CORPORATE SOCIAL RESPONSIBILITY: THE CHALLENGE FOR MEDIUM SIZED ENTERPRISES IN THE BAMBERG-FORCHEIM REGION, GERMANY

Viorica Şerban1* and Malte Kaufmann2
1) Bosch Rexroth AG, Hassfurt, Germany and The Bucharest Academy of Economic Studies, Romania
2) Kaufmann-Immobilien, Heidelberg, Germany and The Bucharest Academy of Economic Studies, Romania

Abstract
Globalization and the growing pressure on medium sized enterprises to take responsibility for their operations has resulted in an increasing number of medium sized companies becoming aware of Corporate Social Responsibility. The aim of this study is to gain a better understanding of how Corporate Social Responsibility is incorporated in medium sized enterprise operations by focusing on how these companies describe, integrate and monitor Corporate Social Responsibility and how they allocate financial resources for it. In order to shed light on this issue, three case studies were conducted in the Bamberg-Forcheim Region of Germany. Documentation and interviews were used as data collection methods for this study. The conclusions drawn from the findings of this study include the following: the working methods of medium sized enterprises regarding Corporate Social Responsibility are new and therefore not yet established. Corporate Social Responsibility is not yet considered an important part of medium sized enterprise operations. Neither are enterprises very eager to implement and monitor this concept because of the high investment of time and finances involved. Businesses prefer to concentrate on their employees (training, social activities, extra-work activities etc) rather than to integrate, monitor and allocate resources for Corporate Social Responsibility.

Keywords: Corporate Social Responsibility, code of conduct, sustainability development, performance excellence, EFQM-Model

JEL Classification: M14

Introduction
Legislation regarding the social responsibility of companies started to develop during the late 50’s and early 60’s. This led to new literature about Corporate Social Responsibility (CSR) as well as to models for corporate conduct. During this era, managers started to ask themselves what was expected of them by society and what their responsibilities ought to be. However, many believe that business and ethics are two contradictory terms and that they are therefore difficult to combine. Nowadays, however, researchers and authors agree

* Corresponding author, Viorica Serban – viorica.serban@boschrexroth.de
that the address of ethics is crucial to the enhancement of company long-term success. Business ethics requires a set of instruments useful in making strategic choices and in managing conflicts between various stakeholders: employers vs. employees; shareholders vs. managers; company vs. local community, and so on. (Dinu, 2008, p. 7-8) Therefore, business ethics has received enormous attention, and numerous books have been written about this subject during the past twenty years.

Due to globalization, there is an increased pressure on companies and managers to act ethically and in a socially responsible manner. Through the Internet, television and press, most customers are aware of issues such as the use of child labour, exploitation of workers, destruction of the environment, etc. As a result, pressures from different stakeholders along with massive media coverage have forced many companies to take action in order to protect their public reputation.

Currently, corporate responsibility is the second most important factor in a company’s reputation next to the quality of products. According to some scientific research, customers do not evaluate companies based only on the features of their products and services, but also on what business practices they are engaged in, how their products are produced, and what effect on society the company has (Hartmann, 2002, pp.220-285). Consequently, issues such as animal testing, environmental damage, irresponsible marketing, violation of land rights, trade union relations, fair wages and working conditions have become highly important for companies to consider since companies’ actions now play a central role in customers’ decision-making. Moreover, managers have realised the enormous costs that public scandals generate such as disruptions, expensive legal entanglements, lower employee morale, difficulties in recruiting, internal fraud, and loss of public confidence (Holt and Wigginton, 2002, pp.119-151).

One issue that has frequently been addressed is for what and to whom companies actually are responsible when pursuing business. A radically different view have those who argue that a company is responsible for all of its stakeholders and should take greater responsibility for society at large and seek to solve social and environmental problems in its markets (Holt and Wigginton, 2002, pp.119-151). In other words, this view had expanded the definition of ‘stakeholders’ beyond merely the investors and shareholders to include all of society.

Today, most companies are not the primary initiators of their CSR efforts. Rather, they are pressured by internal and external actors to engage in CSR actions partially due to rapidly changing expectations of business and its social responsibility. More and more people, individuals and groups, call on all organizations (including businesses) to be economically, environmentally and socially sustainable; to be accountable and transparent; to be inclusive; to be ethical and more equitable. Yet, companies’ responses to these changing social expectations, in particular their implementation of various CSR initiatives, have the potential to change not only corporate culture but also to impart true social change. Another catalyst for CSR involvement is the increasing power of non-governmental organizations (NGOs) to mobilize resources, to frame issues of CSR and to collaborate as partners with the companies in order to address difficult social and environmental issues. A third reason for implementing CSR initiatives is the consumer’s pressure in establishing heightened expectations, such as in the food industry in Europe where consumers press towards higher standards of food safety and quality.
Thus, the willingness among companies to behave as ‘a good corporate citizen’ both from a charitable as well as from a profit-making point of view is quite often present, whereas strategies on how to implement this willingness within the companies themselves can be difficult to understand and to manage.

1. Literature overview, study aims, research questions and methodology research

The problems regarding the entire notion of CSR actually starts with the definition of this concept. When contemplating the literature on the subject, there seems to be a disagreement on what the term CSR really implies. According to Davis (1973, p.312-323), the concept of CSR refers to ‘the firm’s considerations of and response to issues beyond the narrow economic, technical, and legal requirements of the firm to accomplish social and environmental benefits along with the traditional economic gains which the firm seeks’. CSR is defined by Holt and Wigginton, (2005, pp.119-121), as an organization’s obligation to conduct business in such a way as to safeguard the welfare of society while pursuing its own interests. They clarify that decisions regarding CSR are usually made at high levels in organizations, are wide in scope, affect many people, and thus reflect a general stance taken by an organization. Caroll (2006, pp.140-148) says that the CSR concept is a pyramid containing economic, legal, ethical and philanthropic responsibilities. The economic responsibilities (such as being profitable) are at the bottom of this pyramid, and they create the foundation upon which all other responsibilities rest. The second level is made by the legal responsibilities (such as to obey the law). The third level consists of ethical responsibilities, and the top of the pyramid is made up of philanthropic responsibilities (such as being a good corporate citizen by contributing resources to the community and by improving the quality of life).

The first step in understanding CSR is the identification of its underlying principles. Epstein and Roy have identified nine principles of the CSR concept (Epstein and Roy, 2004, pp. 15-31)

- **Ethics** – the company establishes, promotes, monitors, and maintains ethical standards and practices in dealing with all of the company stakeholders (consumers, employees, shareholders, suppliers, communities);
- **Governance** – the company manages all of its resources conscientiously and effectively, recognizing the fiduciary duty of corporate boards and managers to focus on the interests of all company stakeholders;
- **Transparency** – the company provides timely disclosure of information about its products, services and activities, thus permitting stakeholders to make informed decisions;
- **Business relationships** – the company engages in fair-trading practices with suppliers, distributors and partners; (fair competition, fair contracts, no bribery)
- **Financial return** – the company compensates providers of capital with a competitive return on investment and the protection of company assets;
- **Company involvement/economic development** – the company fosters a mutually-beneficial relationship between the company and the community in which it is sensitive to the culture, context, and needs of the community;
• **Value of products and services** – the company respects the needs, desires and rights of its customers and strives to provide the highest levels of product and service value;

• **Employment practices** – the company engages in human resource management practices that promote personal and professional employee development, diversity and empowerment;

• **Protection of the environment** – the company strives to protect and restore the environment and promote sustainable development with products, processes, services and other activities.

As we can see, the disagreement considering the definition of CSR is widespread and literature does not agree on one single definition of CRS components. As a result, the concept is difficult to be understood by companies. Although many companies in the world are aware of CSR issues, the question still remains of how to deal with them and how to measure the progress towards greater responsibility. This study is therefore conducted as an attempt to clarify the confusion surrounding CSR by creating a better understanding of the concept: how the CSR concept is viewed by medium sized companies and how they approach it by setting up internal functions and measuring systems. This study will focus on how a medium sized company should incorporate the CSR concept into its activities, and on how the company is affected by the process of incorporating the CSR concept. The goal of this study is to develop a strategy from a company’s perspective to integrate and monitor CSR in a medium-sized firm. In order to achieve this goal, this study will address the following research questions:

• How can one integrate CSR into a medium-sized company’s internal activities?

• Which is the best strategy for integrating CSR into the company?

The purpose of this study can be classified as **descriptive and explanatory**. It is descriptive because this is an attempt to describe how medium sized companies describe, integrate and monitor their CSR efforts, and explanatory because this research aims to provide a better understanding of how the CSR concept is integrated into a firm’s activities. On the other hand, this study is also **deductive** since conclusions will be drawn from general assumptions, and already-established theories about CSR will be used as a basis for this study. The methodology steps are the following:

• literature review in order to identify the definitions, the principles and CSR values;

• develop a survey which has been used as questionary in the interviews with the selected medium-sized enterprises;

• conduct interviews and the documentation in the selected medium-sized enterprises.

Documentation used in this research includes information about the companies, drawn from their Internet websites and additional printed information provided by the companies. Therefore, the data in this study consist of primary sources, those collected through direct interviews and internal documents, and secondary sources, those collected from the companies’ websites. **Non-probability** was the sampling technique used in this study, and the sampling was made in stages that followed certain criteria. The first sample criterion was that the company had to be a medium sized one, since the focus of this study is on medium sized companies. According to the Recommendation 2003/361/EC, adopted on 6
May 2003 and in force as of the 1st of January 2005, the EU classifies enterprises with up to 250 employees, a turnover of €50 million or less and a balance sheet total of € 43 million or less as “medium-sized companies.” Then, the company must be operating on the German market. The third sample criterion entailed that the company had to be engaged in CSR activities and had to be willing to integrate CSR into its activities. By searching the internet, a list of several companies that met these criteria was drawn up. Moreover, due to limited time and financial resources, the author decided that it was reasonable to concentrate on the Bamberg-Forchheim region, because the Bamberg District occupies an outstanding economic position on par with the districts of Aachen and Stuttgart and the cities of Hamburg and Kalsruhe. The Annual Report 2007 Investors Guide recognizes the Bamberg District for its exceptional values in employment, investments, increases in job growth, net productivity and immigration. By contacting the companies on the list one by one, three medium sized companies were identified in this region.

2. How to integrate CSR

Managers still question how to integrate a strategy to encourage CSR within the company when there are many competing organizational constraints regarding the measurement of progress toward improved sustainability performance.

The first step toward the integration process is the explicit identification and understanding of the underlying principles of the CSR concept presented in this chapter. All of these principles have been found within the three companies taken as case studies. Communication is a key process in the organizational management. We are referring here to both internal and external communication. Internal communication refers to a company’s internal strategies, and external communication refers to making public the company’s values and mission statement, voluntary company reports, its information on the website etc. Another key factor in the CSR integration process is leadership and top management. There is a natural linkage between the CSR concept and leadership, because the leader has important roles to play when incorporating social responsibility within a company. The leadership dilemma is: the social responsibility is expensive not only for the company, but also for the leader like a person. Many organizations try to establish the price by maximizing the profit in a short time, not with a vision for a long term. (State and Popescu, 2008, p.72-79). The company’s culture is another factor for integrating CSR within the company, and it is based on the moral values, norms and beliefs. Dion (2006, pp. 118-138) has identified “the top ten corporate values” that one may generally observe in most social responsible companies. These ten core values are: integrity, honesty, justice, equality, objectivity/impartiality, loyalty, devotion, respect, prudence, and tolerance. Good reputation, the main asset on which companies build their long run success, cannot be “bought” by short term actions as occasional charities or image campaigns are: it is based on consequential respect of ethical principles in running the business. (Dinu, 2008, p.7-8). Another key factor for the CSR integration process is the mission statement of the company. A mission statement captures the essence of what an organization does and, in broad terms, the activities it intends to accomplish (Holt and Wigginton, 2005, pp.119-151). The mission sets the direction of the organization and is the base of the strategic decision-making process. The company’s philosophy helps to define appropriate organizational conduct. A company’s philosophy is implied by its predisposition toward competition and by its organizational culture (Holt & Wigginton, 2005, pp.119-151). ‘Focus on total
quality’ and ‘customer commitment’ are two examples of socially responsible company philosophies. Another instrument used for integrating CSR within the company is creating a code of conduct. In literature, the terms ‘code of ethics’, ‘code of conduct’ or ‘code of practice’ are often used interchangeably. A code of conduct is ‘comprised of a list of rules, stated either affirmatively or as prohibitions. Penalties for transgressions may be identified and systems of compliance and appeal defined’ (Hartmann, 2002, pp. 220-351) (for example, this is what you must do or you must not do, this is how we expect you to behave). Companies can have different codes of conduct that include employee conduct as well as company conduct toward the community, the environment, the customers, the suppliers and contractors etc. Due to the fact that a company publicly commits itself to its social responsibilities when making its code of conduct public and therefore might become a target for criticism, some companies prefer to keep their codes confidential, while others willingly distribute their guidelines. These codes of conduct should be organized according to their underlying principles in order to cover the CSR areas (the environment, community and employees). There are good sources to turn to when companies are seeking guidance on how they should act. The International Chamber of Commerce (ICC), the International Labour Organization (ILO), the Organization for Economic Cooperation and Development (OECD) and the United Nation Commission (UN) have developed four international guidelines (to mention only the most important one).

3. How to monitor CSR

Standards, measuring methods, evaluation systems, audits and report systems are all examples of how a company can monitor its CSR work. There is a jungle of different standards, certificates and auditing techniques that companies can follow when measuring, evaluating and reporting CSR such as SA 8000, ISO 14001, Global Reporting Initiative (GRI), Life Cycle Assessment, ECO Management and Audit Scheme. Therefore, the primary aim of CSR monitoring and reporting is to better inform and support decision-making processes that are influenced by the environmental factors. According to Gibb and Schwartz (1999, pp.78-101), the following classification of CSR approaches is desirable to a company:

- company preferred: existing corporate reporting of both voluntary and mandatory data; existing corporate public relations and advertising/education data.

- systematic corporate social accounts: stakeholder reporting; reporting of the voices of the stakeholders.

- external social audits: single issue reporting – for example consumers, environmentalist; systematic social audits; one-off reporting – for example, investigative journalism.

4. How to delimit resources for CSR

If CSR were a part of a company’s strategy, there would obviously be costs involved. But there would be also benefits, such as seeing increased investments from socially responsible investors, increased motivation of employees and managers, increased attractiveness to consumers, enhanced reputation as well as more confidence and less hassle from local
communities and governments. Thus, companies see responsibility for social and environmental aspects, as a key to future profits. However, no company includes in its profit forecasts future discounted returns from present increased involvement in social and environmental issues. Michael Hopkins, Director of the MHC International Ltd. has developed a number of CSR measurements, which can help a company to establish its CSR costs. Taking into account all these indicators and measures means that an emphasis on CSR will lead to price increases for the company, and the firm policy must therefore be attentive to the following important aspects: products, processes and services with ecological features; room for healthy growing and flexibility for changes; an environment to protect innovation; good social security for the employees; good quality of customer service and advice; and a high quality level of products and services. To delimit CSR resources into a company, a manager should take into account non-financial data and financial data. The non-financial data is collected in operational process records, material resource planning systems, resource planning, emissions monitoring and other systems, which are managed by production, environmental and other non-accounting functions. The financial data refers to expenses and revenues, assets, liabilities, techniques, performance measurement, costing, pricing, investment, etc.

Thus, as a result of its efforts to be socially responsible, a company will have additional costs which are transferred to the company’s’ products. The consequences are that a non-CSR company will eventually drive its CSR competitor out of business or force it to reduce CSR costs. However, economics does allow price increases and markets to clear if product quality increases. Thus, there is a CSR premium (i.e. an additional benefit because of CSR earned by firms or appreciated by consumers and other stakeholders) that can be earned by firms on such items as product quality, employee productivity, consumer’s satisfaction, (Pava and Krausz, 2005, pp. 46-97). Therefore, the additional CSR costs could well be cancelled out by consumers’ acceptance to pay for this additional premium or through the positive effect on prices brought about by the additional efficiency that CSR is likely to bring about. A well-managed CSR premium would result in consumer willingness to pay extra in the knowledge that the products they bought had not been produced by forced labour, had respected the environment, that the technology to produce them had been acquired without corruption payments, and that the human rights of its employees and the local community had been protected, and so on. It is obvious therefore, that CSR is just as much an investment as it is a cost. These costs bring benefits that are not always immediately apparent when the ‘social’ investment is made. Training is an obvious social investment that is accepted as essential for future growth and profits. Other investments that serve to increase ‘social capital’ are less obvious but are beginning to be accepted as essential for the future. For example, reputation, a key ingredient of social capital, is known to be an important force in the market place. However, a manager must make sure that the costs of CSR do not exceed the benefits it produces. Given the difficulty of observing worker effort, managers must balance a series of subtle tradeoffs between original costs, monitoring expense, safety, visibility, and market share. Nevertheless, companies that will not take on social responsibilities will face the following losses (Madura, 2003, pp. 7-15):

- Deterioration of their image and decrease of sales (the option of trademark or product boycotts exists which leads to loss of consumers);
- Negative publicity, which can bring obstacles in raising finance and insurance;
• Payment of charges (it is required by governmental regulators due to the misbehaviour of companies);

• Extra spending (it is demanding when a company has to remedy the past mistakes);

• Low productivity (it is caused by the exploitation of workers and their lack of motivation and satisfaction);

• Failure to attract and keep good employees (it is caused by the bad image of the company).

Instead, engaging in CSR means a lot of benefits for medium-sized enterprises such as: improved image and reputation; improved trust and understanding; larger, more prominent profile; more business; increased attractiveness to potential recruits; increased employee motivation; cost savings and increased efficiency; risk management; and benefits for company culture.

5. Comparing the case studies

All three companies (please see References), which are named in the present study as Company 1, Company 2 and Company 3 are engaged in activities related to CSR; but in spite of the fact that the three companies showed similarities, differences were also detectable. Each company was asked about the term ‘CSR’ upon which the findings showed that the companies in this study have no clear understanding of the CSR term. The respondents were able (after a short clarification) to identify how CSR relates to their companies. All of the companies had not fully adopted the CSR concept, as defined above by Caroll.

The respondents also expressed some concerns about whether the term CSR is an appropriate term to be used for medium-sized enterprises, because:

• The term CSR is difficult to understand;

• Awareness levels are likely to be low, because the companies are more concerned with day to day survival than with understanding concepts like CSR;

• The word ‘corporate’ alienates medium-sized enterprises.

All the companies in this study are involved in the following CSR activities in the following areas: environment, employees, community and supply chain. The companies feel that they are being socially responsible simply by supporting their employees and the local economy/community.

The respondents used moral and ethical arguments to describe why CSR is important to them, and they prefer to call CSR ‘common sense’ or ‘the right thing to do’. The motivation for having CSR in medium sized enterprises is given by the managers or the management team. In all three companies, the respondents said that managers have the ability to influence company culture regarding CSR values. However, no respondent was able to explain the function of his company’s leadership in the following areas: the existence of a leadership group, the way in which the leadership is influencing essential values, and whether or not the leadership is driven by ethics and standards within the company.
How to allocate time and resources for CSR issues was another problematic question for all of those interviewed. They said that medium sized enterprises have limited time and resources, particularly a lack of dedicated CSR personnel. None of these companies plan to establish a CSR department in the future or to get employees involved in CSR activities.

Another similarity is that none of the companies has developed codes of conduct, neither do they plan to do this in the near future. Company 1 has established some internal guidelines and refers to them as a code of conduct. Both company 1 and 2 have some internal policies, which refer to CSR issues. Company 3 has not followed the example of the first two companies.

Regarding the extent to which external codes are used, no company was able to commit itself to some of the external codes mentioned on page 6 of this study. None of the respondents were able to briefly describe one of the external codes mentioned above. The representatives of companies 1 and 2 had a vague idea about the ILO Declaration and the UN Global Compact.

Tables no. 1, 2 and 3 illustrate a comprehensive summary of the present analysis related to the first research question regarding how to integrate CSR within medium sized enterprises.

Table no. 1: External codes of conducts: recognition and application within the analyzed companies
(table created by the authors according to the applied questionnaire)

<table>
<thead>
<tr>
<th>External Codes</th>
<th>Company 1</th>
<th>Company 2</th>
<th>Company 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICC, ILO, OECD, UN Global Compact, Caux Round Table</td>
<td>Not followed and not committed to</td>
<td>Not followed and not committed to</td>
<td>Not followed and not committed to</td>
</tr>
<tr>
<td>The UN Global Compact</td>
<td>Has an idea</td>
<td>Has an idea</td>
<td>No idea</td>
</tr>
<tr>
<td>The OECD Guidelines</td>
<td>No idea</td>
<td>No idea</td>
<td>No idea</td>
</tr>
<tr>
<td>The ILO Declaration</td>
<td>Has an idea</td>
<td>Has an idea</td>
<td>No idea</td>
</tr>
<tr>
<td>The Caux Round Table Principle</td>
<td>No idea</td>
<td>No idea</td>
<td>No idea</td>
</tr>
</tbody>
</table>

Table no. 2: Principles of CSR implementation within an organization
(table created by the authors according to the principles mentioned by Holt and Wigginton, 2005, pp. 119-151)

<table>
<thead>
<tr>
<th>Theoretical variable</th>
<th>Company 1</th>
<th>Company 2</th>
<th>Company 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR communication</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Culture and Mission</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Code of conduct</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CSR Leadership</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CSR Department</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CSR Facilitators</td>
<td>X</td>
<td>X</td>
<td>-</td>
</tr>
</tbody>
</table>

Regarding monitoring CSR, none of the companies has undertaken appropriate measures. All of the companies are making internal and external audits in order to gain a better
understanding of the developments within their companies. Company 1 has some environmental performance measurements. Company 2 is using the EMAS system even if they produce no pollution. Another difference is that only company 1 has ISO certificates while the other two mentioned that they do not need such certificates and they are not willing to invest much money to procure them. A summary of the analysis is presented in table no. 3.

Table no. 3: Monitoring CSR
(table created by the authors according to the literature review and the applied questionnaire)

<table>
<thead>
<tr>
<th>Theoretical variable</th>
<th>Company 1</th>
<th>Company 2</th>
<th>Company 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. understand what to achieve and how to measure performance compared to goals</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2. understand implications of what they are doing</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>3. understand in what ways they can explain actions to stakeholders</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>4. understand practical options for improving their social performance</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Standard certificates:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SA 8000</td>
<td>X</td>
<td>X</td>
<td>-</td>
</tr>
<tr>
<td>ISO 14001</td>
<td>X</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>GRI</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>EMAS</td>
<td>-</td>
<td>X</td>
<td>-</td>
</tr>
<tr>
<td>ISO/TS 16949:2002</td>
<td>X</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The benefits of CSR as described in the above study are not well understood by the three companies. They described the benefits of CSR as ‘intangible’ or ‘soft’ and seek greater proof of hard financial benefits as well as answers to the difficult question of how to measure the benefits of CSR.

In order to implement CSR principles, each of the three companies should take the following actions to better understand this concept and to become a responsible organization:

- **Actions for implementing the ethical principle**
  - create a mission statement and a code of conduct
  - provide a confidential way for employees to discuss and report ethical offences
  - implement a system for monitoring, evaluating and reporting code of conduct
  - honor internationally recognized human rights principles

- **Actions for implementing the governance principle**
  - report on the overall solvency, stability and future prospects/plans of the company
  - create communications mechanisms among the owner, the management team and the employees
implement reporting mechanisms for the owner and management team that will inform them of the impact of the company’s products and services on its stakeholders

- **Actions for implementing the transparency principle**
  - inform employees and other stakeholders of any violation of the code of conduct and the results of internal audits and analyses
  - provide adequate, accurate information on labels and packages as well as in operations manuals
  - provide appropriate warnings, ingredient information, and directions for the proper use of products
  - implement a system to evaluate the quality and quantity of the information disclosed

- **Actions for implementing the business relationship principle**
  - select a business partner not only on price and quality criteria, but also on social, ethical, and environmental performance
  - show loyalty to suppliers who are innovative, offer quality products and services for fair prices
  - pay promptly using negotiation and mutual agreements for longer payment cycles

- **Actions for implementing the financial return principle**
  - provide investors (banks and the owner) with fair and competitive financial returns
  - provide regular reports to investors on the progress achieved as compared to the existing financial, non-financial, and social performance targets
  - respond promptly to investor requests, suggestions, complaints, and resolutions

- **Actions for implementing the economic development principle**
  - implement formal mechanisms to maximize and promote communication with the local community (newsletters, meetings with neighborhood associations, etc.)
  - develop investment policies to maximize local economy
  - develop policies which encourage employees’ voluntarism and charitable contributions to local community organizations

- **Actions for implementing the values of products and services principle**
  - establish advertisement and marketing policies within the industry
  - develop policies that address consumers’ complaints, privacy, and solicitations
  - survey the needs and desires of the customers

- **Actions for implementing the employment principle**
  - develop diversity education and training programs
  - create promotion opportunities to employees within the company
- honor internationally recognized labor standards
- create a work program to help employees balance work and personal lives
- offer fair and competitive wages to all employees
- monitor the employment practices of your business partners
- maximize the participation of employees in decision making processes

**Actions for implementing the environment principle**
- develop mechanisms for monitoring the energy usage and emissions
- develop an environmental management system
- transfer environmental techniques and technologies throughout the company
- quantify the environmental impacts of products and services
- establish recycling, energy conservation and waste management programs.

**Conclusions**

The medium sized enterprises subjected in this study considered the CSR concept important for their activities, but none of the companies used the term ‘CSR’ when referring to this specific field. They consider CSR as simply ‘the right way for doing business’; with this they refer to their social, economic and environmental activities. The different CSR definitions presented on the page 3 in the literature overview are written from a general perspective and not from that of the company. For this reason the companies perceived these definitions as being too abstract and too difficult to grasp.

All three companies have addressed four different CSR areas such as workplace, marketplace, local community and environment. According to the findings, all three medium sized enterprises pursue different CSR activities, such as local community support, employee support, products, supply chain and clients. This study also showed that the management team and managers are considered important for the CSR activities. However, the degrees of involvement differ. None of the companies make external CSR reports; instead, the internal communication functions well. No emphasis is put on the companies’ mission statements and codes of conduct, and this can be due to the fact that the companies have numerous internal policies and guidelines, which are internally communicated well. Their principle work involves reducing costs, finding ways to better sell their products, and exploring methods to satisfy their clients through increased quality. Medium sized enterprises are fighting for survival during these times of globalization and external pressures, combined with the problem of increased and inexpensive competition from the Asian countries and Eastern Europe.

According to the findings, CSR monitoring is not taking place in the investigated companies. The three companies are taking internal measures regarding their financial data. External audits are made in order to evaluate the company’s performance on the market. However, it is evident that the focus on CSR measurement is on employees (training costs, family life/work life balance etc). Regarding the external codes of conduct, none of the companies are willing to adhere voluntarily to them. Regarding CSR resources, none of the
questioned companies are eager to invest more money for the future. All of them are fighting for the reduction of costs. It can be concluded that there are even great similarities in how medium sized enterprises perceive, implement and monitor the CSR work. All of the companies examined strove to find appropriate methods that are suitable for their individual organizations. As the respondents mentioned in interviews, medium sized companies are faced with constraints in time and resources in their managerial teams. They are too busy with the day-to-day operations of the companies.

These findings are also in accordance with another study made by Zaharia et al. (2010, p.155-167) on the Romanian medium enterprises, which has concluded that „middle companies involved in commercial activity are concerned mostly with the way they succeed in achieving the economic objectives, and social responsibility is understood more at a minimal level, that is connected with legal obligations.

The purpose of this study was to get a better understanding of how the CSR concept is implemented and of how it is functioning within medium sized enterprises in the Bamberg-Forcheim region. It can be concluded that the organizational working methods for incorporating CSR are continuously evolving, because:

- medium sized companies want to do the right thing, but time and costs stand in the way of the adoption of the CSR concept
- medium sized enterprises will gradually adopt the CSR concept, but they need financial and non-financial support in order to do so.

One of the interviewed companies (Company 1) has become more interested in CSR concept after having some environmental problems with the local community. After an inspection made by the local government Bamberg (Landratsamt Bamberg), the company has to construct a new building for protecting the local environment. Thus, the company was willing to adopt within its organization the code of conduct resulted from this study.

An actual alternative proposed is an organization’s own assessment, according to the European Model of Excellence EFQM (European Foundation for Quality). According to the study conducted by Olaru et al. (2010, pp. 10-26), the evaluation of organizational requirements for life protection, person’s health and environment protection can be done by applying the RADAR of the EFQM-Model from the perspective of sustainable development values. This study revealed that there is a correlation between how the CSR requirements are being satisfied and the maturity level of quality management of the organization. (Olaru et al., p. 10-26). According to Serban and Ghenta (2009, p. 325-329), the EFQM-Model is recognized as a solid instrument, and it can be used as a diagnosis tool (implementation and monitoring) for social responsibility and environmental activities of an organization. As they use the EFQM-Model, organizations learn to measure their progress and to plan their continuous development. The EFQM-Model is a tool that can be used successfully to help integrate CSR principles into the organizational strategies and to help monitor CSR activities.
References


