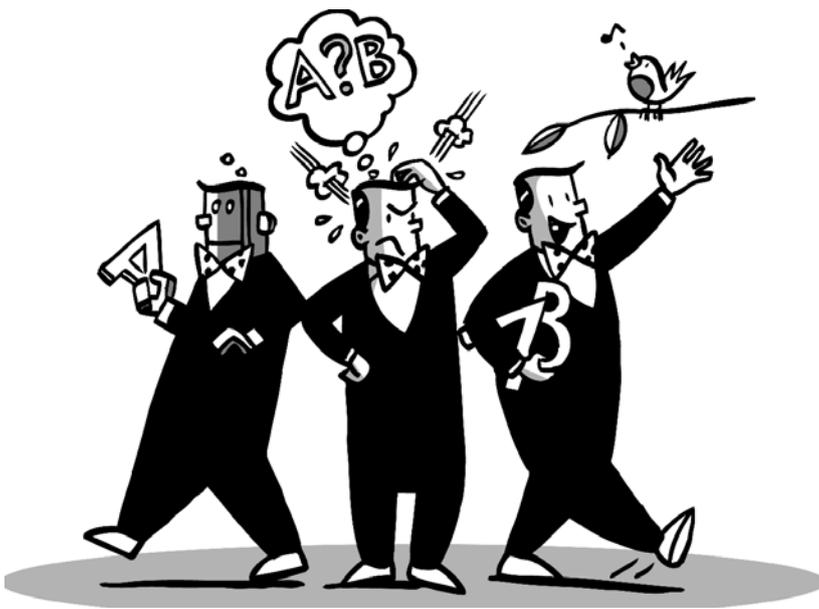




krauthammer

# Corporate societal responsibility 2009



Building blocks  
Employee perspectives  
Management messages

A survey conducted by Krauthammer in partnership with the Rotterdam School of Management, Erasmus University, Rotterdam, and the University of Amsterdam

*living performance*

# Executive summary

“It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.

We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.”

Adam Smith, *The Wealth of Nations*, 1776.

# Corporate societal responsibility (CSR).

## Dinner's on its way. (Or is it?)

American humourist Irma Bombeck once confessed that, to reassure her hungry family that dinner was under control, she would bake an onion in the oven.

CSR is – potentially - a little like Bombeck's dinner. Its vital signs surround us. Every self-respecting multinational has its table laid.

At face value, it's good news for those who are - rightly - concerned about the critical issues of People, Planet and Profit. There's a heartwarming smell in the air, suggesting dinner is on its way. Is it?

In this survey, conducted in collaboration with experts from the Universities of Amsterdam and the Erasmus University of Rotterdam, Krauthammer takes a look at the CSR kitchen – from the point of view of *employees*.

What do employees realistically expect from their company's CSR policy? How well are those expectations met? How much do people even know about the efforts their organisation is making? By what methods are they informed?

How might CSR policy influence the decisions of new recruits to join a company? How motivated are people to play their part? And to what extent do they trust their organisation's motives?

We find that dinner in many cases consists of far more than an onion. Still, it could be a pretty basic meal for many. Furthermore, the way the kitchen is communicating with its diners is not only crucial, but often failing to do itself justice.

First, let's have an apéritif, briefly examining the menu, finding out what CSR is, how prevalent it has become, the reasons for business to engage in it – especially in a crisis. For those interested in the roots of things, our appendix contains an insight into how CSR evolved.

## What is CSR?

Like many slow-cooking concepts, CSR has several definitions. They have in common the notion of engaging in economically sustainable business activities - beyond legal requirements - to protect the health of People, Planet and Profit. Ultimately, corporate *social* responsibility becomes corporate

*societal* responsibility; companies strive, ideally with industry bodies, NGOs and government, to promote CSR beyond their own organisations or industries.

This survey examines 16 areas of CSR practice, as follows:



## How widespread is it?

The United Nations Global Compact (UNCG) was established in 1999 by U.N. Secretary General Kofi Annan. It assembles companies, UN agencies, labour organisations and civil society in support of 10 principles covering human rights, labour, the environment, and corruption. Today, over 4,000 organisations from over 100 countries are members, pledging to abide by and integrate the UNCG principles into their conduct.

In 2007, 64% of the Fortune Global 100 published a Corporate Social Responsibility report outlining their economic, environmental and social performance.<sup>1</sup> Without doubt, something is cooking. Why?

## 6 reasons why CSR is a business must-have

1. **Because consumers, clients and investors demand it.** Observers report shifts in buying patterns - towards products and services whose supply chains tick the right boxes (the Economist Intelligence Unit predicts that “as incomes rise in the longer term, consumers will increasingly prioritise welfare, sustainability and sourcing, especially in wealthier developed markets”<sup>2</sup>). And companies seeking to finance, merge or collaborate will increasingly choose bedfellows whose CSR practice meets their own aspirations. We reveal employee attitudes to a set of crucial indicators related to how companies fuel their engines. Readers are invited to consider respondents as potential consumers or recruits and take their views seriously!
2. **Because CSR builds brand equity.** “Corporate actions that violate social expectations damage, even destroy, brand image among networked stakeholders who are affluent enough to buy branded products and services” say researchers.<sup>3</sup> We examine whether employees trust the motives of their employers. Are CSR initiatives driven by the hunt for column inches, or is a deeper moral conviction at work?
3. **Because CSR can attract and retain talent.** The recruitment and retention of high potentials, especially new entrants to the workforce, can be positively influenced by CSR, many claim. Good CSR practices can optimise working conditions, (e.g. by promoting a healthy work-life balance). And CSR practices can also support the ‘personal societal responsibility’ adopted by employees. In “Corporate Social

Responsibility - a necessity not a choice”<sup>4</sup> accountant Grant Thornton identifies recruitment and retention of talent as the main reason for privately held business to engage in CSR. We examine to what extent employees attribute their motivation to join/stay in their company to its CSR policy.

4. **Because it makes financial sense.** It is difficult to isolate the effects of CSR on financial performance from those of other variables. Still, a meta-analysis has revealed a link between the “corporate social performance” of companies (CSP) and their “corporate financial performance” (CFP)<sup>5</sup> Another proposes that, whilst CSR costs can be “minimal”, organisations may benefit.<sup>6</sup> Especially in terms of saving resources, taking care of wasteful practice clearly benefits the bottom line - as well as the three ‘P’ perspectives.
5. **Because CSR holds the key to the crisis.** The focus on financial incentives for consumers and corporates alike, a lack of regulation in many markets, and a general ‘short-termism’ are at the root of much of what we are facing now. Longer-term systemic approaches to CSR - involving all relevant actors – will be vital to our emergence from the current turbulence.
6. **In conclusion – Corporate Social Responsibility means Corporate Sustainability.** So how proactively are companies seen to be engaged? Are they happy to avoid legal action – (so their activities don’t technically qualify even as corporate *social* responsibility?) Or are they standard-setting pioneers, entering the territory of corporate *societal* responsibility? Our research team declines 16 specific and observable practices into four levels of proactivity.

Around 50% of companies are operational or even exemplary. and around 50%, are distinctly below par

## The top 9 findings

- 1 Employees are doing it for themselves - and are watching.** People are actively engaged in 'PSR' or 'personal societal responsibility' - privately, even if not actively organising others. Waste separation is most common – (65% practice it). And people are busy in that kitchen. 73% buy food because it is in season, 53% because locally sourced. However, only 13% deliberately choose non-meat. Still, 33% do select 'fair trade' or organic options. Only 18% choose environmentally-friendly transport or use green electricity. 35% make formal donations to NGO's, however. *And PSR practitioners are particularly critical of CSR.*
- 2 A glass half empty and half full.** Corporate performance is divided. Around 50% are operational or exemplary. The other 50% are not. Companies are most exemplary in the Human Resources area of People, (employment, recruitment and retention) - 39%. Only 21% are so when it comes to the Planet, however. And only 23%, when it comes to Profit.
- 3 Hungry for more.** In all areas – People, Planet and Profit – there are serious gaps between the practice employees seek and experience. Less experienced employees (younger?) are the most dissatisfied. Company size, or international status, has little effect on satisfaction levels.
- 4 What I really want....** Looking at the most-wanted practices, excellence is most demanded in the *People* dimension. Specifically "training" (96% expect it systematically, with external trainers), and "fair labour agreements", (79% want a "broad collective labour agreement giving space for individual solutions"). The third and fourth most-wanted practices concern the *Planet*: 60% of people want their company to practice the belief that "the economy and ecology are one, taking responsibility", and *Profit*: 59% want it to practice the credo that "long-term competitive advantage depends on the efficient use of resources". It is in precisely the latter three practices – labour agreements, an integrated economy/ecology and the efficient use of resources, that the biggest gaps per dimension lie.
- 5 People - family first.** In the dimension of People, and with regard to its internal commitments (employment, recruitment and retention), we have seen that 39% of companies are exemplary. Particularly in the area of offering training to employees. In *external commitments*, (labour conditions in the value chain, employee voluntary work, bribery, philanthropy) only 17% make the grade, however. And 39% are disqualifiable. And despite publicity given to the dirty undercarriage of supply chains, 14% are still sourcing products based purely upon price and fitness for purpose, without considering labour conditions and 23% have no formal policy against bribery.
- 6 Planet – hot air?** Only 21% of employees believe their company is taking up its full responsibility - 27% report disqualifiable behaviour. 80% of employees want measures to save energy and cut greenhouse gases – as well as having technological solutions, or that at best, collaboration with NGOs. Only 34% report this to be the case. The biggest gap lies in the way that companies practices a belief that economy and ecology are one, taking responsibility. 60% of people expect this - only 26% experience it.
- 7 Profit – comes at a price.** In assuring societally responsible profit, 23% of companies are considered exemplary. Yet 32% are disqualifiable, employees say.
- 8 This isn't why I married you.** CSR plays a minor role in recruitment and retention, we find. However, 91% of employees want "fair wages for all – including top salaries", ultimately with "joint strategies for competence development with trade unions". Yet what *most* (51%) want, is the latter practice – which lies beyond simple financial reward. One or the other practice is reported 50% of the time; interestingly, given the publicity surrounding bonus payments to underperforming financial bosses. If employee retention is top of the corporate agenda, it is not showing. And younger talent appears more alert..
- 9 CSR = PR (and nothing else)?** Apparently not – 34% of employees believe that their company's main reason for investing in CSR is because of sincerely-held values and principles.

## Findings at a glance

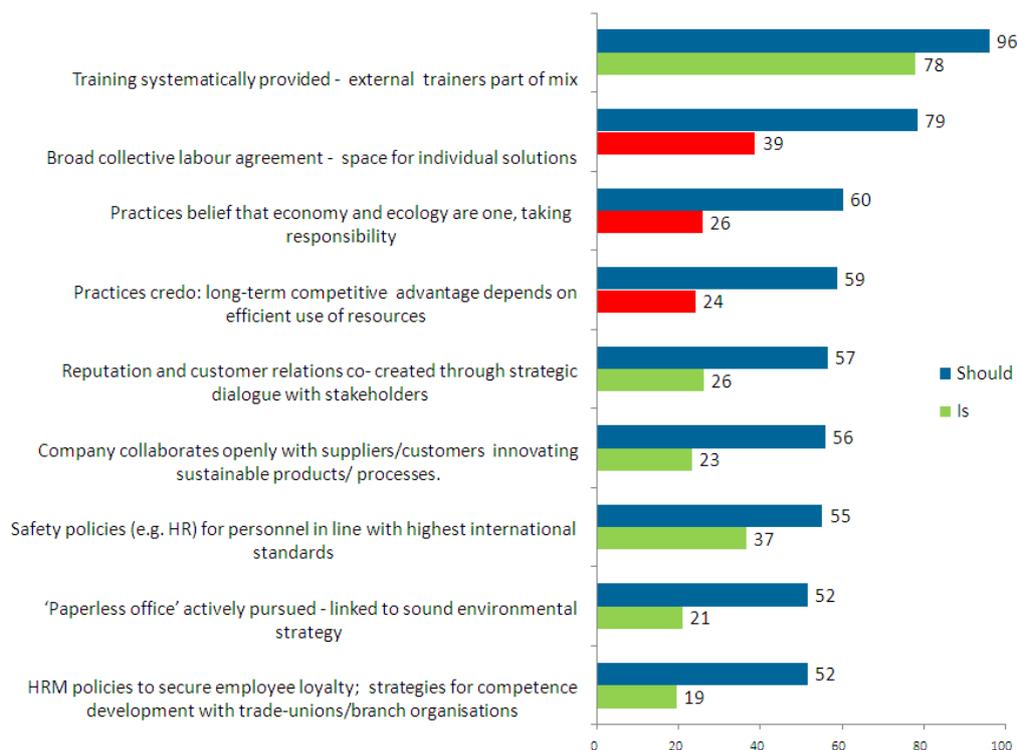
### People, Planet and Profit – 4\* levels of corporate performance

Our research examined employee wishes and experiences regarding CSR practices in 16 areas related to Planet, Profit and People. They scored on four levels, using the following scale and with the following results overall:



### The most wanted practices – and the gaps

Here are the top 9 practices – as demanded by over 50% of the workforce. In all, even training, companies are falling short. For three, (marked red), the gap between desire and experience is also amongst the most significant of all surveyed. (In two cases, safety policies and the paperless office, the level of performance sought by employees was at a 'level 3'). The dual message of 'practice most sought-after' and 'least satisfactory performance' can help organisations identify points of attention in this complex area.



We now invite you to take a look at more detail by area. For more detail still, we invite you to go to the [full report](#). Here you will find how the specialists describe four specific levels of practice, in 16 areas related to People, Planet and Profit.

## More detail by area

### People

#### Employment, recruitment and retention:

Overall, 39% of companies are exemplary when it comes to internal HR conditions, (the best performance across the CSR spectrum). On the other hand, 24% are largely inactive.

*We examine 'human resource' issues - training and development, working conditions, career opportunities and collective bargaining.*

Companies perform best in “training and development”. 80% of employees considers their employer exemplary. The other three categories score far less well.

Examining the satisfaction of those employees seeking exemplary behaviour, the biggest shortfall lies in ‘collective bargaining’. Nearly 80% seek a ‘broad collective labour agreement with room for individual solutions’ - less than 40% get one.

And despite publicity given to the dirty undercarriage of supply chains, 14% are still basing product sourcing purely upon price and fitness for purpose, without considering labour conditions. 23% have no formal policy against bribery.

#### External commitment

Overall, 39% of companies are disqualifiable when it comes to external manpower. Only 17% are exemplary.

*We examine labour conditions in the value chain, the voluntary work of employees, bribery and corruption and philanthropy.*

Employees were pretty unanimous about the right thing to do concerning HR issues (see previous). However, their views are far more dispersed when it comes to *external* social issues. Only in the case of “labour conditions in the value chain”, and to a lesser extent, “philanthropy”, do people clearly seek exemplarity. For instance, rather than expecting their employers to intervene in their voluntary work, (an exemplary level of practice) employees consider voluntary work a personal decision (an operational level of practice).

Looking at ‘exemplary’ or “level 4” practice, people are most dissatisfied with “labour conditions in the value chain”. 47% expect their company to have its

own code of conduct, creating industry-wide/international codes and standards. Only 23% of companies measure up, however.

### Planet

Only 21% of employees believe that their company is exemplary. 27% find it disqualifiable.

*We examine ecology, energy and water saving, paper use and waste disposal.*

Environmental issues are clearly those in which employers consider their organisations least active, judging from the number finding their organisation ‘exemplary’. And yet, a substantial number of people wants results, even if their aspirations are relatively modest. In the areas of “paper waste” and “pollution”, employees prefer a ‘level 3’, rather than a ‘level 4’ (or ‘exemplary’) score for their organisation. Still, their organisation should strive for an environmentally-safe working environment, reducing waste and paper. In general, most think their organisation should do at least as much as it is doing, or more.

Looking at ‘exemplary’ or “level 4” practice, the largest gap between actual and expected behaviour lies in the way that the company practices a belief that economy and ecology are one, taking responsibility. 60% of people expect this - only 26% experience it.

80% of employees want their companies to have measures to save energy and cut greenhouse gases – as well as technological solutions, or that at best it should be collaborating with NGOs. Only 34% report this to be the case.

### Profit

Across the board, 23% of companies are exemplary when it comes to making a profit. 32% are judged disqualifiable.

*We examine employee retention, innovation, reputation, and finally, the efficient use of resources.*

Across all four dimensions of Profit, only roughly 20% report that their organisation achieves a ‘level 4’ score, whereas 60% seek one.

Looking at ‘exemplary’ or ‘level 4’ practice, the largest gap between actual and expected practice

lies in how the company practices the credo that “long-term competitive advantage demands efficient use of resources”. 59% of people seek this practice, only 24% experience it.

80% of employees believe their company’s product and service innovation should be at least consciously designed to facilitate waste reduction and recycling. Or at best, that their company should openly collaborate with suppliers and customers to innovate sustainable products and services. Only 38% of companies are seen to function at either level.

Finally, 91% demand that their companies strive to nourish their loyalty, “offering fair wages for all – including top salaries”, ultimately with “joint strategies for competence development with trade unions”. One or the other policy is reported 49% of the time. And what most (51%) want, is the latter practice – which lies beyond simple financial reward. If employee retention really is top of the corporate agenda, it doesn’t show. And younger talent appear more alert to corporate CSR practice.

### **Making CSR connections**

**Links between CSR policy, talent retention and recruitment:** Although CSR only plays a minor role in recruitment and retention, people agree their companies’ CSR activities are important for customers and stakeholders and that they, as employees, help to promote the positive image.

**Awareness, information, motivation:** People know the headlines of CSR policy, they are less familiar with the details or historical origins. Headquarters and external communications are the main vectors, with employers encouraging their citizens to behave responsibly. At a lower level, the grapevine is rather silent, and line managers do not seem particularly active.

**Motives for investment:** According to 34%, “sincerely-held values and principles” are the main driver for CSR investment, followed by “conformity to legal constraints”. If it was up to employees to devise CSR strategy, they would prioritise working conditions.

### **Diving deeper**

- ➔ **CSR - a preoccupation of the young?** Less experienced employees are less happy with their company’s performance.
- ➔ **Whales only need apply?** When it comes to People and Planet, people working for larger companies have higher expectations. Generally, however, people’s level of satisfaction with their companies’ performance isn’t affected by its size.
- ➔ **A global concern?** People working for international companies see more activity in some key areas of CSR – and are more demanding. Overall, people’s satisfaction does not change according to the international or domestic status of their organisation.
- ➔ **Do as I do, please -** Employees who practice PSR are more switched on and more demanding of their employers.
- ➔ **Organisational citizenship – the light is shining?** Contributing to corporate CSR raises the awareness and satisfaction levels of employees regarding their company’s practice.
- ➔ **The more I know, the better it seems.** Being *informed* about corporate CSR also raises people’s satisfaction levels
- ➔ **CSR – what Planet are you on?** People’s level of satisfaction with the CSR practice of their organisations differs significantly between regions, - especially for issues related to Planet.
- ➔ **Manufacturers make for better CSR.** Manufacturers are better perceived by their employees when it comes to CSR performance, than other sectors – and their employees have higher standards, too.
- ➔ **CSR - everybody’s policy?** Assistants - and board members - have the lowest ambitions regarding employee working conditions. Otherwise, people’s opinions are fairly similar across the board.

## Topline conclusions, management messages

**Help people to help.** Your employees are busy with PSR – (Personal Societal Responsibility). How easy do you make it for them to act upon their values at work – for example – consistently and visibly encouraging all to preserve energy by switching off lights and computers? Or by procuring Fair Trade catering products and recycled paper? How about enabling people to separate their office waste? (The “efficient use of resources” is a red spot in employer practice - and many measures can bring organisations an economic as well as moral benefit).

Next, how do you involve employees in defining policy? What monitoring and reward systems are in place?

These ‘details’ can transform the workplace from a hindrance to people’s PSR, into a natural - and motivating – help.

Supporting people’s PSR also promotes their *organisational citizenship* – making them more alert to other opportunities to contribute to workplace health. This, research suggests<sup>7</sup>, enhances employee performance in other important areas – which benefit the organisation.

**Check your CSR performance, and take action.** Your employees are potentially very dissatisfied. Two hypotheses:

*They do not know what you are doing.* If measures are installed, what do your employees know? Recalling, too, they know, the more satisfied they are likely to feel.

- ➔ **So find out what employees know and think.** [Surveying](#) awareness and satisfaction levels gives a clear point of departure. Transparently sharing the results - positive and negative - is an excellent trustbuilder.
- ➔ **Build the case.** Storytelling is underused. It is nonetheless a powerful mechanism to enliven abstract concepts, helping employees identify with messages and setting the grapevine buzzing. Attention not only to the *external* communications regarding CSR but *internal* communications is called for.
- ➔ **Activate the internal network – at all levels.** People’s information comes from the top. Are line managers playing their role in anchoring CSR? Other strong evidence suggests that it is their relationship with their *managers*, rather than their organisations as a whole, that employees most cherish.

*They know what you are not doing.* What more could be done and how?

- ➔ **Go to our full report for precise prescriptions.** Rather than hollow directives, this survey gives custodians of CSR a concrete set of indicators for the practices associated with each level of performance. Our invitation – determine your level, set goals for a shift.
- ➔ **Start with the people dimension.** “Charity begins at home”. So can CSR. If you lack a policy, investigate opportunities in the internal People – (employment, recruitment and retention) – dimension of CSR. Use as a springboard for rapid expansion into the other dimensions.
- ➔ **Finally, check your filter! CSR needs you!** If your organisation does not consider itself a candidate for CSR, because “it is not in the ‘right’ sector” (e.g. a ‘service’ organisation), or is “a PME”, do think again.

“For more information regarding the distinction between inactive/re-active/active/pro-active: see R. van Tulder with A. van der Zwart (2006) ‘International Business-Society Management: linking corporate responsibility and globalization’, London: Routledge. For more regarding the 4-level concept see the 4LS Evaluation Krauthammer Observatory 2008, ([www.krauthammer.com](http://www.krauthammer.com)), and ‘Quel Manager êtes-vous?’ D.Eppling, L.Magnien, Editions d’Organisation (2005).

**Now please go to the [full report](#).**

# Full report



“This survey is a resounding call to those with the power, the skill and resources, to be pro-active – or, at the very least, consciously *active* when it comes to CSR. And, given the turbulence in the economic and ecological climate, failing to identify and grasp ‘low hanging fruit’ such as resource efficiency, is simply incomprehensible.

On the other hand, who, exactly, should take and/or co-own the ‘Responsibility’ in the territory of CSR? Employee and/or employer? In order to make any meaningful or realistic progress it seems essential to define this.

*Ronald Meijers, Executive Board, Krauthammer*

**The global economic crisis puts the topic of CSR in the spotlight in an almost perverse manner.** On one hand, everybody acknowledges that the causes of the crisis lie with a clear lack of CSR: our failure to restrain ‘greed’ as a motivator for consumers and corporate leaders alike, the ‘bonus culture’ as performance incentive, an overall lack of adequate regulation (governance) in many markets.

On the other hand, it is fiercely disputed whether the solution to the crisis entails stepped-up CSR efforts: can we really afford to invest in ‘green’ and ‘sustainable’ strategies in conditions of such turmoil? Apparently we should prioritise the financial bottom-line and worry about societal responsibilities later! Yet short-termism will not solve the crisis. On the contrary, the systemic nature of the crisis demands longer-term approaches involving all relevant actors.

*Professor Rob van Tulder, Professor of International Business-Society Management, Rotterdam School of Management, Erasmus University Rotterdam*

It is fascinating to discover that most employees have a form of “Personal societal responsibility”. This proves that each has the potential to become a vector for change in society. On a professional level, our experience shows how enriching it is for an employee to be able to put his or her competences to the use of a project of a wider general interest.

*Arnaud Mouro, Director, Ashoka*

“**These results confirm my experience at Levi Strauss, Timberland and Staples.** As you indicate, CSR is no longer a competitive advantage to attract talent – it is rare that candidates opt to work for an employer purely on the basis of its strategy in this area. On the other hand, I firmly believe that CSR is a must-have. Whilst having a policy may not be a magnet in itself, not having one will potentially exclude your company from the list of employers of choice.

*Regis Mulot, Vice President, Human Resources, Staples International*



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## The methodology

Our survey explores the desires and experiences of employees regarding 16 essential practices related to the CSR dimensions of People, (employment, recruitment and attention, plus external commitment) Planet and Profit. Examples of practices include the way companies deal with the work-life balance of employees, the way they source products, the way they take responsibility for ecology, and so on).

### 16 areas of practice

In order to explore the kinds of practice employees seek – and compare their wishes with what they generally experience, respondents to the survey were presented with 16 multiple choice questions. Each question expressed a core area of CSR practice. For each area, respondents must consider two perspectives:

- ➔ What mode of operation do you believe your organisation *should adopt*?
- ➔ And, what mode of operation do you *actually observe* most of the time?

Each area was then declined into four observable behaviours presented as a multiple choice. Each choice was randomly ranked, meaning that the most desirable and the least desirable behaviour were not always positioned in the same predictable manner.

### Philanthropy/corporate foundation (financial contribution)

*Please select the single option you believe best applies*

My company operates in *this* way at present

In our company..

- There is limited, if any, sponsoring, (small local projects may be supported)
- Money is donated on request - primarily for disaster relief *after* an event occurs
- Our company has created a philanthropic foundation – gifts are made systematically in line with strategic goals
- Our company practices systematic, strategic philanthropy and collaborates in the development of international or large-scale projects with governments/non-profit organisations
- Other (please specify)

*Please select the single option you believe best applies*

My company *should* operate in *this* way

In our company..

- There is limited, if any, sponsoring, (small local projects may be supported)
- Money is donated on request - primarily for disaster relief after an event occurs
- Our company has created a philanthropic foundation – gifts are made systematically in line with strategic goals
- Our company practices systematic, strategic philanthropy and collaborates in the development of international or large-scale projects with governments/non-profit organisations
- Other (please specify)



The behaviours were devised according to the following scale:

- 4 Exemplary/pro-active – Corporate Societal Responsibility:** The organisation assimilates the full complexity of the CSR landscape, collaborating with the relevant external stakeholders and policymakers. It is a pioneer in ensuring that CSR performance is stepped up, and may even have a role in setting new legal requirements related to CSR.

*(Our company practices systematic, strategic philanthropy and collaborates in the development of international or large-scale projects with governments/non-profit organisations).*

- 3 Operational/active - Corporate Social Responsibility:** The organisation comprehends part of the CSR landscape, however does not especially collaborate with the relevant external stakeholders or policymakers. It is an 'early adaptor of CSR practices', and maintains performance beyond related legal requirements.

*(Our company has created a philanthropic foundation – gifts are made systematically in line with strategic goals).*

- 2 Penalising/reactive – Corporate Social Responsiveness:** The organisation largely ignores the CSR landscape and rarely, if ever, collaborates with the relevant external stakeholders or policymakers. It is in a trailing position with regard to CSR practices, merely taking care to meet related legal requirements.

*(Money is donated on request - primarily for disaster relief after an event occurs)*

- 1 Disqualifying/inactive – Corporate 'Self' Responsibility:** The organisation ignores the CSR landscape and never collaborates with the relevant external stakeholders. It has not consciously entered the arena for CSR practices, and is potentially at risk of contravening related legal requirements.

*(There is limited, if any, sponsoring, (small local projects may be supported))*

The development of the organisational practices explored was led by Professor Rob van Tulder, of the Erasmus University Rotterdam/Rotterdam School of Management. They are based upon his work as Research Director of the ERIM research project "International Business-Society Management" as well as extensive research and authorship into the domain of CSR. Dr. Fabienne Fortanier, a CSR specialist from the University of Amsterdam Business School, closely collaborated in the formulation of the practices, which were subsequently edited by Krauthammer, and prepared the statistical analysis of the research.

Followers of Krauthammer's work will recognise the 4-level concept from the Krauthammer Observatory and the '4LS' Evaluation upon which this is based. Both tools were developed to evaluate and benchmark the observable behaviour of managers.

### 3 dimensions...organising the 16 practices

The 16 practices are arranged into 3 areas detailed overleaf.

### References

For more information regarding the distinction between inactive/re-active/active/pro-active: see R. van Tulder with A. van der Zwart (2006) 'International Business-Society Management: linking corporate responsibility and globalization', London: Routledge. For more regarding the 4-level concept see the 4LS Evaluation Krauthammer Observatory 2008, ([www.krauthammer.com](http://www.krauthammer.com)), and 'Quel Manager êtes-vous?' D.Eppling, L.Magnien, Editions d'Organisation (2005).



# Results at a glance

## Guide

- % of employees *desiring* a particular approach
- % of employees *experiencing* the desired approach
- Biggest *gap per dimension* between *desired* and *experienced*

External commitments

Employment, recruitment and retention

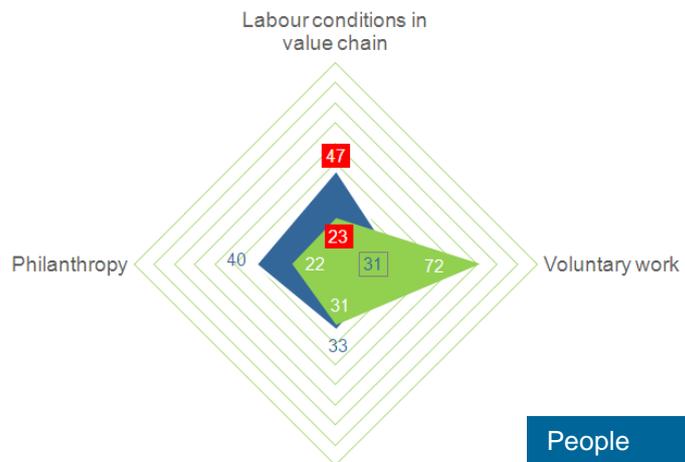
Nota bene – in the following cases the practices most sought by employees were 'level 3', not 'level 4' (operational rather than exemplary standards)

- ➔ Reduce use of paper (planet)
- ➔ Pollution (planet)
- ➔ Voluntary work (People/external commitments).

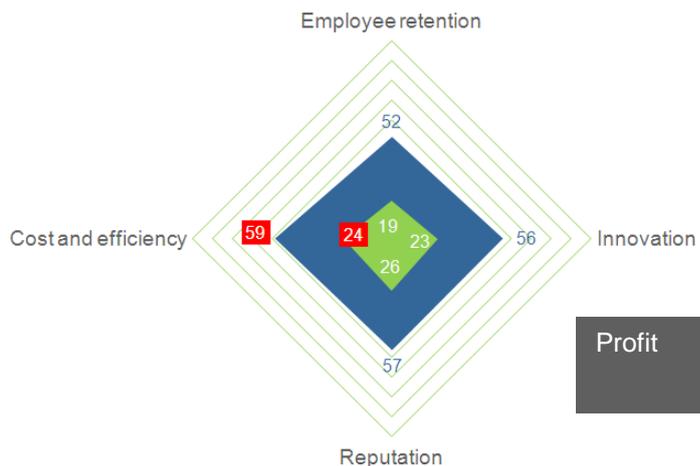
Planet



People



Profit



# Results in detail

Modern business is a living turbine.

It sets in motion a resonance whose effects are felt not only by its controllers, but by its inhabitants - and by the systems upon which it depends.

The turbine considers itself fuelled by profit. The manner in which it chooses to generate that fuel will dictate how long it is tolerated by the system upon which it depends.

The turbine has become so complex that some say it no longer understands itself. It observes its own workings with a growing sense of bewilderment.

We have examined to what extent employees feel in tune with the attempts it is making to assume responsibility for the effects it has on its world.

In presenting you with this report, we present ourselves as analysts and messengers. Not as moral arbiters. Because we are ourselves young practitioners of CSR and are striving to learn from our own findings.

We invite you to peruse the data, challenge our interpretations and your own performance, use its criteria to set direction.

We invite you to consider this as a mid-term report.

At what moment term ends, and the final accounts must be settled, no-one really knows.

All we do know is that the next generation will pay for what we do now. And this includes all its individuals – whether they are furred, scaled or feathered. Whether struggling across a dissolving icemass with a newborn. Or fighting a traffic jam with an overloaded agenda. Or limping across a waterless scrubland with a battered fuel can.

Whatever their circumstances, they will have us to thank.



## The personal CSR practices of employees



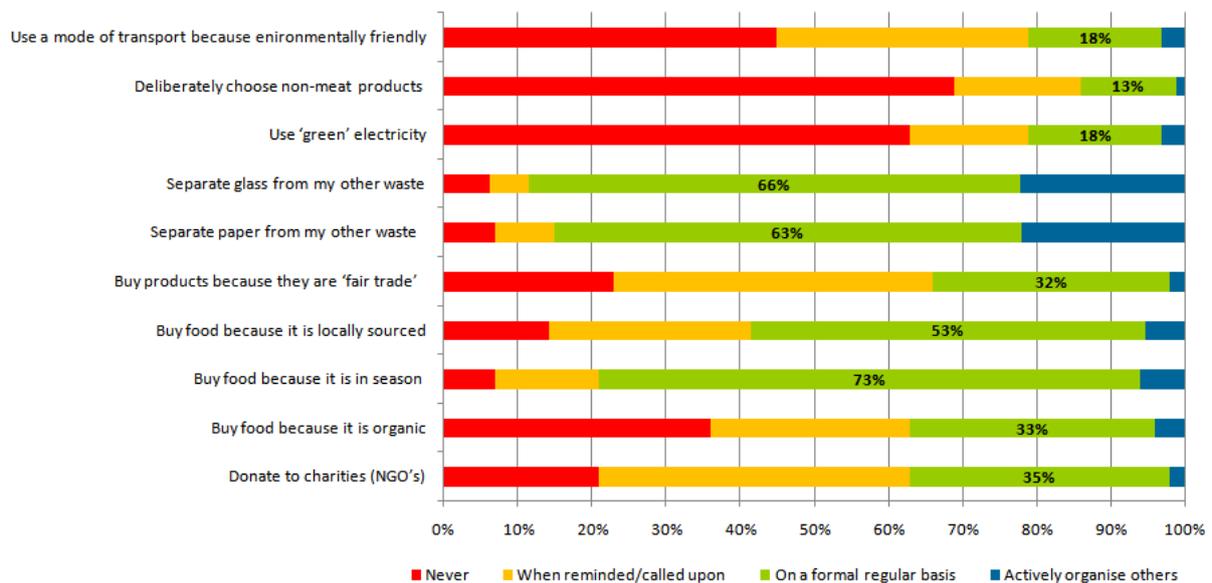
People are actively engaged in activities on a formal, regular basis, even if organising others is often a step too far.

Around 65% separate their glass and paper from other waste. 73% buy food because it is in season, 53% because it is locally sourced. However, only 13% deliberately choose non-meat products. On the other hand, 33% do opt for products because they are 'fair trade' or organic food.

Energy is not yet top of mind - only 18% of people choose environmentally-friendly transport or use green electricity.

Whilst organising other people is often a step too far, 35% do make formal contributions to those who do take on that role – making donations to NGO's.

### How often do you...



### Judge not, lest ye be judged...

In how strong a moral position are employees when it comes to deciding what their companies should or shouldn't do? How actively are they engaged in PSR (Personal Social Responsibility)?

We focussed mainly on behavioural areas which are most easily and directly within people's control. And employees are indeed busy in that kitchen.

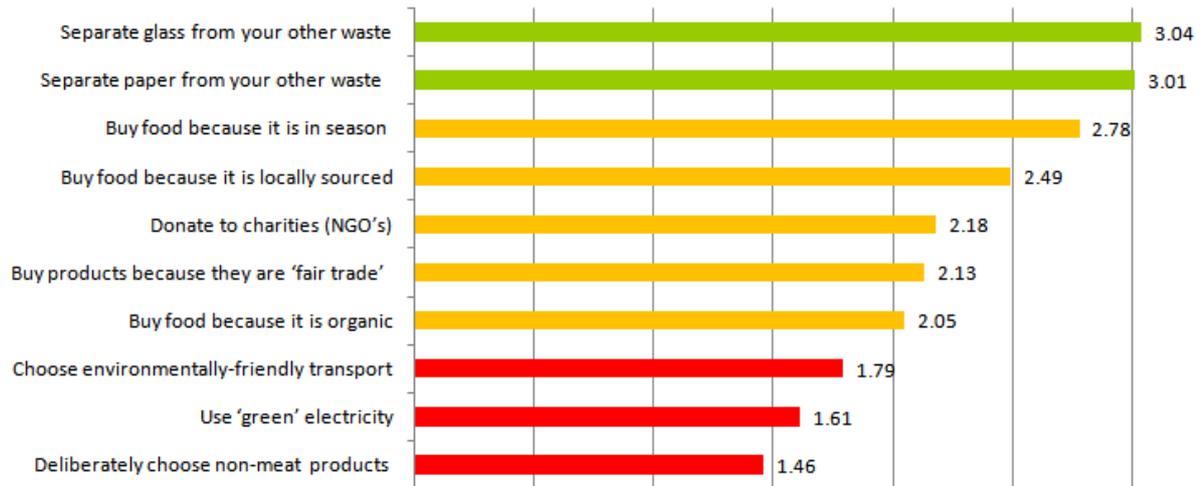
Especially the disposal of waste (separating paper and glass), and watching what they eat – (buying food in season or locally sourced) - are popular ways of expressing personal responsibility. A small minority of people also told us that they were making conscious efforts to reduce their energy and water consumption at home – without necessarily making the shift to 'green' electricity.

In most cases, we find, employees engage in PSR activities on a formal, regular basis. Actively organising other people is often a step too far. (Only when it comes to separating glass and paper from other waste do we see a substantial share of employees (22%) actively organising others to follow their lead).

There is sobering news in two areas. Firstly, tofu has not yet gained control of the wok. The statement: "I deliberately choose non-meat products" sits right at the bottom of the list. Sobering news, too, for pioneers of responsible energy consumption - green electricity and environmentally friendly transportation also join the list of activities that employees engage in least frequently.

### How often do you...

(mean scores where 1= “never”, 2 = “when reminded/called upon”, 3= “on a formal regular basis” and 4 = “actively organising other people”).



“

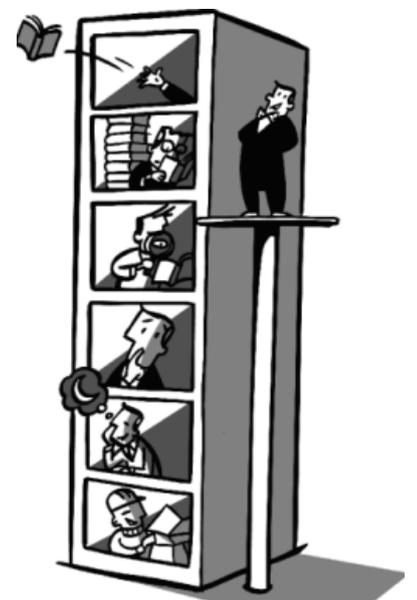
I buy my clothing out of wool and other natural fibres, and use natural materials in my home where possible...”

“I ensure that objects, furniture, toys and clothing are recycled by giving them to charity or selling them at a symbolic price on eBay...”

“I build self-sufficient housing...”



# People



# People

## Employment, recruitment and retention

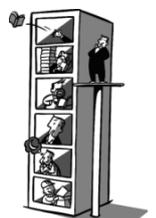
In this section, we examine the performance of employers with regard to 'human resource' issues - training and development, working conditions, career opportunities and collective bargaining.

Companies perform best in training and development. 78% of employees considers their employer exemplary. The other three categories score far less well. Indeed, despite the encouraging scores on training and development, we find important gaps on all four factors. (Even in training and development, nearly 20% of employees are calling for more effort).

Looking at the satisfaction levels of those employees who seek exemplary behaviour, the largest gap lies in the area of "collective bargaining". Nearly 80% of people seek a "broad collective labour agreement with room for individual solutions" - less than 40% enjoy such an agreement.

Overall, 39% of companies are exemplary when it comes to the employment, recruitment and retention aspect of 'people', (however, this dimension displays the best performance across the CSR spectrum). On the other hand, 24% are performing at a disqualifiable level – which is to say that they are largely inactive.

- ➔ **Nota bene:** 83% of employees expect that employers should at least have an internal policy in place regarding work-life balance. Or that at best, that they as employees should be stimulated to consider or co-create possibilities within a broad or generous policy. Only 34% report that this is the case.



# 1 Work-life balance

83% of employees expect at least an internal policy to be in place regarding work-life balance or at best, that they should be actively stimulated to consider opportunities within a broad or generous policy. Only 34% of employers deliver at either level.

Recent research by Krauthammer (Self-connectedness and business performance, 2008), revealed that people still see a clear distinction between their work and private lives – and are more protective about the latter. To what extent do their employers help them protect that private space?

At the lowest level proposed by the researchers, employers would pay no attention whatsoever to work-life balance or overload. Worryingly, 28% of employers indeed settle for just this approach – at least in the eyes of their employees. The most common practice of employers, however, is to at least focus on preserving “good primary labour conditions” in terms of wages and hours worked – 38% of employers keep their noses clean.

How many employers have risen a level higher than the bare minimum, actually installing an internal policy regarding the rather nebulous issue of work-life balance? Or indeed, how many adopt the *ultimate* level of responsibility, actively stimulating employees to consider and co-create possibilities for work-life balance within a broad or generous policy? Both are the case around 17% of the time, so that in fact, around 34% of employers are operational or exemplary when it comes to work-life balance. It is not enough. Nearly 50% of people (48%), believe that employers should be exemplary in the way they help them to preserve their work-life balance – actively stimulating them to consider and co-create possibilities.

“

A lot of lip service is paid to work-life balance. But many work long hours – including in their free time...”

Respondent, Switzerland

“Our company is busy obtaining div. Environment and working conditions certificates! (Iso and Ohsas)..”

Respondent, Holland

# 2 Career opportunities

Whilst employee opinions are somewhat mixed when it comes to a special focus on career opportunities for women and minorities, 58% believe that opportunities should be at least maximised or at most, that a sound policy, including training, should be in place. 38% of companies make the grade.

‘Diversity’ remains a top priority for companies – at least – so companies claim. What is the reality for women and minorities, according to employees? Opinions are split when it comes to how consciously and actively companies should create the conditions for women and minorities to get on in their world.

From the point of view of the researchers, “promoting the first suitable candidate, regardless of diversity considerations”, constitutes a level of behaviour just short of disqualifiable. And yet, around 40% of employees believe that this is the most responsible practice to adopt – as do 56% of organisations. The next level of behaviour, promoting a few ‘token’ women/minorities is desired by hardly anyone, and is indeed rare – only 6% of employees say their organisations do this.

How about maximising opportunities for women and minorities to ‘get on’ – the next conceptual level up? Once again, the ideals of the researchers, and those of organisations and their employees are at odds. Only 13% of employees believe that actively maximising opportunities is the correct way to handle any situation, and around the same number of organisations apparently agree.

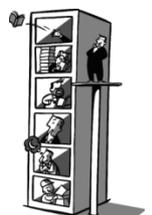
“Officially, the best candidate is promoted but in practice these are basically white males...”

Respondent, France.

Our company is probably at the top of the game when it comes to diversity. But purely by creating all the opportunities and removing borders and restrictions; not by positive discrimination..

Respondent, Finland

”



Good CSR practice dictates that, in reality, “a sound policy on workforce diversity should be in place” – including the training of minority groups. 44% of employees agree, demonstrating that opinions are divided between a ‘laissez-faire’ approach (“promoting the first suitable candidate”), and the ultimate level of responsibility, “having a sound policy”. However, only around a quarter of organisations (25%) have organised their house to this extent, leaving many people disappointed. If policies are in place, therefore (which is possible), employees do not seem to know about them. And as principal stakeholders in the matter, one might hope for more.

### 3 Training and development

99% of employees want systematic training – at least, using internal trainers, or at most, using external provision. 82% of organisations offer training at either level.

Hands up who doesn’t invest in training and development at all? Culprits are rare - around 2% of companies. However, a significant minority of organisations are positioned only one level higher than sub-standard.

Nearly 17% provide only “basic vocational training, or training as part of major restructuring operations”. Less than 1% of employees agree that this is the right approach to adopt.

Only slightly more people (around 3%), believe that “training courses should be systematically provided – using only internal trainers” and only around the same amount of companies agree.

So how do people want to be developed and trained? And how well are employers delivering? An overwhelming majority of employees (96%) want “systematic training, using external trainers as part of the mix”. And indeed, in nearly 80% of cases, this is the exemplary approach practiced by companies – and known about by employees.

Even so, the gap between the desires of employees, and what they perceive they get, is statistically significant. So it’s time for companies to build on their acknowledged strengths in this area, and if those strengths are there, to make more – or more meaningful - noise about them.

### 4 Collective bargaining – biggest gap..

88% of employees believe labour agreements should be in place, at least, offering no room for individual differences, or at best, allowing room for individual solutions. 65% of companies manage either one or the other.

I don’t know about salaries...aren’t they determined by the market?

Respondent, Germany

”

Collective bargaining is the process whereby workers, union and company representatives meet, discuss, and negotiate labour conditions.

At the very lowest level of performance, companies would actively “discourage collective bargaining”, and around 2% of employees agree that they should. In reality, 10% of companies take exactly this approach.

Rather more employees (10%) are happy that their company should content itself with the next level of practice – “following main collective labour agreements in the countries that require them”. This is indeed the case around 25% of the time.

“Installing a firm, specific collective labour agreement, which does not allow for individual differences”, is considered by the researchers – and around 10% of employees - as a fairly reasonable, if not optimal, strategy, And 25% of organisations agree.

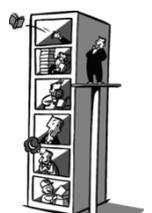
“

Training is only given to those for whom the company has a vision...”

Respondent, France

Depends in which office you are. In the USA, there is very little training for people who have already been with the company a few years

Respondent, US

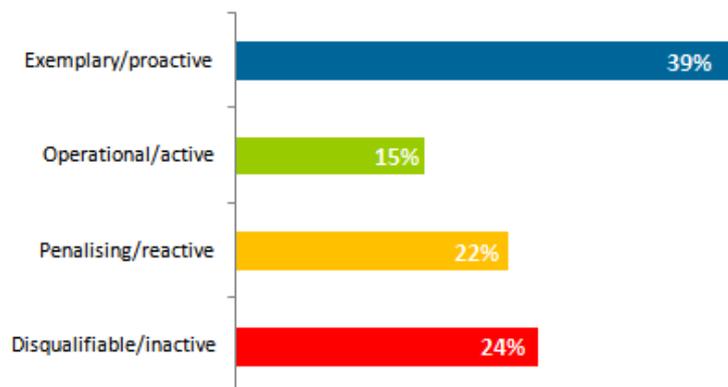


They are disappointing many people, however, because by far the most popular approach, demanded by 79% of employees, is that “a broad collective labour agreement should be in place – giving space for individual solutions”. Around half as many companies deliver (39%). Still, when it comes to collective bargaining, this the most common practice.

And still, performance is once again falling far short of expectations.

## Summary of results

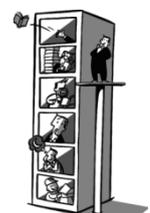
### People - Employment, recruitment, retention



## People – employment, recruitment and retention

### What the CSR specialists prescribe...and exemplary companies practice

- 1 Work-life balance.** Responsible employers install an internal policy regarding work-life balance. And ideally, employees should be actively stimulated to consider opportunities within a broad/generous policy.
- 2 Career opportunities.** Whilst employee opinions are somewhat mixed when it comes to a special focus on career opportunities for women and minorities, best practice guidelines dictate that your organisation should at least maximise opportunities and at most, that a sound policy - including training should be in place.
- 3 Training and development.** If you are like the majority of organisations surveyed, you will have already understood that it is not enough to limit training to vocational interventions, or those linked to major change. Systematic training should continue to be provided - ideally deploying external provision.
- 4 Collective bargaining.** As a general rule, labour agreements should be in place, at least, even if these offer no room for individual differences. At best, you will accommodate individual differences.



## People

### External commitment

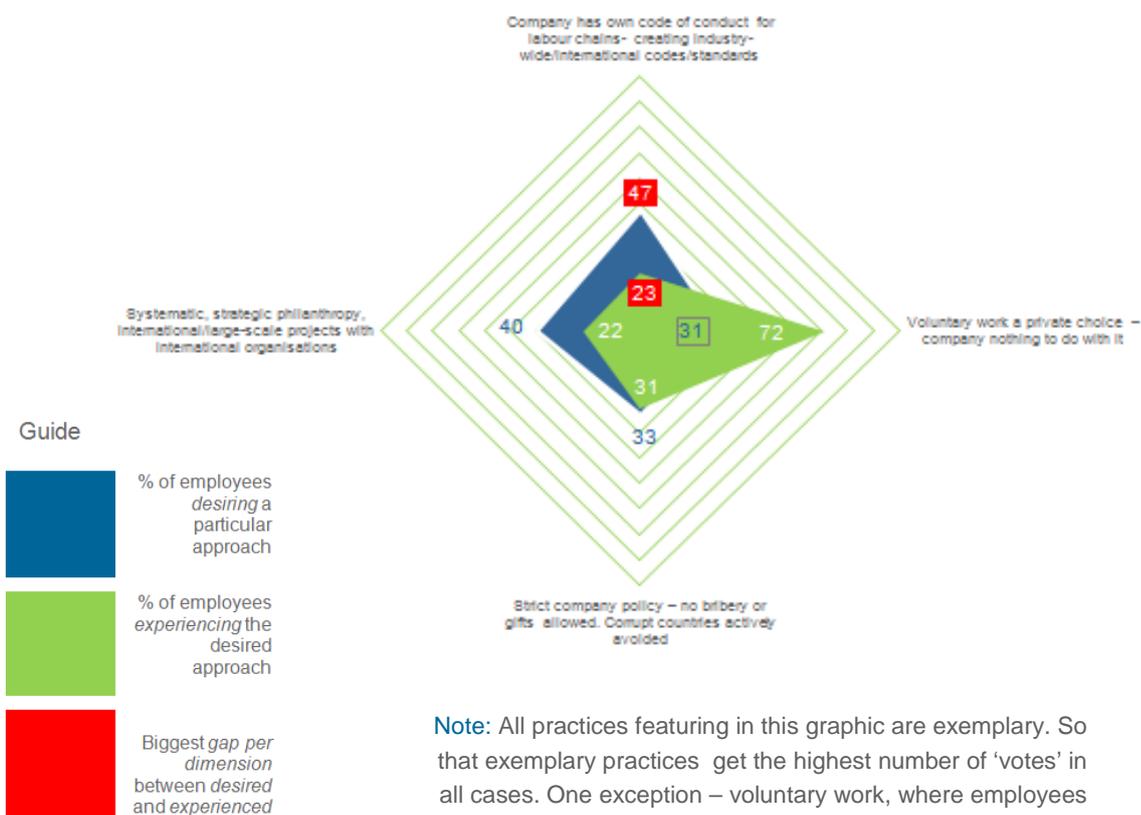
In this section, we examine how companies assure fair and humane labour conditions in their value chain, support the voluntary work of employees, combat bribery and corruption and engage in philanthropy.

Employees were pretty unanimous about the right thing to do in the dimension of 'human resources' issues (see previous chapter). However, their views are far more dispersed when it comes to *external* social issues. Only in the case of labour conditions in the value chain, and to a lesser extent, philanthropy, does a clear preference for exemplary practices emerge. For instance, rather than expecting their employers to intervene in their voluntary work, employees consider voluntary work a personal decision – one in which employers should not have a hand. As a consequence, the average percentage of employees indicating that employers do, or should, have an exemplary score on these items is low (and the gaps are small as well).

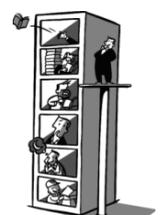
Looking at 'exemplary' or 'level 4' practice, the largest gap between actual and expected practice lies in 'labour conditions in the value chain'. 47% of employees expect their company to have its own code of conduct, creating industry-wide/international codes and standards. Only 23% of companies measure up, however.

Finally, 39% of companies are displaying disqualifiable behaviour in this area, in that they are fairly inactive. Only 17% of companies are exemplary.

- ➔ Nota bene: worrying news, too, regarding bribery and corruption. 70% of employees believe that a strict company policy should at least be in place to prohibit bribery, or that at best, their company should actively campaign against bribery and corruption at international level. One or the other is reported by only 47% of people.



**Note:** All practices featuring in this graphic are exemplary. So that exemplary practices get the highest number of 'votes' in all cases. One exception – voluntary work, where employees seek an operational rather than an exemplary level.





Product procurement is purely based on price...

Respondent, Germany

Our company has its own code of behaviour (ARBO catalogue) and does what makes sense.

Respondent, Holland

## 1 Labour conditions in the value chain – biggest gap..

91% of employees believe that a company should at least have its own code of conduct for labour standards – doing more than is legally required, or at best, that it should actively be creating international standards. 66% perceive either to be the case.

Newswires continue to buzz with stories about the dirty undercarriage of supply chains. We ask, how much responsibility should companies take for the way they source their

products? Hardly any employee (1%) believes that “product sourcing should be “purely based on price and fitness for purpose, without considering labour conditions”. Around 14% of the time, however, this is exactly what their companies do – at least, in the eyes of their employees.

How about at least “obeying the law, setting minimum standards for labour conditions with suppliers”? That’ll do nicely, say around 8% of employees. And around 20% of companies are also happy to meet this rather mediocre standard of practice.

A far more acceptable option – both in the eyes of around 40% of employees and their companies is that the company should have “its own code of conduct for labour standards – doing more than is legally required”.

At the ultimate level, companies should not only consider the cleanliness of their own supply chains but look beyond, actively promoting industry-wide or international codes and standards of practice. 47% of employees are calling for this pioneering stance, however, only 23% of their employers see fit to reach out.

## 2 Voluntary work

57% of employees believe their company should have a policy supporting their private voluntary work, or at best, that they should be stimulated to support their local community and economy. Only 19% of employees report that this support is provided at either level.

We have seen that employees want their employers to respect the balance between their work and private lives. How do they feel when it comes to their private *voluntary* work? Views here are dispersed. 31% of employees believe that “voluntary work should be their private choice and that the company should have nothing to do with it”. And companies are more than happy to comply – 72% indeed leave employees to their own devices, adopting a somewhat ‘laissez-faire’ approach.

What more could and should companies do? For a start, they could “make their premises available outside working hours for the local community initiatives of employees” (for example, sports, or local theatre rehearsals). Around 10% of employees agree with this, and around the same number of employers indeed deliver.

What more? 31% of employees believe that “local community involvement of employees should be promoted at a more formal level – for example, that it should be part of company (e.g. HR) policy”. Only 12% of employers choose to behave this formally.

“We have corporate citizenship programs both at local and global level. We support local Red Cross all the way up to having people taking paid leaves to participate in developing country voluntary work.”

Respondent, Finland

“Not working at head office, I’m not able to answer this question...”

Respondent, France



Less common still is the “active stimulation of employees to support their local communities and economies”. Whilst over a quarter of employees (26%) believe that this is what their employers should do, only around 7% of employers take this route.

### 3 Bribery

70% of employees believe that a strict company policy should at least be in place to prohibit bribery, or that at best, their company should actively campaign against bribery and corruption at international level. One or the other is reported by 47% of people.

How diligently do companies strive to eliminate another rather louche duo of business practices – bribery and corruption? Are they at least one step beyond actively encouraging them? At level one, a formal policy would be replaced by a tacit understanding that employees would be sanctioned if caught red handed. Astonishingly, whilst only 7% of employees would be satisfied with such a level of practice, 23% of companies operate on precisely this basic level, say employees.

Should systems regarding bribery and corruption be in place as required by law? Indeed they should, claim 22% of employees, and 30% of companies certainly comply with legal standards - as far as those employees can tell.

What more could be expected? A standpoint preferred by rather more employees – 33% in fact - is that a strict company policy should be in place. A policy which states that no bribery or gifts are allowed and furthermore, that temptation should be avoided by actively steering clear of corrupt countries. Around the same number of companies – 31% - indeed adopt this approach.

Marginally the most popular approach sought by employees – by 37% – is that a strict company policy should be in place and that their company should actively campaign against bribery and corruption at an international or industry level. There are some signs of life in this area – around 17% of companies practice this philosophy. Still, for an area so fraught with possible malpractice suits, views are rather fragmented. At best, we can describe companies and employees as pragmatists. At worst, the kitchen smells rather fishy...

### 4 Philanthropy

69% of employees believe their company should at least have created a philanthropic foundation, or at best, that it should practice systematic, strategic philanthropy, collaborating in international or large scale developments with external organisations. Only 38% of employees see either to be the case.

The roots of CSR can probably be best found in philanthropy (interested readers are invited to visit our appendix). How vigorously should philanthropy be practiced today, and what is the reality?

Yet again, we see that views are somewhat dispersed. What only 16% of employees want is that employers should engage in limited, if any, sponsoring, restricting their largesse to small local projects. Almost 50% of the time, this is exactly where employers sit. It is a level of practice that would disappoint more than one nineteenth century industrialist.

Around the same numbers of people (15%) believe that money should be donated on request – primarily for disaster relief after an event occurs. Still fewer companies dig into their pockets in such instances – only 13%, in fact.

“We are in the process of implementing internal control systems which will help deter some of the above. The use of web training has also helped to make people understand the different forms of bribery and corruption.

Respondent, US

There is a policy in place, but it isn't applied by high-level executives

Respondent, French speaking

“We make random donations to an organisation in Africa”

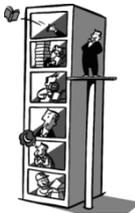
Respondent, Dutch-speaking

My company doesn't communicate enough to enable me to answer the question objectively.

Respondent, French-speaking

We regularly make donations to organisations chosen by staff.

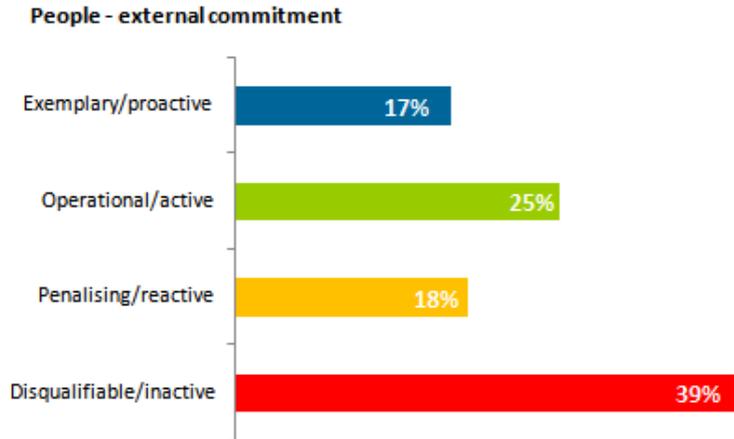
Respondent, Dutch-speaking



How about a philanthropic *foundation*, making gifts systematically in line with strategic goals? A widespread practice, surely, given the number of assurances illuminating the pages of annual reviews? Well, not really – only 17% of companies see fit to do this. And support for such a notion is hardly overwhelming – only 28% of employees believe that this should be standard practice.

So what do most employees seek? The most popular option – sought by 40% of employees - is that their noble employers should engage in the level four, exemplary practice of *systematic, strategic philanthropy*. Further still - those employers should also collaborate in the development of international or large-scale projects together with governments or non-profit organisations. So how many employers are exemplary philanthropists? Less than a quarter would impress Mr Cadbury Esq. (22%).

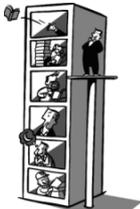
**Summary of results**



**People – external commitment**

**What the CSR specialists prescribe...and exemplary companies practice**

- 1 Labour conditions in the value chain.** As an operating basis it is recommended that your organisation has its own code of conduct for labour standards – doing more than is legally required. Ideally, you should be active in creating international standards.
- 2 Voluntary work.** Your employees expect that any private voluntary work will be structurally supported by a policy. Ultimately, they want to be stimulated by you to support their local community and economy.
- 3 Bribery and corruption.** To be considered operational in this area, your organisation will at least have installed a strict company policy to prohibit bribery. At best, you will actively campaign against bribery and corruption at international level.
- 4 Philanthropy.** Has your company created a philanthropic foundation, or does it go one step further towards exemplarity, practicing systematic, strategic philanthropy, collaborating in international or large scale developments with external organisations? If so, congratulations - this is the ultimate level of practice.



# Planet



# Planet

In this section, we examine the behaviour of companies with regard to the level of responsibility they assume for the ecology, their attitude towards saving energy and water, reducing the use of paper and finally, dealing with waste.

Environmental issues clearly emerge as the ones in which employers consider their organisations to be least active, judging from the number saying their organisation is 'exemplary' in any of these areas.

And yet, a substantial number of employees wants their organisation to be busy when it comes to the Planet. Despite this, their aspirations are relatively modest. In the areas of "paper waste" and "pollution", employees prefer a 'level 3', rather than a 'level 4' (or 'exemplary') score for their organisation. According to them, it should be actively involved in providing an environmentally safe working environment and reducing waste and paper, but without engaging in major collaborations with *external* partners and stakeholders.

Even so, the great majority of employees thinks that their organisation should do at least as much as it is currently doing, or more.

Looking at 'exemplary' or "level 4" practice,' the largest gap between actual and expected behaviour lies in the "way that the company practices a belief that economy and ecology are one, taking responsibility". Whereas 60% of people expect this from their company, only 26% of people perceive it to be the case.

Overall, when it comes to the 'Planet' only 21% of employees believe that their company is behaving in an exemplary way. 27% actually believe that its behaviour is disqualifiable.

- ➔ **Nota bene:** when it comes to saving energy and water, 80% of employees believe that their company should at least have measures to save energy and cut greenhouse gases - as well as technological solutions to the problem. Or that, at best, it should also be collaborating with NGOs. Only 34% find that either is so.



“

We are changing. In small steps. As far as I'm concerned, this is great.

Respondent, Holland

Internally we have energy-saving measures. Externally we offer our clients the most efficient solutions possible.

Respondent, Dutch-speaking

## 1 Ecology (biodiversity) – biggest gap..

85% of employees believe that their company should at least obey what the law dictates, sponsoring general protection programmes, for example. Or that, at best, their company should practice the belief that the economy and ecology are one, taking responsibility. Only 48% report that their companies are up to standard at either level.

Who should take responsibility for ecology and biodiversity? Should employers pass the buck (or the hot organic potato) elsewhere? Yes indeed, say 9% of employees – this is none of our business. And yes indeed, 30% of companies agree – at least, as far as their employees are concerned. “Ecology is not considered the prime responsibility of our company” they state.

This is the lowest moral stance proposed by the researchers. So how could we concretely describe a rather more responsible attitude? Should employers be satisfied to limit their proactivity to taking responsibility *only if stakeholders ask for it and if they are at fault*? Only 6% of employees agree, and yet 23% of companies seem to be satisfied to stop right there.

So how many companies are holding their potato? And what more could be done? 25% of employees believe that their employer should do more than law requires, sponsoring general protection programmes for example. A modest 22% of companies are perceived to do their jobs in this area.

But what the majority of employees seek (60%) is that their company should practice the belief that the economy and the ecology are one – taking responsibility. And around a quarter of companies (26%) can justifiably claim access to the moral high ground in this area.

## 2 Saving energy and water

80% of employees believe that at least, measures to save energy and cut greenhouse gases should be in place, as well as technological solutions. Or that, at best, their company should also be collaborating with NGOs. Only 34% agree that either is so.

At the most basic level, companies would not have a policy towards energy saving at all – except if this increased their efficiency. And they would make no investment in energy-saving technology, either. Hands up who would like to see this? Good news for environmental campaigners - only 3% of employees think this is a good idea. On the downside, 37% of employees say that this is exactly the level that their employers practice at.

How about having a policy towards energy-saving – in line with an almost-inevitable tightening of regulations – and pursuing a quest for technological solutions? Around 18% of employees say that this is fair enough and 29% of companies seem to agree.

However, 37% of employees demand more. Measures to save energy AND reduce greenhouse gases should be in place, they say, with technological solutions in place. Only 23% of companies have reached this point, however.

At the most exemplary level of practice, according to the researchers, companies should not only be satisfied with doing their bit for their direct stakeholders, but should pursue the wider interests of CSR. In this instance, companies should invest in technological solutions to save energy and reduce greenhouse gases *and* collaborate with NGOs and governments in ensuring best practice. 43% of employees vote for this option, however, many must be disappointed, since only 11% of employers practice it.

I suspect that my company is doing something in this area, but I'm not entirely sure...

Respondent, Holland

Energy saving and "green" efforts are promoted by the company, I do not believe a formal policy exists..

Respondent, US

”



“

Lots of paper tigers. In practice, we're on a hunt for profit.

Dutch-speaking respondent

This doesn't apply to us. We're a service company.

French-speaking respondent

### 3 Pollution

92% of employees expect their organisations to at least comply with the very highest international standards when it comes to their safety policies, or at best, that they co-develop new rules with environmental organisations for stricter international standards. 80% indeed observe that one or the other is the case.

Is pollution a short-term necessity to trigger longer term economic growth? Should companies seek toxic waste reduction *only* on the condition that it doesn't compromise their short-term profitability? Neither employees nor employers believe this should be the case. Indeed, only around 2% of employees and employers believe that this is acceptable.

How about stepping up safety policies for personnel upon the demand of stakeholders or regulators? Still not good enough, apparently – only 7% of employees would be satisfied by this. Their employers are less rigorous, however – nearly 18% stop at precisely this rather lacklustre level of proactivity.

What far more employees want (55%), is that safety policies (e.g. HR) should be in place for personnel - in line with the highest international standards. Rather more companies satisfy this condition – 37%. Ultimately, the researchers propose that new anti-pollution rules and practices should be co-developed with environmental organisations to create stricter international standards. Here, we have rather more encouraging news for environmental agencies. 43% of companies involve themselves at this exemplary level – even if their employees are less rigorous (37% seek this).

### 4 Paper use

78% of employees believe that the paperless office should at the very least be actively pursued and linked with a sound environmental strategy, or at best, used as a way to educate stakeholders about other environmental projects. Apparently, only 23% of employers practice either level.

As chatter about the 'paperless office' populates internal memos across the business landscape, some suggest that paper use has actually risen with the rise of email and it is even whispered that certain old school bosses still ask their secretaries to print their emails out for them...

So what is the position on paper reduction? Should this be practiced with efficiency and cost saving in mind, first of all? No, say employees, as only 5% agree that this is really the point. 38% of employers, however, transmit exactly this message. Cut paper to cut costs, they say, with scant regard for wider environmental implications.

Do employers heed the concerns of employees and society at all? 18% of employees believe that these concerns should be the main driver for paper-saving, and 39% of employers certainly have an ear attuned to the feedback.

And, still, this rather reactive attitude is far from exemplary. A better solution would be to actively pursue the paperless office, linking this with a sound environmental strategy. So say 52% of employees. Unfortunately, employer support diminishes as the levels rise. Only 21% of employers are perceived to be this proactive. And whilst 26% of employees seek the highest level of activity – that the 'paperless office' be used as a way to educate stakeholders about other environmental projects, only a tiny minority of employers go this far. 2% are seen to be exemplary.

It's the responsibility of the individual staff member. Whoever wants to go paperless is free to do it.

German-speaking respondent

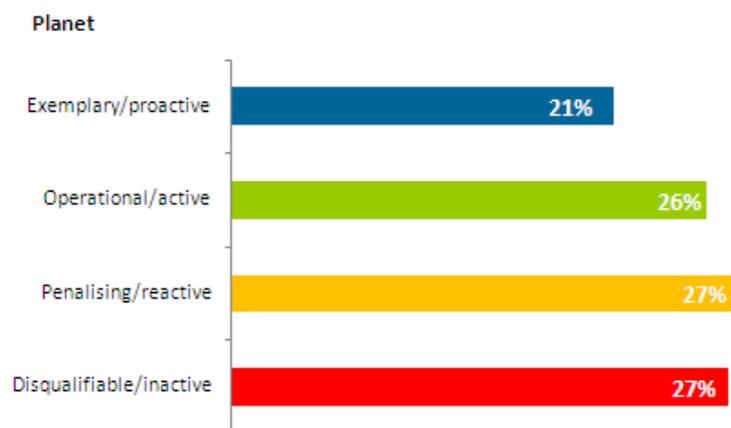
We need paper in the pharma industry.

Respondent, France

”



## Summary of results



## Planet

### What the CSR specialists prescribe...and exemplary companies practice

- 1 Ecology (biodiversity).** At the very least, your company should obey what the law dictates, and undertake some tentative activities, sponsoring general protection programmes, for example. Ideally, you will practice the belief that the economy and ecology are one, taking responsibility.
- 2 Saving energy and water.** To be considered operational, your company will have taken measures to save energy and cut greenhouse gases, as well as putting technological solutions in place. At best, you will be collaborating with NGOs.
- 3 Pollution.** Organisations should at least comply with the highest international standards when it comes to installing safety policies. Exemplarity implies something more - co-developing new rules with environmental organisations for stricter international standards.
- 4 Paper use.** At this stage in the paper chase, good CSR practice prescribes that the paperless office should be actively pursued and linked with a sound environmental strategy. Ideally, this will also be used as a way to educate stakeholders about other environmental projects.



# Profit



# Profit

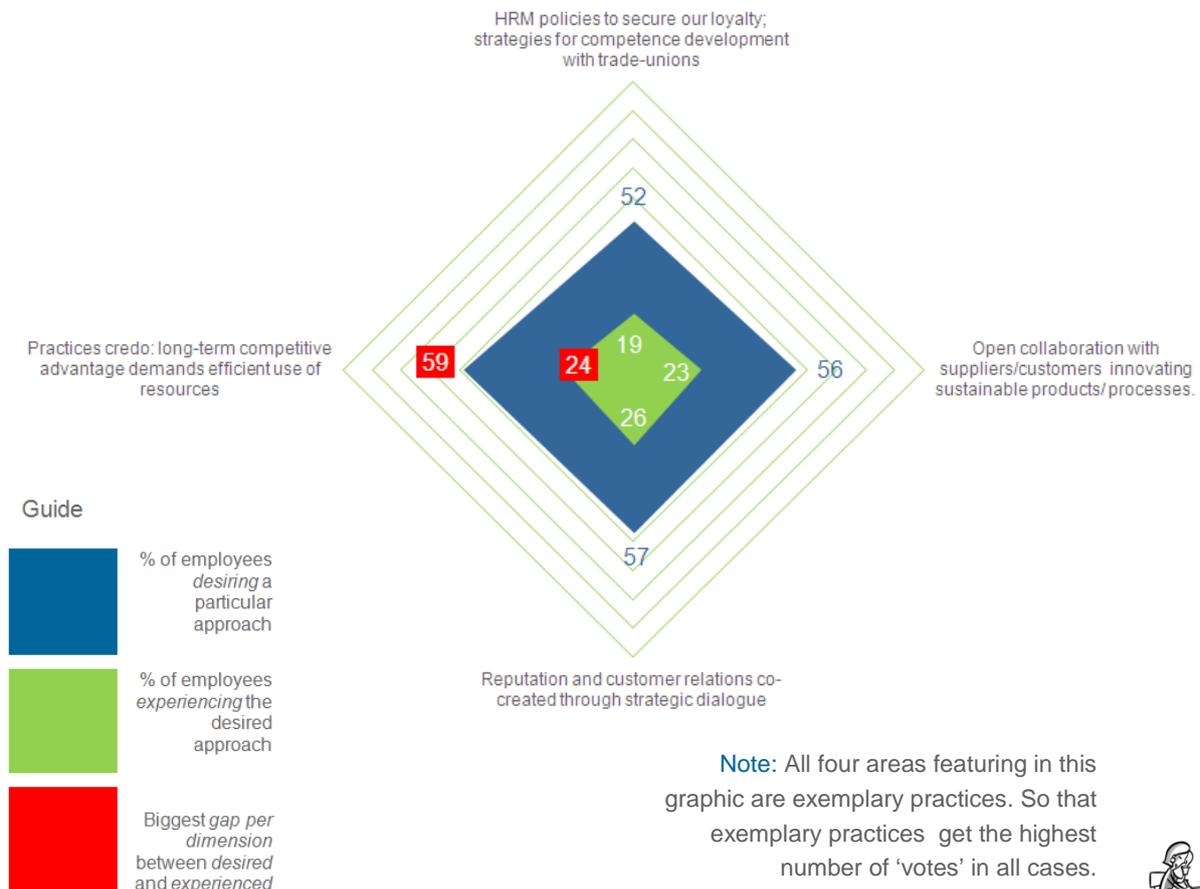
In the land of CSR, the Profit dimension is just as important as the Planet and People dimensions from a triple-P perspective. We examine the extent to which companies take a socially responsible position with regard to employee retention, the way they assume innovation, the conditions for a good reputation, and finally, secure efficient use of resources.

Employees consider their organisations to score relatively even on all four areas associated with Profit – roughly 20% report a 'level 4' score, whereas 60% consider that their organisations should present a 'level 4' score on these areas.

Looking at 'exemplary' or "level 4" practice,' the largest gap between actual and expected practice lies in the way the company practices the credo that 'long-term competitive advantage demands efficient use of resources'. 59% of people seek this practice, only 24% experience it.

Across the board, 23% of companies are seen to be operating at an exemplary level when it comes to the dimension of Profit, 32%, however, are operating at a disqualifiable level.

- ➔ **Nota bene:** 81% of employees believe their company's product and service innovation should be at least consciously designed to facilitate waste reduction and recycling. Or at best, that their company should openly collaborate with suppliers and customers to innovate sustainable products and services. Only 38% of companies are seen to function at either level.



“

Talent retention is in place, in the sense that ‘talent’ means what is chosen by management, rather than people who actually know something. It’s very bad, and very unmotivating.

Respondent (nationality unknown)

Our HR policy aims for a certain equality in salaries for all but there is not transparency on salary structure and there is a 20% difference between the salaries of men and women.

French-speaking respondent

## 1 Employee retention

91% of employees believe that HRM policies should at least strive to nourish their loyalty, with ‘fair’ wages for all including top salaries. Or at best, that those policies should also include joint strategies for development with trade unions. Only 49% of companies display either level of practice.

Recruiting and holding onto top talent is top of the corporate agenda, according to reports by the Economist Intelligence Unit and McKinsey, (to name but two). Specifically when it comes to the setting of salaries, this area is strongly linked with ‘procedural and distributive justice’ – an important element of employee satisfaction (and certainly *not* the only or the most important one). How do employees see it?

Only 5% of employees believe that HRM policies should be primarily based on operating efficiency, setting salaries on a case-by-case basis. And yet 39% of employers satisfy themselves with precisely this minimal operating standard – at least in the eyes of their employees (and perception matters a great deal in this area as in others).

A similar minority of employees (5%) believes that HRM policies should attempt to stop them from defecting – but with no ceiling on top salaries. A minority of employers are seen to actually practice this philosophy (12%).

What far more employees seek (39%) is rather that HRM policies should strive to nourish employee loyalty – offering ‘fair’ wages for all – and this includes fairness in the way top salaries are set. 30% of employers do that, employees claim. However, what most people want – albeit a small majority (51%) – is that HRM policies should strive to secure their loyalty - with “joint strategies for competence development together with trade unions”. This is perceived to be the case around 20% of the time. So that, if employers are actually taking exemplary measures when it comes to employee retention, some urgent internal communications are called-for – because the all-important reassurance is simply not getting through to key stakeholders.

## 2 Innovation

81% of employees believe that their company’s product and service innovation should be at least consciously designed to facilitate waste reduction and recycling. Or at best, that their company should openly collaborate with suppliers and customers to innovate sustainable products and services. Only 38% of companies are seen to function at either level.

At what price product and service innovation? Should responsibility be sacrificed on the altar of the new? Yes, according to 9% of employees. Product and service innovation should be self-centred, seeking to maximise supply-chain efficiency. 43% of employers agree, apparently – as environmental considerations are conveniently overlooked in the race for market share and profitability.

Surely product and service innovation should at least include measures to reduce waste and take care of social concerns? Only for 11% of employees is this enough. However, 20% of employers are content to leave it right there.

At the next level of practice, the researchers propose that product and service innovation should be consciously designed to facilitate waste reduction and recycling. 25% of employees think so, too. Only 15% of employers seem to agree.

Products are designed for, (or even by) our clients.

Dutch-speaking respondent.

Our products are ‘people’. We try to influence travel (for example, taking trains instead of planes). We stimulate homeworking, and have a policy where people can choose between car contribution to salary, or a lease car, however, it’s not linked to an environmental strategy.

Respondent, Holland

”



What do employees really seek, when it comes to responsible innovation? 56% believe their company should collaborate openly with suppliers and customers to innovate sustainable products and services. Only 23% of employers are seen to do this. Consumer thirst for cutting-edge product may yet drink us dry...

### 3 Reputation and customer relations

93% of employees think that their organisation's reputation should be at least promoted through the external communication of its CSR policy. Or that, ideally, its reputation should be "co-created by engaging in a strategic dialogue." 62% of employees see that their company practices one or the other level.

On what should a good reputation be based? On good profit, primarily? Not so, say employees. Only 3% of employees believe their company's reputation is best served if it turns in a healthy balance sheet at the expense of all else. Perhaps many Finance Directors have overlooked the message to date, since 19% of companies still operate according to the dictates of Mr. Adam Smith – at least according to employees.

Only 4% of those employees will content themselves with a slightly more conscientious approach to the delicate matter of their company's reputation. Their company should at least "respond to concerns or negative publicity" they say. In 19% of cases, such is indeed the case.

Come now, are we shy? Well, now is not the moment, Madam. A more robust communications approach would prove more desirable. According to 36% of employees, their company's reputation should be promoted through the external communication of an ethically-responsible reputation and vision. Do companies agree? Apparently so - 36% of the time.

Ultimately, the reputation of a company is best co-created through a "strategic dialogue with stakeholders", the researchers prescribe. And 57% of employees think so too. Employers have rather more modest ambitions, however – only 26% adopt this approach. Messages are being transmitted – and still, it's a one-way communication, it would seem.

“

It's all a sham...

Respondent, France

Our reputation and relations with customers are determined by our level of service, which results in profitable projects.

Dutch-speaking respondent

The permanent improvement of quality levels demanded for products takes up practically all our available energy.

Respondent, France

As a government agency we strive for efficiency in costs and resources within the budgets we are given.

Respondent, Holland

”

### 4 Cost and efficiency in the supply chain – biggest gap...

79% of employees believe that their company should at least "prioritise cost and resource efficiencies over profit" - as a point of attraction for socially responsible investors, for example. Or at best, that it should "practice the credo that its long-term competitive advantage depends on the efficient use of resources". Only 37% of companies are seen to take cost and efficiency seriously at either level.

"Cost and resource efficiencies should be pursued only if this does not affect short-term profitability". So say a mere 6% of employees – however, 28% of employers once again wallow at the lowest level of CSR - putting profitability first.

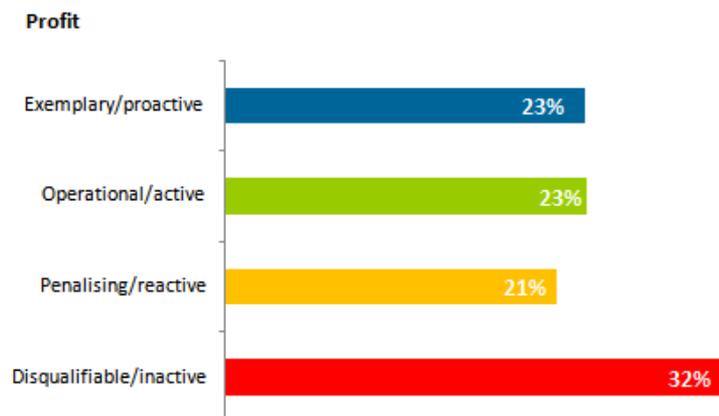
Rather more employees (although still a 15% minority) agree that cost and resource efficiencies should be pursued to maintain short-term profit and avoid the imposition of stricter environmental regulation. 35% of companies agree.

So how many employees believe that cost and resource efficiencies should take precedence over profit – to attract socially responsible investors, for example? 20% would be satisfied with this approach to the matter of saving resources. 13% of companies indeed do this.



What 59% of employees prefer, however, is that their company should practice the credo that its long-term competitive advantage depends on the efficient use of resources. 24% of companies think this far ahead, according to employees.

## Summary of results



## Profit

### What the CSR specialists prescribe...and exemplary companies practice

- 1 Employee retention.** In an age when talent retention is so crucial for companies, your HRM policies will at least strive to nourish employee loyalty, with 'fair' wages for all - including top salaries. To be best in class, those policies will also include joint strategies for development with trade unions.
- 2 Innovation.** Product and service innovation, according to the CSR specialists, should be consciously designed to facilitate waste reduction and recycling. Exemplary companies openly collaborate with suppliers and customers to innovate sustainable products and services.
- 3 Reputation and customer relations.** To what extent is your organisation's reputation promoted through the external communication of its CSR policy? Do you go further in that you believe and practice the credo that reputation is a co-creation – generated through a strategic dialogue with key stakeholders?
- 4 Cost and efficiency in the supply chain.** If your company behaves according to a reasonable level of practice it will prioritise cost and resource efficiencies over profit – seeing this a point of attraction for socially responsible investors, for example. At best, it will know that its long-term competitive advantage depends on the efficient use of resources.



# Making CSR connections

Employees' general impressions of their company's CSR policy



## Making CSR connections – employees’ general impressions of their company’s CSR policy



### Links between CSR policy, talent retention and recruitment

Although CSR only plays a minor role in recruitment and retention, people do agree that their companies' CSR activities are important for customers and stakeholders. They also say that they, as employees, help to promote the positive image.

Focussing on those employees who claimed that their organisation had a CSR policy, we asked how important they thought the policy was when it came to their recruitment and retention, as well as their own contribution to CSR.

Most employees do not agree that their company's CSR policy plays a major role in recruitment and retention - they do not generally apply for jobs because they identify with an organisation's CSR policy. And indeed, in general, the CSR policy was not explained when they came to work for their company.

Despite this, employees do tend to agree (sometimes quite strongly) that their company's CSR activities are important for customers and stakeholders. They also say that they themselves contribute to the way in which customers and stakeholders perceive the CSR policy of their organisation.

### Awareness, information, motivation

The headlines of CSR policy are known, its details or historical origins less so. Headquarters and external communications are the main vectors, with employers encouraging their citizens to behave responsibly and being sympathetic towards private

difficulties. At a lower level, the grapevine is rather silent.

Those employees that say that their organisation has a CSR policy also know it reasonably well. And still, there are limits – they are rather vague when it comes to the details or historical origin of that policy. The main vectors of the CSR message are primarily company headquarters, and its external communication messages. However, the grapevine is somewhat silent. Employees do not frequently discuss CSR-related issues with their colleagues, even line managers do not seem to be playing a particularly active role. And as internal communicators stress the importance of 'storytelling' to get corporate messages across to employees, people do not know of 'corporate stories' regarding the subject.

In terms of media, employees receive CSR information mainly via intranet, newsletters, email and websites.

Employers seem to be reasonably active in encouraging CSR activities or responsible behaviour among employees – primarily inside the office. And on a personal 'people' note, supporting employees during difficult private periods is the most common practice.



### Motives for investment

Employees have no visibility on whether CSR budgets would resist general cuts, but do trust that their employers' motives for engaging in CSR are sound.

Most employees do not hold particularly strong views as to how well their company's CSR budget would resist a general budget-cutting round.

Why do they think their employers invest in CSR? When asked what they would see as the main motives for CSR investments, 34% indicated that the most important reason is to act "according to

sincerely-held values and principles", followed by "conformity to legal constraints". The most frequent "second-most important reason" is customer demand and employee retention.

Employees trust that their employers have honourable motives for CSR practices. Paying lip-service, getting positive press coverage, and – again – employee retention, are most frequently mentioned as the *least* important reasons for their company's engagement in CSR.

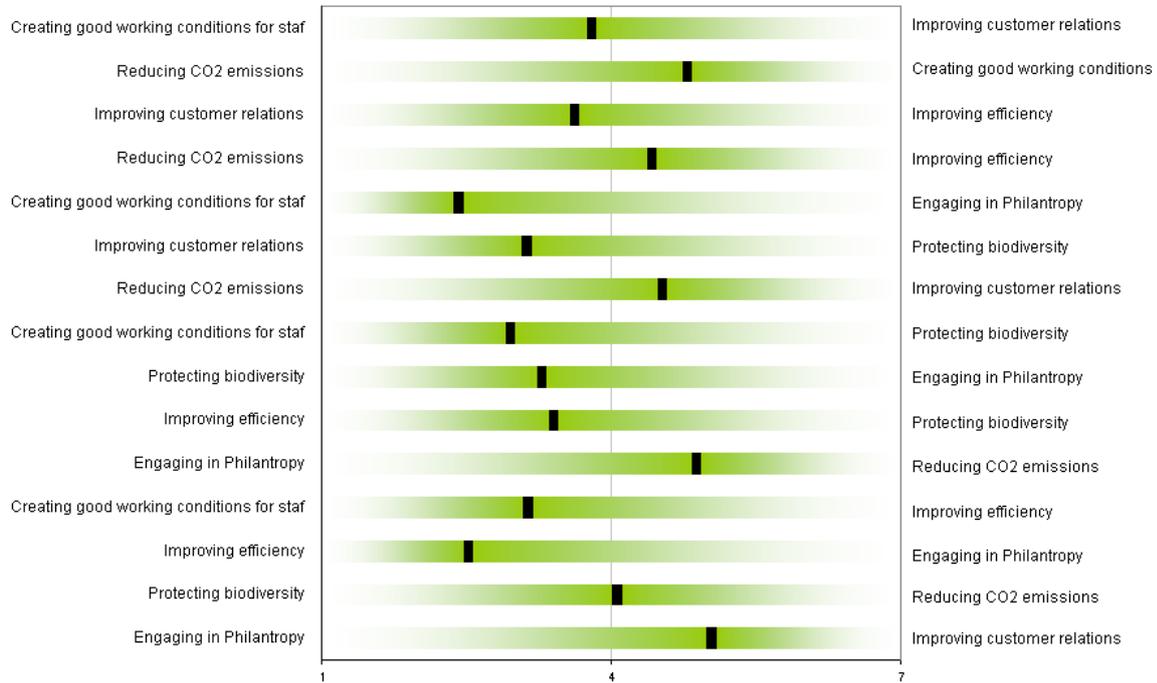


# Trade-offs



## Trade-offs

If they had to choose, employees would put working conditions top of the list on a CSR strategy. Philanthropy would come last.



What's it to be: efficiency or bio-diversity, philanthropy or customer relations? CSR is often about making choices and trading-off different values.

So how do employees deal with these trade-offs? What is most important to them? In a series of 15 questions, we asked people to make choices regarding six CSR issues (two concerned with People, two with Planet, and two with Profit)

The above graph shows us what employees on average scored for each of these trade-offs. For example, the top bar indicates that, if asked to choose between "creating good working conditions"

and "customer relations", employees show a slight tendency towards "creating good working conditions".

Combining all this information gives us in a hierarchy of CSR priorities that already implies that people need to know about the various trade-offs. This gives us far more insight into people's value system than the simple question of "what do you consider important" – to which the almost inevitable answer is "everything".

For most employees, "creating good working conditions" emerges as the top priority when it comes to deciding between People, Planet and Profit. It is followed by "improved customer relations", and then "increased efficiency".

Rank	Behaviour
1 - Top priority	Working conditions
2	Customer relations
3	Efficiency
4	CO2 emissions
5	Biodiversity
6 - Lowest priority	Philanthropy



# Diving deeper



## Diving deeper



Dr. Fabienne Fortanier, Assistant Professor at the University of Amsterdam Business School, conducted the statistical analysis for this report.

We examined how several important variables – for example work experience and firm size, are related to the individual employee scores on “how should your company behave?”, “how does your company behave?” and the gaps between the two. We used correlation coefficients, and report our most significant findings below.

### Work experience

#### CSR – a preoccupation of the young?

Less experienced employees are less happy with their company's performance than their more experienced colleagues.

Our analysis shows that employees with *more* work experience perceive the current situation at their organisation differently from employees with *little* work experience. This is especially the case when it comes to the People (external) and Planet dimensions of CSR. Employees with *more* work experience perceive their organisations to be *more active* with respect to “voluntary work”, “combating bribery”, “ecological issues” and “saving energy”, than employees with *less* work experience.

The perception of how organisations *should* behave also depends on work experience. People with *more* work experience have *lower* expectations of their company when it comes to “labour conditions” and “reputation”, but *higher* expectations of their organisation when it comes to “employee retention”, compared to employees with *less* work experience.

The gaps between the current and the preferred situation are *negatively* correlated with work experience. This means that, the *more* work experience employees have, the *smaller* they perceive the gap between the current and their ideal situation at work to be.

It appears that particularly the *less* experienced (hence probably younger) employees see important gaps between what their company currently *does* in the area of CSR, and what it *should* do. This negative correlation, i.e., the difference in perception/satisfaction between experienced and less experienced employees, is particularly apparent for issues related to the Planet dimension of CSR.

### Organisational size

#### CSR – whales only need apply?

When it comes to the People and Planet dimensions of CSR, people working for larger companies have higher expectations. However, since larger firms also appear to do more in the area of CSR, people's level of satisfaction (i.e. the gap between “should” and “does” with their company's performance isn't affected by the size of their company.

Our analysis reveals that people working for *larger* organisations perceive the current situation at their organisation differently from employees at *smaller* Organisations. This is especially the case when it comes to the People (external) and Planet dimensions of CSR. Employees in *large* organisations perceive their organisations to be *more active* with respect to “creating good labour conditions”, “combating bribery”, “philanthropy”, and “ecological issues”, “energy saving” and “waste reduction”, than employees at *smaller* organisations.

At the same time, the perception of how organisations *should* behave also depends on organisational size. People that work for larger organisations also have higher expectations of their organisation when it comes to CSR (again, notably with respect to People (external) and Planet issues), but also with respect to “employee retention” and “innovation”, compared to employees at *smaller* organisations.

Since perceptions of both the current and ideal situation are positively related with organisational size, the gaps between these are not at all related to organisational size. Employees at *larger* organisations are just as satisfied– or dissatisfied with - their organisation's CSR activities as employees at *smaller* organisations.

“So far, we have reported the results of some simple tests. This chapter analyses the subject in more detail and shows to what extent important variables such as work experience and company size affect people's expectations and perceptions.



## International status

### CSR – a global concern?

People working for international companies see more activity in some key areas of CSR – and are more demanding. Overall, people's satisfaction does not change according to the international or non-international status of their organisation.

Our analysis shows that people that work for *international* organisations perceive the current situation at their organisation differently from employees at *non-international* organisations, especially when it comes to the People (both internal and external) aspects of CSR.

Employees at *international* organisations perceive their organisations to be *more* active particularly with respect to “creating career opportunities” and “promoting labour conditions in the value chain”, “voluntary work”, “combating bribery”, “philanthropy”, and “waste reduction”, than employees at *domestic* organisations.

At the same time, the perception of how organisations *should* behave also depends on whether or not organisations are internationally active. People that work for *international* organisations also have *higher* expectations of their organisation when it comes to CSR (notably with respect to People (external) and Planet issues, but also with respect to “innovation” and “cost efficiency”), compared to employees at *non-international* organisations.

Since perceptions of both the current *and* ideal situation are positively related with international presence, the gaps between these are generally *not* related to international presence. There are however exceptions in the cases of “collective bargaining” and “paper use reduction”. In these instances, employees working for *international* organisations are more *dissatisfied* than employees at *non-international* organisations. But overall, employees at international organisations are just as satisfied – or dissatisfied - with their organisation's CSR activities as employees at non-international ones.

## Employee engagement

### Do as I do, please

Employees who practice PSR are more switched on and more demanding of their employers.

Our analysis shows that employees who are *themselves* actively involved or engaged in responsible practices, perceive the current situation at their organisation differently from employees who are not. Employees *engaged* in responsible practices also perceive their organisations as *more* active with respect to e.g. “working conditions”, “collective bargaining”, “reduction of paper use”, “employee retention” and “innovation”, than their uninvolved counterparts.

At the same time, employee perception of how organisations *should* behave also strongly depends on whether or not they are actively engaged in responsible practices. Involved employees have *higher* expectations of their organisation when it comes to CSR - and this applies to *all* CSR issues measured, than uninvolved employees.

The gaps - or amount of dissatisfaction with the CSR practices - in an organisation also depends on whether or not employees are themselves involved in responsible practices. Especially regarding issues related to People (external) and Planet, personally engaged employees are *more dissatisfied* with their employer, compared to employees that are unengaged.

### Organisational citizenship – the light is shining? Contributing to corporate CSR raises the awareness and satisfaction levels of employees regarding their company's practice.

We also examined the link between employees' beliefs that they are personally helping to shape and implement their organisation's CSR strategy and their perception of their organisation's CSR practices. Employees that ‘broadcast’ CSR perceive their organisations to be *more* active with respect to all four dimensions of CSR, than employees that do not broadcast CSR practices. So that ‘good corporate citizenship’ is connected with people's perception of their organisational performance in CSR.

At the same time, the perception of how organisations *should* behave seems to have little to do with whether or not employees broadcast and implement the corporate CSR strategy. Only in the case of “career opportunities”, “saving energy”, and “innovation”, do employees who broadcast CSR strategies have *higher* expectations of their company, than employees that do not adopt a broadcasting role.



The gaps, or dissatisfaction with the CSR practices in an organisation also depends on whether or not employees are helping to shape and implement the CSR strategy of their organisation. Especially for issues related to Planet and Profit, employees who help to shape and implement the CSR strategy of the organisation, show more satisfaction with their employer.

### Employee knowledge

**The more I know, the better it seems**

Being informed about corporate CSR raises the satisfaction levels of employees regarding their company's practice.

We see that the extent to which employees are knowledgeable of the CSR strategy of their organisation, is positively related to their perception of its current CSR practices. Employees who know about their organisation's CSR practices are primarily more positive about their organisation's activities related to Planet and Profit issues.

At the same time, employee perception of how their organisation *should* behave is barely related to whether or not they know about its CSR strategy. Only for the dimensions "innovation" and "cost and efficiency", do employees that know a lot about their organisation's CSR strategies have higher expectations of their company, compared to employees that do not have such extensive knowledge.

The gaps – or amount of dissatisfaction with the CSR practices in employee's organisations also depends on whether or not those employees are knowledgeable about the organisation's CSR strategy. Employees that know a *lot* about the CSR strategies of their organisation – especially for issues related to Planet and Profit – are more satisfied with their employer.

We also see that the extent to which employees are *informed* about the CSR strategy of their organisation, is positively related to their perception of its current CSR practices. Employees who feel informed about their organisation's CSR practices are primarily more positive about those activities when it comes to People (internal), Planet and Profit issues.

At the same time, the perception of how organisations *should* behave is barely related to

whether or not employees are informed about their organisation's CSR strategy.

The gaps, or amount of dissatisfaction with the CSR practices in an organisation, also depends on whether or not employees are informed about its CSR strategy. Employees who feel *well-informed* about the CSR strategies of their organisation – especially for issues related to Planet and Profit – are *more satisfied* with their employer.

### Regional differences

**CSR – what Planet are you on?**

People's level of satisfaction with the CSR practice of their organisations differs significantly between regions, - especially for issues related to Planet.

Employees working in France and in Southern and Eastern European countries perceive the largest *gaps* between what their organisations *should* do, and what their organisations *really do* when it comes to the Planet dimension. The gap is smallest for Dutch and North-west European organisations.

Significant differences also exist across regions with respect to how employees perceive the *current situation* at their organisation to be. Again, differences are most apparent for Planet issues, but also for People (internal and external) we see substantial differences between organisations located in different regions.

In general, France, North-west Europe, and the Rest of the World, score in general *highest* regarding the current CSR situation. Employees in the Netherlands report the lowest values.

Finally, we also see significant differences across regions with respect to how the CSR strategy of organisations *should* be. On average, employees have high expectations of their employers. Again, it is especially the Dutch employees who have the *lowest* expectations of their organisations in terms of CSR, and have different views compared to employees in all other countries and regions, who appear to have *higher* expectations.



## Sectoral differences

### Manufacturers make for better CSR

Manufacturers are better perceived by their employees when it comes to CSR performance, than other sectors – and manufacturing employees have higher standards, too.

People's level of satisfaction with their company's CSR practice also differs significantly between sectors, once again and especially for issues related to Planet. Employees working in the service sector state the larger gaps between what their organisations *should* do, and what they *really* do, with respect to the Planet aspects of CSR, compared to employees in manufacturing.

Significant differences also exist across sectors with respect to how employees perceive the *current* situation at their organisation to be. Again, differences are most apparent for Planet issues, but also for people (external) and Profit issues we see substantial differences between organisations located in different sectors. Organisations in the manufacturing sector score higher on the questions measuring the current CSR situation.

Finally, we also see significant differences across sectors with respect to how the CSR strategy of organisations *should* be. Employees have on average high expectations of their employers. However, expectations, especially with respect to Planet issues, are higher for manufacturing organisations than for services organisations.

## Functional differences

### Everybody's policy

Assistants - and board members - have the lowest ambitions regarding employee working conditions. Otherwise, people's opinions are fairly similar across the board.

Our analysis reveals that satisfaction levels do not differ significantly between employees with different function types, with the exception of "labour conditions in the value chain". When it comes to labour conditions, employees in sales and assistants are more satisfied than other employees.

There are few significant differences across function types when it comes to employee perceptions of the current situation in their company. Differences are most apparent for (again) "labour conditions in the value chain" (valued most highly by sales people and other specialists), and "paper use" (here,

assistants are most critical about the current situation).

Finally, we find few significant differences across function type with respect to how the CSR strategy of organisations *should* be. Assistants, followed by board members, are least ambitious with respect to "working conditions for employees". Managers and salespeople are most keen to have good collective bargaining agreements (but with individual exceptions) in place.

Overall, there appear to be very few differences in opinion between the various layers in the organisation.





Professor Rob van Tulder is Professor of International Business-Society Management, Rotterdam School of Management, Erasmus University Rotterdam.

He led the creation of the questions based on the four levels of practice.

In this section, Rob reviews the findings and examines why, contrary to appearances, a crisis is exactly the time to be taking CSR seriously.

## Looking further

The global economic crisis puts the topic of CSR in the spotlight in an almost perverse manner. On one hand, everybody acknowledges that the *causes* of the crisis lie with a clear lack of CSR: our failure to restrain ‘greed’ as a motivator for consumers and corporate leaders alike, the ‘bonus culture’ as performance incentive, an overall lack of adequate regulation (governance) in many markets.

On the other hand, it is fiercely disputed whether the *solution* to the crisis entails stepped-up CSR efforts: can we really afford to invest in ‘green’ and ‘sustainable’ strategies in conditions of such turmoil? Apparently we should prioritise the financial bottom-line and worry about societal responsibilities later! Yet short-termism will not solve the crisis. On the contrary, its systemic nature demands longer-term approaches involving all relevant actors.

This report gives a good overview of longer-term ambitions in many relevant areas. It also characterises the short term ambiguities attached to CSR - to sustainability. The difference between long and short-termism is portrayed as the gap between the inactive or reactive approach towards CSR which has prompted the crisis - and a (pro)active approach— which should be part and parcel of any real solution.

CSR should move from representing Corporate *Social Responsiveness* to Corporate *Societal Responsibility*. But how? This report inventorises areas of attention for employee motivation - in particular - in times of crisis. Is this relevant, however? Are employees mainly interested in ‘keeping their job’ in a crisis? This report argues that employees are equally interested in ‘keeping a relevant job’ - within an interesting and appealing organisation. More importantly, as companies turn their attention to restructuring, we can argue that doing this adequately in a crisis demands even higher employee motivation than in times of prosperity. Paradoxically, however, a lack of resources and credit places even stricter limits on financial motivators. More than ever, motivation should be sought in the form of ‘mental’ remuneration, where resources are still abundant.

Reconsidering the fundamental aims of organisations is not a luxury but a necessity during crises. Those able to use the present crisis to overcome employee expectation gaps, in particular in CSR, will become tomorrow’s leaders - or indeed sustain their current leadership. If business strategists, civic leaders and policy makers are unable to overcome the expectation gaps surrounding the economic crisis, we are in for a long – and probably downward – transition period.

This report systematically documents the motivation of employees in many areas. Moreover, it documents the biggest gaps between realised and intended strategies within firms, and thus where the biggest gains can be made - in particular in times of crisis. Modern business can indeed be understood as a ‘living turbine’ (p.15 of this report). And those businesses spin on employee motivation, which in turn is strongly affected by measures to reduce the gap between what they think the organisation should do and what it is actually doing. Dealing with gaps is always an important principle of effective *issues management*. The economic crisis is clearly the most important issue at the moment (although, let’s be aware: it is an accumulation of strongly-related parallel crises – an ecological crisis, a food crisis, a crisis of norms and values). Failing to take these gaps into consideration can lead to either naïve approaches or impossible ambitions.

This report provides an agenda for action in two areas: (1) where progress is most needed, i.e. where gaps are biggest and the potential gains during crises are biggest as well, (2) where progress is easiest to achieve, i.e. where the actual performance of organisations is already high, but the ambitions of employees still higher.

### 1 Effective gap management

The gap between ‘is’ and ‘should’ is particularly big when it comes to the “paperless office” or the “efficient use of resources”. Clearly, efficiency gains here can be more easily reached if



employee motivation is high. An important promise in the past for the modern company now has to be put into practice. The crisis can help accelerate these ambitions, provided senior management keeps these domains firmly on the agenda. Another challenge lies with “HRM policies to secure employee loyalty” and “reputation and customer relations”. Here, too, we see a big discrepancy between employees’ ambitions and actual practice. Crisis-hit companies may view suppliers and employees as a “cost factor”; this research argues that, if treated correctly, they can rather be considered a “benefit factor”. An important point in this respect is that of ‘work-life’ balance. In crisis, companies need committed employees and suppliers to take (joint) responsibility for their survival. This requires stakeholder dialogues and other participation techniques already pioneered with the most pro-active CSR approaches. Their practitioners – around 25% of European firms - have a clear competitive advantage, thanks to more loyal employees and suppliers.

## **2 Achieving sustainable progress**

In a number of areas this report indicates that employees particularly appreciate organisations who show clear ambitions. Applying high international safety policy standards is just one area where businesses can progress by collaborating with other organisations – drawing upon the interest and commitment of employees.

This points to another ‘low hanging fruit’: aligning internal and external communication on corporate CSR ambitions. For instance, employees consider the first and second most important features of a pro-active CSR policy as being “working conditions” and “customer relations”. Here, there is much upgrading to do.

In practical terms, this implies a stronger position of the Public Affairs department in organisations. In a re-active approach to CSR, the PA department functions as a communication channel from the company towards society. The pro-active PA department goes one step further - engaging in active interaction and “co-development” strategies for the organisation’s longer-term strategic position.

According to this study, employees trust that their employers have honourable motives for CSR practices. The challenge for the PA department is not only to further explain and communicate these

motives, but in engaging external stakeholders in further elaborating them. In the business literature this represents a ‘sustainable corporate story’ – one which can help organisations to develop a sustainable business model. It has been proven that sustainable business models which engage stakeholders are more crisis-resilient than non-sustainable versions involving only shareholders. So the finding that employees have no visibility on whether CSR budgets would resist general cuts will become more relevant in times of crisis. It is the challenge of employers to create that visibility and link it to a ‘good story’. Now, more than ever, this story should be about corporate societal responsibility and beyond immediate self-interest.



## Perspectives

**Senior commentators react to the research, Krauthammer Board Member Ronald Meijers, Vice President of Human Resources of Staples, Regis Mulot, and Arnaud Mourot, Director of Ashoka, an organisation which sponsors social entrepreneurs worldwide.**



“This survey is a resounding call to those with the power, the skill and resources, to be proactive – or at the very least consciously *active* when it comes to CSR. And, given the turbulence in the economic and ecological climate, failing to identify and grasp ‘low hanging fruit’ such as resource efficiency, is simply incomprehensible.

On the other hand, who, exactly, should take and/or co-own the ‘Responsibility’ in the territory of CSR? Employee and/or employer? In order to make any meaningful or realistic progress it seems essential to define this.

Such a definition can help in two ways.

Firstly, knowing better what our responsibilities are, and ensuring that we are able to fulfill them will make it easier for us to devote the needed effort and persistence to CSR – whether at employee or corporate level. Secondly, clarity on who is responsible for what can ensure employees have more realistic expectations of their company’s policy. I see a particular need for this kind of realism when it comes to “work-life balance”. If we are devoting “extra hours” to our “work”, the first source of interrogation – and response – is surely ourselves. Let’s ask: “Why am I doing this? Am I a ‘victim’ of negative drivers, obeying a fear of the consequences if I don’t visibly put the hours in? Or am I “positively driven”, genuinely choosing to spend time on a source of fulfillment and energy?” A total transfer of ownership of this space will I believe re-install corporate paternalism in the workplace –undermining the empowerment of employees and ultimately, the vitality of companies.

Finally, I see an overall demand for reliability and consistency in the CSR arena. Quite simply, *do what you say, and say what you do!* And this applies to you whoever you are and whatever your responsibility.

Ronald Meijers, Executive Board, Krauthammer

“These results confirm my experience at Levi Strauss, Timberland and Staples. As you indicate, CSR is no longer a competitive advantage to attract talent – it is rare that candidates opt to work for an employer purely on the basis of its strategy in this area. On the other hand, I firmly believe that CSR is a must-have. Whilst having a policy may not be a magnet in itself, *not* having one will potentially exclude your company from the list of employers of choice.



The results concerning employee volunteering (employees prefer their employers not to intervene in their initiatives, and companies tend not to), do not surprise me. Volunteering is not yet a common practice in Europe. And in my experience, the initial reactions of management and employees towards it can even be very negative in many countries. I put this down to two things – firstly a belief that it is the role of the Government and NGOs to assist the community, and secondly, employees consider that volunteering is a private affair.

On the other hand, when a company *does* introduce this type of programme (as in the case of Levi Strauss and Timberland) and deploys it to better connect to its community and simultaneously build team effectiveness, we see very positive reactions from organisation and employees alike. Today at Levis, the employee volunteering programme is one of the most popular ‘employee’ programmes – it pops up as a top source of pride in regular employee surveys and exit interviews across Europe. My experience with volunteering has been that employees are increasing their PSR, by being exposed to the Community through their company.

In conclusion I believe that companies should engage in volunteering not only because this is good for the community, but also because it is essential for employees to understand their environment – to better serve their company and support their customers and clients.”

Regis Mulot  
Vice President, Human Resources, Staples International





It is fascinating to discover that most employees have a form of “Personal societal responsibility”.

This proves that each has the potential to become a vector for change in society. On a professional level, our experience shows how enriching it is for an employee to be able to put his or her competences to the use of a project of a wider general interest.

Arnaud Mourot, Director, Ashoka



## About the research

### Demographics

The sample of respondents is characterised by high average work experience: Two thirds of employees have 11 or more years of total work experience.

The majority of respondents worked for organisations located in North-West Europe, including the Netherlands and France. The last two countries account for respectively 31% and 34% of all respondents.

The respondents also worked, on average, at relatively large organisations. Roughly 60% work for organisations with between 101 and 5000 employees. Only 13.5% work at organisations with less than 100 employees.

Five out of every six employees in the sample worked at organisations with international offices. 60% of employees worked in manufacturing.

The survey yielded more male (75%) than female (25%) respondents, although gender differs across nationalities. Especially among the French employees we find relatively more women.

More than half of the respondents held a managerial position. One in five has a function in sales. 11% of the sample was a director or board member.

### Methodology and authorship

395 employees from across Europe completed a survey online over the Summer of 2008. The survey engine was created and responses collected by Stratus, the data statistically analysed by Dr. Fabienne Fortanier, and the commentary written by Steffi Gande, Head of Research at Krauthammer, with the exception of the sections attributed to Dr. Fortanier and Professor van Tulder.

### Would you like to conduct your own CSR survey?

If you would like to test the temperature of your CSR initiatives in-house, please contact

[Steffi\\_Gande@krauthammer.com](mailto:Steffi_Gande@krauthammer.com) on:

00 32 359 97 33.



# Appendix

## CSR so far

**What is the raison d'être of private enterprise?** Perhaps the debate formally opened with Adam Smith. An oft-quoted passage from 'The Wealth of Nations' (1776) could be seen as the first salvo "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages."

As the industrial age matured during the nineteenth century, philanthropy – (with varying degrees of real benevolence) - was practiced by some employers in the UK, as they attempted to improve the welfare of their workers. Cadbury, Lever and Colman are all famous examples.<sup>8</sup>

The debate began to gain serious ground in the United States in 1932. Prof. E. Merrick Dodd, writing in the Harvard Law Review, slapped his cards decisively on the table as follows: "the association, once it becomes a going concern, takes its place in a business world with certain ethical standards which appear to be developing in the direction of increased *social responsibility*. ..

There's nothing better than a good legal case to concentrate minds. In 1953 in the United States: "The era of modern corporate philanthropy not directly related to immediate corporate benefit began" writes Philip L. Cochran in 'the evolution of corporate social responsibility'<sup>9</sup>. In the case of Smith v. Barlow, the New Jersey supreme court allowed AP Smith Manufacturing company to donate \$1500 to Princeton University without violating shareholder interest. "This opened the way for more activities – and those which also produced benefits for the

organisation were stigmatised". Cochran relates that, in the Harvard Business Review in 2002 "an important intellectual tipping point occurred" as Michael Porter and Mark Cramer argued that "in the long run...social and economic goals are not inherently conflicted but integrally connected..." Business, therefore, should emphasise projects which yield major financial, as well as social, returns. This, Cochran argues, should apply to any form of CSR. One proviso – organisations should cultivate CSR areas aligned with their core competence/expertise.<sup>9</sup>

This milestone was followed, in the 1960's and 1970's, by a range of social phenomena which together created a powerful stimulus for business to take responsibility for a wider range of stakeholders. From the Civil Rights Movement, the Vietnam war, Rachel Carson's groundbreaking book Silent Spring, and the systematic boycotting of organisations active in South Africa. The growth in the power of trade unions can also be seen as a driver, as well as the accumulation of evidence amassed by social scientists in favour of democratic, rather than autocratic, organisations. The question is, where do we stand today?

## Ashoka, innovators for the public

Ashoka is the global association of the world's leading social entrepreneurs—men and women with system changing solutions for the world's most urgent social problems.

Since 1981, Ashoka has elected over 2,000 leading social entrepreneurs as Ashoka Fellows, providing them with living stipends, professional support, and access to a global network of peers in more than 60 countries. With its global community, Ashoka develops models for collaboration and design infrastructure needed to advance the field of social entrepreneurship and the citizen sector. Ashoka's Fellows inspire others to adopt and spread their

innovations - demonstrating to all citizens that they too have the potential to be powerful change makers. Krauthammer and Ashoka have identified strong synergies in each other's mission, values and strategies. Under the terms of the partnership, Krauthammer delivers ongoing coaching and training to the staff and fellows of Ashoka in France, and will extend its support internationally.

We invite you to visit the website of Ashoka here – [www.Ashoka.fr](http://www.Ashoka.fr)



## Resources:

<http://www.csrwire.com/reports/company-issued>

<http://www.mallenbaker.net/csr/index.html>

<http://www.sciencedirect.com>

## Sources

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## About the authors

**Krauthammer** – a consultancy-based training and coaching company - supports the competitive advantage of its clients through the installation of exemplary behaviour and impact – where behaviour is defined by 'observable activity'. Our vision is to bring out the best in our people, and in the leaders, managers, salespeople and negotiators of our clients - going beyond, to all stakeholders.

Krauthammer was established in 1971. 160 consultants are now in its employ, working from 24 embedded offices in Europe, Asia Pacific, the United States and South America. We deliver interventions to over 51 countries and in 15 languages to a portfolio whose scope of established clients ranges from small ambitious companies to a number of Europe's most prominent multinationals.

The research project was managed, and the commentary written, by Steffi Gande, Co-Head of Research at Krauthammer. Email: [Steffi\\_Gande@krauthammer.com](mailto:Steffi_Gande@krauthammer.com)

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## Going further

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- ➔ More detail or charts? Interested in performing an in-house survey? Please contact Steffi Gande 00 32 2 359 97 33, [Steffi\\_Gande@krauthammer.com](mailto:Steffi_Gande@krauthammer.com).
- ➔ More about us on: [www.krauthammer.com](http://www.krauthammer.com)

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