

# Corporate Social Responsibility and the role of Public Policies

*An international comparison of CSR policies and instruments of Sweden,  
the Netherlands and Poland*



Associated Press

Masterthesis Public Administration  
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**Foreword**

This thesis is written as a final part of the Master of International Public Management and Public Policy at the Erasmus University Rotterdam. The thesis itself is a product of a research on Corporate Social Responsibility seen from a public administration point of view. This thesis was written during an internship at Berenschot, a consultancy agency in the Netherlands.

Corporate Social Responsibility has gained interest from governments and from business. The public task is no longer reserved exclusively for government, companies play a vital part of society and are often held responsible for societal or environmental problems. This thesis focuses on the public policies on CSR of the governments of the Netherlands, Sweden and Poland, and the effects of these policies.

The goal of this study is to describe the public policies and its impact in each country and eventually conclude with recommendations on how to stimulate CSR in business. This study is focusing on first and second generation instruments in each policy. By a literature study on possible effects, reports, policy papers and interviews conclusions will be made on the effects of the instruments and the public policies.

I would like to express my gratitude to my thesis supervisors Dr. F.K.M. van Nispen, Dr. P.K. Marks and Ir. M.B. Kort, for their support and feedback during the writing of this thesis. Also, I would like to thank the section Process Management of Berenschot that made it possible for me to learn and develop myself and assisted in the writing of this thesis.



## Summary

In this thesis public policies on Corporate Social Responsibility (CSR) have been subject to research. This is done for the Netherlands, Sweden and Poland. The central question was; how can the governments of Sweden, the Netherlands and Poland make their public policy on corporate social responsibility more effective?

CSR has become a matter of public attention and of public policy due to the growing impact of business on society. In contrast to other public policies CSR is often not completely legislated but only stimulated. By using first or second generation instruments governments try to stimulate CSR.

This thesis is the final part of a Master in International Public Management and Public Policy and has as goal to compare the public policies and its results and by doing so drawing conclusions of the effects of each policy and of first and second generation instruments in the case of stimulating CSR.

An overview is given of each country's policies and its level of incorporating CSR by listings key issues from public policy papers, reports, rankings, other relevant literature and interviews. Sweden was the country with the most second generation instruments and also the highest level of CSR implementation in business. Followed by the Netherlands, with also a relative high number of second generation instruments and a high level of CSR. Poland has not an outlined public policy and less second generation instruments. Poland scores relative low regarding CSR implementation in business.

The main conclusion of this thesis is that in the case of CSR stimulating second generation instruments were most in effective, due to the nature of CSR and the complex network in which the policy is made. This is best illustrated in Sweden and can be an example for other countries. Culture was also one of the findings that influences the level of CSR and also has effect on the public policy itself.

Based on these conclusions the following general recommendations were made:

- ✓ Facilitate CSR instead of legislate
- ✓ Naming and shaming
- ✓ Inform consumers
- ✓ Inform companies
- ✓ Take culture in account



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## **1. Introduction and research design**

### **1.1 Introduction**

The last decades corporate social responsibility has become more and more a matter of public policy. Partly due to more media attention on issues like global warming and environmental disasters like the sinking of the Erika in 1999 for the coast of France, governments faced a public call for measures. Governments became increasingly involved in the public tasks and responsibilities of private companies. This was and still is a delicate issue because in most western European countries the sovereignty of the private company is the basic of the economical structure. The capitalistic view of highly independent companies and as less as possible state interventions on the one hand has tensions with the call for public measures to promote or even enforce CSR on the other hand. Perverse effects of the CSR policy of a country might be the replacements of multinationals to less regulated countries and all of the consequences like job loss. In order to find a balance between stimulation of CSR and keeping businesses independent there are different international initiatives in regard to CSR and there is a strong role for the national government.

### **1.2 Problem analysis**

Often business and government have different goals and tensions exist in the relation between them. In contemporary society business has an enormous impact on environment, wealth and society in a whole. With this impact sometimes societal problems are created. Government sets boundaries for business like environmental regulations but expect from business that they take their responsibility and act in a sustainable way. This corporate social responsibility is promoted by governments in different ways. CSR helps to solve or prevent societal problems and therefore deserves attention from the government. For example, it is said that one of the major problems of our times is global warming. CO<sub>2</sub> emission is the probable cause and needs to be cut back. Government needs business in this matter to cooperate, of course by setting regulations but they also expect more of business. Government is therefore dependent on business, just like business is dependent on government. The actual problem lays in the negative consequences of business actions. To stick with the given example of global warming it can be illustrated what these consequences might be. When due to CO<sub>2</sub> emission the polar caps melt and the sea level rises large parts of the Netherlands might be in danger. This affects government, that must take action (e.g. building dikes) but of course also civilians that face flooding of their houses. This makes it a

societal problem with sometimes major consequences for government, society but also business themselves. It is therefore evident that these problems must be faced and be dealt with. For an effective approach to all these kinds of societal problems governments expect from the companies that they act responsible and ethical. To stimulate this behaviour must be dealt with business in perhaps a new way, or at least in a way that is best suitable for this complex network of interdependencies. The negative consequences must be brought under control. Instead of fighting these consequences (building dikes) the root of the problem (CO2 emission) is the centre of attention in CSR public policy and therefore focuses on business behaviour.

## 1.2 Research questions

Different governments have different approaches. A simple distinction is to look at the way these governments are involved. Is there hard law or simply promotion? How active is the government and what instruments does a government use and for what effect? Within this study little attention is paid to EU regulations on CSR. The scope lies with the national public policies. CSR is on the political agenda in Brussels but this does not play a vital part in national policies. The policies on CSR are national and differ per country. Any EU influence in this study will occur in all of the cases since they all are EU members. In this study I intend to look at three countries and make a comparison between those countries. According to The State of Responsible Competitiveness 2007 (AccountAbility, July 2007) Sweden is the worlds leading country with CSR involvement. In Sweden the government, business and the social actors are highly involved and cooperative and CSR stands high on the agenda. The Netherlands occupy the 12<sup>th</sup> place in the ranking. Just like in other Western European countries, like Germany and Belgium (11<sup>th</sup> and 14<sup>th</sup> in the ranking), CSR is under public debate. There is growing attention from governments but they are still seeking for a proper way to deal with CSR and find a balance between public and private stakes. The third country in this thesis is Poland. With a 54<sup>th</sup> place in the ranking Poland is a country where CSR is still under development. Interesting to see is that Poland is one of the new member countries of the EU and is one of the most growing economies of the EU now. The distinction between a Scandinavian, a Western European and an Eastern European country with all different approaches to CSR makes a comparison interesting. How do they deal with CSR and with what effect? The main question I would like to address in this thesis is:

**How can the governments of Sweden, the Netherlands and Poland make their public policy on corporate social responsibility more effective?**

In order to answer this question I will first look at the next questions:

1. What is the economic, social and political situation in each country?
2. What is the public policy on CSR in each country?
3. What are the current instruments used in the policy on CSR in the countries?
4. What is the current level of CSR in each country?
5. What is the effectiveness of the CSR public policy in each country?
6. What are the differences and similarities between the cases?
7. How can these differences and similarities be explained?

In the conclusions I want to address which kind of instruments can be called successful and if there perhaps is a best practise. By answering the question how the policies can be made more effective it is possible to make recommendations which instruments to use best in the public policy.

### **1.3 Scientific and social relevance**

Corporate social responsibility deals with the matter of corporations taking responsibility for societal problems. The influence of corporations on our daily life is enormous. Whether it is because we work there, or we are depended on them for our daily groceries. Either way corporations can contribute to our lives in a positive way by taking responsibility for problems that may or may not be related to their core business (in most cases simply said profit making). Due to the influence of corporations governments try to steer them to take responsibility and contribute to the society. But in this complex globalized world private corporations tend not be steered by government. How should a government deal with these corporations and how can they influence them in taking responsibility for societal problems? These questions are of relevance for each of the governments in this research and the answers influence government, society and the corporations themselves.

#### **1.3.1 Relevance for Public Administration**

CSR has become a matter of public debate as well as an issue in the academic world. Countless of researches have been conducted on CSR in companies and entire studies focused on CSR and how to implement this into businesses. These studies are mainly

part of business administration. But the question to ask is who is on the driver's seat when it comes to CSR. Government is getting more involved and in most cases has an explicit policy on CSR. In some occasions the interest of the government might be in conflict with the interest of the business. How should a government deal with this conflict? How can a policy be effective and what instruments are suitable. These questions depend not only on the willingness of corporations, or the state power, but on the effectiveness of the policy instruments. An answer to these questions helps government to be effective in their policies and in keeping business satisfied. This study focuses on the role of the government in steering society and business. Looking at literature about policy instruments the government is usually in the driver's seat. In order to steer effectively the focus of public administration has gone more to the concept of complex networks in which the government is an actor besides others. In this research I will go beyond the classical idea of government steering but look at the complex network in which the government operates. I will describe the policies and the effects and take the political and administrative character into account. Or in the words of Ringeling in Bressers et al (1993, p 201) "Our analyses should be broadened. They should take the political-administrative character more into account, if we want to get more insight in the meaning of policy instruments. The study of policy instruments shall be the study of policy processes". These processes are especially interesting in the field of CSR policy making because of the policy goals and the possible effects. According to Williams and Aguilera "comparative legal analysis still has much to offer in understanding CSR, since the laws governments pass to encourage CSR are uniquely powerful, in at least three respects.

- The standards established by laws and mandatory regulation, while not immediately translated into action in any realistic portrait of global organizational practice, have a particularly strong influence on establishing social expectations about responsible corporate behaviour. The social expectations then act as a "focal point" around which firms structure their behaviour (McAdams and Nadler, 2004).
- Once the social expectation is created, a number of other forces, including consumer demands, institutional investor demands, community demands, and NGO demands, interact to create incentives for firms to meet the standards set out in the law (Kagan, Gunningham & Thornton, 2002), whether enforcement is a realistic threat or not.
- The laws and policies that governments enact send a strong signal about the importance of a subject—a signal that, as regards CSR, is amplified by the business culture in the country, consumers' interests, institutional investors' actions, the corporate governance regime, NGOs' effectiveness, and the individualistic versus collectivist nature of the country's underlying political and social philosophy"(Williams & Aguilera, 2008: p. 3-4).

### **1.3.2 Social relevance – The Exxon Valdez incident**

The growing attention for CSR the last couple of decades does not only effect corporations but just as well governments and society. When in 1989 the oil tanker Exxon Valdez lost about 42 million liters of oil near Alaska (Scientific American, December 2003) it was one of the biggest environmental disasters caused by a corporation. Shortly after the accident Exxon Mobile was not available for comments and did little to cooperate. The probable cause was that the captain and many of the crew had been drinking alcohol and did not pay attention. When chairman Lawrence Rawl eventually gave an interview he blamed the media for the crisis. The disaster and the way the company dealt with it caused besides the largest court-imposed fine ever also the loose of market share. But what perhaps did even greater damage to the company was the damage to the reputation of the company.

This example illustrates the importance of CSR for government, corporation and society. Exxon was clearly not able to deal with the crisis and had no effective systems in place in order to prevent accidents like this. The long term effects on the environment were almost not to estimate. It would take many years to clean the sea and the cost of lives of countless animals (The Guardian, February 2 2007). The impact on the local society was huge. "Alaska's image as a pristine wilderness area has been tarnished. This image problem could damage the market for high-cost, high-quality, low-volume type experiences such as guided kayaking or fishing adventures"( McDowell Group, 1990: 25). Rules for companies became stricter. The reputation damage of Exxon showed companies that in order to keep on the good side of the public CSR had to have a place in the company. CSR became more and more a matter of public debate and of policy. Or in the words of Anna Diamantopoulou, European Commissioner for Employment and Social Affairs; "CSR is not just a management tool for business. It can be a powerful ally of public policy in the social and environmental field, both within our borders and beyond. Business cannot afford to ignore it, but nor can government" (The role of public policies in promoting CSR, 2003).

### **1.4 Corporate Social Responsibility**

#### *Responsibility*

Responsibility is something everyone deals with and is part of our daily life. When we open a paper there are plenty of examples of responsibility. Whether it is a criminal that is convicted for its crime or a city council that is responsible for the renovation of a

neighbourhood. Often responsibility is preceded by a cause and sometimes followed with blame and punishment. So the motivational sequence as described by Weiner (1996: p. 5) is:

Outcome -> Causal determination -> *Responsibility* -> Blame -> Punishment

Responsibility is often related with the power someone has. Higher positions in a company means for example also more responsibility.

### *Social Responsibility*

Social responsibility is the responsibility someone has for the society. When we support the idea that each person is responsible for its own actions, social responsibility is the responsibility where the action directly or indirectly influences society in a substantive manner. Examples are the responsibility of the city council, but also of a company or an individual.

### *Corporate Social Responsibility*

Corporate social responsibility refers to the responsibility of corporations; the private companies. It is the responsibility for the actions that influence society, whether this is dealing with employees or with the CO2 emission. CSR itself is a rather holistic term and leads often to discussion or insecurity about the meaning of CSR. Below a few definitions of CSR are stated of actors or data sources.

MVO Nederland	CSR is the integration of environmental, social and economic considerations in the day-to-day decisions of a business – often referred to as integrating “people, planet and profit”. This means acknowledging and managing the positive and negative environmental and social impacts of your business.
European Commission, 2008	A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis
Rabobank	We are convinced that a healthy balance should exist between the economic, social and ecological effects of our financial and operational activities. By striving for a high level of CSR, our organisation helps create growth in prosperity and a better social environment.
Wikipedia	Corporate social responsibility (CSR, also called corporate responsibility, corporate citizenship, and responsible business) is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders, as well as the environment.



CSR Wire	Corporate Social Responsibility (CSR) aligns business operations with social values. CSR integrates the interests of stakeholders—all of those affected by a company's conduct—into the company's business policies and actions. CSR focuses on the social, environmental, and financial success of a company—the triple bottom line, with the goal being to positively impact society while achieving business success.
Sociaal Economische Raad (SER)	Corporate Social Responsibility (CSR) is the care for the societal effects of the company.

The three aspects that stand central in most definitions are the economic, social and environmental aspects. These are also referred to as People, Planet and Profit, the triple bottom line. Based on these definitions the following definition will be used throughout this research.

*Corporate Social Responsibility is the process of willingness of companies to actively contribute to society and environment and finding a balance between their social responsibilities and their commercial activity.*

Despite this definition the concept of Corporate Social Responsibility is hard to grasp. Since it has become part the last couples of decades of the core business of most Multinational Corporations and of public policies worldwide much is said about CSR. Service to the community is a paragraph in almost all annual reports of major companies and smaller companies are beginning to pay more attention to it as well. Opponents and defenders of CSR seek the media and studies are conducted by universities, governments and NGOs. One single answer what CSR exact is is therefore not possible. Like illustrated above the definitions differ between organisations and so does the perception of CSR and its motives. To name just a few of the motives that are often mentioned: human resources (recruitment), risk management (see example of Exxon Mobile), brand differentiation, direct or indirect interference by government or philanthropic. Milton Friedman, one of the most influential economists of the 20<sup>th</sup> century wrote an article on CSR in 1970, an article that still is relevant and embodies the criticism towards CSR. In his opinion CSR is a barrier for the free market and he compares it even with socialism. According to Friedman companies only objective is to make profit. Businessmen responsibility lies only with the shareholders and not with society. Government is there to serve society and therefore any businessman that acts on grounds of CSR is merely a civil servant and should be elected political instead of appointed by shareholders. He ends its article by saying about CSR: "I have called it a "fundamentally subversive doctrine" in a free society, and have said that in such a society, "there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without

deception or fraud."(Friedman, The New York Times Magazine, September 13, 1970). So in Friedmans opinion nowadays almost any businessman is a civil servant and capitalism with its free market nowadays is a farce. Looking at annual reports or websites of any major company we can find at least a paragraph on their CSR activities. Take for example McDonalds. On the website we can read how committed McDonalds is to CSR. They even got a website to open social dialogue on CSR and the corporate values<sup>1</sup>. And they are not alone with this attention for CSR. Governments worldwide began to pay attention to CSR. Influencing business to implement CSR. Friedman would almost certainly compare these businessmen with the civil servants. Others might say companies adopt CSR just because they want to maximize their profits and CSR is part merely a marketing tool. Something about CSR what is sure is that there are worldwide public policies that try to regulate and influence private companies regarding the implementation of CSR into their core business. The question is how they do this and how effective is this.

### **1.5 Country selection**

The main question in this study is the influence of government policies on CSR at the national level. "A government consist of institutions responsible for making collective decisions for society. More narrowly, government refers to the top political level within such institutions" (Hague & Harrop, 2004: p. 5). Government policies will be analysed and can be seen as the independent variable in the research. This in contrast to the level of CSR in the countries (the dependent variable). In the selections of the cases is focused on Europe to eliminate possible variations due to European legislation. Within Europe is looked at countries using the idea of most dissimilar systems. This means a variation in the independent variable. The causality can be identified easier this way (Van Thiel, 2007). This way the intern validity is high but due to the strong dependence on the context the extern validity might be low. I have chosen for this reason a Scandinavian country, a Western European country and an Eastern European country. I have done this based on the level of available data and the possibility of as an intern at Berenschot I can make use of the knowledge and contacts in the Netherlands and Poland. At first side the differences within Scandinavian, Western en Eastern European countries do not differ very much. That is why pragmatic reasons like the possibility of using the contacts of Berenschot in Poland can play a role without endanger the validity (Swanborn, 1996). Sweden has a tradition of strong government involvement, the

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<sup>1</sup> <http://csr.blogs.mcdonalds.com/default.asp>

Netherlands has a tradition of consensus (*poldermodel*) and Poland as a former Soviet state just joined the EU and is now undergoing an enormous economic growth. A first orientation showed that these countries use different approaches to CSR and this makes them interesting and useful cases in this research. Below some general information on the countries can be found.

Source: CIA – The World Factbook	Population	Religion	Legal system	GDP - per capita	GDP - composition by sector
Sweden	9,045,389 (July 2008 est.)	Lutheran 87%, other (includes Roman Catholic, Orthodox, Baptist, Muslim, Jewish, and Buddhist) 13%	civil law system influenced by customary law; accepts compulsory ICJ jurisdiction with reservations	\$36,500 (2007 est.)	agriculture: 1.4% industry: 28.9% services: 69.8% (2007 est.)
Poland	38,500,696 (July 2008 est.)	Roman Catholic 89.8% (about 75% practicing), Eastern Orthodox 1.3%, Protestant 0.3%, other 0.3%, unspecified 8.3% (2002)	based on a mixture of Continental (Napoleonic) civil law and holdover Communist legal theory; changes being gradually introduced as part of broader democratization process; limited judicial review of legislative acts, but rulings of the Constitutional Tribunal are final; court decisions can be appealed to the European Court of Justice in Strasbourg; accepts compulsory ICJ jurisdiction with reservations	\$16,300 (2007 est.)	agriculture: 4.1% industry: 31.6% services: 64.4% (2007 est.)
The Netherlands	16,645,313 (July 2008 est.)	Roman Catholic 31%, Dutch Reformed 13%, Calvinist 7%, Muslim 5.5%, other 2.5%, none 41% (2002)	based on civil law system incorporating French penal theory; constitution does not permit judicial review of acts of the States General; accepts compulsory ICJ jurisdiction with reservations	\$38,500 (2007 est.)	agriculture: 3% industry: 21% services: 76% (2005 est.)

## 1.6 Research design

To conduct this research I will first study and review the available relevant literature. After having defined CSR and the other concepts I will look at the current policies in Poland, Sweden and the Netherlands. By indicating the instruments and make a

distinction whether they can be categorized as first or second generation instruments I intend to give an overview of what policy is in place and of it can be seen as a rather 'hard' or 'soft' approach. By comparing this with data about the current level of CSR within the country and make a final comparison between the countries I intend to come to conclusions and recommendations to improve the effectiveness of the policies.

### **1.6.1 Literature study**

By reviewing the content of existing data it is possible to say something about what is known already. The advantage of this method is its economy in terms of both time and money (Babbie, 2004). Besides this efficiency it is also possible to conduct comparative research between countries by using existing data (Babbie, 2004). Partly based on the literature and on reports on CSR of different organisations (OECD, Oxfam, World Bank, Government reports, E-I Partners of Berenschot) I intend to give an overview of the current status of the countries. Questions like what the policy on CSR is, what instruments are used and what the effects are can be answered by this data.

Further am I involved in a research as an intern at Berenschot. This research involves the level of CSR in the countries of the partners of Berenschot and will eventually lead to a prize giving to the organisation (public and private) with the most innovate and creative CSR policy. Participant observation is due to my internship one of the methods used to collect data. The possible pitfall of this method is that you influence your subject by participation. Due to the nature of this research and my part in it, the role is more focused on observance of the subject. This makes it less likely that the subject will be influenced.

### **1.6.2 Interview surveys**

"A data-collection encounter in which one person asks questions of another. Interviews may be conducted face-to-face or by telephone" (Babbie, 2004: p. 263).

I intend to conduct interviews where possible face to face or by using telephone interviewing by using semi-open interviews. The interviews and surveys will be semi-open because the nature of the research. After studying the literature I will compose the surveys in which not the policy itself but rather the general feeling regarding CSR will stand central. Possible stakeholders are government representatives (why is the government doing what they are doing), business (why are you implementing this aspect of CSR into your business) or social groups (what is your role in the CSR policy of the government). Like illustrated by the example questions the survey will be semi-

open. The answers might be reason for new questions and can not be stated before (closed).

Possible pitfalls of the interviews are social desirable answers. No CEO of a big company will say the only reason CSR is implemented because of the commercial factor for example. This pitfall can be avoided by asking multiple questions on the same topic and by making the reader aware of this possible pitfall. Besides, different sources will be used to collect the perceptions of the stakeholders.

Another possible threat of the validity is the ongoing trend – especially in Western European countries – of companies acting more responsible due to a stronger demand of the public. This demand might be very well based on this (fashion) trend and has nothing to do with government policy. Examples can be seen in the energy sector where the demand of *green energy* has increased the last couple of years. If this demand is caused by government policy or by other factors like a media supported hype is hard to say. By pointing out this possible threat of the validity I want to make the reader aware that difficulties like this must be kept in mind while reading this study.

## **1.7 Operationalisation**

“As with the method of data collection, social researchers have a variety of choices when operationalizing a concept” (Babbie, 2004: p. 132). In order to conduct this research the concepts will be operationalized in the next paragraph.

### **1.7.1 Corporate Social Responsibility**

When measuring the CSR policy and the level of CSR in a country we can use different indicators. As stated above the concept of CSR consists of three aspects; social, economical and environmental. In the next scheme I will operationalize the concept of CSR using these aspects based on the definitions of CSR. With CSR there is no single answer what the concept contains and not one best way to measure CSR. Therefore CSR will be operationalized using the aspects of CSR most definitions agree on and indicators will developed to measure these aspects and so operationalize CSR.

Elements of CSR	Description	Indicators
Content	<b>Social</b> Attention for employees and the community	<ul style="list-style-type: none"> <li>- Policy; number and quality of websites, documents, brochures</li> <li>- Measures taken (training, stakeholder participation, equal sex opportunities); rankings</li> <li>- Social reports</li> </ul>
	<b>Economical</b> Strive for continuity of the company and making profit	<ul style="list-style-type: none"> <li>- Policy; number and quality of websites, documents, brochures</li> <li>- Measures taken (long term vision, management); rankings</li> <li>- Financial performance</li> <li>- Financial reports</li> </ul>
	<b>Environmental</b> Strive for minimizing the negative effects of the company on the environment	<ul style="list-style-type: none"> <li>- Policy; number and quality of websites, documents, brochures</li> <li>- Measures taken (cradle to cradle, CO2 reduction, packaging); rankings</li> <li>- Environmental reports</li> </ul>
Process	Integration into the core business	<ul style="list-style-type: none"> <li>- Policy; companies year reports, websites</li> <li>- Attitudes; interviews, opinions, media</li> </ul>

Often policy instruments have multiple goals and the distinction between social, economical and environmental is not always clear. To make an overview of the policy and its possible effects I will look at the CSR policy in general and where it is relevant make a distinction between the categories mentioned above. The distinction above is useful for understanding CSR as a concept but instruments and the public policy in general are often not focused on one of the aspects and therefore less useful for evaluating the public policies in this study. This also explains the general indicators like the policy and the taken measures by business.

As will be described later on the measurement of a policy sometimes is hard due to lack of clear indicators and might depend on perceptions rather than exact numbers. To collect these perceptions as well as quantitative data sources are used that might be hard to measure but will contribute to an overall view of the policy and its effects. Of course attention will be paid to the indicators above like the number of government

websites on CSR and the quantity of government documentation on CSR. These might not all be explicitly named but will be taken into account when government attention for CSR will be described. Problems with quantification of these indicators are for example the comparison between two relative empty government websites on CSR and one extensive website. Remarkable differences will be explicitly named. Measurement of the level of CSR within a country is difficult because of the complexity of not only the concept of CSR but also the enormous data available. To give a complete and as objective overview as possible I will use besides the collected perceptions of stakeholders also three internationally respected rankings of level of CSR in companies (The Global 100 Most Sustainable Corporations in the World and The Dow Jones Sustainability World Index) and The State of Responsible Competitiveness 2007, which ranks countries based on their CSR performance. Details about these rankings can be found in Appendix III.

### 1.7.2 Policy instruments

Some general remarks on policy instruments will be made here. I will go further into the matter of the policy instruments in the theoretical approach in paragraph 2.2.

Policy instruments can be divided into first en second generation instruments and communicative, juridical and economical instruments. These lead to a 3 x 2 matrix of policy instruments.

Instruments	Communicative	Juridical	Economical
1 <sup>st</sup> generation	Formal communication with stakeholders	Laws, regulations	Financial penalties
2 <sup>nd</sup> generation	Multi-faceted instruments, instruments focused on persons, multi-faceted instruments, communicative instruments	Multi-faceted instruments, Covenants, codes of conduct	Incentives

Indicators for these types of instruments are first government documentations like:

- *laws and regulations*
- *numbers of and information on official websites*
- *information in government brochures*
- *other official documents*

Second, indicators are other initiatives or other (besides the official) government communication:

- *Public-Private partnerships*
- *contact with companies*
- *influencing society (e.g. media attention)*
- *other efforts*

Using these indicators the concept can be made part measurable but some instruments, like the actual policy, are hard to measure due to the subjective nature of partly the goal of the policy and some instruments (like informal communication).

I will look at CSR and the policy instruments in the cases using these operationalisations and using the indicators in order to conclude about the level of CSR and the policy instruments. Those two concepts will be linked in order to make conclusions about the influence of the instruments (the policy) on CSR. A causal relation is therefore expected between instruments and CSR advancement. This relation and other factors that are of influence will be subject of this study.

### **1.8 Case format**

The three casus in this study will be described using the following format. In order to give a full view picture of the policies the most important aspects of the CSR policy as well as those of the actual level of CSR within the country will be described as follow:

*Historical and social context.* Here the context will be described and the background and the history of the current policy will described.

*CSR policy.* Here something will be said about the CSR policy of the country, the *goal of the public policy* and about the (*first and second generation*) *instruments* used in the public policy.

*Level of CSR.* This will be done by first looking at the *advancement of CSR*. Policy documents and different international rankings will be described. In the paragraph about the *perceptions* of stakeholders different opinions of respondents and perceptions in documentation will be described.

At the end of each case *conclusions* will be drawn from the previous, in which the context, the public policy and the level of CSR in each country will be linked.



## 2. Theoretical approach

According to some the study of public policy can be brought back to Plato's *The Republic* but most is written about it in the last couple of decades. McCool (1995) refers to Charles Merriam who in 1921 argued to cross politics with science. Two years later the Social Science Research Council was founded. Another important milestone McCool mentions is the refinement of the concept "policy science" in 1951 by Harold Lasswell. During the Great Society programs of the Johnson administration the study of public policy began to blossom (McCool, 1995: p. 3). The government tried to solve societal problems with public policies and this gave an enormous impulse to the study of these policies. During the late 1960s and the 1970s many studies on public policy were published and theories were developed. McCool classifies this literature into two groups. The first extreme is the descriptive and atheoretical. Often ideological biased by the author. The second extreme is a very technical approach, emphasised on empirical methodology. Since then many theories have been developed and many authors have contributed to public policy theory. Due to the complexity of societal problems there is no one best way. "Policy studies is "remarkably devoid" of a theory, yet there is a diverse literature that is theoretically instructive (McCool, 1995: p. 7).

### 2.1 Public policy theory

According to Hoogerwerf (2003) policy is the effort to reach certain goals with certain instruments and certain choices of time. Policy has two sides. It does not only exist of goals, means and choices of time but a policy is at the same time an answer to a problem. A problem would be defined according to Hoogerwerf as a discrepancy between the norm and the perception of the actual situation.

$$\textit{Problem (Ps)} = \textit{Norm (Ns)} - \textit{Perception (Ps)}$$

These problems are the initiator of policies. Like deLeon acknowledges when describing policy science as "an umbrella term describing a broad-gauge intellectual approach applied to the examination of societally critical problems"(1988. p 7).

Hoogerwerf (2003) points out two different types of policies:

*Active policy*, in which a policy directly focuses on the problem. Policy instruments are directly focused on the problem.

*Empty policy*, in which the policy is not an answer to the problem but the policy only exists in name. There are three reasons why a policy can be empty which are related to the definition of the problem. Firstly, the norm is lowered so the discrepancy declines.

Secondly, the perception is changed. For example by formulating the definition of the problem differently. Thirdly, the discrepancy between norm and perception is eliminated by formulating it differently. This is mostly just optical illusion, like a number of 40.000 drug addicts on a population of 800.000 is much more frightening than the statement that 95% of the population is clean.

The theory behind a policy is policy theory. This theory is a theory based on the practice and consists of the motivations of policy makers, political parties and other stakeholders (Hoogerwerf, 2003). So, a policy theory is the collection of arguments and (elements of) knowledge on what a policy is based on. These argumentations and elements of knowledge are related to the goals and means of the policy, the perception of the problem and the perception on the causalities. Some of the arguments are normative (Hoogerwerf, 2003):

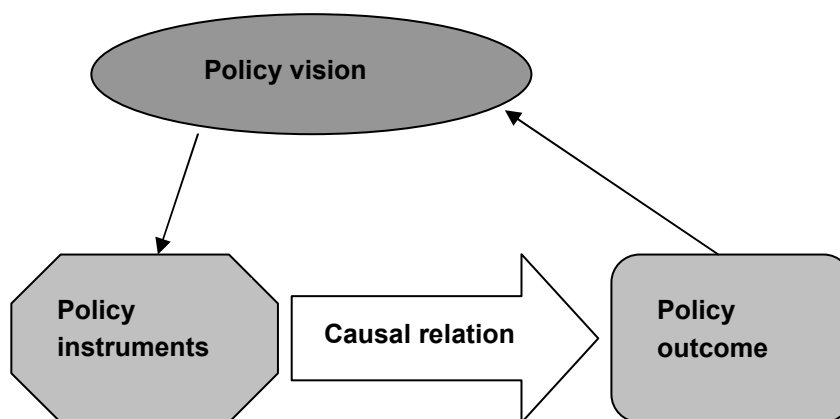
- the perception on the problem
- the perception on the origin of the policy goals
- the perception on the acceptability of the means and their effects

The perception of the problem consists of the perception of the situation and naming this situation. The way the problem is defined is therefore normative. Where some see a problem others do not. The perception of a problem is of big importance for the eventual solutions and the related instruments. Some instruments might be excluded for example based not on the problem but on the perception.

These normative judgements are related to the political culture of those who apply the theory. These normative judgements also affect the knowledge and the beliefs about the cause/effect relationships. Like Thompson says: "instrumental action is rooted on the one hand in desired outcomes and on the other hand on belief about cause/effect relationships. Given a desire, the state of man's knowledge at any point in time dictates the kind of variables required and the manner of their manipulation to bring that desire to fruition"(Thompson, 1967: p. 14). These normative judgements form therefore the underlying variables of the policy. These beliefs about the cause/effects relationships are captured in what Freeman and Sherwood call an impact model. They described this model as: "a statement about the expected relationships between a program and a movement towards a goal"( Freeman & Sherwood, 1970: p. 7). These statements are like said before strongly dependent on the political culture in which the policy theory grounds. Therefore they are defined as 'political reasoning' by Vedung and the arguments on which this reasoning is based is defined by "a statement of a set of statements offered as a support for another statement" and are "assumptions underlying proposed or effective policy instruments"(Vedung, 1982: p. 14, 95). These

underlying assumptions are also at the base of a public policy theory and can be focused on the policy, the policy process, the organisation and the sector of the society on which the policy is focused (Hoogerwerf, 1984).

Besides the normative part of the theory there is also an empirical part. This empirical part consists of assumptions regarding the causality and final assumptions. A causal relation assumes there is an action and a reaction. The conditions for causality are that the reaction must follow the action and the changes in the reaction must be systematically varied with the action. This is very simplified when we take into account that "even the simplest government policy is likely to spring from a complex chain of causes and relationships and to have a set of subtly interrelated consequences for the general social network"(McCool, 1995: p. 211).



The final part of the theory consists of the means and goals. This part can be called the policy vision. A final assumption has the expectation of the level of how an instrument will contribute to reaching the goal. In an ideal situation the instrument would focus on certain parts of the causality to tackle the problem.

In order to make a reconstruction of these causal relations Freeman and Sherwood (1970) plead for an 'impact model'. This model should consist of three hypotheses. A causal hypothesis about the relation between a condition/behaviour and a possible cause. An intervention hypothesis about the relation between the cause and the program to counter the cause. And an action hypothesis about the relation between the actions that have been taken and the results of them.

These hypotheses are clarifying but are also criticized by Hoogerwerf (1984) who says that a policy program does not always aim at the cause of a problem but also at the symptoms and the difference between action and intervention is not clear. It would be

better to talk about (1) the causes of the policy problem, (2) the effects on these causes and (3) the effects on the policy problem itself (Hoogerwerf, 1984: p. 514).

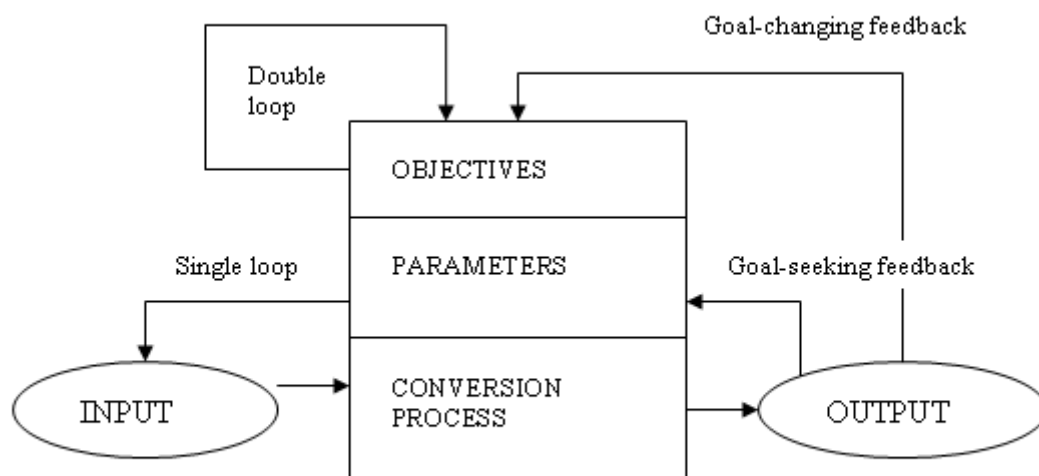
Bressers (1983) points out that these causal models are missing a key aspect of the policy. The willingness of actors (final powers) and also the discrepancy between policy and policy field is rather vague. Bressers suggests therefore the use of a 'process model' in which also the assumptions regarding the behaviour of actors are included and therefore offers a more complete view on the policy and the effects (Bressers, 1983: p. 24-46).

Based on the general features of a policy theory Hoogerwerf names three demands on how a policy theory should be reconstructed. "It should be (1) a (more or less coherent) set of assumptions that (2) are at the basis of a policy and (3) are focused on the (final, causal and normative) relations between phenomena" (Hoogerwerf, 1984: p. 502). Therefore it is important to focus on the perceptions of the phenomena as well as the perceptions on the relations. Absence of a policy theory will make it difficult to control the quality and evaluate the effect of the policy. Therefore at least attention must be paid to the underlying assumptions of the policy. The assumptions can be implicit or explicit come forward in interviews or (official reports). This inductive approach has as advantage it is close to the empirical reality. A deductive approach has as advantage that it is close to scientific theory building and gives insight in assumptions that are not recorded (Hoogerwerf, 1984). The system Hoogerwerf suggest consists of collection data (interviews, reports) and find the (causal and normative) relations to construct the hypotheses that together construct the policy theory. The question is where to put the line when it comes to the policy theory. The underlying assumptions can be explained in a broad sense as the entire culture that affects the policy. The problem might be in this case that it becomes too broad to explain anything so according to Hoogerwerf (1984) it is better to focus on the assumptions of those involved. The effects of a policy theory can be found in the content of the policy (the instruments) and the policy process as well as in the results of the policy. A different assumption on the policy problem might very well have as result another choice of policy instruments. The effect of an explicit policy theory might be a more effective policy in terms of reaching its goal. It is clear what is expected and what the relations are in this case. On the other hand it is very well thinkable that a rather vague, simple and principal policy theory can be more effective due to more support (Hoogerwerf, 1984: 526).

All these models and theories can be useful in some cases but illustrate the complexity of public policy theories. Like summarized by McCool is public policy "almost never a single, discrete, unitary phenomenon. Indeed, the appeal of public policy studies as a

focus of intellectual endeavour lies precisely in its richness; the complexity of the unit of analysis simply and appropriately reflects the fact that an action of government is rarely meaningful if conceived of as a discrete, disembodied event, and that the impacts of a single government action on society are not understood properly if taken in isolation from one another"(McCool, 1995: p. 203).

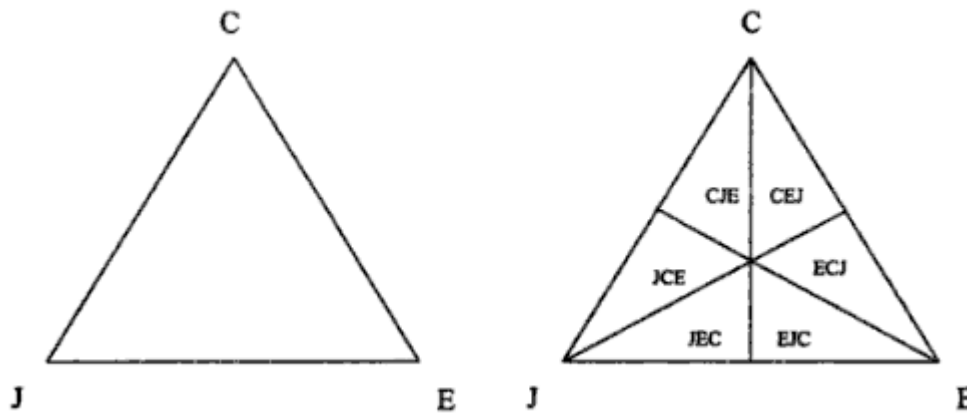
When the impacts of government action are understood lessons can be learned from the action taken – the public policy – and the effectiveness of the impact. This is what we call policy-orientated learning. "We understand policy-orientated learning as the processes in which policy actors strive to improve and perfect public policy and its normative assumptions through the detection and correction of perceived imperfections"(Van der Knaap, 1995: p. 190). There are two levels of learning: single-loop and double-loop learning. Single-loop meaning the correction of errors in the policy while holding on to the objectives of the policy. Double-loop meaning also looking at the underlying assumptions, the objectives. "Single-loop learning stands for continuity and perhaps a gradual improvement of existing, well-known policy theories. Double-loop learning pertains to change and innovation and the discovery of new ways of doing things"(Van der Knaap, 1995: p. 194).



Source: Van der Knaap, 1995: p. 194

## 2.2 Policy instruments

"A policy instrument is all what an actor uses or can use to reach a certain goal"(Fenger & Klok in Hoogerwerf, 2003, p 242). The same is said by De Bruijn & Ten Heuvelhof (1994) about the term *instrument*. Policy instruments are part of a policy and try to tackle problems. Public policies are focused on managing everyday life and are like laws "the most common and widely practised instruments. There is hardly any area of societal activity not governed at least partly by either one or more laws, or one of more policies" (Pierre, 2000: p. 151). In the case of policy instruments there is often the analogy made of the steering and rowing of a boat. This distinction is often made in regard to the classical approach and the modern (network) approach (De Bruijn & Ten Heuvelhof, 1994., Maarse, 1983). Often these types of instruments are combined into a policy-mix and is there no stringent dichotomy between those groups of instruments. Similarities between this steering and rowing can also be seen with first- and second-generation instruments (De Bruijn & Ten Heuvelhof, 1994). Another common distinction in policy instruments are the economical, juridical and communicative instruments. Besides this distinction it is also commonly used to make a distinction between freedom decreasing (forbid by law) and increasing measures (subsidies) (Bressers *et al.* 1993). Bemelmans-Videc (1998) has categorised instruments into three groups: carrots, sticks and sermons. Carrots are economic instruments like incentives, sticks are instruments like legislation and sermons are the informal communicative instruments. These categories can be focused on individuals or on groups. When a policymaker tries to tackle a problem by making a public policy it is usually a combination of the former models, a policy mix. For example a mix of the economical, juridical and communicative instruments. This is clarified in the triangle below where C (communicative instruments), J (juridical instruments) and E (economical instruments) are combined. In the second triangle six mixes are shown that consist of different types of instruments.



**Bartels & Nelissen, 2002: p. 22**

This makes policy instruments a rather broad term that consist of different groups of instruments. Also each group of instruments might say something about the policy vision of the government. The instruments used have to fit in the specific context. "Public policy instrumentation reveals a (fairly explicit) theorization of the relationship between the governing and the governed. In this sense, it can be argued that every public policy instrument constitutes a condensed and finalized form of knowledge about social control and ways of exercising it"(Lascoumes & Le Gales, 2007: p. 11). Five typologies of policy instruments are illustrated below.

Type of Instrument	Type of Political Relations	Type of Legitimacy
Legislative and Regulatory	Social Guardian State	Imposition of a General Interest by Mandated Elected Representatives
Economic and Fiscal	Wealth Producer State, and Redistributive State	Seeks Benefit to the Community Social and Economic Efficiency
Agreement-Based and Incentive-Based	Mobilizing State	Seeks Direct Involvement
Information-Based and Communication-Based	Audience Democracy	Explanation of Decisions and Accountability of Actors
De Facto and De Jure Standards Best Practices	Adjustments within Civil Society Competitive Mechanisms	Mixed: Scientific/ Technical, Democratically Negotiated and/or Competition, Pressure of Market Mechanisms

**Lascoumes & Le Gales, 2007: p. 12**

The example given by Bressers (1993) illustrates how a policy instrument is seen in the context of steering and rowing. He illustrates it with an instrument being the right hammer for the right problem. But when the nail is bent pincers are needed to fix the nail. These pincers belong to other actors. So the government does not have all the right instruments but is sometimes depended on others. This is the key idea of steering in complex networks. Keeping this analogy in mind we might say the hammer is an example of a first-generation instrument, while getting the pincers from another actor can be seen as second-generation instrumentation. This distinction between first and second generation instruments is used in this research. The definition that will be used in this research is that of Fenger & Klok (in: Hoogerwerf, 2003, p 242).

*"A policy instrument is all what an actor uses or can use to reach a certain goal".*

This definition does contain all aspects mentioned and captures all distinctions like first of second generation instruments.

### **2.2.1 First-generation instruments**

Government steering used to be a matter of one-sided steering. Law stood central in steering and the idea was that society was somewhat makeable. First generation instruments "are mostly compulsory, unilateral and have a generic effect" (Kickert *et al.* 1997: p. 122).

First-generation instruments tend to focus on identifying 'market failures' that would justify government to intervene in the free market (Eliadis *et al.* 2005). This means that government steering was the one-sided action of a government by for example intruding a new law in order to control the society.

Shortcomings of this type of classical steering instruments lay in the fact that the society has become more complex. Behind the classical approach of the first-generation instruments lies the hidden assumption that the processes are controllable (Peters & Nispen, 1998). But organisations are professionalised and can much more counter the states power. Also first-generation instruments do not pay attention to the normative side of instruments and due to the compelling nature of these instruments, they can work counterproductive. This is especially the case when there is distrust between the government and those governed (De Bruijn & Ten Heuvelhof, 1994). Besides, regulations imply government control and observance of implementation. This costs a lot of money and time and does not always lead the intended goals. In reaction to these shortcomings second-generation instruments were developed.



### 2.2.2 Second-generation instruments

Second-generation instruments are not chosen based on their technical efficiency and theoretical appropriateness like first generation instruments (Eliadis *et al.*, 2005) but on their ability of steering in complex networks. "For second generation scholars a key question is no longer so much "why do policy-makers utilize a certain instrument?" as it was for their first generation counterparts, but "why is a particular combination of procedural and substantive instruments utilized in a specific sectoral context?" (Eliadis *et al.*, 2005: p 7).

De Bruijn and Ten Heuvelhof group similar policy instruments in instrument families (1994). This distinction gives a useful overview of the policy instruments in a policy network. These groups of instruments are:

- multi-faceted instruments

Government and actor (companies mostly in this research) negotiated about the favoured result en obligate themselves to meet this result. These agreements are written. Examples are a gentlemen's agreement and contracts. These kinds of instruments can contain both obligation regarding results or effort. These agreements are in general not juridical enforceable (except contracts) but in the agreements are sometimes sanctions when it is not lived up to.

- instruments focused on persons

By appointing a person at the actor that is subject of the policy, the government tries to influence and steer the actor in the way intended by the policy. In these kinds of instruments an individual stands central. By appointing a person within an organisation a government can keep watch of the organisation and try to influence the network around the person (e.g. the organisation) and keep the information flow going.

- Incentives

An incentive is the stimulation of behaviour which is not compulsory. In this research incentives will be limited to financial stimulations that can either be negative (pay) or positive (reward). An example is to subsidize projects that are in line with a public policy but also with an indirect effect like awarding and 'naming and shaming' of a company.

- Indicators

An indicator is in fact nothing more than a number. By setting normative numbers where a company should live up to, government can influence these companies. Often these normative numbers are used in combination with other instruments. An example

is the farmer that produces too much (the indicator) milk and gets a fine (negative incentive).

- Communicative instruments

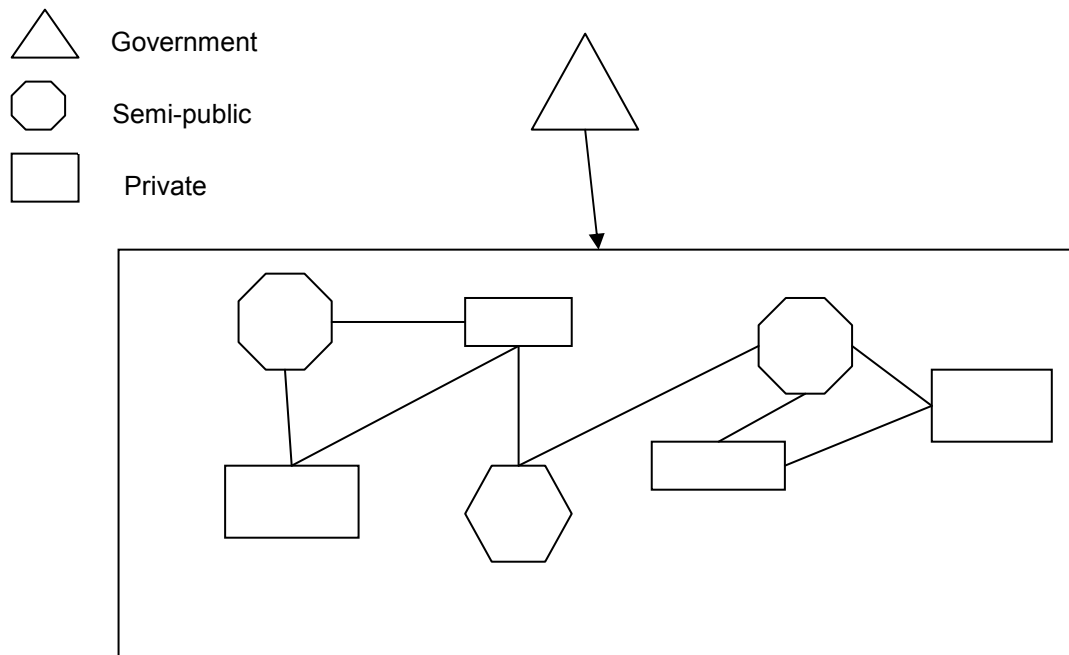
Communication is there in all kinds of forms, whether it is more mutual or more one-sided, persuasive or informative, the basic principle of these kinds of instruments is mutual transfer of knowledge and information between government and the actor. Examples of these kinds of instruments are there enough, think for example at the diversity of government brochures about all kind of different topics.

Often instruments are used within policies in a mix. Different instruments are put together in order to meet a certain goal. These second-generation instruments are instruments that deal with the characteristics of networks, which are barriers for government steering.

### **2.3 Complex networks**

A network consists of actors that are public, semi-public or private (De Bruijn and Ten Heuvelhof, 1998). De Bruijn and Ten Heuvelhof name three characteristics of a network (1998). The first one is *pluriformity of the actors* in the network. In the case of this research it is easy to see the multiplicity of actor (government, business, society). These actors have their *own autonomy and are rather isolated*, what is the second characteristic. But although the actors are rather isolated there are *interdependences* in the network, the third characteristic. Government (politics), business and society are all dependent upon each other. Steering in a complex network is therefore also not only reserved for government but also other actors try to influence and steer each other. These attempts to influence each other are what Klijn (1992) calls *games*. These games are strategic actions to reach certain goals and are played by all within the formal and informal rules within the network. Analyzing these networks therefore include "analyzing the perceptions of actors, their strategic behaviour and the interaction of the strategic behaviour of series of actors in series of games" (Klijn, 1992: p. 14). The complexity of the social and political network influences in high degree the shape and content of government steering. Public management is steering in complex networks that consist of dozens of different actors with different and sometimes opposite goals and stakes (Kickert, 2002: p. 13).

The network perspective describes and acknowledges the different types of actors that are involved in the policy making and the implementation. The next flow-chart is simplified to illustrate the complex network of government steering.



(De Bruijn and Ten Heuvelhof, 1994, p. 24)

De Bruijn and Ten Heuvelhof (1994) name two important characteristics of the actors that are to be steered. First, they are relative closed, meaning they are rather orientated on themselves than on others. Secondly, they have an own frame of reference, meaning their perception of the network is coloured and they are mainly interested in developments that suit their frame of reference. These characteristics make clear that there are barriers in the steering of a government. Instruments should match the frame of reference in order to be effective. The next example given by De Bruijn and Ten Heuvelhof (1994) illustrates this. When the goal of a government is to stimulate technological innovation within companies they can use financial incentives like subsidies. Often, when a company is deciding upon these innovations, the subsidies get little attention. The companies are rather closed for the government and whether a company innovates is not depended upon the subsidies. Same is it when laws and regulations do not match the norms of an actor. In this case it is likely that a government must uphold these laws much more than when the norms are matching. In order to be effective, instruments must therefore match the frame of reference of the actor.

## 2.4 Effectiveness

The main question in this research focuses on the effectiveness of the public policies. In order to measure effectiveness first will be looked at the actual goal of the policy. This seems a logical first step and it is said that when a policy does not have a

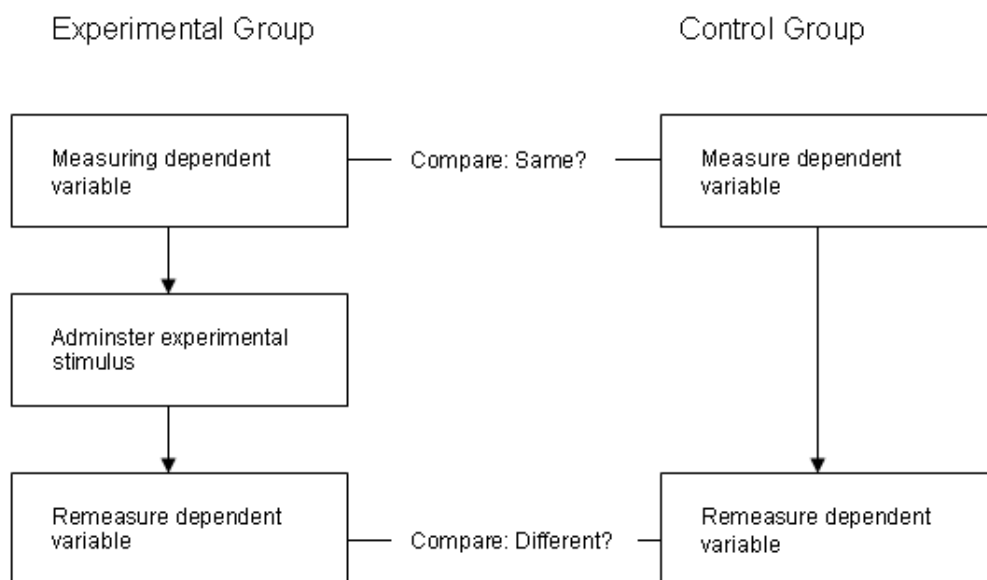
specified measurable goal a policy can not be evaluated. Especially when policy goals are rather symbolic than instrumental there is the risk that effects are measured to goals that are not more than political rhetoric (Hoogerwerf, 1977: p. 7). Therefore it is important to keep this risk in mind when policy goals are revealed as symbolic and perhaps hard to measure. Going even further into the question whether a public policy is effective Hoogerwerf says "the study of effects of a government policy deals with fundamental questions like: What can a state contribute to a good society? And what should a state contribute? (Hoogerwerf, 1977: p. 5, *translated by me*). These questions illustrate that the study of effectiveness goes beyond simply measure an outcome but bears a political side as well.

Often with research on the effectiveness of a policy the research focuses on the executive organisations of the policy (Janssen & Hellendoorn, 1999). Whether a policy is effective is actually a question whether a policy is successful. And "a study of success and failure of particular policies or programmes is in the end a political judgement [...] Political actors, such as interest groups, politicians, journalists and voters are the main judges [...] Evaluations do not necessarily square with the actual performance of a programme of policy [...] Perception is as important for political legitimacy as is performance"(Bovens, 't Hart & Peters, 2001: p. 10).

The goal of the policies in this study is expected to focus mainly on changing the attitudes of people within companies and of the public. Goals that might be regarded as symbolic and political because they are hard to measure and contain normative principles that go beyond the law. Actual measuring the effectiveness is therefore a qualitative process in which perceptions and actual performances of business together must give an insight in the success of the policy. It is important to keep these difficulties with evaluating in mind during this report. Or as said in the report about the CSR policy in the Netherlands in the period of 2001-2006: "A quantitative approach to evaluate the progress of CSR is not possible. The concept of CSR is not outlined enough for measure protocols to develop. Data for quantification are lacking and the formulating of the policy in 2001 is in global terms without measurable goals and concrete time schedules and deadlines" (NovioConsult Van Spaendonck, 2007: p. 1-2, *translated by me*). The perceptions on the effectiveness together are a social construction, the "agreement between different actors on what they together perceive as 'the truth'" (Kickert, 2002: p. 11). This social constructivism is almost the opposite of the more classical science in which the experiment plays an important role. By collecting perceptions of stakeholders a 'truth' around CSR is constructed. On the other hand by evaluating the quantitative data available and the policy instruments a more

'rational' approach of the effectiveness is conducted. These approaches combined must result in a conclusion that lies as close to this 'truth' as possible.

"In both the natural and the social sciences, the most conventional type of experiment involves three major pairs of components: (1) independent and dependent variables, (2) pretesting and posttesting, (3) experimental and control groups" (Babbie, 2004: p. 221-222). In the simplest experimental design the effect of the independent variable on the dependent variable is measured. By measuring the dependent variable before and after exposure to an independent variable (the stimulus) the effect of this independent variable can be measured. In addition to the experimental group which was exposed to the stimulus a control group resembles the experimental group but is not exposed to the stimulus. By comparing both groups at the end of the experiment the effect of the stimulus is shown.



Source: Babbie, 2004: p. 224

The greatest advantage of these controlled experiments is also the greatest weakness. Due to the isolation the impact and therefore the effectiveness can be measured rather accurate. On the other hand this artificial isolation exclude social processes that might occur on the 'outside' and the complexity of most societal problems can not be artificially created in a laboratory.

In this study is focused on a public policy and the effects it has in the complex network of business and society. Whether the goal is reached is based on interpretations and perceptions of stakeholders. So beginning point as well as outcome is no 'hard figure' as in an ideal experimental design but a status based on interpretation and perception.

Closely tied up with effectiveness is the concept of outcome. "The assessment of effectiveness is impossible without satisfactory measures of outcome" (Smith, 1996: p. 2). According to Smith outcome is a matter of valuation. It is the personal perception of the output, which is often only to some extent measurable. Like said above it is about perception as well as performance. Outcome is therefore defined by Smith (1996: p. 2) as:

*Outcome = Valuation (Output x Quality)*

During this research and when it is read it is therefore important to make the remark that the conclusions as well as the final recommendations are partly based on measurable data such as rankings but also on the perceptions of the author and others on policies, outcomes and effectiveness. Therefore the effectiveness and the outcome of a policy are "considered as a personal valuation of quality-adjusted output"(Smith, 1996: p. 2).

### 3. Case study: The Netherlands

#### 3.1 Historical and social context

The Netherlands is a constitutional monarchy and has a long history when it comes to Corporate Social Responsibility.


Towards the end of the 19<sup>th</sup> century frontrunners of the industry already began to facilitate workers in their housing and entrepreneurs like Van Marken – founder of the biochemical industry in Delft – introduced a workers council (Cramer, 2004). Another early important factor at the end of the 19<sup>th</sup> century was the rise of trade unions. They represented the interests of their members over especially wages and working hours. Besides, they triggered the debate what should be arranged collectively by the government and what should be privately


organised. After the Second World War this led to the gradual creation of a system of social security. Dialogue and negotiation between unions and employers' associations stood and still are representative for the system in the Netherlands. This can be called a 'consultation economy'. "The basic philosophy of the consultation economy is that there is a need for mutual co-ordination and co-operation which arises from the following combination of facts insights:


- In a modern market economy, social and economical policy-making is not the exclusive domain of government. Some of the instruments of socio-economic policy are in the hands of what we call the social partners.
- Using these instruments involves strong interdependencies. [..]" (SER, 2001: p. 6).

During the 1960s the environmental concern became stronger. Environmental pollution became a hot issue in society as well as in politics. While the Dutch political system stood for a turning point in the 1960s more and more NGOs like environmental organisations began to arise. Dutch politics were characterised since the Second World War by a depoliticised system in which the four main ideologies were represented. This stable system in which each of these 'pillars' had their own loyal support began to change and society became more individual and demanding. Partly due to the call for more attention for the environmental problem the Dutch government established in 1971 a special Department of Health and Environmental Hygiene. A variety of

#### CSR-Relevant Context Factors

 Democratic socialism, consensus

 Consensus seeking between government, private sector and civil society

 Open free market, High GDP per capita

 Social cohesion

environmental laws and regulations were enacted during this period. The limits of effectiveness of these regulatory instruments became obvious in the Netherlands. "Regulation led to a rather defensive attitude of companies towards improving their environmental performance. In order to promote a more pro-active approach of industry, the government propagated a new philosophy called self-regulation. The essence of this philosophy was to encourage environmental friendly behaviour among citizens, firms and administrative bodies by reminding them of their own responsibilities to help solve environmental problems (Cramer, 2004: p. 88). Cramer (2004) indicates five reasons for the relative success of the rise CSR in the 1990s in the Netherlands.

Following the trend in the 1980s and 1990s of the retreat of government and the leaving of a number of tasks to the private sector in most Western European countries the Dutch government began to focus on their core tasks and gave the private sector more freedom to act on their own insight. As a result companies got greater responsibilities. This was a first reason why the importance and the relevance of CSR began to grow.

A second reason lay in the fact that Dutch people have generally a great societal consciousness. This is indicated by for example the number of people who are a member of a NGO, what is relatively high (80%) (Cramer, 2004). People expect therefore responsible behaviour from companies.

Thirdly, there was a favourable political climate. The liberal/socio-democratic coalition actively promoted and also gave financial support to CSR initiatives. The coalition emphasized the importance of CSR and so did the next liberal/Christian-democratic coalition.

Fourthly, since the 1960s the society was not only individualised but also secularised. This process evolved further in the 1980s and 1990s and due to this process the role of business changed as well. CSR was traditionally inspired by religious norms and ethics but this changed in the course of time towards a more strategic placement of business vis-à-vis society.

Finally, the Dutch socio-political climate is one based on negotiation and consensus. Not only within the Dutch election system whereby the government always consisted of a coalition of two or more parties but moreover the willingness of trade organisations and employers' organisations to reach consensus. This socio-political climate stimulated different stakeholders to actively participate in CSR.

The issue of CSR has gained attention in the last couple of years. Shifting relations between business, society and the government resulted in a changing political and



cultural climate. A climate in which CSR could develop. Also more attention from NGOs, society and the Dutch Social and Economic Council (SER) – which issued the advisory report “Corporate Social Responsibility – A Dutch Approach”- had a catalytic role in development of CSR policies and initiatives in the Netherlands.

### **3.2 CSR Policy**

In respond to the advisory report of the SER the Dutch government issued in March 2001 the document “Corporate Social Responsibility: the Government perspective”. In this document most of the proposals of the SER were integrated. Goal of the policy is to enhance the process of CSR implementation within companies and to promote CSR. The role of the government is merely stimulating and facilitating in this process (NovioConsult Van Spaendonck, 2007). Based on the policy vision and the findings it can be said that the Netherlands are rather active towards CSR. The policy as outlined in the vision is coordinated by the Ministry of Economic Affairs but other ministries are involved as well and often have their own specific approach to promote CSR, the policy vision mentioned above is the backbone for this. As said before the role of the government is mostly stimulating and facilitating, the government refrains from imposing real CSR legislation on companies. “Legislation will lead to companies doing only the bare minimum, whereas the Dutch Government sees CSR as part of a company's core business. Companies are best placed to make their own choices. To help them, the government actively supports business networks aimed at promoting CSR” (European Commission, 2007: p.58).

#### **3.2.1 Policy Goal**

The goal of the government policy on CSR is to stimulate and enhance the process of implementation of CSR in Dutch companies. The ambition of the government is to have all companies in the Netherlands enact CSR (NovioConsult Van Spaendonck, 2007). The policy vision of the government focuses on a bottom-up way of responsibility. The company is the first responsible for their actions and their CSR policy. The government sees its role as a participating actor in this network. Stimulating and facilitating stand central in this vision.

In the policy vision on CSR of 2001 the government has issued some new initiatives: (1) stimulate local partnerships, (2) foundation of a independent national knowledge and information centre, (3) advice on integration of social aspects in annual reports, (4) making a protocol for the government on their buying and tenders, (5) asking

support of business, (6) research on the necessity of new international agreements on environmental aspects.

When in 2007 (NovioConsult Van Spaendonck) the policy was evaluated the most important conclusions were: (1) there is much achieved on promotion and awareness raising on CSR, although there is a group front-runners and the peloton follows at distance, (2) the goal of accelerating CSR is met, but the ambition that all companies have implemented CSR not yet, (3) some important trends might accelerate the process; like chain-responsibility, from niche to mainstream and the growing role of financial actors, (4) according to NGOs and business the government must do more to inspire others, (5) recent initiatives point to an important moment for the government to become more active on CSR, (6) there is a growing need for a custom fit solution for companies.

In the 2007 Policy Vision (Kabinetvisie 2007) the policy on CSR for the next few years is outlined. Goal is mainly raising awareness of effects and responsibilities of companies and the chances of CSR for companies. 7 ambitions of the government are given; (1) stimulating knowledge and awareness, (2) improve transparency and reporting, (3) attention for frontrunner, (4) connect CSR to innovation, (5) international CSR diplomacy, (6) CSR in the international chain, (7) government as role model.

### **3.2.2 First generation instruments**

Since 2005 there is a law that obligates companies to take non-financial data into account in their annual year rapport. This includes matters like environment and human resources. Besides this no real first generation instruments were found in the public policy.

### **3.2.3 Second generation instruments**

#### *Multi-faceted instruments*

Departments are involved in public-private partnerships in subject areas like energy, public health and agriculture in order to stimulate CSR. Indirectly by subsidizing MVO Nederland that makes partnerships with companies and directly by for example a partnership between the Ministry of Health, Welfare and Sport with companies in order to stimulate volunteerism of employees.

#### *Instruments focused on persons*

Instruments focused on persons are not used by the Dutch government within its CSR policy.

#### *Incentives*

The Dutch government organises a CSR stimulation award. This award is for companies in the Dutch agri- and food industry and has as goal the stimulation of CSR and the raising of awareness on CSR in Dutch business.

#### *Indicators*

An indicator is the annual transparency benchmark which has been in place since 2004. The benchmark ranks 175 of the biggest Dutch companies based on impact on society, extent of CSR implementation and the extent of transparency of information. After its first year 27% of the companies that published reports provided better information (European Commission, 2007).

#### *Communicative instruments*

In December 2002, the Dutch government set up an independent Knowledge and Information Centre on CSR (MVO Nederland). The aim of this initiative was to improve the knowledge of CSR and to promote the dialogue and partnerships between businesses, NGOs, government and citizens. The main services they are providing are:

- information on CSR to SMEs and intermediary organisations;
- identifying practises, identify success and failure factors;
- fostering multi-stakeholder partnerships;
- a platform for stakeholder dialogue to promote mutual understanding between the parties. (European Commission, 2004: p. 28).

Further the Ministry of Economic Affairs has set up a research programme on CSR. This programme involves nine different research teams. The goal of this programme is "to coordinate the research on CSR in Dutch Universities, deepen the management perspective on CSR, and assist companies in generating added-value in the social, economic and environmental spheres" (European Commission, 2004: p. 28).

At the local level government supports public-private partnerships that focus on issues like employment, social cohesion and the environment.

Annual meetings are held with the Prime-Minister and the minister of Foreign Trade with the top enterprises in the Netherlands to discuss CSR relevant topics.

With government support the Dutch Foundation for Environmental Labelling (stichting Milieukeur) set up criteria for production of food and non-food products and a green label for greenhouses.

One of the pillars of the CSR vision of the government is to give the good example and so stimulate companies to do the same. Examples of this are quota for women and minorities that work in the government and 2010 all the products purchased by the government ought to be sustainable.

The Dutch National Contact Point<sup>2</sup> provides information about the OECD Guidelines and is one of the most active NCPs in Europe. They actively provide information on the guidelines and CSR.

### **3.3 Level of CSR**

#### **3.3.1 Level of advancement**

The policy vision focuses on a bottom-up way of CSR. There are no real measurable indicators of the government policy. Besides, CSR is also within government a rather broad term (NovioConsult Van Spaendonck, 2007). Therefore there will be looked at the general opinion on the advancement of CSR in the Netherlands.

In the Netherlands the debate about CSR is lively and the Netherlands have a history in CSR. Looking at the level of advancement on CSR nowadays we might say the Netherlands are rather advanced. Like said by Prof. dr. H. van Luijk; "In less than ten years CSR has become part of the core business" (Economen Congres Groningen, Oktober 3 2003).

Internationally seen are the Netherlands also rather advanced. In the Dow Jones Sustainability Index<sup>3</sup> the Netherlands score relative high just like in other rankings. The frontrunners in the Netherlands consist of the biggest companies (mostly multinationals) while the biggest group of SMEs is following. An illustration of the process of CSR implementation in the Netherlands is the recent initiative of 80 representatives of Dutch businesses to call upon political leaders to stimulate the Dutch companies (NovioConsult Van Spaendonck, 2007).

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<sup>2</sup> <http://www.oesorichtlijnen.nl/>

<sup>3</sup> Worldwide index of companies with a ranking based on their performances on sustainability. ([www.sustainability-indexes.com](http://www.sustainability-indexes.com))

	<b>Number of domestic companies</b>
	<i>Netherlands</i>
The Global 100 Most Sustainable Corporations in the World	1
The Dow Jones Sustainability World Index	13
	<b>Ranking of the country on the list</b>
	<i>Netherlands</i>
The State of Responsible Competitiveness 2007	12

According to research done under SMEs in the Netherlands 41% does CSR because it is profitable and 38% does it because it is supposed (Kabinetsvisie 2007). Research done on the profitability of CSR does indicate that CSR is on the long term 11 till 15% more profitable is than not implementing CSR (Dijk & Wong, 2007). Further of the SMEs in the Netherlands 68% of the people is familiar with the term CSR. 81% of the respondents say the management of their company is positive towards CSR. Although two-third of the respondents says that there are familiar with the term only one-third says actually to have implemented CSR in their company. Interesting is that of the same respondents 61% says the displayed activities are being implemented in the company, while these displayed activities all are CSR activities. So these companies have implemented CSR, although they do not recognise it as CSR (Kabinetsvisie 2007).

There is also a trend noticeable in the Netherlands. CSR has gone from a rather negative character (prevention of a bad reputation) towards a positive (improvement of quality and seen as a market change) (Kabinetsvisie 2007).

### **3.3.3 Perceptions**

According to a survey done in 2006 in the Netherlands looked at the view of the citizens on sustainability and the role of the government. Sustainable development is widely supported by 81% of the respondents. When being asked whether this should be a task of the government only 33% supported this idea, while 52% objected this. A

role for international organisations was supported by 39%, while objected by 42%. When being asked what necessary is to promote sustainability (and in this context CSR) in the Netherlands a huge majority of 63% urged for more information about the actual problems related with sustainability (e.g. climate). About two-third of the respondents in this survey also said they want to do more about it themselves and more than 50% said more information of companies on their products would influence them in their consuming behaviour. Only 39% suggests government incentives for stimulating sustainability. (Nederland Duurzaam, 2006).

According to a Sander van Bennekom of Oxfam Novib the Dutch government does have a role in stimulating CSR by making hard laws. He agrees with the research above when it comes to give consumers more information but he stresses above all the implementation of binding laws in order to stimulate CSR. According to Van Bennekom – who is active as a lobbyist in the debate between government and business – companies main drive lays in the fact that they are commercial enterprises with the main objective to make a maximum profit.

This is objected by Wijers (former minister of Treasury and of Economic Affairs, current CEO of Akzo Nobel); “In each country Akzo Nobel operates we act within the law, but we realise that the law is sometimes not enough. The law is in fact more a reflection of point of view of the past, than the expectations man has of the now and of the future”(Economen Congres Groningen, October 3 2003).

The responsible minister Cramer said about CSR in her inauguration speech in 2006: “The stadium in which CSR is not anymore ‘what is it, and how can a company report on it’. The challenge companies now face is to implement CSR in such a way that it leads to wide involvement in the organisation and innovation in sustainable development”(Cramer, inauguration speech, 2006, *translated by me*). In the policy vision of 2008-2011 the role of the government is briefly worded by the sentence *inspire, innovate and integrate*. This is also in short the core of how the government sees its CSR policy, stimulate instead of regulate and laying the responsibility with the company itself. This vision is in general supported by Dutch businesses. The Council of Central Company organisations (RCO), in which the three largest organisations are represented (VNO-NCW, MKB Nederland and LTO Nederland) said in reaction to the policy vision: “We see the policy vision as a balanced paper, which suits CSR [...] CSR are activities beyond the law and is ‘custom made’ [...] CSR must come from ‘inside’ rather than ‘outside’ (RCO, letter to parliament, February 11 2008, *translated by me*).

### 3.4 Conclusion

The Dutch CSR public policy is largely based on voluntarism of businesses. The government sees itself as stimulator and facilitator of CSR and is not inclined to legislate CSR. The former State Secretary Wijn gives three arguments why (almost) no legislation is used. First CSR is a matter of behavioural change, norms and values have to change and just like you can not make a law that everyone should be nice, you also can not legislate CSR. Second, you must pick the right order. Legislation is a recording of certain norms in society, the common sense. Therefore CSR must first become common sense before it is legislated. And thirdly, legislation must be enforced.

Therefore it is important that there are not too many laws

(<http://www.ez.nl/content.jsp?objectid=40773&rid=42886>, August 15 2008). This is illustrated by the box below in which the most relevant policy instruments currently used are placed. As is shown they are almost all of the second generation instruments and can be called 'soft law'. Most important is – just like stated in the policy vision – the commutative instruments used by the government and the consultation between government and business. Looking at the cultural background of the Netherlands, with a history of consultation between societal organisations this is not remarkable.

	1st generation instruments	2nd generation instruments
The Netherlands	<ul style="list-style-type: none"> <li>✓ 2005 law on reporting of non-financial data</li> </ul>	<ul style="list-style-type: none"> <li>✓ Coordination point (MVO Nederland)</li> <li>✓ Annual meetings are held with the Prime-Minister</li> <li>✓ A research programme on CSR</li> <li>✓ CSR stimulation award</li> <li>✓ Annual transparency benchmark</li> <li>✓ NCP promotes CSR</li> </ul>

And although there is criticism on the policy, for example by professor of sustainable management Kolk: "that in advance rejecting legislation does not contribute to the 'stimulating' role that this can have on the voluntarism of companies, and to citizens that have certain expectation of the government" (Kolk, 2004: p. 125, *translated by me*), the public policy seems rather successful. Looking at international ratings and the above outlined general opinion the Netherlands is one of the worlds leading countries on CSR.

## 4 Case study: Sweden

### 4.1 Historical and social context

The Kingdom of Sweden is a constitutional monarchy and is known for its relative large welfare state. Legislative power is shared between parliament and government. The prime minister with executive power leads the government. State ministries are responsible for the policy-making and state agencies often are delegated with the implementation. The administrative system is rather centralistic.

There are 21 regions that are subject to a regional board that is appointed by the government. The public administration is known for its transparency and openness (Bertelsmann Stiftung, 2007: p. 140). During the policy making

and the implementation other stakeholders as interest groups are consulted. These interest groups are very well organised and there is an extensive system of consulting each other. From the 1920s till 2006 the Swedish politics were dominated by the Social Democratic Party. In 2006 a coalition of centre-right parties took over the power. The Social Democrats were a crucial factor in the establishment of the welfare state. For the high social expenditures taxes had also to be high, at over 50% of the GDP (OECD, 2006). The social welfare state came under pressure in 1990 when Sweden experienced its worsted economic crisis since the 1950s. Slowly a trend toward more privatisation became visible, although most public services were not contracted out. Despite this economic crisis the Swedish society can be seen as egalitarian with rather low rates of unemployment. Sweden is furthest in the UNDP Human Development Report among the four most equal countries and its human development index is higher than the OECD and the world averages (UNDP, 2006). Civil society is strong and has a big role as an intermediate between government and the society. This connection can also be seen in the traditional involvement of politics in the national trade unions. Since the 1960s more and more social movements emerged. First concentrated on the issues of environment, peace and gender equality, later since the 1980s also on human rights. These NGOs often are consulted during the policy process. The Swedish society is thus characterized by a conflict-avoiding mentality and is known for its tolerance and transparency. The central concept of the society is described as "mutual adaptation by consensus building" (Lenssen & Vorobey 2005: p. 362). This traditional close relation between different part of society and the system of social welfare has influenced the

#### CSR-Relevant Context Factors

- 🏛️ Democratic socialism, consensus
- 👑 Closeness of government, civil society, unions and private sector
- 💰 Big government, high taxes. High GDP per capita, free market
- 👥 Social cohesion



development of CSR in Sweden. On the one hand CSR is supported by legislation, on the other by facilitating CSR by spreading information (Bertelsmann Stiftung, 2007). In 1988 the social democratic government introduces a bill on the environment which started a policy what was close to what was later called sustainable development and closely linked to the social welfare policies. At first the sustainable development was focused on the environmental aspect but later on in 1997-98 the economic and social aspect grew in importance. Sustainability policy was approaching the traditional welfare policy and was emphasising economic growth and employment. The vision of the government was laid down in national strategies of 2002 and 2004 on sustainability. It is a long run vision in which the society and the economy are characterized by efficient use of natural resources and the companies are competitive. Sustainability becomes a part of society and of business in the vision (Swedish government, 2001 & 2003). This fits in the tradition of strong social policies and is not a renewal of these policies but rather a supplemental aspect (Torbjörn, 2006). Of all the companies in Sweden about 99 percent consist of small and midsized enterprises (SMEs). Publicly owned companies are only a small part (Buhr & Hermansson, 2004).

#### **4.2 CSR Policy**

When it comes to a national strategy it concerns all relevant policy areas. The government sees this in a holistic approach where the dimensions of sustainability (economy, environment, social dimension) and the goals, means, tools, institutions and actors are weaved together. Means and tools that are mentioned are legislation, planning, sector integration, evaluation of consequences, financial means, research & development, information, education, dialogue and institutional capacity. And the central sectors these are applied to are environment, climate, public health, quality of life, working life and employment, economic growth and welfare (Swedish Government, 2003).

When in 1997 Ulrich Beck wrote about a state that negotiates rather than act itself he could very well be describing Sweden with regard to the CSR Policy. The Swedish government participates in different fields in order to stimulate CSR. "Sometimes the state is seen as an actor among others in self organized networks. But that is perhaps simplified too much. In the policy for sustainability the Swedish state acts as maker of the rules, judge and player at the same time via different state instances at different levels"(Torbjörn, 2006: p. 9).

The CSR policy is rather advanced and developed in Sweden. The government is very involved in partnering and in raising awareness and integrates a high number of stakeholders. But, like many others, the Swedish government is declined to legislate

CSR. In 2002 the government created a position in the government to coordinate the CSR activities. This is necessary to come to an overall approach and concept of CSR. "To agree on such an approach it would be necessary to thoroughly evaluate existing strategies as well as public sector instruments and activities. Evaluations would likewise be important to assess the effectiveness of public sector activities and to find out about possible achievements and improvements" (Bertelsmann Stiftung, 2007:p. 139).

#### **4.2.1 Policy Goal**

The policy in Sweden with regard to CSR is partly based on international agreed conventions and guidelines are including;

- Provision of information, advice, continuing
- Professional development and financing assistance to small enterprises and other companies
- Dialogues with the business community aimed at strengthening the integration of sustainable development concerns into company operations
- Provision of guidelines for enterprise on social and environmental responsibility. The Swedish Partnership for Global Responsibility programme is one example.
- Simplification of regulations governing the operations of small enterprises.
- Promotion of women's and immigrants' entrepreneurship.
- Capital provision for small enterprises.
- Funding for the development of environmental technology and the commercialisation of research findings.
- Promotion of "effective competition policies"

(Escobalt, CSR in Sweden Survey 2005: p. 3)

Especially the last is of importance for Sweden. As said before Sweden knows a strong social welfare program and looks therefore not to companies as the provider of these social welfare services or as philanthropists but they focus on enhancing the competitiveness of the companies. The Swedish market is export orientated and export is the main engine for economic growth. CSR promotion is therefore mainly associated with the Ministry for Foreign Affairs. Normative goals are also of importance in the CSR public policy. These goals have a strong sense of voluntarism instead of mandatory regulation. In line with the state tradition of closeness between government, trade unions and civil society there are a high number PPPs and cooperative initiatives in order to promote CSR. Often different actors from different sectors are included and this fits the tradition of consensus building and social participation.

The only explicit paper on CSR Public Policy was published in May 2005 by the Swedish International Development Cooperation Agency (SIDA)<sup>4</sup>. SIDA promotes CSR through facilitating a suitable environment, participating in international policy initiatives and by facilitating dialogues and partnerships. Besides this paper the CSR policy is integrated into Sweden's strategies on sustainable development (Buhr & Hermansson 2004: p. 32). The Swedish Ministry of Environment (ME) claims in a Swedish Strategy for Sustainable Development that business can contribute to sustainable development "by being competitive" (Ministry of the Environment, 2004: p. 8). In this report is also said that companies must act in a social and ethical manner, based on international conventions and guidelines. Integration of the CSR policy into the wider policy on sustainable development ensures that CSR is not seen as a separate goal but fits in the rather holistic view of the government's policy.

#### **4.2.2 First generation instruments**

The Swedish Strategy for Sustainable Development states that corporate management should ensure that the company acts in a responsible and ethical manner in accordance with internationally agreed conventions and guidelines. Besides this general remark that companies should follow international guidelines also some mandatory regulations have been in place in Sweden in order to promote CSR.

The Accountants Act (1999) requires companies of a certain size to report on their environmental impact. The Public Pension Funding Act (2000) requires national pension funds to describe how environmental and ethical considerations are taken into account. This Act had direct impact when in 2001 the biggest public pension fund *Sjunde AP-fonden* took 30 companies out of its investment portfolio because they violated the environmental and social standards (Szczesny & Wilhelm, 2005: p. 18).

#### **4.2.3 Second generation instruments**

##### *Multi-faceted instruments*

Sweden has a long tradition of consensus building, stakeholder participation and partnerships. This is also the case with CSR. In the box below are the main CSR partnerships and a short description of what they do.

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<sup>4</sup> <http://www.sida.se/?d=118&a=3494>

<b>Main CSR Partnerships</b>		Source: Bertelsmann Stiftung, 2007:p. 148
<b>Name</b>	<b>Date</b>	<b>Short Description/Reference</b>
The Government's Commission on Sustainable Development	2007	Advisory body to strengthen cooperation and analyze issues related to sustainable development. Comprises representatives from the business sector, NGOs, research institutes and politics, i.e. the Swedish prime minister, the minister of the environment and the minister of finance. <a href="http://www.sweden.gov.se/sb/d/2164/a/79153">http://www.sweden.gov.se/sb/d/2164/a/79153</a>
Bygga Bo Dialogen	2003	Cooperation between companies, municipalities and the government with the purpose to promote a sustainable building and property sector in Sweden. <a href="http://www.byggabodialogen.se/EPIServer/templates/Page.aspx?id=123">http://www.byggabodialogen.se/EPIServer/templates/Page.aspx?id=123</a>
Framtida Handel	2003	Alliance between companies, local authorities, regions and the government, designed to achieve sustainable development of trade in convenience goods at all stages of the supply chain. Involved ministries: ME, MEEC and the Ministry of Agriculture. <a href="http://www.framtidahandel.se/index.php?dir=27">http://www.framtidahandel.se/index.php?dir=27</a>
Globalt Ansvar (Swedish Partnership for Global Responsibility)	2002	Initiative to encourage Swedish companies to become ambassadors for human rights, anti-corruption, decent social conditions and a sound environment. Its secretariat produces research, disseminates information and arranges counseling, networking and in-house training. Organizes seminars that are open for NGOs and trade unions. Responsibility rests with the MFA; cooperation with MEEC, ME and SIDA. <a href="http://www.regeringen.se/sb/d/2657">http://www.regeringen.se/sb/d/2657</a>
OECD National Contact Point	1976	Tripartite Body with representatives from the Swedish government, business and trade unions. Led by the MFA in cooperation with the Ministry of Industry and Trade and ME. Has produced a handbook on the guidelines to increase company knowledge about them. <a href="http://www.regeringen.se/sb/d/5467/a/14556">http://www.regeringen.se/sb/d/5467/a/14556</a>

*instruments focused on persons*

None were found.

*incentives*

The Swedish government does not set direct incentives for companies in order to promote CSR. Nevertheless, a company can very well improve its reputation by joining a partnership with the government or a PPP.

*Indicators*

None were found.

*communicative instruments*

The State Ownership Policy states that state companies should have an ethical and environmental policy and set an example in gender equality. By setting an example the government hopes to influence others.

The government also tries to inspire companies themselves to set a good example by becoming an ambassador of CSR. The project *Globalt Ansvar*, encourages companies to

become ambassadors and organise different activities for example for NGOs or trade unions.

The Integrated Product Policy introduced a system of for example eco-labelling. This way consumer can choose whether to buy products with this label or not. Companies are therefore faster willing to give insight in their supply chain.

Besides this, the government uses its influence in all of the above mentioned partnerships in order to provide information on CSR.

### 4.3 Level of CSR

#### 4.3.1 Level of advancement

Sweden is rather advanced. This is illustrated by the number one position in The State of Responsible Competitiveness 2007 and the number of domestic companies in the rankings below. Internationally seen Sweden tops different rankings and is seen as one of the most advanced states with regard to CSR.

	<b>Number of domestic companies</b>
	<i>Sweden</i>
The Global 100 Most Sustainable Corporations in the World	5
The Dow Jones Sustainability World Index	6
	<b>Ranking of the country on the list</b>
	<i>Sweden</i>
The State of Responsible Competitiveness 2007	1

#### 4.3.2 Perceptions

Dr.Simon Zadek, the chief executive of AccountAbility – an influential NGO on CSR – says in an interview with Davis Wiles on CSR in Sweden: "Corporate responsibility is part of a coherent foreign policy strategy, of a trade and investment strategy, as well as of a domestic social cohesion strategy [...] I see the Swedish government right now

grasping those linkages more than many other governments out there. That is very rare, and exactly what others need to do" (<http://www.sweden.se>, May 19, 2008).

Elisabeth Dahlin, Ambassador, Head of Global Responsibility Sweden, says in an interview (<http://www.socialfunds.com>, May 19, 2008) that in general CSR is part of the business plan of Swedish companies. About the Swedish trade unions she says they are much more in favour of open and free trade compared to trade unions in other countries. The biggest challenge facing Swedish companies is managing the global supply chain according to Dahlin. This because of the many international connections of Swedish companies in countries outside Europe where for example human rights abuse is still a problem. About the role of the government she says: "If businesses are doing something, and they are doing it right, I do not see a need for government to enter a process that businesses are handling well by themselves. I see our role as being a facilitator when it is required" (<http://www.socialfunds.com>, May 19, 2008). This is in general the position the Swedish government takes in the debate about CSR. Where necessary they legislate but it is mostly up to companies themselves to implement CSR. Ewa Björlin, Minister for Trade said about this: "CSR is by definition a voluntary undertaking, and rightly so. It should be business-owned and business-driven, but do governments have a role to play in this important process? The answer is; yes, absolutely. Apart from providing the necessary legal framework and making sure that laws and universal instruments are adhered to, governments can stimulate forums for dialogue and exchange of experiences on good practices" (Speech Beijing 14 April 2008). On another occasion she said about CSR: "the reason why companies should care about CSR is that it benefits business. CSR is a voluntary undertaking, business-owned and business-driven [...] Government initiatives can facilitate CSR by endorsing and recognizing good practices, organizing meetings between business and civil society stakeholders, forming public-private partnerships [...] Promoting CSR means promoting a favorable image of a country" (Speech at the Swedish Business Awards).

#### 4.4 Conclusion

	1st generation instruments	2nd generation instruments
Sweden	<ul style="list-style-type: none"> <li>✓ Since 1999 (Accountants Act)</li> <li>✓ The Public Pension Funds Act (2000)</li> <li>✓ On a national level, new legislation entered into force on 1 July 2003, requiring all enterprises to include information on the number of absences due to illness in their annual reports.</li> </ul>	<ul style="list-style-type: none"> <li>✓ State-owned companies, promote CSR by requiring state-owned companies to report.</li> <li>✓ Integrated Product Policy, e.g. environmental management systems, eco-labelling and environmental product declarations</li> <li>✓ The project Globalt Ansvar</li> </ul>

Overall it can be said Sweden has a rather sophisticated public policy on CSR. There is a tendency towards voluntarism instead of mandatory regulations and that fits the cultural and societal context. Partnerships and consensus building are characteristic for the Swedish society and business. Further, the Swedish government has a wide range of social welfare programs and does therefore not look to business as being their task. It might be said that CSR is more common and normal in the core of business processes and does not have to be enforced by government regulations. Although there are some regulations in place, as the duty of certain companies to report on their environmental impact but that is also one of the very few regulations on CSR.

What might be lacking is that there are no clear responsibilities within government for the CSR policy and there are no real evaluations of its policy. "To further encourage business to behave responsibly, it would also be important for the public sector to strengthen consumer awareness of CSR. Finally, in keeping with the rather holistic Swedish concept of a "sustainable society", the regional and local levels must be integrated within the public sector agenda to a greater extent than is currently the case" (Bertelsmann Stiftung, 2007:p. 31).

## 5 Case study: Poland

### 5.1 Historical and social context

When in the 19<sup>th</sup> century free markets and enterprises were developing in most of the

Western European countries Poland was under the power of those who looked at the free market with some scepticism and suspicion. Later on this idea became even stronger under the power of the Communist who held the country in its grip for several decades. The free market was looked at in a very hostile way and government regulation and government production were very strong. Besides this official government dominated market there was a non-official black market where most activities were 'illegal'. Getting around the government bureaucracies and selling product according to – somewhat of – a free market principle characterized this black market. What also characterised the black market were bribed and manipulations. Due to the lack of truly freely agreed prices and the illegal nature of the activities there were no other incentives than these bribes. The 'business man' of back than are therefore also often seen as corrupt and perceived as 'criminals' (Matel, 1996). According to Matel (1996) business people can only act ethically under free conditions.

After the fall of the Iron Curtain the Polish industry undergoes a transition towards a more liberal free market based on the examples of the Western democracies. This transition was and perhaps still is a difficult process. Hunter & Ryan (1998) observed and concluded the following during this process;

- "[..] it is critical that reformers minimise negative consequences of reform efforts (especially severe unemployment) as much as possible.
- [..] reformers made the same mistake as did their central-planning predecessors. They assumed a degree of automatic responsiveness on the part of economic actors. Shock therapy was implemented in a spirit of "democratic euphoria"[..]. What was forgotten was that Polish workers were not automatons or robots.

#### CSR-Relevant Context Factors

- 🏛️ Former Soviet state
- 🏛️ Strong role of church, unions and government
- 📊 economic liberalization since 1990, GDP per capita far below average EU
- 🏛️ Sceptical towards government and business



- [...] economic performance is irretrievably connected to the culture, religion, politics, history, values, beliefs, and sense of "nationhood" of the people. Economic transformation cannot be separated from any of these intercepts.
- [...] the process of transformation will be difficult, socially wrenching, confusing, and oftentimes misunderstood. Essentially, however, the process will work.
- [...] the political landscape still remains a veritable minefield. Politics is fraught, it is decision, disunity, shifting alliances, new configurations, old grudges being replayed, and so forth. However, this is the quintessential Poland!"(Hunter & Ryan, 1998: p. 196-197).

The authors come to the conclusion that "attention must be refocused on the *development of human capital* by improving declining educational and health care systems, by encouraging basic scientific research, and by increasing the emphasis on management and entrepreneurial training. Institutions must be developed to improve the long-neglected natural environment and to encourage responsible consumerism, cultural traditions, societal tolerance, and diversity"( Hunter & Ryan, 1998: p. 198).

Another important factor in Poland is the meaning of religion in Poland. Poland is for the biggest part Catholic and the late Pope John Paul II was Polish and very popular in his country. John Paul II was a former Professor of Ethics at the Lublin Catholic University and paid special attention to ethics within business. For example when he addressed the Presidents of the European Industrial Confederations on December 6<sup>th</sup>, 1990 he said: "[...] no model of progress that does not take into account the ethical and moral dimensions of economic activity will success in winning the hearts of Europe's people"(John Paul II, 1996). Catholicism plays an important role in social, cultural and also business life. A 2002 report of the Polish Academy of Sciences' Committee of Sociology titled *Report on Moral Condition of the Polish Society* (Marianski, 2002) refers to the Social Opinion Research Centre (CBOS) survey of 2000. According to this survey 21.9 % of the respondents declared the moral principles of Catholicism the best morality. 27.4 % of the respondents declared the Catholic principles right, but with some supplements due to the complexity of life. And although 43.8 % declared the principles as right but also accept them all of called them insufficient, the impact of Catholic principles is illustrated by this survey.

The role and importance of business is also growing in Poland. The role played by the government in the previous regime is now for a part taken over by business. The Polish people are therefore also expecting more from business. Due to the growing role the people expect from business a socially responsible attitude towards societal problems (Gasparski, 2004).

Gasparski (2004) identifies different triggers of CSR in Poland. On the micro level, the norms that play a role in issues of exchange (to proffer services, buying and selling of goods, and so on). The ethical norms developed in the 'free market' are truthfulness, justice and integrity and these were slowly implemented into the Polish system. On a macro level it was Poland where the initiative Global Compact of the UN Secretary General's initiative was launched for Europe in 2001. This was followed by a special conference to enhance social dialogue and CSR. This was co-organised by the Business Ethics Centre and the Office of the UN Resident Co-ordinator in Poland with the Professor Marek Belka, then Deputy Prime Minister and Minister of Finance, during 2004 and 2005 the Prime Minister of the Republic of Poland. During this conference a special appeal for the Polish Business was adopted to develop ethical programmes and the engagement of Polish Business in responsible behaviour. On a mezzo level a Code of Best Practises was introduced in 2002 by the Warsaw Stock Exchange. This Code contains rules governing the conduct of general meeting, management, relations with third parties. The Code is based on a comply-or-explain rule. "When implementing and evaluating the corporate governance implementation process, it should be remembered that running a business in line with these guidelines increases the transparency of the management process and its effectiveness, and in turn affects the assessment of a company by investors and its market valuation"(Warsaw Stock Exchange, 2002: p.3). Also the Polish Bank Association has adopted a similar Code. Further The Polish Consumer Federation and the Association of Polish Consumers are fostering principles of best practises. The office of the Prime Ministers enacted the Code of Best Practises in public services.

In 1994 the Learned Society of Praxiology (LSP) together with the Entrepreneurship Education Foundation organised the first nation-wide conference on CSR. Since the same year a monthly seminar sessions is held on "Business, Management, Economics and Ethics" by the Polish Academy of Sciences. The attention for CSR was growing and in 2002 two NGOs were created for the promotion of CSR; the Forum of Responsible Business and the Polish Business Ethics Association.

## **5.2 CSR Policy**

CSR has just entered the political arena in Poland. Although a rapid transition towards a more Western European model is noticeable, Poland has not yet much attention for CSR. Partly due to the influence of international organizations like the World Bank and the EU membership CSR is becoming a more important point on the political and societal agenda. Since the implementation of market reforms, the government's view has been that any action of a company that goes beyond generating profit is voluntary.

Mostly done out of moral and religious convictions of the private industrials. Therefore no state interference was necessary. Since its preparation for the EU membership Poland introduces standards on environment, labour, trade and many other sectors in order to meet the EU standards. Topics such as sustainable development, social inclusion and the Lisbon Agenda have found their way in various public policies.

An interministerial working group has begun to conceptualize CSR as an economic and societal concept and has begun to implement some measures on CSR in Poland. Although there has been some process, there is still no explicit CSR policy formulated. Partly due to the influence of the EU and the politics of reform legislation in the fields of labour law, corporate governance and NGO can be seen as preparatory to a more outspoken policy on CSR. This tendency to legislate rather than to promote or partner CSR derives from the traditionally strong state and the lack of a corporate civil society (Bertelsmann Stiftung, 2007:p. 108). The working group consist of 20 participants from various institutions like the Ministry of Labour, Ministry of Economics, Ministry of the Environment, Ministry of Finance, Office of Competition and Consumer Protection, and Office of the Committee for European Integration. All government officials.

Poland pursues a number of mandatory measures, for example on corporate governance and public private partnerships. The communication on CSR by the public sector is weak. Also the involvement of stakeholders in the debate is rather weak. Issues that could be addressed by CSR is Poland are for example the sceptical attitudes of the Polish people towards business, an insecure work environment, political apathy, NGOs limited to only philanthropic welfare activities. "If public authorities find a way to raise the awareness of CSR's societal potential among the Roman Catholic church and the unions, the work of international bodies like the EU could be enhanced significantly"(Bertelsmann Stiftung, 2007:p. 109). Besides as a member of the EU and as an increasingly industrialized country Poland must meet the expectations and requirements of its partners when it comes to production and consumption. Therefore the first steps towards an actual CSR policy are also given in by rational choices. Poland has adopted an implementation strategy for a National Reform Program (Lisbon Agenda) in which CSR is not yet taking into account but reference is being made to the topic of sustainable development.

### **5.2.1 Policy Goal**

Although attention is increasing, as well from politics as society, there is no explicit CSR policy (yet) in Poland. The working group created by the government has as task

to come to a full policy on CSR. But until now the policy is restricted to some public initiatives and legislation on issues related to CSR. Therefore it is hard to define an explicit goal. It is clear that the government has made CSR a priority on the political agenda and they intend to promote and stimulate CSR in Polish business.

### **5.2.2 First generation instruments**

Due to the accession of Poland to the EU a number of laws regarding labour and environmental issues are brought up to meet the requirements of the EU. These laws might be considered contributing to CSR. For example the support of employment of disabled persons. This is a direct consequence of EU requirements. A field where Poland is rather advanced is corporate governance (The World Bank, 2005). This field is regulated by the *Polish Financial Supervision Authority*<sup>5</sup>, which is directly supervised by the government. All domestic companies are subject to the Code of Commercial Partnerships and Companies of 2001, which governs shareholder relationships, disclosure and audit questions. Another area where Poland is doing rather well is public-private partnerships (PPPs). Poland is one of the few EU countries that have a clear mandatory framework for PPPs. The conviction was that this instrument would help to build trust and motivate public agencies and companies to work together. According to some studies the law truly functions from 2007 onwards (PriceWaterhouse Coopers/World Bank, 2006).

### **5.2.3 Second generation instruments**

Partly due to the transitions made in the relative recent past – democratization, joining the EU – implementation of laws is sometimes rather slow and the government is seen as bureaucratic. This makes Polish companies rather uncertain and creates a feeling of insecurity. Obeying the law is already seen as a heavy burden, and doing something beyond it does not make sense for managers.

#### *multi-faceted instruments*

Due to its era of communist rule Poland has not a long tradition on collaboration and partnerships between social actors. In order to develop the society and make way for new partnerships the Department of Social Dialogue and Partnership was created. This department tries to establish new partnerships between social partners. There are

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<sup>5</sup> [http://www.knf.gov.pl/knf/index.jsp?place=Menu06&news\\_cat\\_id=763&layout=4&page=0](http://www.knf.gov.pl/knf/index.jsp?place=Menu06&news_cat_id=763&layout=4&page=0)

three major formal partnerships in Poland which – although they not directly refer to CSR - are worth mentioning.

Launched in 1994 and renewed in 2001, the Socio-Economic Trilateral Commission took part in the National Development plan and did public consultations.

The Council on Public Benefit Activity brings together 20 representatives of administration, NGOs and business in order to monitor the implementation of laws.

The Joint Central and Local Government Committee links representatives from government with self-governing municipal entities.

#### *instruments focused on persons*

None were found.

#### *incentives*

The Public Benefit and Volunteer Act has introduced the possibility for companies to make tax exempt donations to for example education or social welfare funds.

Donations rose in one year from 2.7 to 11.4 million Euros (<http://www.forumdarzyncow.pl/>, August 11 2008).

CSR is still a very new concept in Poland. Awareness raising is therefore very important. The government does not seem to make this a priority. The organisations most active in this field are the few businesses and the NGOs. There is however an annual award called Business Fair Play<sup>6</sup>. This award is initiated by the Polish Agency for Enterprise Development (PARP) and is now organised by the Institute for Private Enterprise and Democracy of the Polish Chamber of Commerce. The award focuses on good working conditions and charitable actions.

Poland has three eco-labels in place in order to inform consumers about the environmental aspects of products. But Poland is still young market economy and sophisticated instruments like ethical consumer labels do not really work (World Bank, 2006).

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<sup>6</sup> <http://www.fairplay.pl/>

*Indicators*

None were found.

*communicative instruments*

In order to accelerate and coordinate the implementation of CSR in Poland an interministerial working group has been initiated by the Ministry of Labour and Social Policy. This is an informal working group that first commenced in the end of 2006 and that is rather in the beginning phase. The Ministry of Labour and Social Policy also initiated a book called "CSR Implementation Guide. Nonlegislative Options for the Polish Government". This book was meant to support the government in developing a public policy on CSR.

Communication on the OECD guidelines for Multinational Enterprises<sup>7</sup> is done by the National Contact Point (NCP) which is located within the Polish Information and Investment Agency. This illustrates that the Guidelines are seen as a tool for trade and marketing rather than an integrated aspect of Polish business. There is also no active promotion of the Guidelines. On the website<sup>8</sup> besides a short text and two links to the full text in English and Polish, only a telephone number is given.

Besides the central government the largely state-owned Warsaw Stock Exchange (WSE)<sup>9</sup> has a widely recognized Best Practises in Public Companies Code. 313 of the 317 companies registered at the WSE subscribe to this code on the basis of comply or explain, what means that not all the rules are followed in practise.

### **5.3 Level of CSR**

#### **5.3.1 Level of advancement**

The UN published its researched on the level of advancement on CSR in Poland in 2007. The sample consisted of large companies based in Poland (48% Polish and 52% foreign, >250 employees). The following sectors were included;

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<sup>7</sup> OECD Guidelines on Multinational Enterprises can be found on [http://www.oecd.org/document/28/0,3343,en\\_2649\\_34889\\_2397532\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/28/0,3343,en_2649_34889_2397532_1_1_1_1,00.html)

<sup>8</sup> <http://www.paiz.gov.pl>

<sup>9</sup> <http://www.gpw.pl/>

- services (consulting, electricity, tourism, waste disposal) – 12 (30%),
- manufacturing – 12 (30%),
- finance – 3 (7,5%),
- agri-business – 4 (10%),
- chemicals/oil – 3 (7,5%) ,
- other – 6,
  - telecommunications – 4 (10%),
  - construction and gardening – 2 (5%).

Of these sample 8% consisted of small local enterprises. The findings are in the box below.

The research revealed that the strategy of social responsibility itself is the best-developed issue in large companies, especially in the case of multinationals where it is a part of their overall global strategy. On the other hand, all Polish small businesses included in the research have no CSR strategy, but they are usually good members of their local communities, and they fulfil basic obligations. CSR strategy was found in 50 percent of the enterprises (20 out of 40), including 10 percent of Polish large companies (4 out of 40). However, there was no CSR strategy found in almost 50 percent of Polish enterprises (8 out of 19 Polish businesses in the sample of 40).

*United Nations Development Programme, 2007: p. 52*

These findings are supported by the first Polish CSR Ranking in May 2007 issue of Manager Magazine. It is said that only MNCs active in Poland, such as BP, Danone or Toyota, are active CSR players. But also some of the very large Polish companies are active like *TP (Polish Telecommunication)*, *PKN Orlen* (oil refiner), the airline *LOT* or the brewery *Kompania Piwowarska*. But, it must be noted that although these companies are Polish, they are highly influenced by foreign managers. Smaller Polish companies are not or almost not implementing CSR into their Business other than the philanthropic contributions made by some of them. International rankings on sustainability show that Poland is rather behind regarding CSR. In the box below is shown that Poland does not have any representatives in the two major rankings of sustainable companies and occupies a 54<sup>th</sup> place in the influential global ranking of AccountAbility.

	Number of domestic companies
	<i>Poland</i>
The Global 100 Most Sustainable Corporations in the World	-
The Dow Jones Sustainability World Index	-
Ranking of the country on the list	
	<i>Poland</i>
The State of Responsible Competitiveness 2007	54

### 5.3.3 Perceptions

Gasparski (2004) names a few recent surveys by Polish researchers in the field of CSR that are worthy to mention here. (i) Research on the managers' opinion about business responsibility (Rok, Stolorz & Stanny, 2003), (ii) on consumers' attitudes and leaders' opinion on CSR (Foundation of Social Communication, 2003), (iii) a report for the Institute of Public affairs carried out by CBOS named "The Public's Views of Business in Poland Survey 2003".<sup>10</sup>

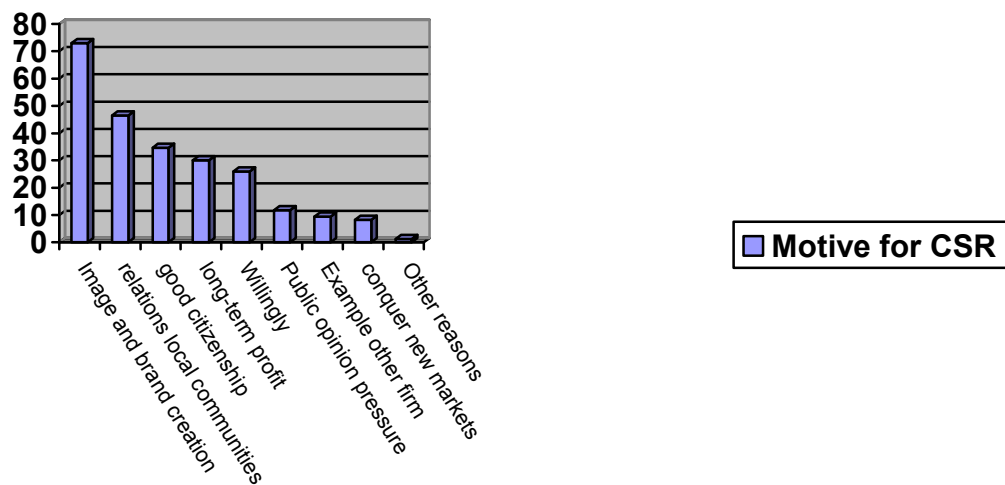
The first report consist of a survey under the 500 biggest companies in Poland. 57% of the managers consider CSR very important and 42% consider it important that a company follows ethical principles. They distinguish two types of benefits from CSR: internal and external benefits. Internal benefits are for example the development of organisation culture (57%), encouragement of the best personnel (40%) and a higher motivation of managers and employees (37%). External benefits are for example the improvement of image and reputation (78%), increasing loyalty of clients (37%) and better chance on long-term success (31%). Of the managers only 23% declares to work in a company with a written code of conduct and 34% of them declares to work in a company where there is an unsolicited code, a virtual code (Gasparski, 2004: p. 170-171).

<sup>10</sup> All percentages used are round off in order to keep it clarifying



The report also asked the level of familiarity with the concept of CSR. 24% of the managers is familiar with CSR, 48% said to have some knowledge and 28% said to know almost nothing about it. Asked to define CSR the respondents said: acting according to ethical norms (56%), adequate and paid in time wages (55%), transparency (46%), environmental protection (37%), stakeholder participation (32%), taking care of the needy (16%) and the creating of a positive image of the company (14%).

Motives for CSR that are mentioned by the respondents are shown below. Image and brand creation is by far the most important motive for a company in Poland (Gasparski, 2004: p. 171).



Of the respondents 81% believe that state policy may encourage a company to get involved in CSR. 78% believe in NGO support of CSR. Equal opportunities for employees are supported by 99% of the respondents who call this very important or important.

CSR activities that are mentioned are: financial support (75%), material support (65%), rendering of facilities (38%), projects with NGOs (27%), voluntary activities (11%). Expenditures on CSR per company is below 1% of the year profit at 62% of the companies. Only very few Polish companies therefore truly give much attention (and money) to the activities above.

The authors of the report conclude with some general comments on CSR in Poland. They indicate a growing interest in CSR and a kind of "political correctness" in the involvement. But a lack of knowledge about CSR in other EU countries causes a passive attitude of the companies and neither government nor NGOs can offer an effective framework at this moment to encourage companies to get involved in CSR initiatives to a higher degree (Gasparski, 2004: p. 171-172).

The second report mentioned by Gasparski (2004) is the outcome of a survey done in 2002 on a sample population of persons interested in CSR. This was supplemented by 21 individual interviews with business, political and media leaders. The opinion towards a firm depends according to this research on a few factors: quality of products and services (68%), way employees and suppliers are treated (63%), client service (50%), CSR (30%), ethical conduct (29%), open and clear information on products (24%), reaction to complaints, reputation, environmental protection and charity (all 21%). Interesting is that 53% of the respondents say that a company should focus on profit, pay their taxes and offer lawful employment. 14% say that the companies should introduce higher ethical norms and 30% suggests something in between. Respondents name as most important factors to call a company social responsibility: treat employees with respect (23%), be honest (15%) and offer employment (11%) while 20% have no idea about factors of a company's social responsibility.

The respondents name as motives for companies to get involved in CSR: promotion (93%), create positive image among consumers (94%), positive image among personnel (89%), positive relations with society (89%), they do not ignore social affairs (83%).

The authors of this report conclude that CSR is not really a lively issue. They give two reasons for this. First, consumer knowledge is not sufficient. Consumers in Poland are more interested in product quality and their prices, their knowledge of companies comes mostly from friends and the media. Second, companies are not taking serious in declaring their involvement in CSR. Although a majority of the respondents claim to prefer buying at social responsible companies, and even pay more (67%), they are sceptical towards companies and their reports. Lack of communication on CSR activities by companies could be a reason according to the authors (Gasparski, 2004: p. 172-173).

The third report mentioned by Gasparski (2004) illustrates the public view on Polish Business. The outcome of the survey is that 66% of the respondents say that the market economy in Poland works badly. 54% of the respondents think that most private enterprises created after 1989 have strong connections with the former communist party. 61% believe that the incomes of the richest should be legally limited. Furthermore only 7% of respondents would like to work in a private company while 41% prefers to work for a state-owned organisation. 60% of respondents think that private employers do not really care about the well-being of the employees. But the public in Poland does however acknowledge that private companies have a major influence on the economic development (81%), the level of employment (80%) and are involved in community partnerships (65%). Private managers are also good examples

for others (52%), are honest (27%) but also are trying to not pay their taxes (66%). Of respondents think 52% that it pays to be ethical in business on the long-term while 38% do not think so. Commercial success is related to: money (59%), good idea (46%) and education (40%). Honesty is mentioned by only 6% (Gasparski, 2004: p. 173).

These reports illustrate the way business is seen in Poland and might also explain why there is a tendency to legislate rather than promote CSR. Explanations for this must be sought in the traditional strong role of the Polish government and the lack of a cooperative civil society (Bertelsmann Stiftung, 2007).

In reaction to the rapport "Responsible Business in Poland 2006. Good Practices" of the Responsible Business Forum the Vice-President of this forum said: "(...) it turned out that responsibility in business has become a public concern. Even in a wide context of responsibility as well as in the context of the role of business in a society. (...) Last year – and this is the most important information for the management boards of many companies – market environment started a violent process of maturation. Social partners, consumers, small Polish companies, media, governmental administration and many other environments gained a better understanding of all the issues concerning various indications of responsibility as well as irresponsibility in business. And it has to cause serious changes in the way Polish business operates"

([http://www.odpowiedzialnybiznes.pl/report-responsible-business-in-poland--g-221\\_1132.htm](http://www.odpowiedzialnybiznes.pl/report-responsible-business-in-poland--g-221_1132.htm), May 22 2008). This is supported by the fact that the Responsible Business Forum (founded in 2000) exists and is growing. Businesspeople, academics and NGOs are initiators of this forum and the forum helps Polish companies to implement CSR in their business. Besides this forum in 2006 the independent foundation CentrumCSR.PL was founded. The goal of the foundation is to strengthen civil society and promote CSR in Polish Business.

At this moment the "major force behind initiatives in corporate social responsibility and business ethics on the side of enterprises and their associations is the desire to improve public perception of the business. Because Poles [...] often believe that private business brings them no benefits, and their attitude towards the business remains in general ambivalent"(United Nations Development Programme, 2007: p. 31). Polish companies are sometimes doing CSR activities, although they are not aware it is CSR. In most companies where CSR is part of the business plan it is part of the Public Relations Department. Only in the multinationals CSR is really implemented into the core of the business. This is mostly due to international standards of the multinationals. One of the probable causes that CSR is not implemented into the core of other Polish companies is "managers' lack of knowledge about the benefits brought by connecting

CSR with many company's departments" (United Nations Development Programme, 2007: p. 45). The rather negative attitude of Polish consumers towards companies is also visible in their expectations. "Public expectations towards companies to provide information about social responsibility are still very low. The reluctance to read the reports is intensified by the fact that they are not audited by independent bodies. The media, which focus mainly on presenting bad business practices, play too little a role in promoting the concept of social responsibility"(United Nations Development Programme, 2007: p. 49). This is confirmed by Dorota Adamska – Public Relations Manager at BP Poland – when she talks about the Polish law and the sponsoring of events by companies. "Current Polish legislation does not make it easy for businesses to find sponsoring an appealing activity, the reason being insignificant tax deductions that are no incentive for acts of charity. Additionally, it is daunting for potential sponsors to see the mass media keep their lips sealed regarding the names of donors"( <http://www.efc.be/cgi-bin/articlepublisher.pl?filename=DA-SE-10-03-1.html>, August 8 2008).

#### **5.4 Conclusion**

Poland is rather new with the concept of CSR. But CSR does gain attention by public and private sector. In short, there is no real active public policy on CSR although with the creation of an interministerial working group first steps towards such a policy are made. When looking at what is done now regarding CSR it can be said that "activities are mostly mandatory, and even if they are rather close or even very close to core CSR issues, they do not yet address CSR directly"(Bertelsmann Stiftung, 2007: p. 119). In addition, communication on CSR as well as stakeholder participation are lacking. But there is change going on. Regulations that make tax exempt donations possible are in place, however the effectiveness is questionable. Like said above by Dorota Adamska of BP Poland when she says tax deductions are insignificant (<http://www.efc.be/cgi-bin/articlepublisher.pl?filename=DA-SE-10-03-1.html>, August 8 2008). However progress is being made but there is a long way to go.

There are two external factors of big importance in Poland with regard to CSR implementation. First is the socialist heritage what is a barrier for CSR. In the words of Grzegorz Piskalski<sup>11</sup> on its website "Mainly due to the dangerous word "social" in its name, CSR is frequently seen by entrepreneurs in former socialist countries as some

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<sup>11</sup> Director of Foundation CentrumCSR.PL, an independent Polish civil society organization working on the subject of corporate social responsibility. <http://www.centrumcsr.pl>

form of socialist renaissance” (<http://www.centrumcsr.pl>, August 12<sup>th</sup> 2008). Therefore entrepreneurs are not that easy to persuade to implement CSR into their company. Also partly due to the socialist heritage the consumers are rather sceptical towards not only government but also businesses. This is illustrated in for example the rather negative media towards business. Partly this scepticism is understandable. Poland is still a country under transition with a relative weak institutional framework and weak public expectations. Due to this weakness the state is not always strong enough to execute the law and companies might avoid it therefore. Corruption remains a problem and so the scepticism of consumers is not completely unjustified.

The second factor is religion. The Catholic Church has big influence on Poland due to the fact that the majority is Catholic. Social activities were and still are reserved for the Church and any form of CSR is more philanthropy and charity rather than a real CSR strategy of a company.

	1st generation instruments	2nd generation instruments
Poland	<ul style="list-style-type: none"> <li>✓ Code of commercial Partnerships and Companies</li> <li>✓ Law on Public Benefit and Volunteerism</li> <li>✓ Public-Private Partnership law</li> </ul>	<ul style="list-style-type: none"> <li>✓ Possibility of tax exempt donations</li> <li>✓ Annual Award Business Fair Play</li> </ul>

## **6. Analysis**

In the next chapter the collected data will be analyzed. The public policies and the policy instruments will be linked with the level of CSR and the countries will be compared. First of all each country will be described and attention will be paid to contextual characteristics, perceptions and policy theories before I will go deeper into the first and second generation instruments. The level of CSR will be analyzed and linked with the instruments and context within the cross-national comparison before some remarks will be made about the effectiveness of the policies. The earlier made distinction in the operationalization of this study between the economic, environmental and social aspects will not be used in this analysis. This because the distinction is of use for understanding CSR and the aspects of it, but not for a general evaluation of the public policies on CSR. Often instruments (e.g. communicative instruments) are not focused on one of the aspects but on CSR in general. The scope of this study is the CSR public policy and the impact. Indicators of the level of CSR (e.g. rankings, attitudes) also give no clear distinction whether these are based on economic, social or environmental aspects. Therefore as said the distinction is useful for understanding CSR but not of relevance for understanding the effectiveness of the public policies within the scope of this study.

### **6.1 Countries**

#### **6.1.1 Sweden**

Sweden is best described as a social-democracy with a high social security. The welfare is relative high, so are taxes and the level of unemployment is low. There is a network economy and cooperation between public and private sector. Besides Sweden is on almost all aspects front runner with regard to CSR. Besides a number one position of one of most influential ranking worldwide and an impressive representation in other rankings and reports also the points of view of stakeholders were all rather positive. Sweden might be called a success story and has the reputation of highly developed social state and a relative high level of wellbeing. Companies in Sweden are inclined to go beyond the law and do this for different reasons. One of those is long-term profit, another is probably the corporate and social culture in Sweden. With a history of over fifty years of developing CSR Sweden now is a country where free trade, competitiveness and social responsibility go hand in hand. CSR is seen as normal within business and therefore also not always mentioned as CSR. It is part of many core business processes and is seen as profitable for company as well as society.

The theory behind the policy is partly based on voluntarism of business. Just like in the other cases no explicit policy goals are set and the goal is best described as influencing business behaviour. This makes it hard to draw explicit conclusions on causal relations. Normative relations can be brought back to a general culture in which cooperation and a high level of civil society play a major role. Political arguments within the policy are on the one hand favouring free market (no regulation) and on the other hand a high social security and welfare programs what decreases the need for business to implement CSR.

### **6.1.2 The Netherlands**

The Netherlands have – like Sweden – a relative long history with CSR. Also the Netherlands are known for its – although less expended – social welfare state and its culture of consensus building. In the Netherlands is also a network economy and relative high welfare. Taxes are lower than in Sweden and unemployment is slightly higher. The Netherlands are globally right behind Sweden regarding CSR, in rankings and in many points of view. CSR is on the political and social agenda and companies pay attention to it. For many companies CSR is part of the core business but also often seen as a mean for public relations. Most citizens say they want to do more about for example environmental issues and see CSR as an important aspect of business. The general opinion of business is positive towards CSR and like said most companies act in a responsible way.

Theory behind the policy is also bases on voluntarism. Free market and not to much regulation are the arguments used. Causal relations are not explicit due to absence of explicit goals. Normative relations are bases on trust and consultation. Business behaviour is stimulated towards implementing CSR although political arguments focus on free market and own responsibility.

### **6.1.3 Poland**

When comparing Poland to Sweden and the Netherlands is must be said that Poland is by far the least developed. Welfare level is in contrast to Sweden and the Netherlands low and unemployment high. The network economy is evolving and the Soviet heritage is still a barrier for this evolvment. In sustainability rankings and in points of view of stakeholders Poland is rather far behind Sweden and the Netherlands. This might not be surprising due to the historical and cultural differences. Poland as a former Soviet state still has a traditionally strong government and general opinion towards business is sceptical. CSR is slowly becoming a matter on the political and social agenda.

Business see CSR often merely as a mean for PR activities and do not implement it into their core business. It must be said that progress is being made, partly by joining the EU in 2004 and transitions in economic and democratic processes. Corruption is still a problem within business and most businesses are not inclined to go beyond the law when it is not necessary. Trends are showing these problems are declining, perhaps due to the joining of the EU and more business and political relations with other European countries. The conclusions and recommendations made in this study are therefore very well applicable for Poland as well.

Theory behind the policy is difficult to describe due to lack of an explicit policy. Main goal is like in the other cases stimulation of business to implement CSR without real measurable goals. Normative relations are characterized by distrust between business and government and leads to no or little consultation. Enforcement is preferred above voluntarism although like said before there is a trend of moving towards a more Western European model.

## 6.2 Policy instruments

The public policies on CSR consist of different instruments. The goal of the CSR policies is in general the same, namely to enhance the process of CSR implementation within business. The approach to reach this goal differs per country. Within this study is looked at first and second generation instruments. In other words, the hard and the soft approach.

Because CSR is a broad concept only the most directly linked instruments are taken into account in this study. The matrix below gives an overview of instruments found in each country divided into first and second generation instruments.

	1st generation instruments	2nd generation instruments
The Netherlands	<ul style="list-style-type: none"> <li>✓ 2005 law on reporting of non-financial data</li> </ul>	<ul style="list-style-type: none"> <li>✓ Coordination point (MVO Nederland)</li> <li>✓ Annual meetings are held with the Prime-Minister</li> <li>✓ A research programme on CSR</li> <li>✓ CSR stimulation award</li> <li>✓ Annual transparency benchmark</li> <li>✓ NCP promotes CSR</li> </ul>



Sweden	<ul style="list-style-type: none"> <li>✓ Since 1999 (Accountants Act)</li> <li>✓ The Public Pension Funds Act (2000),</li> <li>✓ On a national level, new legislation entered into force on 1 July 2003, requiring all enterprises to include information on the number of absences due to illness in their annual reports.</li> </ul>	<ul style="list-style-type: none"> <li>✓ State-owned companies, promote CSR by requiring state-owned companies to report.</li> <li>✓ Integrated Product Policy, e.g. environmental management systems, eco-labelling and environmental product declarations</li> <li>✓ The project Globalt Ansvar</li> </ul>
Poland	<ul style="list-style-type: none"> <li>✓ Code of commercial Partnerships and Companies</li> <li>✓ Law on Public Benefit and Volunteerism</li> <li>✓ Public-Private Partnership law</li> </ul>	<ul style="list-style-type: none"> <li>✓ Possibility of tax exempt donations</li> <li>✓ Annual Award Business Fair Play</li> </ul>

Because CSR is related with many topics on which legislation or at least a public policy consists is it possible that instruments and measures in other public policies are influencing CSR as well. A full overview of instruments that somehow are related with the concept of CSR is therefore almost not possible and also not useful. Of importance is the attitude of the government towards the manner of enhancing CSR. Whether they are inclined to legislate it (Poland) or not (Sweden and the Netherlands).

**6.2.1 First-generation**

First generation instruments are the instruments used to legislate CSR. Most common are laws that enforce companies to implement CSR into their business processes. In this study is shown that both the governments of Sweden and the Netherlands are not inclined to legislate CSR. Laws that exist require only the minimum standards and companies are not forced to do anything out of this minimum. The few regulations which there are make only a small part of the entire CSR policy. In different documents and interviews is come forward that the government of Sweden and the Netherlands are not inclined to legislate but rather to facilitate CSR. By publicly promote CSR (like the platform MVO Nederland in the Netherlands) or by setting the right example in government (like Sweden’s state-owned enterprises reporting on CSR).

Poland is partly due to its relative recent transition from a state economy towards a free market and the democratisation process and membership of the EU subject of many new laws on social issues. Also CSR, which now can be said, has a history in both Sweden and the Netherlands is subject of legislation on Poland. Problematic in this context is that there is no real outlined CSR strategy in a public policy. Therefore a

general approach towards CSR is missing and the instruments used are mostly focused on enforcing CSR.

### 6.2.2 Second-generation

Second generation instruments are those instruments in the public policy that have a 'softer' character than first generation instruments. Often the effect of these instruments is indirect, for example with incentives, or by promoting and facilitating certain goals and processes. In general these are the most common instruments used in the CSR policy of both Sweden and the Netherlands. As said above both governments are not inclined to legislate CSR and see themselves rather as facilitator

	Number of domestic companies		
	<i>Netherlands</i>	<i>Sweden</i>	<i>Poland</i>
The Global 100 Most Sustainable Corporations in the World	1	5	-
The Dow Jones Sustainability World Index	13	6	-
	Ranking of the country on the list		
	<i>Netherlands</i>	<i>Sweden</i>	<i>Poland</i>
The State of Responsible Competitiveness 2007	12	1	54

and promoter of CSR. Therefore the instruments used are mostly of the second generation. Promotion seems to be one of the pillars of the policy. Platforms and government communication on CSR play a big role in the policies of Sweden, the Netherlands and in less degree in Poland. Some instruments like indicators or instruments that focus on persons are not used in all three countries. Others like multifaced instruments (like PPP constructions) are used in all countries what in

Sweden and the Netherlands not surprising is due to the history in which consensus building and consultation are important. Poland is using this constructions (also laid down in a law) to try to create trust between government and business. Also it is a

manner to influence business. This sounds paradoxical, these multifaced instruments are found in Sweden and the Netherlands partly due to a relative high degree of trust between government and business. In Poland it is partly to create trust.

Second generation instruments are in the case of Sweden, the Netherlands and Poland the most common in Sweden and in the Netherlands. This fits also the approach of both governments to be a facilitator of CSR rather than legislate it. Both countries also have a relative long history with CSR, especially in contrast to Poland. For as far as the scope of this study I have not found any examples of another approach in Sweden and the Netherlands, one more similar to that of Poland. This is probably due to the fact that CSR developed within business before it became a matter of government attention. This development has not occurred in Poland and it seems Poland is trying to accelerate the process of development by legislation. In this study however no indication is found of succeeding in this.

### **6.3 Level of CSR**

In this study the level of CSR is measured by its level of advancements and by points of view of different stakeholders. First of all the most influential rankings on CSR are studied. In the box below is shown how many domestic companies each country has in the Global 100 Most Sustainable Corporations in the World and in the Dow Jones Sustainability World Index. As shown, Poland does not have any representatives in both rankings, while the Netherlands and Sweden are doing much better. Secondly shown is the number each country occupies in the State of Responsible Competitiveness 2007. Sweden occupies the first place on this global ranking. The Netherlands can be found on the twelfth place, while Poland is fifty-fourth. These different places are in line with the number of domestic companies in the earlier mentioned rankings.

The points of view of different stakeholders give a good view on how CSR is looked upon by government, business and society. In the Netherlands seems to be consensus between the points of view of the government, society and business. The points of view which came forward during this study all showed that the general opinion was that the government should have a minor role in enforcing CSR. Society seems to be interested in topics related with CSR, like environmental problems, and a majority says they want to do more about it themselves. Both of the responsible ministers in the Netherlands and Sweden say that CSR is above all a voluntary undertaking and the responsibility of business. In Sweden CSR seems to be a normal part of business process. A highly cohesive society and companies that are inclined to voluntary go beyond the law makes Sweden one of the front runners worldwide. This is contrasting to Poland. The general opinion in Poland towards business is rather sceptical. Important in this matter is the

Soviet legacy which still has its influence in the strong role of the state and the scepticism towards business. Public expectation is low –while in the Netherlands and Sweden this is rather high – and the debate about CSR is not very lively. Most companies are not fast inclined to go beyond the law and see CSR as a mean for PR activities. The topic is however on the political agenda and more and more attention is paid to CSR. At the moment there is no outlined public policy on CSR but the intention to regulate CSR is growing. Also in contrast to the Netherlands and Sweden Polish government does not see itself as merely facilitator but are more inclined to legislate.

#### 6.4 Cross-national comparison

In this study is looked at three cases. Sweden, the Netherlands and Poland all are described in this study and in this analysis the some of the differences and similarities will be described. The first paragraph of each case was the historical and cultural background of the country and the public policy. Of course these are different for each case and so is their geographical position as a Scandinavian, Western and Eastern Europe country. An important similarity is that they all are a member of the EU, and although Poland only joined the EU recently in 2004 they all face the same European regulations and pressure. Some of the most characteristics of the countries are shown in the matrix below in key words. This is not to be complete but to illustrate some differences and similarities.

	Sweden	Netherlands	Poland
History	Extensive welfare state	Welfare state	Former Soviet state
Economy	Big government, high taxes. High GDP per capita, free market	Open free market, High GDP per capita	economic liberalization since 1990, GDP per capita far below average EU
Religion	Lutheran	Catholic/Protestant	Catholic
Society	Social cohesion	Social cohesion	Sceptical towards government and business
Politics	Democratic socialism, consensus	Democratic socialism, consensus	Transition towards free market, progressive but presidential veto

Besides the context of the public policy, the public policies of the Netherlands, Poland and Sweden are of course described as well just as the results of those policies in terms of the level of advancement of CSR within domestic businesses. The instruments used in the policies are divided into first and second generation instruments. The balance between those types of instruments and the general level of CSR within the country is shown below.

	1 <sup>st</sup> generation	2 <sup>nd</sup> generation					Level of CSR	
	Law and regulations	multi-faceted instruments	instruments focused on persons	Incentives	Indicators	Communicative instruments	Level of advancements	Points of view
Netherlands	o	+	-	o	-	+	o	+
Poland	+	o	-	o	-	o	-	o
Sweden	o	+	-	o	-	+	+	+

+ = many/high, o = few/medium, - = none/low

As shown above the Netherlands as well as Sweden are rather advanced in their CSR level and in their public policy with regard to second generation instruments. Poland on the other hand shows little advancement in their CSR level and has a high level of first generation instruments. In short, Poland is rather inclined to legislate CSR while Sweden and the Netherlands are more focused on enhancing the process by promoting and facilitating CSR. The level of CSR is substantial lower in Poland than in Sweden and as well as in the Netherlands.

When comparing these results with the earlier made comments about contextual factors first thing notices is that both Sweden as the Netherlands are considered welfare states, have an open market and free trade and both see themselves as facilitators of CSR and are not inclined to legislate CSR. Poland is considered still to be in transition towards a fully open market and is more than others inclined to legislate CSR. Also interesting are the differences in the characteristics of society. While Sweden and the Netherlands are considered as societies of social cohesion Poland is more divided and as came forward in this study rather sceptical towards government and towards business which might very well be related to the history of the countries. Poland as a former Soviet state is still under transition towards a more democratic and liberal state. CSR activities in Poland are often classified as charity, often also with a

link to the high percentage of Catholics. This influences businesses as well and might be an impulse for implementing CSR. Religion is therefore also of importance and mentioned in the box above. Poland has no outlined policy regarding CSR and when dealing with the private sector they are more inclined to legislate (so more first generation instruments).

The Netherlands and Sweden are in a far more developed phase regarding CSR Policy. The instruments are rather soft but interesting to see is that also in the beginning phase –some decades ago- no hard legislation was used to stimulate CSR. There is no clear development in the use of instruments in the Netherlands as well as in Sweden and therefore no learn effects in the policy are visible. In Poland the first phase has just begun so no learn effects are shown yet. In contrast to the Netherlands and Sweden more first generation instruments are used in Poland. This tendency is therefore probably not linked with CSR specific policy but rather with the policy vision in Poland as a whole. CSR originated within business in the cases of Sweden and the Netherlands and this is later on picked up by the government that saw this as positive and begun to stimulate this by policy. Poland does not show this development but also recognizes the importance of CSR and began to stimulate this. Although there is no official outlined public policy there are instruments focused on CSR. The collection of these instruments is in this study therefore the policy.

### **6.5 Effectiveness**

Now when we link the public policy with the level of CSR in each country we might say something about the effectiveness of the public policy. In the Netherlands and Sweden the public policies are based on mostly second generation instruments while Poland is more focused on first generation instruments. The level of CSR is highest in Sweden followed closely by the Netherlands and Poland follows on distance. This suggests some kind of causality between the use of second generation instruments and a high level of CSR. Although this sounds plausible it is important to look at the possible influence of the cultural legacy of the country. Both Sweden and in less degree the Netherlands have a state system based on a wide social welfare program and have a history of consensus building in as well politics as within society. Poland was till begin 1990s part of the Soviet Union and has therefore a communist legacy. Transitions towards a free market economy and democratisation are an ongoing process and are almost certainly influencing the policy vision in Poland and as well the CSR level and corporate culture within Poland. CSR development from within business, as in Sweden and the Netherlands has not occurred in Poland. It seems Poland is trying to implement CSR

into business, not by allowing them to develop it, but by legislate it. This approach which is contrasting to those of Sweden and the Netherlands has not been successful yet based on the collected data in this study. The Netherlands and Sweden have shown an increased level of CSR and have succeeded in putting CSR on the political and social agendas but also on those of who have to actual implement CSR into their business. They have done this relative successfully and they have shown that CSR can be stimulated. So of course contextual differences must be taken into account but no matter the beginning point CSR policy is focused on stimulation of CSR within business. Based on the results Sweden as well as the Netherlands have succeeded in this while Poland have not shown real progress although there are instruments in place.

## 7. Conclusions and recommendations

This study had as goal to answer questions about the public policies in regard to stimulating CSR. The focus lay on the type of instruments used, first and second generation instruments. In short, whether 'hard' or 'soft' law was in place with regard to stimulating CSR.

Measuring CSR and the effectiveness of the public policies is for a large part based on perceptions. CSR is a concept difficult to grasp, explain and compare. It became an important issue on many political and societal agendas and it seems to be growing in importance for government and business by looking at the immense load of reports on CSR and the attention of the media. This is directly one of the dangers of these conclusions because it is impossible to rule the effects of for example media attention out of the effects of merely the public policy and the policy instruments. I have chosen to use (official) documentation as well as perceptions as indicators to construct this study around CSR public policy and effectiveness. I have done this because it is not possible to systematically use indicators in order to give an insight in policy and effects. Often policy goals regarding CSR are not clear and this frustrates evaluation of the policy. Construction by means of collected perceptions and documentation has led to these conclusions and recommendations.

In the next chapter I will first shortly address the questions put forward in the beginning of this study before I will focus on the final conclusion in which I will try to answer the main question of this study. In the last paragraph recommendations will be made to improve the public policies on CSR.

### 7.1 Conclusions

Before I will answer the research question and give the final conclusion I will shortly address the questions put forward in the beginning of this study.

- *What is the economic, social and political situation in each country?*

Sweden is a Scandinavian country with a high GDP and a high level of welfare. Taxes are relative high and unemployment relative low. Sweden is characterized as a social welfare state with a strong civil society and high level of consensus. Politics can be described as social-democratic.

The Netherlands is a Western European country with a high GDP and also a high level



of welfare. One of the important features of the Netherlands is the high level of consensus between social partners and a strong liberalized economy. Politics are as well described as social-democratic although more focused on a small government than Sweden.

Poland is an Eastern European country. Just joined the EU and is a country under transition from a former Soviet State towards a free market. GDP is in comparison with Sweden and the Netherlands low and so is the level of consensus. Tensions exist between government, society and business although it must be said that Poland shows an ongoing trend towards a more 'Western' model.

- *What is the public policy on CSR in each country?*

Sweden has a public policy on CSR which is mostly based on voluntarism. The government is not inclined to legislate and sees itself as a facilitator of CSR. The policy is partly based on international conventions and guidelines and strongly focused on promotion of CSR abroad. This is linked with the fact that Sweden is an export orientated country. CSR policy is not restricted to solely one policy. Sweden has a relative extensive social welfare program and CSR aspects can be found in some of them. This fits the holistic view on government policy in Sweden. Main goal is influencing business without enforcing them. No explicit goals regarding CSR are set. The Netherlands has a public policy also mostly based on voluntarism. There is an outlined policy and goals are set although not explicit. The policy is based on the vision that CSR can contribute but is a matter of business themselves. Government is seeing itself as facilitator and underline the importance of CSR. The policy is focused on influencing business through different means although almost all based on voluntarism. Poland is the only country in this study with no outlined public policy on CSR. No explicit goals are set therefore. There are signs that a public policy is evolving with the start of an interministerial working group. CSR is becoming a matter of political and social attention and different international organisations like the EU are stimulating Poland to formulate an outlined policy. The policy which is in place now (although not explicit focused on CSR) is focused on some aspects of CSR and is more enforcing towards business than in the other countries. Poland is also more inclined to legislate CSR policy.

- *What are the current instruments used in the policy on CSR in the countries?*

In this study is looked at the public policies and the instruments used in regard to CSR legislation and promotion. Like said is CSR a broad concept and often related with many other public policies. In the case of Sweden and the Netherlands an outlined CSR policy is in practise, while Poland is at this moment still in the process of developing such a policy. Instruments mentioned in this study are therefore those that are mentioned in the CSR public policy, closely related public policies and are those instruments most common mentioned in other studies of CSR public policy.

#### First-generation

First generation instruments like explicit laws and regulations are not the most often used instruments in regard to CSR. With some exceptions the Netherlands and Sweden only lay down the bare minimum for companies in laws and regulations. Poland has no outlined policy towards CSR and has therefore no specific instruments focused on CSR but there are some laws that focus on elements of CSR and on sustainability in companies.

#### Second-generation

Second generation instruments are most used in Sweden and the Netherlands, while Poland only has few of these kind of instruments. Of course this is related with the fact that Poland does not have an outlined policy regarding CSR but also that second generation instruments have a softer character and ask and expect more of in this case companies to voluntary comply. These types of instruments are therefore more 'sophisticated' and better in place in complex networks between business, society and government as in Sweden and the Netherlands. Poland is lacking the historical legacy and consensus and consulting culture that is characteristic for Sweden and the Netherlands. Second generation instruments consist of different types of instruments. The most common used type of instrument in regard to CSR are the communicative instruments and multi-faceted instruments like Public Private Partnerships. Government communication focuses one the one hand on consumers like 'naming and shaming' of companies by a National Contact Point (promoting OECD Guidelines, no real power) which are most active in the Netherlands an Sweden and in far less degree in Poland.

- *What is the current level of CSR in each country?*

Sweden is a global frontrunner regarding CSR. In global rankings and in the perceptions collected in this study this is underlined. Business are inclined to implement CSR into their core business and are open for dialogue with government and society. Attention to CSR is paid and business see CSR as a normal part of business. The Netherlands are rather advanced as well although less than Sweden but more than Poland. In global rankings the Netherlands are well represented. Some Dutch companies are even frontrunner in these rankings. In general business is inclined to implement CSR and is also open for dialogue with government and society. Companies pay attention to CSR and are implementing it into the core business. Poland is far behind in comparison with Sweden and the Netherlands but progress is being made. More and more attention is paid to CSR within business although in general Polish companies are not inclined yet to implement it into their core business. Exceptions are Multinationals but this is probably not due to Polish policy because the SMEs are not showing this willingness.

- *What is the effectiveness of the CSR public policy in each country?*

Based on the public policies and the level of CSR in each country we can conclude that the Swedish and Dutch public policies are most effective and the Polish at least less effective. This is also due to other (external) factors and the fact that CSR has no outlined policy in Poland. In short we can conclude that Swedish and Dutch public policies are more effective and the Polish public policy shows less effect. In the final conclusion I will go deeper into the effectiveness of the public policies and how the policies can be made more effective.

- *What are the differences and similarities between the cases?*

Starting with the similarities we can say they all are a member of the EU and all are democracies. This rules out effects due to EU membership. The economies are open and there is a free market. Although there are differences the main problem the governments face is how to have business implementing CSR into their core business. Differences lay mainly in the historical and cultural differences (e.g. Poland as former Soviet state, Sweden as social democracy) and related the relations between government, society and business. Within the policies the most striking differences lay in the general approach (facilitating, enforcing) and the use of instruments. Sweden as

well as the Netherlands are more focused on second generation instruments like government communication and partnerships while Poland is more focused on first generation instruments like laws.

- *How can these differences and similarities be explained?*

Some of the differences and similarities need no real explanation. The fact for example that all three countries are a member of the EU is partly due to their geographical location. What is important are the differences in the approach are in the relations between business, society and government. Poland is a former Soviet state what influenced relations. It is a relative young democracy and still features of the former communist domination are traceable. This communist heritage is based on the perceptions in this study one of the major influences on the social relations which are characterized by distrust and scepticism between society and business and also government. The shape and content of the policies are probably also affected by these contextual factors and influence the underlying assumptions of the policy. For example distrust leads to enforcement while open dialogue leads to more partnerships.

## **7.2 Final Conclusion**

The question I intend to answer is: *How can the governments of Sweden, the Netherlands and Poland make their public policy on corporate social responsibility more effective?* Based on this study it is shown that both Sweden and as follow-up the Netherlands score rather well. Poland makes efforts, especially the last year(s) but is still considered as falling far behind. Something stated by international rankings and the many reports about this topic. Sweden and the Netherlands have in common that both countries see themselves as facilitators of CSR, but also have a more social cohesion and a history of consensus building and consultation in the complex network of government, business and society. Many of these consultation cooperations are institutionalised and there is a certain degree of trust between actors. Poland as a former Soviet state has partly due to its history a different state system and less institutionalised forms of consultation. These cultural differences are therefore probably part of the differences between the levels of CSR in the countries.

On the other hand, both Sweden and the Netherlands underline that CSR is a task of corporations themselves. Government facilitates because they see the urge of CSR but are not inclined to legislate. During interviews with state officials and representatives of

businesses this was one of the most important characteristics of the policy. By looking at the achievements of business with regard to CSR in Sweden and in minor degree the Netherlands the most successful in effectively stimulate CSR. A link may be seen to the approach and the level of CSR. Poland that first of all has no official outlined public policy on CSR is more inclined to legislate at this moment. Probably also due to different means of understanding between business and government as in Sweden and the Netherlands Poland does less to facilitate. Again the link may be seen that requiring more of business by legislating might have a reverse effect. Of course due to the fact that there is in Poland no outlined policy it is hard to make conclusions about how to make this more effective, but looking at the laws and regulations that are in place and the general understanding between business and government this conclusion seems plausible. So to answer the question how the public policies could be made more effective we can say in general by implementing more second generation instruments into the public policy on CSR. Of course with the earlier made comments about the cultural and contextual influences in mind. This especially is the case for Poland. In this case scepticism of businesses towards government means a negative attitude towards doing more than required within law. This scepticism might be weakened when more is invested into negotiation and invest more in the development of a network economy. Like said before, trends are indicating that many of the current problems are declining and the network economy is getting more shape. This makes the conclusion and the recommendations applicable and of interest for Poland as well as for the Netherlands and Sweden. In the recommendations I will go further into the improvement of the public policies of the countries to make them more effective.

### **Generalisation of conclusion**

This study focused on Sweden, the Netherlands and Poland and so does the conclusion above. The question is now how likely it is that this conclusion is applicable to other countries as well. The conclusion drawn from this study is that in regard to an effective public policy on CSR a government should focus on its role as facilitator of CSR and not as lawmaker. As stated above culture and society also play a role in the effectiveness and approach of CSR. Culture and society are unique for each country so the role they play will differ from country to country. What is universal – or at least in most Western democracies – is a capitalistic, globalized market in which tensions exist between government and business, but they are also dependent on each other and on society. These complex networks of business, society and government are visible and thinkable in most of these countries although the balance between the actors might differ. This

makes a generalisation possible, although one should be careful due to other factors that might influence the performance of business regarding CSR (like corporate culture, social cohesion). In these complex networks of interdependencies and often tensions second generation instruments seem – based on this study – the best way for a government to effectively steer and so promote CSR. Like concluded first generation instruments like laws are not in place in these complex networks between government and business. Globalisation makes the dependencies even bigger; a company can leave a country if demands are too high. These complex networks of dependencies makes generalisation of the conclusion possible, although like said with care.

### **7.3 Recommendations**

Based on the conclusion above some recommendations can be made in order to improve the public policy on CSR. These recommendations are first of all useful for the governments studied in this study. The recommendations have a general character and are relevant for each of the countries studied although some are already in place. Due to the similarities between the recommendations for the countries public policy to become more effective these recommendations are also useful for other governments that want to stimulate CSR and other organisations that deal with public policies in an advising role or other.

- ✓ Facilitate CSR instead of legislate

In the complex networks between business, society and government a government is more effective when they steer instead of row, meaning hard law might be not as effective as a softer approach with second generation instruments. The first recommendation is therefore to act as a facilitator instead of legislating CSR. The study showed companies were more willing to implement CSR in a cooperative way with the government. Laws are seen as boundaries for entrepreneurs while voluntary action of entrepreneurs supported and successful. Legislate therefore only the minimum and facilitate the maximum. This recommendation is supported by the ideas of De Bruijn and Ten Heuvelhof (1994) that focuses on second generation instruments in complex networks. These (facilitating) instruments are most suitable for these types of network due to the pluriformity of the actors which are rather isolated and have their own autonomy and dependencies. These characteristics of complex networks are found in most free market democracies like the countries in this study, although there always are differences in for example the power balance. Bressers (1993) also underlines the

importance of steering instead of rowing in these networks and is in line with this recommendation.

This approach of facilitation is shown successful in Sweden as well as in the Netherlands and therefore as a recommendation of importance for mostly Poland.

✓ Naming and shaming

In this study motives of companies to implement CSR in their core business were of relevance for governments to make their public policies. In all three the cases CSR was seen as, in less or more degree, a mean for PR. Reputation damage like described in the example at the beginning of this study is still an important motive for companies to implement CSR. To stimulate companies to go beyond the law and act in a sustainable and ethical way a form of naming and shaming is an option to consider. National Contact Points are indirectly doing this by releasing press reports on companies that fail to implement the OECD Guidelines. A negative press reports on the behaviour of a company is an example of naming and shaming. But also publishing a benchmark of sustainable companies is a form of naming and shaming, although indirectly an effective manner to stimulate sustainable behaviour. This recommendation is supported by Lascoumes and Le Gales (2007). They argue that the relationship between the governing and the governed and the instrumentation used constitutes of knowledge about social control. Just like argued by De Bruijn and Ten Heuvelhof the actors in the complex network are trying to influence each other. Lascoumes and Le Gales give the example of best practises as instrument and this fits best in civil society characterized by negotiation, competition and market mechanisms. This supports this recommendation and the applicability for all the countries.

National Contact Points are in force in all three countries in this study although the Polish NCP is not very active. They all have the possibility to investigate companies when complaints are filed. Poland could make more use of this instrument, but so do The Netherlands and Sweden. Benchmarks are in place in the Netherlands and Sweden although these are not explicit and known enough. This recommendation focuses therefore on all three countries in this study.

✓ Inform consumers

Another motive mentioned in this study was the influence of consumers and interest groups on companies. Some data in this study showed that consumers are willingly to pay attention to whether a company has implemented CSR. Naming and shaming as

mentioned above as a way to inform consumers. Another with less impact is providing labels for product so consumers know what they buy. This way of stimulating CSR is practised in some of the cases in this study by for example a benchmark on sustainable companies. This recommendation is just like the previous supported by the ideas of Lascoumes and Le Gales on influencing those who are governed with these types of instruments. This is especially the case in civil societies with market mechanisms and free competition. This enables consumers to choose freely based on the information available.

Here also the example of a benchmark is given because the effect is not only naming and shaming but also informs consumers. This recommendation is suitable for each country in this study. Example of the use of this instrument is the government supported green label for greenhouses. This informs and influence consumers.

✓ Inform companies

This is also done in each of the cases, although in more or less degree. Often companies are – for several reasons – willing to implement CSR but do not know how and what the possibilities are. Information centres (like MVO Nederland in the Netherlands) are successful in the promoting of and facilitating of CSR. Also the economic benefits, like possibility for subsidies or the fact that CSR is seen as a competitive advantage and therefore is a win-win situation are often not known by companies. By providing information, workshops, guidelines, toolkits and so on companies can effectively stimulated to implement CSR. This recommendation seems to be evident but is still neglected in some cases. By using communicative (second generation) instruments as defined by De Bruijn and Ten Heuvelhof companies can be informed how to implement CSR. It is important to communicate with those governed. As mentioned by De Bruijn and Ten Heuvelhof (1994) professional organisations are often very well able to counter the state power. First generation instruments do not pay attention to the normative side of instruments and are often counterproductive due to the compelling nature. This is especially the case when there is distrust between government and those governed (De Bruijn & Ten Heuvelhof, 1994). This counter productiveness is illustrated in the case of Poland and supported this recommendation. Like said informing companies is done in all of the cases. In some cases companies are or not aware of possibilities to implement CSR or do not know how to implement this. This recommendation is therefore suitable for all three countries in this study.



✓ Take culture in account

An important factor in all of the cases is the (corporate) culture in the country. Above are recommendations for a general approach towards companies based on the cases and supported by the theory, but culture should be taken into account. Measures like more cooperation are easier to implement when it fits the culture, and a high social cohesion makes it easier to effectively inform and influence consumers. While a sceptical attitude of companies to government and of consumers to companies might require a careful approach and step by step introduction of measures to create trust. The balance and culture in each of the complex networks are different and should be taken into account. An effective CSR public policy is fine tuning with the policy environment. This implies that Poland should be careful with implementing soft law to stimulate CSR, although it does not exclude the use of these instruments. A condition is a democratic state with a relative high level of consensus and consulting between societal actors. So stimulate this and enhance the process towards such a state because based on this study a CSR policy is most effective in the more network orientated democracies like Sweden and the Netherlands. This recommendation is to remind the reader that there is no single solution. Even the simplest public policy is likely to spring a complex chain of causes and relationships (McCool, 1995). This is in fact the policy theory, consisting of a set of assumptions at the base of the policy, focused on the relations between the phenomena (Hoogerwerf, 1984). Absence of a policy theory makes it difficult to control and evaluate the policy and therefore to improve the effectiveness. This recommendation points out therefore the relevance of the underlying assumptions and the culture.

This general recommendation is to point out the influence of culture in general. Public policy is fine tuning and trends in what can be called effective approaches to a problem might be recognized but should always be fit into the cultural, political and social context of the country. There is no one best way for an effective public policy on CSR although there are definitely examples of good practises and effective approaches.

With these recommendations it is possible for the governments of Sweden, the Netherlands and Poland to make their CSR policy more effective. In some of the cases in this study the measures suggested above are already taken, and with success. With CSR as a relative new domain for government and the complexity of the concept CSR and the stimulating of CSR it would be useful, if not necessary to do more research on this subject. Some initiatives are at this moment still too recent to do effective research,

like a general EU policy on CSR. Conclusions in this study might object these initiatives, after all public policy is fine tuning. Therefore more research on and more attention for public policy on CSR is necessary.

#### **7.4 Reflection**

Looking back at this study and on the writing of this thesis some remarks can be made. First of all I would have chosen the same topic. CSR is an interesting topic and most of the literature about it is still seeing CSR from a business perspective. This makes it interesting to view on CSR from a public administration point of view and focus on the public policies. Difficulties are the comparison between the countries and the instruments they use, due to the culture in each country which has a significant influence on the public policy (process) and the level of CSR implementation in companies.

Therefore more attention for the role of culture in public policy processes would be necessary and is something I would have done differently reflecting on this study. This is also of importance for organisation like the EU that tries to stimulate CSR from a European perspective which might not always suit the perspective and culture of a member state.

Another difficulty was measuring the level of CSR. This is difficult in one country but with more countries it is almost impossible without doing long-time and extensive research. Also during interviews with state officials this problem came along, and the same operational problem occurs in government. In this study therefore is chosen for a qualitative approach based on partly literature and documents and partly on perceptions of stakeholders. This to give a complete view on CSR in each country. By doing this more information about motives and culture, and with that the effect of the policy, was found. What I would do differently is collect more data in advance and make better use of a time schedule. Structure in writing and in my thesis was sometimes missing but thanks to good guides of my mentors I was able to bring structure into the thesis.

Writing and conducting this study was a learning process and by being an intern I learned much about CSR, international comparisons, and doing research but most of all about myself. Looking back I now can say that I developed myself in a professional way and can see and understand different aspects of my study Public Administration in practise. It was not easy but looking back now I can it is satisfying to see the result.



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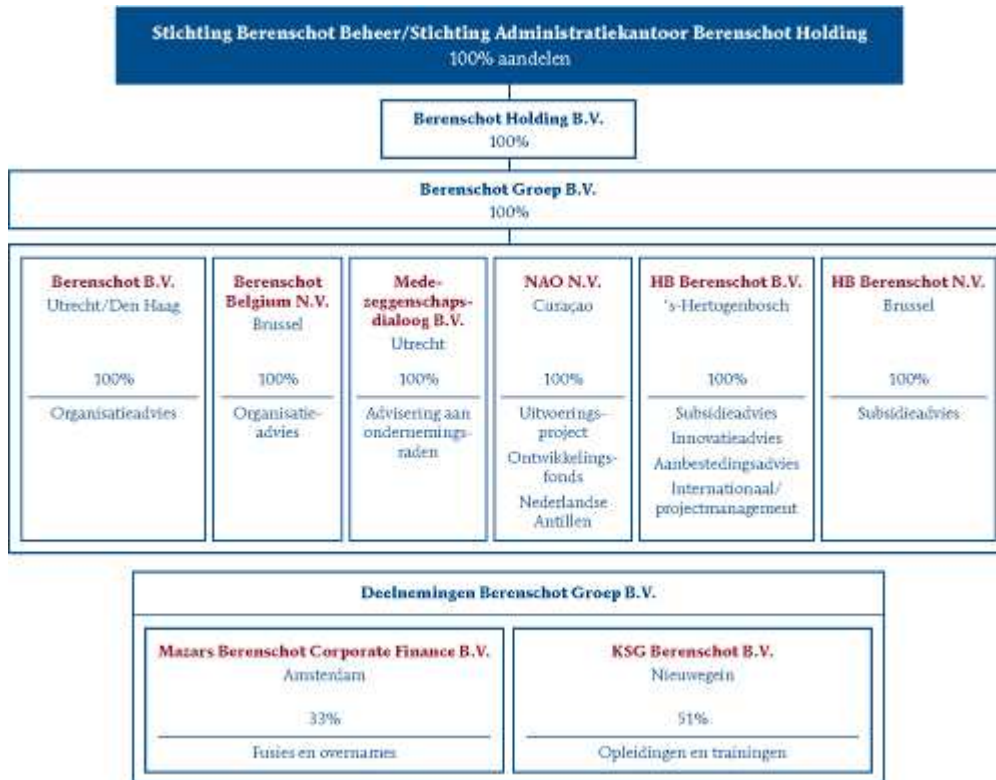
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## Appendices

### Appendix I – Organization chart and contact details

Organization chart Berenschot



Contact details: Berenschot B.V. (Procesmanagement)

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## Appendix II – AccountAbility index 2007

RCI Ranking 2007	Country	Country Abbreviations	Responsible Competitiveness Index 2007	Policy Drivers	Business Action	Social Enablers
1	Sweden	SWE	81.5	86.0	90.2	74.7
2	Denmark	DNK	81.0	89.9	86.9	76.6
3	Finland	FIN	78.8	83.9	84.1	76.7
4	Iceland	ISL	76.7	83.5	74.9	86.3
5	United Kingdom	GBR	75.8	88.8	75.9	76.6
6	Norway	NOR	75.5	83.8	77.3	75.9
7	New Zealand	NZL	74.9	88.6	72.2	80.0
8	Ireland	IRL	74.6	85.0	73.8	78.1
9	Australia	AUS	73.0	82.7	73.6	73.3
10	Canada	CAN	73.0	83.7	72.5	74.8
11	Germany	DEU	72.7	81.8	74.8	70.1
12	Netherlands	NLD	72.6	81.6	75.0	69.5
13	Switzerland	CHE	72.5	87.8	74.5	65.7
14	Belgium	BEL	71.9	86.1	70.1	73.0
15	Singapore	SIN	71.3	83.7	74.4	63.5
16	Austria	AUT	70.9	84.1	71.6	67.2
17	France	FRA	70.1	76.9	69.2	73.6
18	United States	USA	69.6	72.6	72.1	68.6
19	Japan	JPN	68.8	80.7	68.9	65.7
20	Hong Kong, China	HKG	68.3	84.5	68.9	60.6
21	Portugal	PRT	65.9	79.2	63.1	65.7
22	Estonia	EST	65.0	73.5	67.4	73.0
23	Slovenia	SVN	64.1	76.0	61.3	63.7
24	Chile	CHL	64.0	80.3	65.4	67.9
25	Malaysia	MYS	63.7	82.3	68.4	59.2
26	Spain	ESP	63.7	73.3	61.4	63.3
27	Korea, Rep	KOR	63.0	69.3	62.8	60.7
28	South Africa	ZAF	62.5	75.8	66.9	61.3
29	United Arab Emirates	UAE	62.4	75.1	63.6	52.1
30	Lithuania	LTU	62.1	78.7	64.0	63.6
31	Israel	ISR	61.6	76.9	63.1	64.2
32	Italy	ITA	61.2	76.0	55.8	61.6
33	Greece	GRC	61.0	72.9	61.1	52.6
34	Taiwan, China	TAI	60.7	68.8	62.5	67.5
35	Latvia	LVA	60.3	77.6	61.0	62.1
36	Costa Rica	CRI	60.2	78.8	64.2	54.8
37	Thailand	THA	60.0	76.3	65.3	53.5
38	Jamaica	JAM	59.8	77.0	64.9	52.8
39	Czech Republic	CZE	59.7	78.0	61.1	59.1
40	Mauritius	MUS	59.3	79.4	58.0	62.7
41	Botswana	BWA	59.3	82.0	57.5	61.8
42	Kuwait	KWT	58.7	74.1	61.6	56.5
43	Slovak Republic	SVK	58.2	77.9	59.0	57.0
44	Hungary	HUN	57.7	79.9	57.8	55.9
45	Peru	PER	56.8	70.3	60.7	52.8
46	Trinidad and Tobago	TTO	56.7	76.6	57.4	54.4
47	Namibia	NAM	56.4	77.6	55.5	56.1
48	Indonesia	IDN	56.1	72.5	59.0	51.3
49	El Salvador	SLV	55.9	77.8	55.7	53.5
50	Jordan	JOR	55.7	74.9	57.9	50.3
51	Turkey	TUR	55.6	72.4	56.9	53.6
52	Uruguay	URY	55.6	75.5	52.7	59.8
53	Croatia	HRV	55.5	73.1	58.0	50.6
54	Poland	POL	55.4	74.7	53.6	57.8
55	Colombia	COL	55.1	77.4	56.0	49.9
56	Brazil	BRA	55.0	72.3	56.4	52.3
57	Mexico	MEX	54.8	70.5	57.6	50.1
58	Romania	ROM	54.6	68.1	54.9	56.4
59	Bulgaria	BGR	54.4	70.4	51.3	60.9
60	Tunisia	TUN	54.3	79.4	60.6	35.8

**Appendix III – CSR Rankings**

Name of the Ranking	Information on Ranking	More information / website	Available at:
The State of Responsible Competitiveness 2007	The State of Responsible Competitiveness pinpoints the winners in the current line-up to compete responsibly.	<a href="http://www.accountability21.net">http://www.accountability21.net</a>	<a href="http://www.accountability21.net/uploadedFiles/publications/The%20State%20of%20Responsible%20Competitiveness.pdf">http://www.accountability21.net/uploadedFiles/publications/The%20State%20of%20Responsible%20Competitiveness.pdf</a>
The Global 100 Most Sustainable Corporations in the World	A project analyzing extra-financial drivers of risk and shareholder value, including companies' performance on social, environmental and strategic governance issues.	<a href="http://www.global100.org">http://www.global100.org</a>	<a href="http://www.global100.org/2008/index.asp">http://www.global100.org/2008/index.asp</a>
The Dow Jones Sustainability World Index	The Dow Jones Sustainability World Index (DJSI World) comprises the leading companies in terms of sustainability around the world.	<a href="http://www.sustainability-indexes.com">http://www.sustainability-indexes.com</a>	<a href="http://www.sustainability-indexes.com/djsi_protected/djsi_world/components/DJSIWorld_Components.pdf">http://www.sustainability-indexes.com/djsi_protected/djsi_world/components/DJSIWorld_Components.pdf</a>

**Appendix IV – List of people spoken and activities attended**

People spoken with for this study:

	Organisation	Function	Phone number	E-mail
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Activities attended for this study:

Name	Location	Date
Seminar "CSR and Corporate Governance"	Erasmus University	May 22 2008
Conference 'Government: Serving the Interests of Business and Society'	Erasmus University	April 14 2008

**Appendix V – Questionnaire / Checklist**

The interviews start with the following questions.

- What is your role regarding CSR in your organisation?
- How are you filling in this role?

Depending on the answers and role the following points came to order during the interviews.

- Opinion on the public policy on CSR
- Network
- Opinion on the level of CSR.
- Motives of business to implement CSR
- Role of the government (policy) within these motives
- Differentiation between instruments
- Possible other motives
- What is good and what not about the public policy..
- If relevant: international comparison
- If relevant: Do you know other people I should speak with?

Checklist.

- Scope and instruments of public policy
- (Government) brochures, websites and other available information
- Journals and newspaper archives, relevant for CSR in the country
- Annual reports and websites of corporations
- Dow Jones Sustainability World Index
- The State of Responsible Competitiveness 2007
- The Global 100 Most Sustainable Corporations in the World