

THE CRITICAL STATE OF
CORPORATE SOCIAL
RESPONSIBILITY IN EUROPE

CRITICAL STUDIES ON CORPORATE RESPONSIBILITY, GOVERNANCE AND SUSTAINABILITY

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CRITICAL STUDIES ON CORPORATE RESPONSIBILITY,
GOVERNANCE AND SUSTAINABILITY VOLUME 12

THE CRITICAL STATE OF CORPORATE SOCIAL RESPONSIBILITY IN EUROPE

EDITED BY

RALPH TENCH
BRIAN JONES
WILLIAM SUN

Leeds Beckett University, UK



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India – Malaysia – China

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of Business, Enterprise & Lifelong Learning, University of Chester, UK

Ralph Tench
Professor of Communication, Faculty of Business and Law, Leeds Metropolitan University, UK

Christoph Van der Elst
Professor of Law, Law School, Tilburg University, The Netherlands

Wayne Visser
Transnet Chair of Sustainable Business at Gordon Institute of Business Science (GIBS), South Africa; Senior Associate, University of Cambridge Programme for Sustainability Leadership, UK

Suzanne Young
Associate Professor, La Trobe Business School, Faculty of Business, Economics and Law, La Trobe University, Australia

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ABOUT THE VOLUME EDITORS

Brian Jones is Senior Lecturer in Marketing at Leeds Business School, Leeds Beckett University. He has a BA (Honours) in Sociology from the University of Durham, MA, in Industrial Relations from the University of Warwick and a SERC/ESRC-funded PhD from the University of Bradford. His current research areas of interest are in enterprise and entrepreneurship education, entrepreneurial marketing, family businesses, social media, and corporate social responsibility. He has published 15 academic journal papers, edited four books and written seven book chapters. He has worked on projects funded by Regional Development Agencies, Department for International Development, and the European Union (Erasmus+ and ERDF).

William Sun is Reader in Management, and Deputy Director of the Centre for Governance, Leadership and Global Responsibility at Leeds Business School, Leeds Beckett University, where he is also an Independent Chair for PhD Viva Voce Examinations. Dr Sun received his PhD from Leeds Metropolitan University in 2002. His research interests include corporate governance, corporate social responsibility, sustainable business, business ethics, corporate strategy and leadership, and process philosophy. He has published more than 50 journal papers and 16 academic books in corporate governance, CSR, corporate law, and transition economics. He is the author of the research monograph *How to Govern Corporations So They Serve the Public Good: A Theory of Corporate Governance Emergence* (Edwin Mellen, 2009) and the lead editor of the book *Corporate Governance and the Global Financial Crisis: International Perspectives* (Cambridge University Press, 2011).

Ralph Tench is Professor of Communication and Director of Research for Leeds Business School at Leeds Beckett University. Professor Tench's research focuses on two communications strands, firstly for social impact and secondly in organizational strategy, behaviour and performance. His work involves national- and international-funded projects, including working with large organisations and business, such as the annual European Communication Monitor, the largest and longest running worldwide survey in strategic communication which started in 2007 and has funding through until 2022 (www.communicationmonitor.eu). He recently led a €600K EU project on climate change using deliberative engagement. He also completed a similar sized competency project for the communicators across Europe, again funded by the EU, and supports a new EU-funded SME e-learning project (SME-ELEARN). He is

part of a research team into Whole Systems Obesity funded by Public Health England. He is a current consultant to the EU working the DG for Employment Services and has been a specialist review and evaluator for the Commission for research funds in 2017. He has written and edited 26 books; published over 30 academic journal papers; presented worldwide more than 60 peer-reviewed papers. His books include the market leading textbook for the public relations subject internationally, *Exploring Public Relations*, in its fourth edition and with a worldwide readership. Professor Tench is President (2017–2020) of the European Public Relations Research and Education Association (EUPRERA) where he has been a Board Director (2013–2017) and Head of Scientific Committee (2009–2014).

LIST OF CONTRIBUTORS

<i>Mavis Amo-Mensah</i>	University of Education, Winneba, Ghana
<i>Suzanne Marie Apitsa</i>	CEREGE (EA 1722), University Business School - University of Poitiers, Poitiers, France
<i>Adalberto Arrigoni</i>	Centre for Governance, Leadership and Global Responsibility, Leeds Beckett University, Leeds, UK; Department of Human Sciences, University of Verona, Verona, Italy
<i>Elisa Baraibar-Diez</i>	Department of Business Administration, University of Cantabria, Santander, Spain
<i>Marie-Laure Baron</i>	Normandie Université, University of Le Havre, Le Havre, France
<i>Theresa Bauer</i>	SRH FernHochschule Riedlingen, Riedlingen, Germany
<i>Sigrid Bekmeier-Feuerhahn</i>	Department of Communication and Cultural Management, Leuphana Universität Lüneburg, Lüneburg, Germany
<i>Justyna Berniak-Woźny</i>	Institute of Management, Vistula University, Warsaw, Poland
<i>Denitsa Blagova</i>	Warsaw, Poland
<i>Paula Maria Bögel</i>	Leuphana University Lüneburg, Germany
<i>Bernd Britzelmaier</i>	Business School, Pforzheim University, Pforzheim, Germany.
<i>Sára Csillag</i>	Budapest Business School, Budapest, Hungary
<i>Gloria Fiorani</i>	Department of Management and Law, School of Economics, University of Rome “Tor Vergata”, Rome, Italy

<i>Urša Golob</i>	Faculty of Social Sciences, University of Ljubljana, Ljubljana, Slovenia
<i>Zsuzsanna Gyori</i>	Budapest Business School, Budapest, Hungary
<i>Anita Hrast</i>	IRDO – Institute for the Development of Social Responsibility, Maribor, Slovenia
<i>Penka Korkova</i>	Sofia, Bulgaria
<i>Patrick Kraus</i>	Business School, Pforzheim University, Pforzheim, Germany
<i>Dante Ignacio Leyva de la Hiz</i>	Montpellier Business School, Montpellier, France
<i>Ivana Brstilo Lovrić</i>	Department of Sociology, Catholic University of Croatia, Zagreb, Croatia
<i>Paul Christopher Manning</i>	Business School, University of Chester, Chester, UK
<i>Réka Matolay</i>	Corvinus Business School, Corvinus University of Budapest, Budapest, Hungary
<i>Cristina Mititelu</i>	Department of Management and Law, School of Economics, University of Rome “Tor Vergata”, Rome, Italy; Open University, Milton Keynes, UK
<i>Neil Moore</i>	Centre for Work Related Studies, University of Chester, Chester, UK
<i>Maria Teresa Nardo</i>	Department of Social Science, University of Calabria, Arcavacata, Italy
<i>María D. Odriozola</i>	Department of Business Administration, University of Cantabria, Santander, Spain
<i>Cécile Renouard</i>	ESSEC Business School, Paris, France
<i>José Luis Fernández Sánchez</i>	Department of Business Administration, University of Cantabria, Santander, Spain
<i>Benedetta Siboni</i>	Department of Management, University of Bologna, Forlì, Italy

- Charlotta Sophie Sippel* Paulo Freire Institut for Civil Conflict
Transformation and Peace, Berlin,
Germany
- Peter Stokes* Leicester Castle Business School, De
Montfort University, Leicester, UK
- Vera Ferrón Vilchez* Economics and Business School, University
of Granada, Granada, Spain
- Adrián Pablo Zicari* Center for Management and Society, ESSEC
Business School, Paris, France

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Elisa Baraibar-Diez, Associate Professor, Department of Business Administration, University of Cantabria, Spain

Marie-Laure Baron, Associate Professor at Normandie Université, University of Le Havre, France

Theresa Bauer, Professor of international management and marketing at SRH FernHochschule Riedlingen, Germany

Justyna Berniak-Woźny, Vice-Head of Management Programmes at Vistula University, Poland

Denitsa Blagova, independent researcher, Netherlands

Paula Bögel, Researcher at the Chair for Human Behaviour and Sustainable Development, Leuphana University Lüneburg, Germany

Bernd Britzelmaier, Professor at the Business School, Pforzheim University, Germany

Urša Golob, Associate Professor, Faculty of Social Sciences, University of Ljubljana, Slovenia

Patrick Kraus, External Researcher and Lecturer at Pforzheim University, Germany

Henri Kuokkanen, Lecturer and Research Fellow, Glion Institute of Higher Education, Switzerland

Paul Manning, Professor at the Chester Business School, University of Chester, UK

Cristina Mititelu, PhD in Public Management and Governance, University of Rome Tor Vergata, Italy

Kaja Tampere, Professor at Baltic Film, Media, Art and Communication Institute, Tallinn University, Estonia

José Luis Fernández Sánchez, Professor at the Department of Business Administration, University of Cantabria, Spain

Vera Ferrón Vílchez, Associate Professor at Economics and Business School, University of Granada, Spain

Adrian Pablo Zicari, Professor at Essec Business School, Paris, France

PART I
INTRODUCTION

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THE CRITICAL STATE OF CORPORATE SOCIAL RESPONSIBILITY IN EUROPE: AN INTRODUCTION

Ralph Tench, Brian Jones and William Sun

The issues of Europe and corporate social responsibility (CSR) attract significant interest and discussion at political, policy and practitioner (business) levels. Most recently the Volkswagen scandal has served to highlight the importance as well as the impotence of CSR within and beyond the EU. This edited collection of peer-reviewed chapters explores through robust, rigorous and critical analysis of the role, operation and impact of CSR in differently governed nations of the EU. It looks at how CSR is interpreted and applied to suit particular national contexts that are in broad agreement regarding the aim and objectives of the European project, as well as being in support of free markets, open democratic government and the role of the state. It teases out the points of similarity and difference in policy, politics and practice of CSR within and across European nations. It seeks to address this knowledge gap by helping to establish and demarcate a critically informed European approach to CSR as a legitimate and worthy field of study in its own right. Despite various EU policy initiatives and changes in business CSR practices, the issue of different nation states and their role in CSR remains an issue yet to be fully and properly

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addressed from a critical standpoint and this is something that this book seeks to achieve. CSR in policy and practice is described, explained, theorised and critically analysed. This book addresses the need to academically benchmark the role of the EU and the nation states' role in shaping the form, direction and content of CSR so as to review understanding of how business practices might be better managed, monitored and their performance improved. It adds more in-depth understandings and insights to the existing work in the area of CSR and Europe, such as the edited books of Idowu, Schmidpeter, and Fifka (2015), Barth and Wolff (2009) and Habisch, Jonker, Wegner, and Schmidpeter (2005). It addresses and informs two separate but related issues: first, the shifting nature, shape and understanding of the CSR concept; second, it challenges, questions and progresses CSR aspects, features and elements of the broader European project.

The European approach/approaches to CSR is/are obviously different from the American one. Dirk Matten and Jeremy Moon's typology of implicit and explicit CSR (Matten & Moon, 2008) has prompted much debate. Some chapter authors build on and develop the Matten and Moon (2008) implicit/explicit debate. 'Implicit' and 'explicit' CSR can be used as tools of analysis with the EU approach perceived as 'implicit' and the US approach as 'explicit'. Matten and Moon's (2008) framework of analysis has clearly been influential as recognised by the fact that it is still the subject of ongoing debate. There are already studies showing that the European approach is not a single one, but varies within as well as between countries and companies. It can be suggested that explicit CSR within Europe has become more implicit and this position is open to further critique and comment. One of the main purposes of this book is to offer a series of informed well-researched chapters that offer in-depth studies on the European approaches to CSR. This is the main focus of the book. It does however do more than simply explore whether there is a European approach or approaches to CSR. It examines the institutional roots of the approaches, particularly the effects of the approaches and their impacts on business and society, in comparison with the American approach.

Critically informed discussion and debate is adopted so that answers, policy prescriptions and new, informed practices emerge and evolve. CSR practice is also explored and examined through theory. Chapter authors use theories to inform and underpin CSR and as a means to aid critical analysis and theory development. Theoretical and conceptual chapters informed by a thorough-going and rigorous literature review typically explore the nature of CSR's relationship with government, and the various apparatus of the state are encouraged. Chapters with a practice focus serve to illustrate, guide and inform theory typically regarding the relationship between CSR and government/state.

The book provides a thoughtful and contemporary critical reader on EU nation states' responses to and intervention in the area of CSR. Why do the EU and the constituent EU governments intervene in CSR? Should governments intervene more or less and exactly how should this be done for maximum

impact? How is the state's relation with CSR conceived, managed and critiqued by academia and practice? The book offers critical theoretical insights as well as practice-based, 'real-world' case study analysis. It has both theoretical and empirical contributions as well as those that describe, explain and critically analyse the EU as well as EU member states' approaches to CSR.

The book offers reflective and thoughtful insights, critiques of standard models and approaches and analysis of a critical nature and includes:

- conceptual and thought pieces;
- chapters that offer a critical approach to the study of CSR and how it is interpreted by the EU or EU member states;
- case studies of corporate wrongdoing, misdemeanours or irresponsible behaviour/practices and how the state plays a role;
- case study examples of corporations/businesses using or adopting CSR through a government/state policy initiative;
- cases of poor and of good nation state policy or practice with regards to CSR; and
- cases that explore one or more EU nation state's approach to CSR.

The book develops critical analysis of CSR and the state. New research insights and theoretical perspectives and approaches are offered. Mixed research methods including case studies, literature reviews, theoretical analysis and empirical studies including qualitative and quantitative approaches are presented. Some chapters are exploratory in nature and where this is the case they do nevertheless offer substantive analysis of issues, themes and topics. Where appropriate, broader based conceptual, reflective and analytical pieces are for illustrative purposes linked with specific issues. Key questions and issues addressed are approached from a predominantly critical analysis of the EU/state or a CSR perspective or a combination of both.

The book is broken up into five sections that reflect the chapters' key themes and issues. In general, the chapters offer a blend of theory, description and practice. The first section is an introduction to the book, as this chapter stands for. The second section titled 'CSR Policies and Approaches at the EU and National Level: A Critical Review' which depicts an overall picture of CSR policies and approaches at the macro-level and this is used to theoretically back-stop and inform future sections. The third section 'CSR Development in Europe: Contextual Differences and Understandings' as the title suggests focuses on different contexts and understandings of CSR. The fourth section as the title suggests explores 'CSR Perceptions and Attitudes: Stakeholder Perspectives'. The fifth and final section of the book reports on 'CSR Implementation in Organisations: Radical Changes and Challenges'. The chapters from the second section to the fifth section are introduced as follows.

Cristina Mititelu and Gloria Fiorani's chapter is titled 'EU CSR Policy Co-Design: A Shopping Basket Voluntary Approach'. It explores the CSR

policy domain at an EU decision-making level, aiming to understand the nature of the participation shaping the CSR policy agenda co-design. Building on a conceptual framework of participation, the chapter highlights the literature and policy views around the importance of EU CSR policy. By highlighting conceptual dimensions of the participatory governance, different levels of participation that shape the policy are evidenced. In particular, a case analysis emphasising the predominant role of the consultation approach in the decision-making process of the CSR policy is undertaken. The findings shed light on the shift from the traditional passive participation in EU CSR policy decision making, based on purely communications towards consultation and multi-stakeholder participation. From the multi-stakeholder perspective, the EU Multi-Stakeholder Forum's (EMS) strategic relevance is observed, however, with no clear mechanisms to enforce its aims. Although the CSR policy is a core priority on the policy agenda, its voluntary approach justifies its early stages of implementation and fragmented use.

Overall the chapter introduces the reader to a broad explorative conceptual and empirical framework on the nature of participation in the CSR policy domain at multi-governance level. The research revisits the importance of CSR at a European level and underlines its momentum as a policy of action and with a potential to grow exponentially in the future. The drivers for CSR policy at a European level build around various strategic policy goals, and the harmonisation of the different strategic interests at a European level. The authors argue CSR could be an opportunity for problem-solving some of the increased complexities in society that require cooperation and a common agenda of policy goals and strategies.

In their chapter titled 'A Perspective from Corporate Governance: How CSR Is Approached by European Corporate Governance Codes' Elisa Baraibar-Diez, María D. Odriozola and José Luis Fernández Sánchez analyse how corporate governance codes in Europe approach CSR, devoting specific guidelines or recommendations or specifying the responsibility of implementing and disclosing CSR in the company. The researchers use content analysis with a sample of 27 corporate governance codes from 27 European countries. The codes have been issued in the European Union (EU) and United Kingdom (UK) by governments (seven codes), national stock exchanges (eight codes), industrial associations (six codes) and composite organisational groups (six codes). The authors discuss how only five out of 27 codes make an explicit reference to the term CSR. Two of them reflect the importance of a Corporate Social Responsibility Report (Slovenia and Spain), whereas the Spanish Code was the only one which devoted a section to the implementation of a CSR policy. The chapter concludes that although corporate governance codes could represent an opportunity to shift the focus from an implicit CSR approach to an explicit CSR approach in Europe, the content related to the issue and its level of specificity does not yet reflect that change. In addition to the scholarly

contribution, the chapter has relevance for policy makers and those developing and updating corporate governance codes.

In their chapter 'Two Worlds Apart? Corporate Social Responsibility and Employment of People with Disabilities', Sára Csillag, Zsuzsanna Gyori and Réka Matolay explore the relationship between the treatment for people with disabilities (PWDs) and CSR at both European and national (in the case of Hungary as an example of Central and Eastern Europe) levels. They believe that the inclusion of PWDs in the workplace and the provision of the right of PWDs to decent work is an exemplary field of social issues for which companies should take responsibilities. After reviewing the development of European and Hungarian policies and regulations considering the employment of PWDs and their connection to the development of EU level and Hungarian CSR policies, they argue that whilst PWDs is relevant in the declarations, guidelines and policies of international and national organisations, the rights of PWDs and their inclusion in workplace are neither among the current topics of the CSR practices of enterprises nor in the scientific debate. They reveal the problem that although human rights and fighting with discrimination are significant parts of a holistic CSR approach, the treatment of PWDs is more connected to CSR in European-level policies, but less at national level. They suggest that a systematic coordination of the two fields and empowering of the stakeholders could lead to the real development for the employment of PWDs. Employing two case studies, they show some good practices of employing PWDs as part of CSR activities and point out general learning points, opportunities and potential risks in this area.

The chapter titled 'Active and Neutral Governmental Roles in the Context of Implicit Corporate Social Responsibility Model' written by Denitsa Blagova and Penka Korkova explores issues through the lens of institutional theory. Blagova and Korkova theoretically explore CSR by applying the European Commission definition to different European countries. They draw on a varied and interesting body of literature that is used to build and sustain argument and clearly set out the different positions for 'active' and 'neutral' government involvement in CSR. Their 'main hypothesis is that active governments in the field of CSR achieve better sustainability results'. Using the Global Sustainable Competitiveness Index they present EU member states country rankings over a three-year period from 2014 to 2016. Discussion then focuses on the rankings and how they relate back to discussion of and connect with the concepts of 'active' and 'neutral' government involvement in CSR. Blagova and Korkova indicate that their research raises 'some important questions on the EU goal setting, monitoring and results reporting in the field of CSR and sustainability'. Based on the evidence and literature informed arguments presented then readers of this chapter are almost bound to concur with this view.

The chapter 'CSR in Germany: The Role of Public Policy' by Theresa Bauer uses the growing literature on public policies on CSR to discuss the various measures the German government has developed to support CSR. Bauer

describes how German CSR policy is provided mainly by hybrid instruments: the Strategy for Sustainable Development, the National CSR Forum and National Action Plan on CSR as well as the National Action Plan for Business and Human Rights. Besides, informational, partnering, financial and soft legal instruments are used to support the social and ecological activities of companies.

Bauer's chapter focuses on CSR in the German context and the public policies that are influencing CSR in the country. The chapter explores initiatives at the national level which reveals that a variety of actors are involved in policy development. A number of ministries such as the Ministry of Labour and Social Affairs and the Ministry for Economic Cooperation and Development take a leading role. From the discussion it is interesting to hear the argument from Germany that national CSR policy builds on corporatism. The various stakeholders mostly agree on the desirability of CSR initiatives, but there are also differences in the concrete approach, for example, the German Trade Union Confederation supports the national CSR strategy alongside wider European legislation, whereas many businesses she argues would prefer a system with less strict regulation. Bauer argues that although few instruments of the German CSR policy can be classified as legal or soft legal instruments, the lines between voluntary CSR and legal obligations on environmental and social matters are blurring. Many CSR activities that are completely voluntary in other countries have long been required by law in Germany.

In their chapter 'The Reluctant State: A Failed Attempt to Develop a National CSR Policy', Urša Golob and Anita Hrast examine Slovenia's failed attempt to develop a national CSR policy via multi-stakeholder partnership. It also discusses the potential reasons for this failure. The research underpinning the chapter is grounded in the idea of CSR as a 'politicised' concept, acknowledging the importance of the institutional setting and institutional support in diffusing CSR. Their argument utilises a descriptive case study approach and a qualitative thematic analysis of the data. The data sources are the Institute for Corporate Responsibility (IRDO) documents, the minutes of the Partnership for National CSR Strategy provided by the Network for Social Responsibility of Slovenia and semi-structured interviews with various actors, such as government and local representatives, non-governmental organisations (NGOs), companies and journalists. The chapter discussed how the multi-stakeholder Partnership for National CSR Strategy – which was initiated by NGOs and other stakeholders – existed from 2011 to 2013, it later fell apart due to various factors, the most important being a complete lack of support on the governmental side, with the government being the actor with the executive power to implement and promote CSR policies at the national level. The chapter provides an insight into the drawbacks of attempting to set a national CSR policy agenda and discusses the reasons for these drawbacks.

This chapter discusses the importance of the economic, political and social context in which multi-stakeholder networks can foster the national CSR

debate. It recognises the role of CSR in co-regulating public policies and the importance of strong engagement among relevant stakeholders and public authorities.

In the chapter 'Transnational Corporate Social Responsibility: Fact, Fiction or Failure?' Mavis Amo-Mensah and Ralph Tench apply discourse analytic concepts to the study of Transnational Companies in and beyond Europe. This approach allows for a comparative analysis and lessons to be drawn on the significance of national and institutional frameworks that shape and inform CSR practices. The use of a linguistic-based model for researching CSR serves to differentiate this chapter from others courtesy of the adopted research method. This approach to research adds an additional layer of conceptual clarity and improves understanding of how the construct CSR is and can be researched. A literature review report draws on key contributors to the field of CSR and connects the established academic body of work with policy. They also make mention of 'American and European CSR systems'. The chapter then moves on to set out 'a linguistic framework for analysing CSR communications' and in many ways it is this approach that sets this chapter apart from other studies. In their findings and discussion, they write about 'appeal to reason', 'appeal to ethos', 'relational values' and 'structure of presentation' which give an ordered analysis and clear insight to salient issues. They conclude 'that firm, country and global level factors are important considerations in CSR discourses' and that is something researchers and practitioners ought to be mindful of when transferring concepts and practices from one context to another.

Paula Maria Bögel, Ivana Brstilo Lovrić, Sigrid Bekmeier-Feuerhahn, and Charlotta Sophie Sippel contribute a chapter titled 'Socio-Cultural Differences in Understanding and Development of Corporate Social Responsibility in Germany and Croatia'. As suggested by the title this chapter adopts a comparative study to CSR in two different European countries. The approach compares and contrasts CSR in an economy and society in transition with one that is advanced and industrialised. The focus is on the consumers' perspective. Socio-cultural differences between the two countries are in part used to explain and account for the differences in the ways that CSR is practised and understood. Recognising national differences between European countries in their approaches to CSR serves to demonstrate the varied interpretations and points of emphasis that are given to the CSR construct. Survey results are reported and a section of this chapter helpfully explores 'Implications: the development of CSR in transitional economies'. CSR is found to be of less importance to consumers in Croatia compared with those in Germany. If there is a lesson to be learned here then it must surely be the need to redouble efforts to promote, communicate and educate on CSR-related matters to citizens and consumers in Croatia, and possibly in other former Eastern-European countries in transition.

Patrick Kraus, Bernd Britzelmaier, Peter Stokes and Neil Moore's chapter 'Challenging the Business Case Logic for Sustainability as an Instrument of CSR: Do Consumer Attitudes in Germany Support a Business Case?' adopts a

social constructionist stance. This theoretically rich chapter gives an informed and robust critique of the business case for CSR and sustainability. It draws on both academic literature and policy documents (reports) and weaves together the various strands and nuances of argument to good effect. The business case for CSR is explored in relation to as well as through and from the lens of German consumers. The authors rightly point out that the relationship between corporate social performance and corporate financial performance is not settled and debate on this matter is ongoing. They also recognise that research around the business case for sustainability is subject to much debate. Three indicators – (1) sustainability, (2) sustainable consumption and (3) socially responsible investments – are used to shed light on ‘whether German consumers are likely to choose products which are branded with a higher sustainability performance’. These three indicators are discussed in turn and lead into the conclusions. Patrick Kraus, Bernd Britzelmaier, Peter Stokes and Neil Moore’s chapter concludes by drawing attention to the contradiction between German consumers attaching importance to ‘the environmental and social impact of products’ and their relative reluctance to pay a premium for ‘CSR inspired socially or environmentally, sustainable responsible products’. They find that the business case for CSR has yet to be proven and their robust critique of this serves as a call for further studies in this area.

Paul Christopher Manning’s chapter ‘The MBA Student and CSR: A Case Study from a European Business School’ addresses CSR from the MBA student perspective. This chapter finds that students want more of a CSR focus given to their programmes of study. Qualitative semi-structured interviews are informed by and underpinned with American and European literature. At the heart of this chapter lie the bigger questions around ‘how’ as well as ‘what’ it is that business schools should teach. Exactly how should CSR be taught and what can be done to redress the rationalist economic self-interest perceived to be pursued by traditional MBA programmes. The back-story to the shift in focus towards more CSR is in part explained by the various corporate scandals as well as the 2008–2009 financial crises. The role of graduate MBA students working in the finance at the time of the financial crisis is noted well. Manning strongly makes the case for ‘a return to the moral roots of economics’ and in support cites the work of Adam Smith. He adopts a constructivist/interpretive paradigm which is used to shape and guide the methodology. The conclusions discuss whether or not ethics can or cannot be taught in business schools and the research confirms ‘that there is an ethics and CSR deficit’ in MBA programmes. More should be done by University Business Schools to address the CSR deficit and to help deliver a curriculum fit for graduates seeking to make a difference not only to their own careers but also to the wider environment and society.

From a Polish standpoint Justyna Berniak-Woźny’s chapter ‘The Role of Business Schools in CSR and Responsible Management Education: The Polish Students’ Perspective’ offers rich insight. The chapter starts with a review of the

CSR concept evolution and importance, with a strong focus on Poland. Next, the review of the responsible management education state in Europe and Poland is presented followed by an evaluation of CSR and responsible management education in Polish business schools from the students' perspective. The evaluation is based on a survey amongst business students of a non-public Polish business school. The practical dimension of the chapter takes the form of a framework of effective CSR education in Polish business schools, presented at the end. In discussing the findings, the chapter claims that in the Polish context the demand for CSR competencies and responsible management is on the rise, both amongst students and employers. The existing international initiatives and accreditation standards give a general idea about the shape of responsible management education, but the exact model must be developed at a regional/country level to ensure adequate appreciation of factors such as the economy, history, culture, academia-business relations, or even the dominating teaching model.

In his chapter 'A Forgotten Issue: Fiscal Responsibility in the CSR debate', Adrián Pablo Zicari and Cécile Renouard explore the new concept of fiscal responsibility (FR), a particularly relevant issue in Europe, emergent in the realm of CSR. They review the current complexity and ambiguity of corporate taxation and find that the complexity resides in such a changing environment that production processes are fragmented across national borders, business processes are increasingly dematerialised and intangible, and boundaries between legitimate and illegitimate tax avoidance are often blurred. In such an environment, tax regulation is limited and therefore, there is a strong scope for applying the principles and policies of CSR. They argue for the articulation of FR into both the theory and practice of CSR. They explain several reasons why FR should be linked to, highlighted, and developed in CSR.

Marie-Laure Baron and Suzanne Marie Apitsa's chapter 'Corporate Social Responsibility of a French SME in the Transport Sector: Networking for Change' focuses on the understanding of the CSR implementation gap between large corporations and small and medium enterprises (SMEs), as it is apparent that CSR implementations are poorer in SMEs than in large corporations. For example, although SMEs in the transport sector has engaged in environmental CSR, European figures show that there is no overall improvement, particularly in countries like France. The chapter proposes a focus on environmental responsibility concern in the transport industry where more radical changes are needed. It shows how highly involved SMEs can contribute to increased CSR practice within their industry. Using the case of a French SME involved in CSR strategic implementation, the chapter highlights the process that enables the company to acquire knowledge and resources from networks as well as to infuse best practices within the local industry.

Vera Ferrón Vilchez and Dante Ignacio Leyva de la Hiz's chapter 'Lessons on Frugal Eco-Innovation: More with Less in the European Business Context' introduces the concept of frugal eco-innovation as an eco-efficient way with

which firms might shift their existing business models to explore how firms are able to cut costs and reduce negative environmental impacts simultaneously. Based on numerous examples about how several European companies are adopting frugal eco-innovation, the authors find the pathway of how cost reduction could be achieved by firms and how managers could implement frugal eco-innovation effectively. The development of frugal eco-innovation indicates the very possibility that acting for corporate environmental responsibility can benefit both business and environment/society simultaneously and can be done efficiently and sustainably. The chapter indicates that as a new management approach, frugal eco-innovation is more than redesigning products towards a simpler use and a lower cost. Rather, it entails a rethinking of processes and business models towards a dematerialised production and resources consumption pattern.

Maria Teresa Nardo and Benedetta Siboni's chapter is titled 'Requirements and Practices of Social Reporting in Italian Not-For-Profit Organisations'. As suggested by the title it reports on and offers detailed insights to the 'mandatory reporting requirements' of not-for-profit organisations (NPOs) in Italy. Opening with a discussion of the background context the chapter moves on to a rich and thoroughgoing review of the literature. The types of NPOs are recognised to vary with regards to their scope, remit and workings. Nardo and Siboni's work is of particular contemporary political and civil-society relevance because as they acknowledge, 'since 2016 the Italian state has undertaken a major regulatory reform of NPOs.' As a result of these reforms as of 2018 all types of NPOs will be expected to produce social reports and to make them available on their websites. Whether this leads to increased accountability remains to be seen and the impact of these changes will need monitoring and evaluating.

Adalberto Arrigoni offers a theoretically informed chapter titled 'CSR and Social Ontology, A Missing but Necessary Link: Towards a Realist Account of the Firm'. The background introduction section sets the EU CSR context. Attention is drawn to 'the importance of structuring processes and implementation dynamics for the success of CSR practices'. Arrigoni moves to consider CSR through and in relation to social ontology. The chapter addresses the CSR and social ontology research gap and offers a rich and detailed analysis of these two concepts. The socially constructed nature of CSR is explored through discussion of structuration, agency and ethics. The intersection of CSR and ontology is complex, and its analysis proves to be a valuable and rewarding undertaking. A virtue ethics perspective is put forward as one way of unpicking and analysing the structure-agency problem inherent to the study of CSR.

The debate on the construct, nature, purpose and workings of CSR in Europe is current, diverse in its scope and relevant to the business, economics, environment and politics of today. A changing Europe requires a CSR agenda that can be applied in a flexible way to suit the particular circumstances of different nation states. An overarching approach from the EU helpfully sets the

broad framework within and through which CSR can be progressed. However, for things to happen ‘on the ground’ – for policy and directives to be turned into action – requires engaged citizens, including corporate citizens who are willing to engage with CSR practice in all its varieties and forms (e.g. environmental, social). If there are lessons to be drawn from these chapters, it must surely be one of hope for a future that meets and addresses the challenges of CSR. The chapters offer a starting point of where we are at present with CSR in Europe. The task now is to build CSR into the future of Europe and to continue to do so in a way that allows scope for innovation, and new thinking and practice within and across individual European nation states.

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