

Corporate Social Responsibility in Germany

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1) Foreword:

Twenty years ago, environmental and social issues were for activists. Ten years from now, they are likely to be amongst the most critical factors shaping government policy and corporate strategy.

Twenty years ago, we were a series of local states and countries, national and regional businesses that were partially connected. Ten years from now, we will be all entirely globally interdependent as individuals and organisations.

Twenty years ago, our role of growing seemed infinite. Ten years from now, it will be influenced by environmental factors beyond our control.

The Human race currently faces one of the biggest challenges in its history: namely, the challenge to develop in a sustainable fashion that meets the needs of the present generation without sacrificing the need of future generations. The rapidly expanding population, the drive for economic growth, the insatiable demand for resources, the speed and scale of globalisation, all represent major obstacles to this goal.

Environmental damage is only one of the problems mankind; they are some equally pressing social issues. Global poverty has halved in the past 25 years. More than four billion people still live on less than two dollars a day; more than one billion have no access to clean water; three billions have no access to proper sanitation, and two billion have no access to electricity.

Eco-efficiency and awareness of the social and economic impacts of business are essential to business success in the 21st century. This does not mean that we need fewer businesses. It means, that we need better business, business that are properly managed; business that behave in a socially, environmentally and economically responsible manner.

There is today a growing perception among enterprises that sustainable business success and shareholder value cannot be achieved solely through maximising short-term profit, but instead through market-oriented yet responsible behaviour. In fact, there is mounting evidence that companies that act in a responsible manner consistently do better than others in the long run.

If the business sector stopped making money, our entire economic system collapses. But the rationale for doing business is surely not just to make money; it is to make more, do more for the betterment of life.

2) Historical development of CSR

Corporate social responsibility (CSR) is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

It is about enterprises deciding to go beyond minimum legal requirements and obligations stemming from collective agreements in order to address societal needs.

Regarding the historical development of CSR and sustainable development concept, it is clear that CSR came first and was originally concerned, from the perspective of business at least, primarily with social matters.

The idea of sustainable development emerged from the environmental protection debate and was established at the political level as a guiding principle for society as a whole at the UN earth Summit in Rio de Janeiro in 1992.

Work to derive a concept for business did not begin in earnest until the mid-1990s.

Today the concepts of CSR and sustainable development overlap in many areas.

The term corporate citizenship has also come into wide-spread use in recent years in connection with the social commitments of companies.

This term is getting popular in the German business community and is often inaccurately used as synonym for CSR. There are, in fact, significant differences between the two ideas.

Corporate citizenship relates to a company's commitment to addressing problems in society above and beyond its own business activities and is usually limited to the company's local environment.

The CSR concept is far broader in its scope: it encompasses the fundamental responsibilities of the company and all of its contributions to sustainability irrespective of whether the activities concerned form part of or lie outside its ordinary business activities.

So, we can say that CSR matters to:

- individual companies, big or small;
- those who work in and for companies;
- those who buy from companies;
- to consumers;
- local communities where companies operate;
- investors;
- people in other parts of the world who expect European based companies to behave in accordance with European and international values and principles;
- children and future generations.

Socially responsible initiatives have a long tradition in Europe.

What distinguishes today's understanding of CSR from the initiatives of the past is the attempt to manage it strategically and to develop instruments for this. It means

a business approach, which puts stakeholders' expectations and the principle of continuous improvement and innovation at the heart of business strategies.

3) European CSR process

In Europe, the promotion of CSR reflects the need to defend common values and increase the sense of solidarity and cohesion.

The EU started work on the development of a political concept to promote corporate social responsibility in 2000.

The UK was for long time the only European country to pick up the CSR approach.

The EU started to develop its own concept of CSR in 2000/2001 in line with the strategy adopted in Lisbon in 2000. Also known as the Lisbon objective, this strategy calls the need for the EU, "to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion" by 2010 (European Commission 2001 C: 2).

The EU first major publication is the Green Paper "Promoting a European Framework for CSR", appeared in 2001.

The official title of the German version of the document gives particular emphasis to the social aspects even though it is clear from the content of the Green Paper that the EU's definition of CSR places equal weight on societal and ecological activities.

The result of the Green Paper are summarised in the European Commission's 2002 "Communication Corporate Social Responsibility: A Business Contribution to Sustainable Development" (European Commission 2002 B).

There are significant differences between the positions expressed about this document.

Enterprises stressed the voluntary nature of CSR. There would not be "one size fits all" solutions. In the view of business, attempts to regulate CSR at EU level would be counterproductive, because this would stifle creativity and innovation among enterprises which drive the successful development of CSR.

Trade unions and civil society organisations emphasised that voluntary initiatives are not sufficient to protect workers and citizens rights. They advocated for a regulatory framework establishing minimum standards and ensuring a level playing field.

Investors stressed the need to improve transparency of companies' practices.

Consumers' organisation underlined the importance of complete information about the ethical, social and environmental conditions in which goods and services are produced.

The Council, in its Resolution of 2001, stressed that a European approach to CSR could complement existing measures at local and national level, imparting to them an added value, in order to contribute to the development of CSR.

The European Parliament proposed to mainstream CSR in all areas of EU competence, in particular regional and social funding, and to create an EU multistakeholder CSR platform.

Being socially responsible in the eyes of the European Commission “means going beyond compliance and investing more in human capital, the environment and relations “ with stakeholders” (European commission 2003 B:3).

The Commission places particular emphasis on the importance of integrating CSR permanently into corporate governance and establishing corresponding principles and objectives. This principles and objectives, it stresses, must be carried over in strategy development, investment planning and general day-to-day activities.

In its contribution to the March 2005 Spring Council, the Commission recognised that CSR “can play a key role in contributing to sustainable development while enhancing Europe’s innovative potential and competitiveness”.

In the Integrated Guidelines for Growth and Jobs (2005-2008), the Council recommended that Member States should “encourage enterprises in developing their corporate social responsibility”.

4) The role of business in society

The last hundred years have seen a tremendous rise in the power of business in societies.

Well-run corporate entities have become the primary motors not only of economic progress, but also, increasingly, of social change. There are growing expectations that companies should use their significant power and influence for the common good.

Like it or not, many, companies have had to begin addressing these issues in pursuit their business objectives and in response to stakeholders pressures. However, most companies are still working- some may say struggling - to define how best to met their business objectives while benefiting the common good.

In principle, adopting CSR is clearly a matter for enterprises themselves, which is dynamically, shaped in interaction them and their stakeholders.

But how far should corporations go? Should they really be expected to address issues that have traditionally been the responsibility of governments- such as poverty, basic infrastructure, publish health, corruption and social justice?

The EU pointed out that CSR practices are not a substitute for public policy, but they can contribute to a number of public policy objectives, such as:

- more integrated labour markets and higher levels of social inclusion, as enterprises actively seek to recruit more people from disadvantaged groups;
- investment in skills development , life-long learning and employability;
- improvements in public health;
- better innovation performance;
- a more rational use of natural resources and reduced levels of pollution;
- a more positive image of business;
- greater respect for human rights;
- poverty reduction and progress towards the Millennium Development Goals.

CSR practices and instruments should be transparent and based on clear and verifiable criteria on benchmarks. Public policy can contribute to the development of an action framework with a view to promote transparency and thus credibility for CSR practices.

5) CSR debate in Germany

The ongoing international research into CSR have not attracted much attention in Germany so far, but this now seems likely to change, given the growing momentum of the EU process and the increasingly international orientation of many German companies.

There is still a pronounced tendency in Germany to look at CSR as the “social pillar” of sustainability, which is a far narrower definition than that used by the EU and imposes inappropriate limits on the scope of the debate.

In June 2004, a conference convened by International Standardisation Organisation (ISO) in Stockholm, discussed whether CSR should become the subject of an international standardisation process (ISO 2004).

The majority of delegates spoke out in favour of the development of guidelines, culminating in an ISO resolution to commence work now (ISO 2004 A).

Long before the conference, Germany’s standardisation organisation Deutsches Institut für Normung (DIN) had expressed its opposition to standardisation efforts in relation to CSR.

The Federation of German Industries (BDI) refers to the numerous voluntary activities of German companies and is opposed to any further regulatory moves in this area. Citing the growing range of commitments at the European level, the BDI fears, “That additional standards and regulations are being developed” that will squeeze the existing CSR tools and the various CSR issues into a one-size-fits-all compromise solution and thereby make it difficult for companies to realize innovative commitments voluntarily and develop efficient CSR strategies (Schall 2003).

The Confederation of German Employers’ Association (BDA) also recognizes CSR as an important topic, suggesting that, “the focus should be on voluntary CSR measures carefully tailored for each sector and company in order to achieve optimal efficiency BDA official Journal. The work of the BDA centers on strengthening the International

Labour organisation (ILO), which has been working with the issue of corporate responsibilities to society for thirty years.

The issue of CSR was coordinated at the political level in Germany by the Federal Ministry of Economics and Labour (BMWA) which states: “Corporate Social Responsibility is an important issue for the German Federal Government. It should, however, be noted when considering the social commitments of business above and beyond the obligations imposed by law that Germany already has a relatively large number of regulations in force (for example in respect of environmental standards) and there is accordingly less scope for additional activities” (Bade 2000 3:9).

The BMWA report makes it clear that there are many established activities in Germany that support CSR; closer examination reveals that most, if not all, were originally initiated without any connection to CSR.

The activities cited by BMWA include the promotion of codes of conduct in the areas of foreign investment.

The German Federal Ministry for Economic Cooperation and Development (BMZ) initiated a round table on procurement as part of its “Aktionprogramm 2015” (action plan) to reduce poverty worldwide and this has already achieved some success in the form of the foreign Trade association of German Retailers (AVE) sector model.

The social partners and many individual companies are very active in the field of CSR.

The federal Government has provided numerous incentives for activities in the field of CSR.

Some examples are listed below.

The federal Government’s “TeamArbeit” initiative launched in June 2003 aims to combine forces with companies and individuals from all groups in society to form the largest network against unemployment in Germany. There is a comprehensive website at www.teamarbeitfuer-deutschland.de, which is designed to network the players together.

Also, a network of “senior experts” (e.g. company staff members who have retired early) is to be established with the task finding training places and internships for young people.

Together with business and the social partners, the Federal Government has launched a Training Campaign 2003. A marketing campaign and visits to companies by Education Minister is raising public awareness of the situation and appealing to business to accept its responsibility.

The special “Training place developer“programme is a specific measure for eastern Germany to enhance the readiness of companies to provide training.

In order to improve the participation of disabled people, the measures introduced by the Federal Government in the Act to Achieve Equality of Disabled Persons, which entered into force on 1 May 2002, include the instrument of agreements of intent. Recognised associations can agree independently with companies or associations of

companies how and in what period freedom from barriers will actually be achieved. A register of agreements of intend has been set up.

The programme “learning regions-promoting networks” is the core of the programme of action entitled “life-accompanying learning for all”. It is intended to increase the involvement in education of disadvantaged people and of people lacking a relationship to education.

In 2001, the Federal Government launched the “New Quality of work initiative” (INQA); it brings together social partners, social security funds, the Länder, the Federal Government and companies.

In close co-operation with the Bertelsmann Foundation and with support from the business associations and the trade unions, the Federal Government has joined in an “Alliance for the Family” for an initial period of two years (2003-2005). There is a joint working team of selected individuals and a joint budget. Concepts of work organisation and flexible working hours are studied and earmarked with recommendation for implementation.

NAGUS- Standards Committee on Principles of Environmental Protection in the German Standardisation Institute (DIN). NAGUS is the DIN body responsible for the standardisation of interdisciplinary principles of environmental protection at national, European and international level. The work includes the fields of environmental labelling, environmental management, environmental aspects in product development, and eco-audits. The members of NAGUS come from business, science, environmental associations, environmental agencies, consumer associations, trade unions, consulting and technical inspection.

In November 2000, the Federal Government and business signed an agreement containing a voluntary commitment by industries for the Kyoto contractual period up to 2012, referring to all Kyoto gases, with in some cases even more challenging minimum emissions. The agreement is a good example of long-term co-operation between government and business.

Private individuals and SMEs can also receive grants and low-interest loans for investment in renewable energy facilities from the Federal Government’s market incentive programme for renewable energy.

The Federal Government also provide SMEs with grants for consultancy services, e.g. on energy saving, and for training events

The Federal Government has launched a programme to “promote social and ecological standards in developing countries” (more than 10 million). The fields of action are: ecological agriculture, certification in forestry, and fair trade.

Also, a “Round table on corporate Codes of Conduct” was set up with the participation of representatives of various ministries, companies, NGOs and social partners. The aim is to improve the labour and social standards in developing countries via codes of conduct.

More than 50 individual projects in the field of ecological and fair trade are being promoted by the Federal Government.

In order to inform the consumer about fair trade, the Federal Government has set up a website presenting firms, organisations and products: www.Oeko-fair.de.

6) Conclusion

The 19th century invented large-scale industrial manufacturing. The 20th century converted it into an applied science and learned to control it from a keyboard and monitor. The 21st century will bring it to maturity by learning to integrate enterprise of all kinds -both manufacturing and services - with the needs of the natural environment and social enterprise.

Business that demonstrates environmental and social leadership, and share with their stakeholders the principles and practices they adopt, build public trust and strengthen their reputations and brands. While these intangibles are sometimes hard to quantify, forward thinkers understand their value. They recognise that a company's approach to sustainability and corporate responsibility mirrors its approach to business. Companies that postpone dealing with the challenge of sustainable business practice, or minimise the attention they accord such issues, put themselves at risk and lose opportunities.

Much still remain to be done, especially now that companies are expected, in their capacity as the creators of work and wealth, to assume a growing share of government's traditional remit for fulfilling society's needs.

Important is to remember that "doing the right thing does not have to be an unprofitable or uncompetitive exercise. It is absolutely possible to be a decent human being and to pursue aggressive business growth. It's a matter of balance" (Sunii A. Misser, global leader- Sustainable Business Solutions).

