



# **Implementing and Assessing CSR – Empirical evidence from Swiss MNCs and SMEs**

Vorlesung „Globalisierung und Multinationale Unternehmen“

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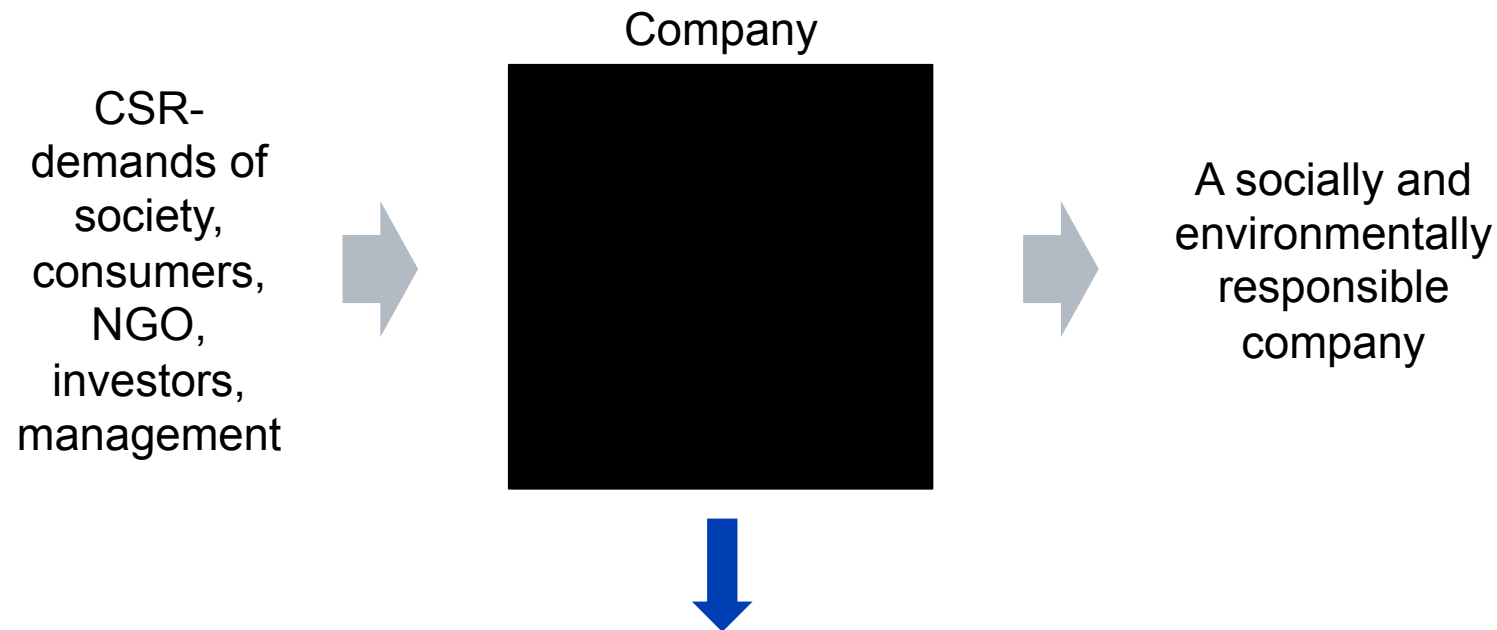


## Overview

- Developing tools for assessing CSR
- Ideal types of CSR in MNCs and SMEs
- Case Study MNCs
- Case Study SMEs
- Comparing CSR in MNCs and SMEs
- Explaining the differences



## Opening the black box of CSR implementation



- How can CSR be effectively implemented in small and large firms?
- How do Swiss firms actually implement CSR?



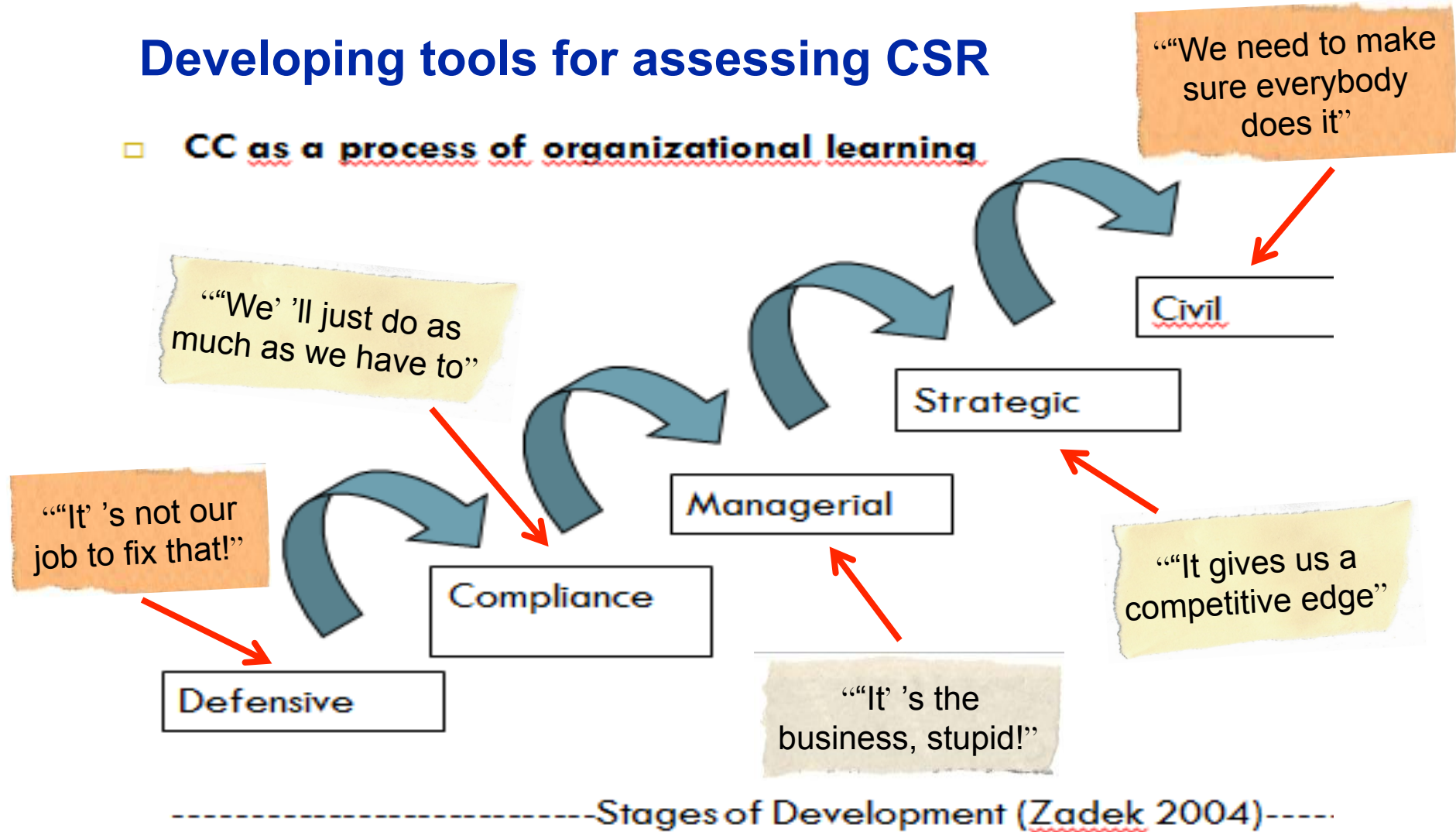
## Why making a difference between MNCs and SMEs?

- **Three interrelated questions:**
  - The actual implementation of CSR is becoming increasingly important!
    - Assessing whether commitments match reality is crucial!
  - MNCs are omnipresent in the CSR debate. But are they necessarily better in implementing CSR than SMEs?
  - Little is known about how SMEs actually implement CSR, but does this mean they are less able than MNCs to handle the challenges of CSR?
- Two studies conducted at the IBW have explored these questions...



## Developing tools for assessing CSR

- CC as a process of organizational learning





## Ideal types of CSR in MNCs

- **Commitment Dimension**
  - Strategic Integration & Leadership Support
  - CSR Coordination
- **Structural and Procedural Dimension**
  - Policies & Procedures
  - Incentive Systems
  - Training Measures
  - Complaints Channels
  - Evaluation of Progress
  - External Reporting
- **Interactive Dimension**
  - Quality of Stakeholder Relationships
  - Participation in Collaborative CSR Initiatives



## Example of training - MNCs

	<b>Defensive</b>	<b>Compliance</b>	<b>Managerial</b>	<b>Strategic</b>	<b>Civil</b>
<b>Training</b>	No training on CSR is provided	Training on how to comply with legal provisions is provided	Information on the company's commitment to CSR is provided to employees but no training courses have been developed	Training courses are provided based on strategic criteria . Training courses are adapted to the company 's context and specific groups are targeted for follow-up courses	Training is provided to all employees. Training simulates decision-making situation and encourages discussion. Training courses are adapted to the company 's context and specific groups are targeted for follow-up courses. The company shares training material and initiates the development of training material on innovative topics.



## Ideal types of CSR in SMEs

- **CSR Awareness** (corresponds with MNC commitment dimension)
  - Issue awareness
  - Social connection acknowledgement
- **Internal CSR** (corresponds with MNC structures & procedures dimension)
  - Operational Practices & Procedures
  - Employee involvement
  - Transparency
- **External CSR** (corresponds with MNC interactive dimension)
  - Collective action
  - Engagement in networks





## Example of employee involvement - SMEs

	<b>Defensive</b>	<b>Compliance</b>	<b>Managerial</b>	<b>Strategic</b>	<b>Civil</b>
<b>Employee Involvement</b>	No employee involvement in CSR	Employees are aware of CSR and are encouraged to respect existing laws and regulations	<i>Some</i> employees are involved in thinking about CSR challenges and some job functions (e.g. procurement) include going beyond existing laws and regulations	<i>All</i> employees are involved in thinking about CSR challenges and most job functions include going beyond existing laws & regulations	<i>Proactive</i> involvement of employees in shaping CSR agenda and „spreading the word“ about CSR in the company and with competitors/ customers, etc.



## Case selection - MNCs



5 qualitative assessments  
conducted in 2007-2009



Nestlé





	Defensive	Compliance	Managerial	Strategic	Civil
<b>Commitment</b>					
Strategic integration & Leadership support		UBS	CS; Nestle	ABB; Novartis	
CSR Coordination		CS; Nestle		ABB; Novartis; UBS	
<b>Structures &amp; Procedures</b>					
Policies & Procedures		CS; UBS	ABB; Nestle	Novartis	
Incentive systems		ABB; Nestle; UBS	CS	Novartis	
Training		CS; Nestle; UBS	ABB	Novartis	
Complaints channels		ABB; CS Nestle; UBS		Novartis	
Evaluation		ABB; CS; Nestle; Novartis; UBS			
Reporting			CS; Nestle; UBS	ABB; Novartis	
<b>Interactive</b>					
Stakeholder relations		UBS	ABB, CS, Nestle; Novartis		
Participation in collaborative initiatives		CS; UBS	Nestle; Novartis	ABB	



## Case selection - SMEs



6 qualitative assessments  
conducted in 2010





## Results SMEs – Employee involvement

We have CSR-agents in every division who are always supposed to wear the „green hat“ and bring the issues to everyone’s mindset (Mammut)

It needs personal involvement of every employee. They need to know why it’s important what they are doing every day so they can carry the message (Vestergaard)

Ideas evolve top-down and bottom-up. Everyone has a high affinity e.g. to the environment. If glaciers are melting, so does our core business (Mammut)

We only have some 20 people here, so everyone know what’s going on everywhere, and mostly, all employees are involved in the processes (procurement, sales, marketing, logistics of one product) (CPT)

We send all our employee to the field, so they have an impression of what’s going on in Africa. This is so important for their motivation (Remei)



## Results SMEs - overview

	Defensive	Compliance	Managerial	Strategic	Civil
<b>CSR Awareness</b>					
Issue awareness				Sherpa; CPT; Mammut	Remei; Switcher Vestergaard
Social connection				CPT Mammut	Remei; Switcher Vestergaard
<b>Internal CSR</b>					
Operational Practices & Procedures				CPT; Mammut Sherpa; Vestergaard	Remei Switcher
Employee involvement				CPT; Sherpa	Mammut; Remei; Switcher Vestergaard
Transparency				CPT; Mammut; Sherpa; Vestergaard	Remei; Switcher
<b>External CSR</b>					
Collective action				CPT; Mammut; Sherpa; Vestergaard	Remei; Switcher
Engagement in networks				CPT; Sherpa	Mammut; Remei; Switcher; Vestergaard



## Comparing CSR in MNCs and SMEs

Dimensions	MNCs	SMEs
Commitment / Political CSR Awareness	mixed	high
Structural & Procedural / Internal Political CSR	Rather low	high
Interactive / External Political CSR	mixed	high



## What are the key differences in MNC and SME CSR?

Our results suggest:

- MNCs score **higher** on public commitments, reporting and external communication about CSR; but they score **lower** on actually implementing structures and procedures.
- SMEs score **higher** on the implementation of operational practices, but they score **lower** on public commitments, reporting and external communication of CSR.

How can these differences be theoretically explained?





## What we mean by CSR implementation and communication

### ***CSR implementation – Walking the Talk:***

- Internal operational structures, procedures and ‘actions within the firm, such as changing methods of production to reduce environmental impacts or changing labour relationships both within the firm and across the firm’s value chain’ (Aguilera et al., 2007: 836).

### ***CSR communication – Talking the Talk:***

- External and public communication of CSR commitments, policies, strategies or memberships in initiatives via CSR reports, websites, or other media channels.



## Size-dependent organizational costs have implications for organizing CSR

Centrally organized activities, in contrast to decentrally organized ones, are relatively cheap for large firms

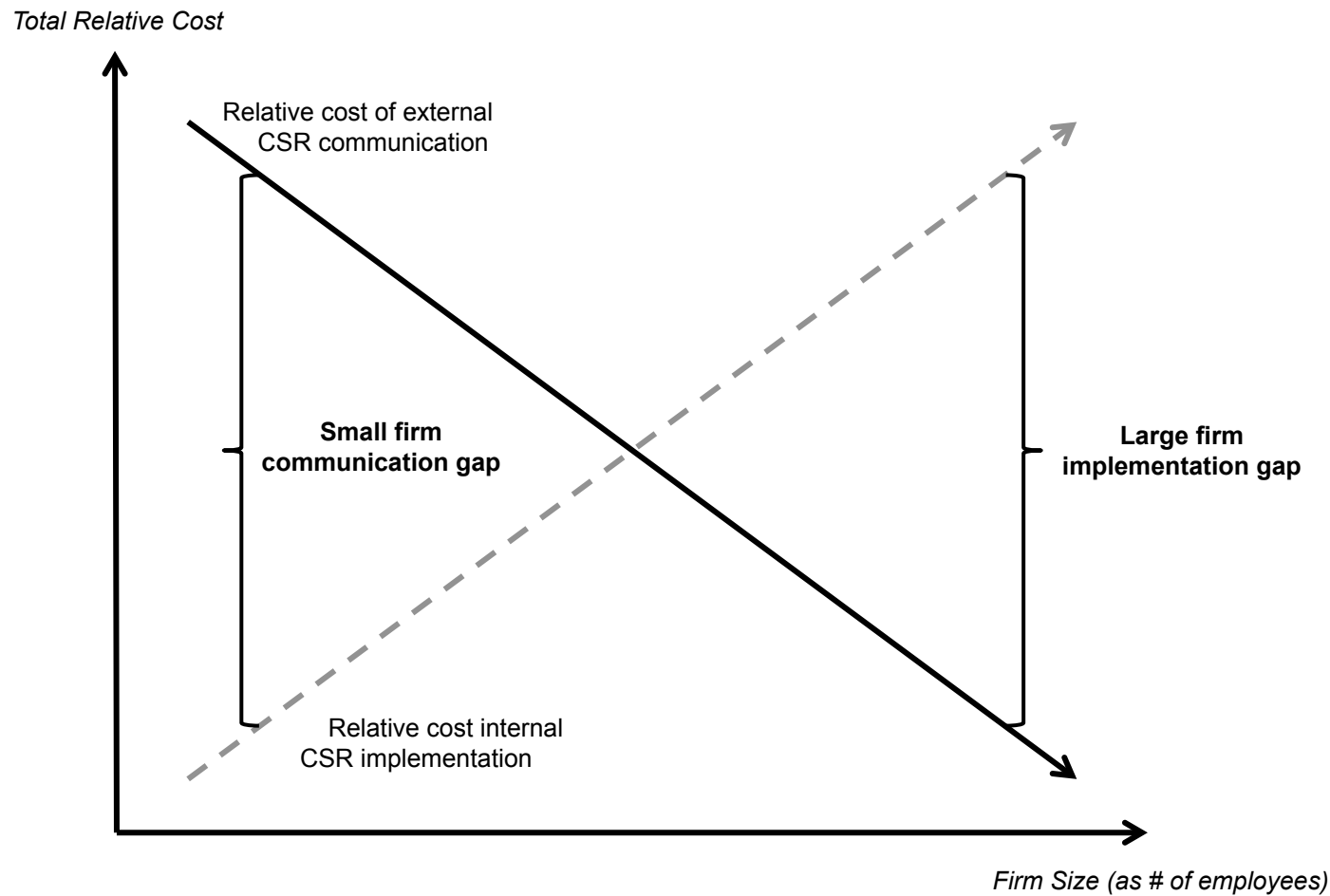
- Beneficial structural characteristics for activities decoupled from core business operations (low control/communication/coordination)
- **For large firms, CSR communication is relatively cheap!**

Decentrally organized activities are relatively cheap for small firms

- Beneficial structural characteristics for activities closely coupled with core business operations (low control/communication/coordination)
- **For small firms, CSR implementation is relatively cheap!**



## The small/large firm CSR gaps





## Propositions

**Proposition 1:** Larger firms have a *CSR implementation gap*, because internal implementation of CSR practices and procedures into core business operations is relatively **costly** in comparison to relatively **less costly** external public communication of CSR.

**Proposition 2:** Smaller firms have a *CSR communication gap*, because external public communication of CSR is relatively **costly** in comparison to relatively **less costly** internal implementation of CSR practices and procedures into core business operations.



## Summary

- Both MNCs and SMEs need to manage CSR
- Just because SMEs are smaller and may have less resources does not mean they cannot manage CSR
- MNCs manage CSR more formally, whereas SMEs manage CSR more informally
- Organizational costs can explain why MNCs engage more in communication of CSR, while SMEs engage more in implementation of CSR



## Further readings

- Baumann, D., & Scherer, A. (2010). MNEs and the UN Global Compact: An Empirical Analysis of the Organizational Implementation of Corporate Citizenship. *IOU Working Paper No. 114* : [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1705532](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1705532)
- Baumann, D., Wickert, C., Spence, L., & Scherer, A. (2011). Organizing Corporate Social Responsibility in Small and Large Firms: Size Matters. University of Zurich Working Paper: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1974194](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1974194)
- Wickert, C. (2010). Small- and Medium-Sized Enterprises as Political Actors in Global Governance – Evidence from the Textile Industry. *Working Paper No. 121*: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1718428](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1718428)
- Zadek, S. (2004). The path to corporate responsibility. *Harvard Business Review*, 82 (December): 125-132.