

Schools of Political Studies
Thematic meetings during the World Forum of Democracy (3-7 November)

Professional group meeting
“ Corporate social responsibility: how can the private sector help stabilise societies undergoing political and economic transition?”
6 November 2014
Synopsis¹

The session was attended by SPS alumni from Bulgaria, Kosovo*, Moldova, Romania, Serbia and Ukraine as well as guests from Kyrgyzstan. The meeting was moderated by Mr **Michael REMMERT**, Deputy to the Director of Policy Planning, Council of Europe, who introduced the topic and posed a series of questions on **corporate social responsibility** (CSR) practices and challenges in participants' respective countries as a base for discussion in small groups. What should be the role of the private sector in stimulating local economies and in creating healthier and more ethical working conditions? How can business leaders be encouraged to run responsible businesses? Do businesses genuinely have a social consciousness or is their involvement in CSR merely part of a marketing strategy? Is CSR important in your company? What is the role of consumers? In societies undergoing political and economic transition, is a shift toward responsible business practice possible?

The invited expert, Mr **Michael SOLOMON**, founder and Director of Profit Through Ethics which promotes transparency and accountability in business and helps consumers make **informed choices** through an online management tool and a business performance ranking, the **'Responsible 100'**, led the debate. He wondered what CSR really means and what are the indicators to measure it as well as whether it is the role of businesses to ensure profit is combined with positive social impact.

The participants generally agreed that it is first and foremost the positive **marketing aspect** that often drives CSR. Multinational companies often bring CSR along in their corporate culture primarily as their marketing strategy, opting for projects of maximum visibility. Conversely, many young start-ups and small and medium businesses attempt to **develop their own approaches** to CSR. Often, it is the smaller domestic businesses that can offer more meaningful contributions, despite their limited resources compared to foreign companies. As companies are not isolated economic actors operating independently from society, CSR should aim to address societies' **pressing needs**.

Further, some participants felt that the capacity to implement CSR is limited in small and rather weak economies where companies simply cannot afford it. In many cases, in order to invest in CSR, savings must be made in other areas, thus rendering CSR activities a **needless expenditure rather than an added value**. While businesses strive for a positive image, there are always less scrupulous competitors ready to step in. In this context, Mr SOLOMON argued that in the long term, committing to CSR would increase profitability. On the other hand, it was recognised that many of the companies with the required resources **lack the willingness or the knowledge** to channel these into CSR activities.

¹ Notes taken by Dorota Śliwa, DPP

* All references to Kosovo, whether to the territory, institutions or population, in this text shall be understood in full compliance with United Nations Security Council Resolution 1244 and without prejudice to the status of Kosovo.

Many expressed a view that what is understood as CSR in the post-Soviet space are mostly **rudiments of the former system**, in itself socially-oriented, for instance with a focus on providing child or elderly care. Another example of a different perspective on CSR in the post-Soviet space was provided from Ukraine where businesses are currently providing financial support to set up volunteer military structures and facilitating the procurement of equipment and infrastructure as a response to the state army which is proving inefficient. Other examples included negative practices such as 'hidden social payment' for otherwise free services, donations to religious entities to ensure a 'better afterlife', and bribery for votes.

In terms of the state's role in improving social standards, while it cannot live up to the somewhat outdated expectations to assume the whole burden, it does possess the capacity to **encourage a culture** of responsibility in the corporate sector and can facilitate the implementation of CSR activities, for example through **changes to the tax system** and by **introducing CSR-friendly policies**. However, in this context participants were dissatisfied with the lengthy legislative processes and difficulties in lobbying for legislative change.

Participants were also favourable to the idea of businesses working together with **the NGO sector** in CSR activities as such collaboration can bring benefits for both sides, as shown in Romania for example. The expert stressed the advantages of developing the 'Responsible 100' in co-operation with NGOs.

Finally, as regards **consumers**, they should have opportunities to identify and reward companies who demonstrate transparency, accountability and responsibility in their endeavours while exerting pressure on those who stay behind or engage in CSR only to improve their images. Opinion polling on how the **society perceives businesses** is thus important.

Overall, a **pan-European perspective** on the state of CSR emerged from the discussion. While countries in transition confront obstacles similar to those in established economies, such as the UK, they must also face additional challenges intrinsic to their particular country or region as historical, **cultural or economic and structural factors** often come into play. It was concluded that although the understanding of what CSR should entail can vary from country to country, and may be industry-specific in this field marked by **interdependencies**, CSR activities find themselves at the core of businesses' interaction with the consumer and the state. The need to focus on positive models not only complying with ethical standards but also **actively pursuing** authentic and transparent ways to build a fairer and more sustainable society was emphasised.
