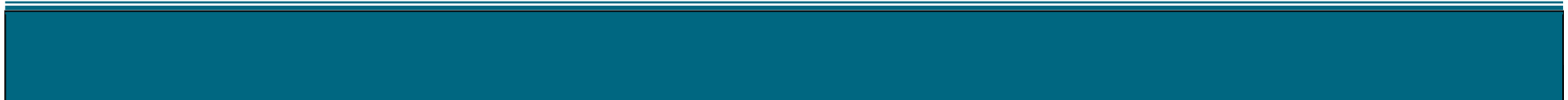


# Corporate Responsibility in Europe – Post-Crises Challenges

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# Workshop Agenda

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1

Corporate Responsibility in Europe – Some Clarifications

2

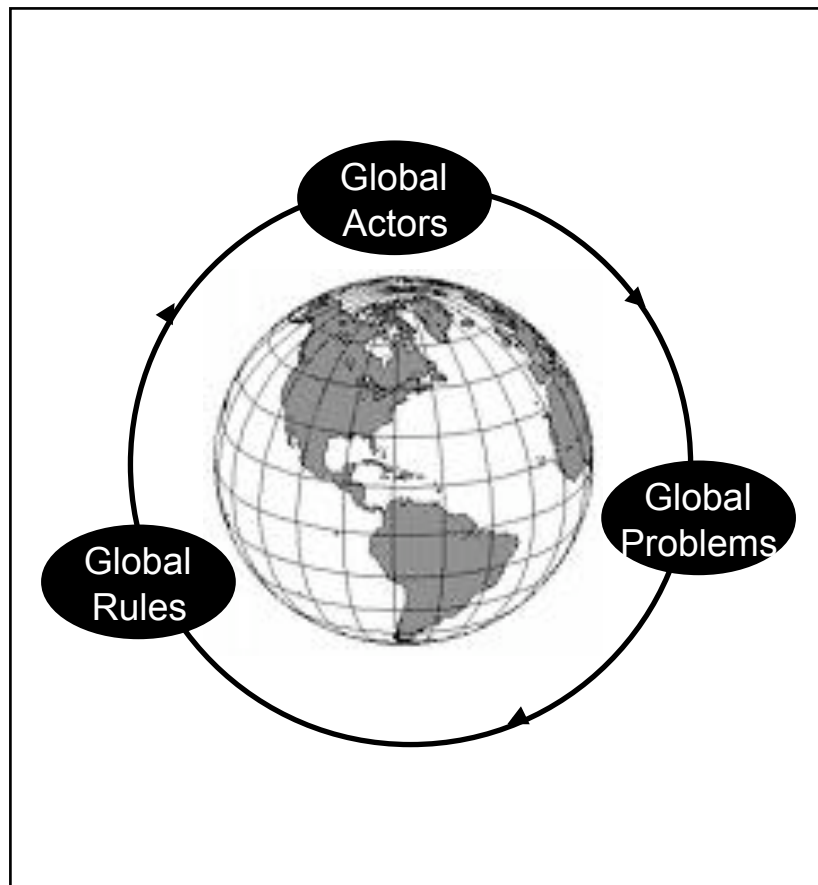
The EU's Emphasis on Small and Medium-Sized Enterprises

3

Discussion – Exploring SME's Responsibilities in Europe

# Why Do We Need Corporate Responsibility? – A Global Perspective

## (Imperfect) System of Global Governance



## Effects of this Imperfect System

1. **Race to the Bottom Effect:** Since political authorities' sovereignty remains nationally limited and thus control over multinational corporations (MNCs) is lost, MNCs can split their operations and move to those countries where the standards are lowest.
2. **Regulatory Vacuum Effect:** Insufficient international law fails to be directly applicable to MNCs. As a result, no specific regulations exist that could be used to hold firms accountable.

# Corporate Responsibility

## What's in a Name? – The EU Definition

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**“A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. “ (European Commission)**

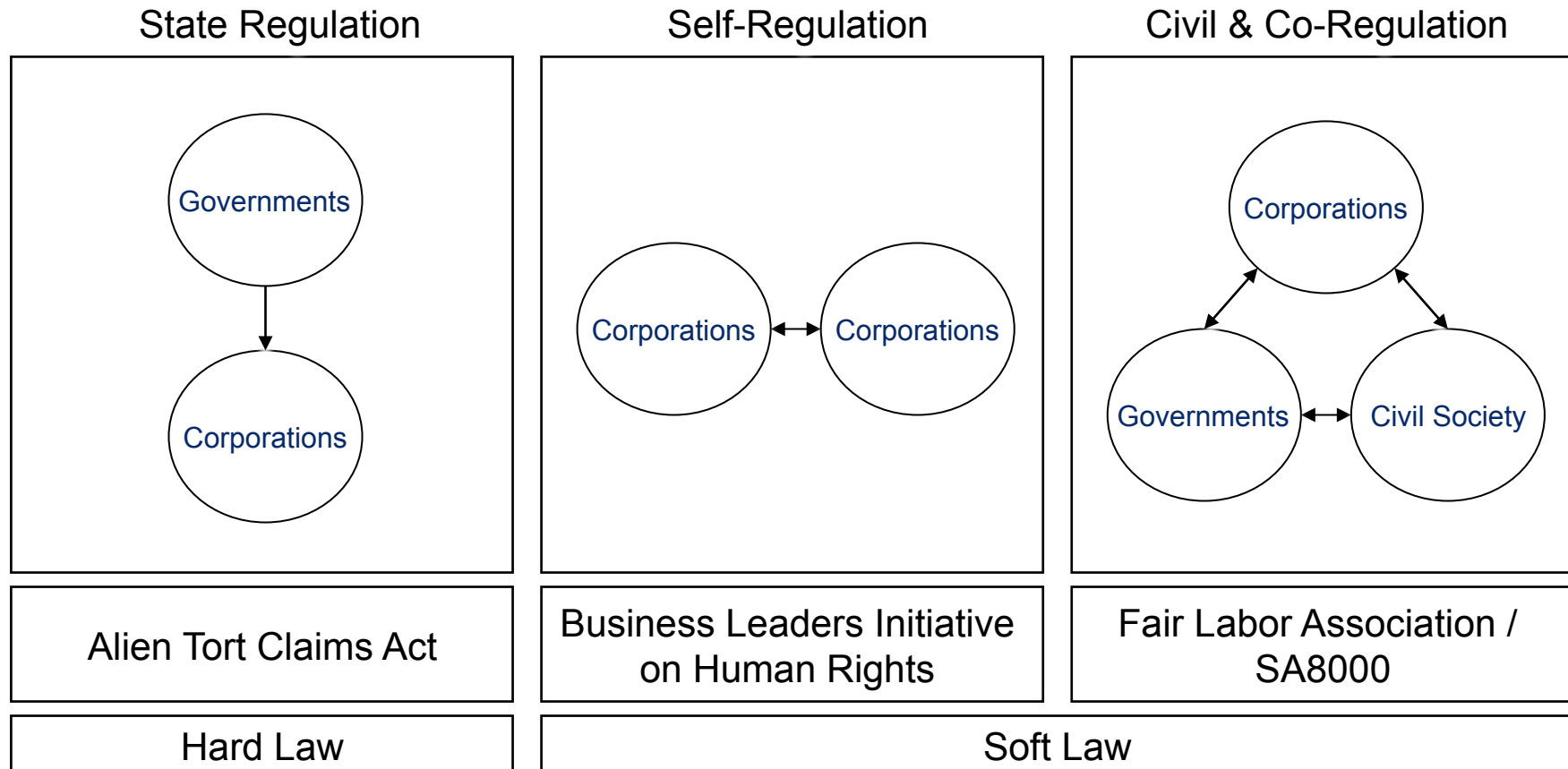
CR includes philanthropy – but it is much more.

CR means aligning business strategy and operations with universal values.

CR can lead to a change in strategies, operations, relationships.

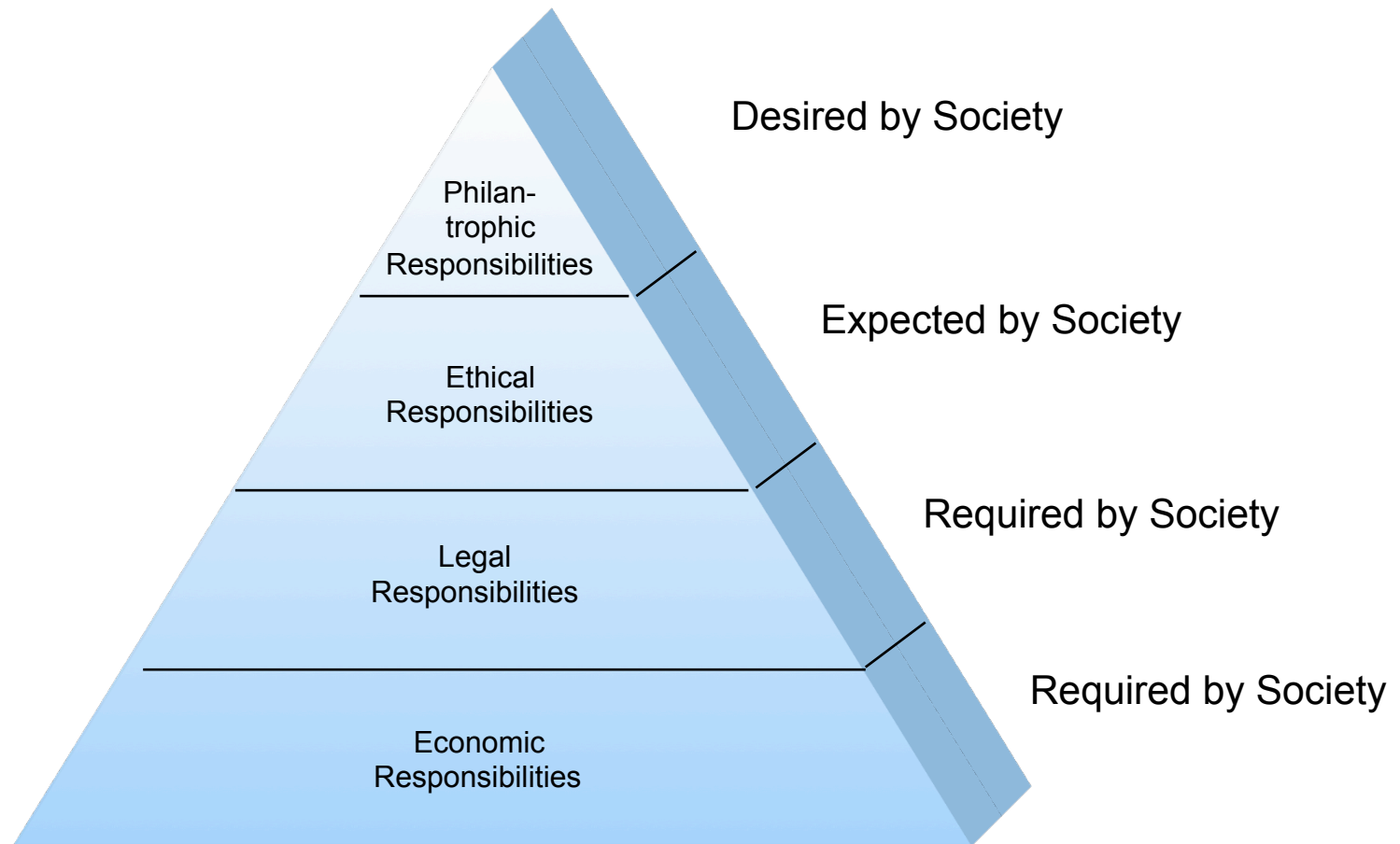
CR is voluntary and not primarily based on hard law

# Putting Corporate Responsibility Into Practice – Regulatory Tools






# Corporate Responsibility – Responsibility for What?

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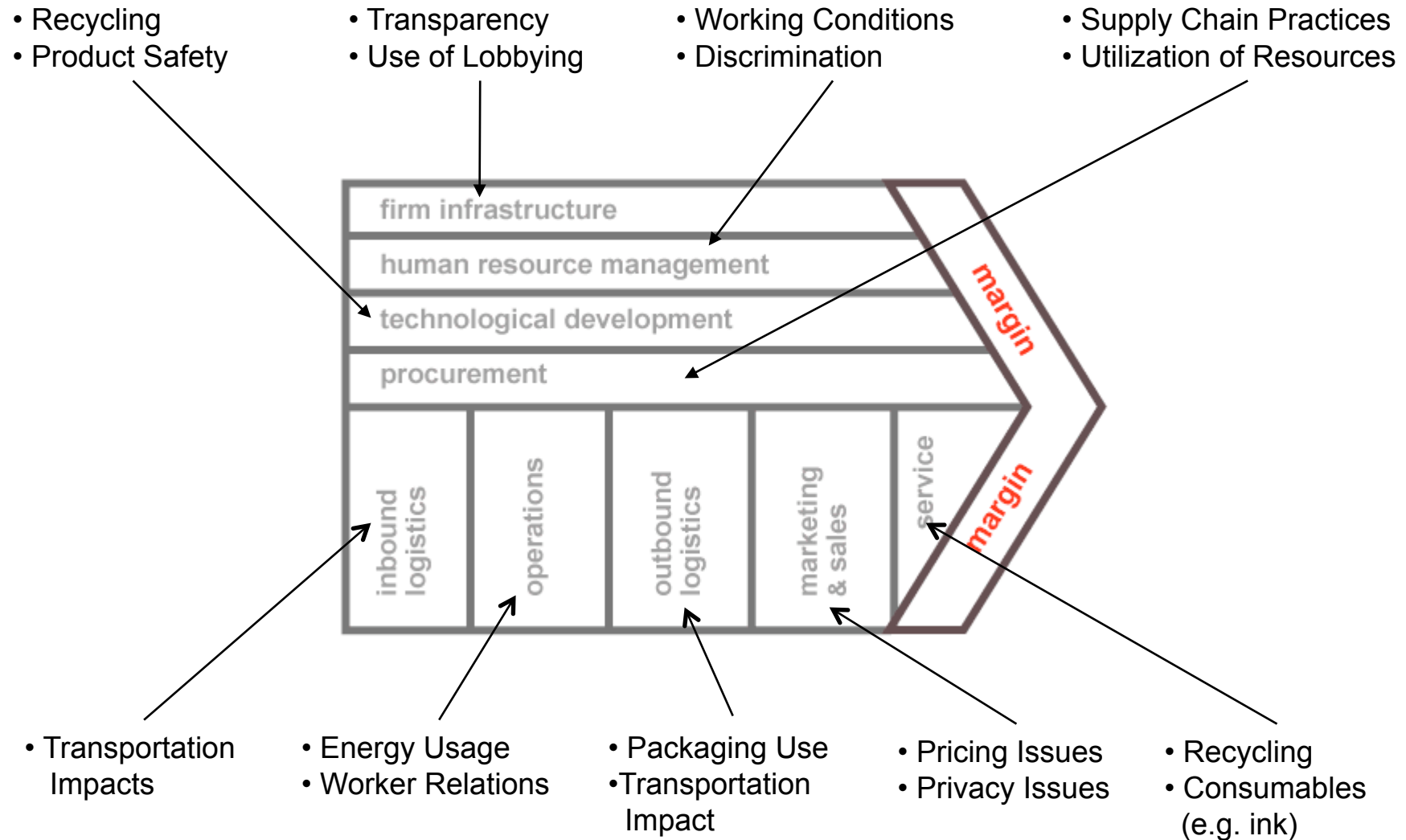


# The Sphere of Corporate Responsibility – Some Examples

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- 1. Child Labour:** 218 million child laborer worldwide, 126 million of which are engaged in hazardous work (e.g., in agriculture working with heavy power tools or chemicals) 
- 2. Waste Management:** most industrialized countries are unsustainable in the sense that supply chains create a lot of end-of-life product waste 
- 3. Corruption:** around \$80 billion are paid each year in bribes / the World Bank estimates that the overall negative economic impact of corruption reaches around \$1 trillion 

# Corporate Responsibility in a Company's Value Chain – Opportunities and Problems





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Discussion – Exploring SME's Responsibilities in Europe

# What are Small and Medium-Sized Enterprises (SMEs)?

- **SMEs (between 10 and 250 employees; under 10 = Micro Enterprises)**
- **SMEs are the Majority Business Form**  
Example: UK 2007 Private Sector
  - 4.7m businesses      SMEs 99,9%
  - 22.7m employees    SMEs 59,2%
  - £2,800b turnover    SMEs 51,5%
- **Different in Nature (Not Just Size!)**
  - Combination of ownership and control
  - Informality and lack of codification
  - Close moral proximity to stakeholders
  - Conflation of the personal and the professional
  - Often, rejection of over focus on profit maximization
  - Highly heterogeneous
- **Important for Large Multinationals too**



# SMEs and Corporate Responsibility – Key Differences

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- Importance of (local) reputation
- Legitimacy is quite ‘localized’
- Key stakeholders:
  - Employees
  - Local community
  - Local competitors
- Family involvement and influence (personal integrity)
- Burden of bureaucracy and ‘standardization’
- Increased transparency – nowhere to hide
- SMEs are usually only indirectly linked to global problems (e.g., child labor) – SMEs often address local issues



# The EU Initiative – SMEs and Corporate Responsibility

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- European Expert Group on SMEs and Corporate (Social) Responsibility (built on different initiatives, e.g., roundtables)
- SMEs in EU are particularly heterogeneous due to different cultural contexts (thus: necessity for variety of tools and approaches)
- Research and expertise in different areas:
  - Corporate responsibility tools for SMEs
  - Corporate responsibility, the supply chain and SMEs
  - The business case for corporate responsibility in SMEs
  - Effects on regional competitiveness



<http://ec.europa.eu/enterprise/csr/sme.htm>

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# Discussion – Corporate Responsibility in European SMEs

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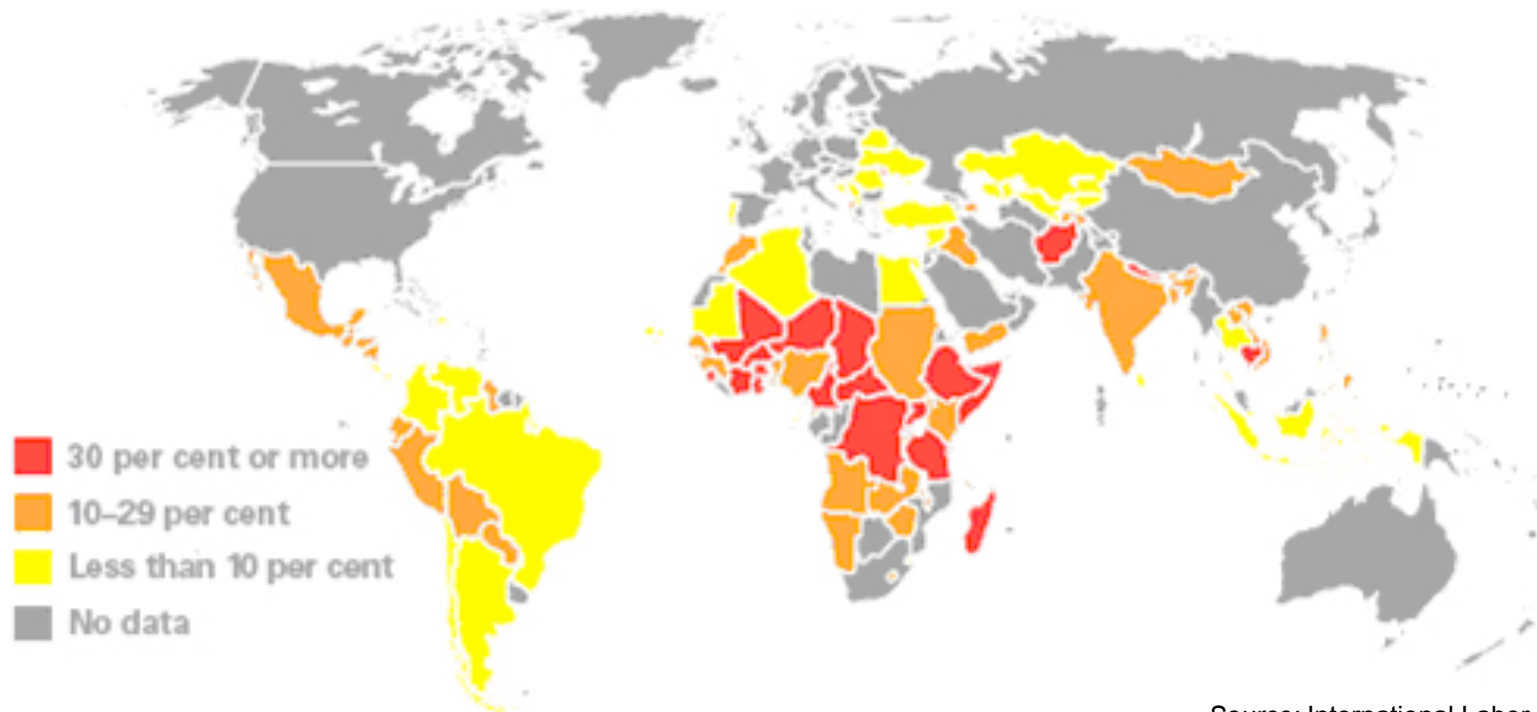
1. How do SMEs benefit from considering corporate responsibility? How can it influence their competitiveness?
2. While looking at the cases, how do you think can SMEs' corporate responsibility policies be improved?
3. What do you think are key success factors when developing a corporate responsibility policy for SMEs? How would you approach implementation?
4. Considering your own national background, how would a corporate responsibility policy for SMEs look like in 'your' country compared to the cases? What would be different? Why?

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# Linked Slides

# Exploitative Labour Conditions

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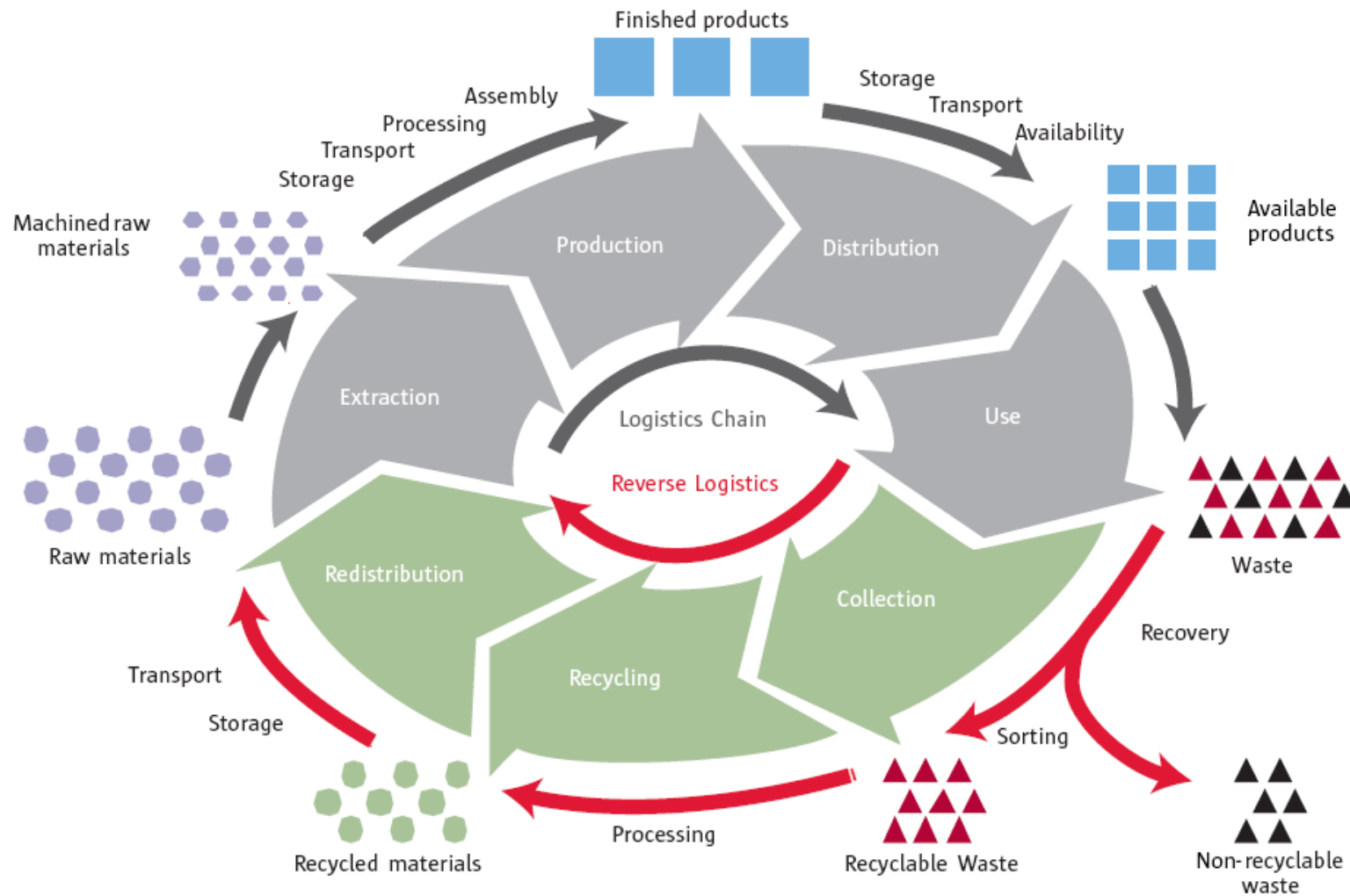
Source: International Labor Office

This map shows the percentage of children (age 5-14) working worldwide. As enforceable international regulations are missing, multinational corporations can move their production facilities (our source their inputs) from countries where labor conditions are disastrous.

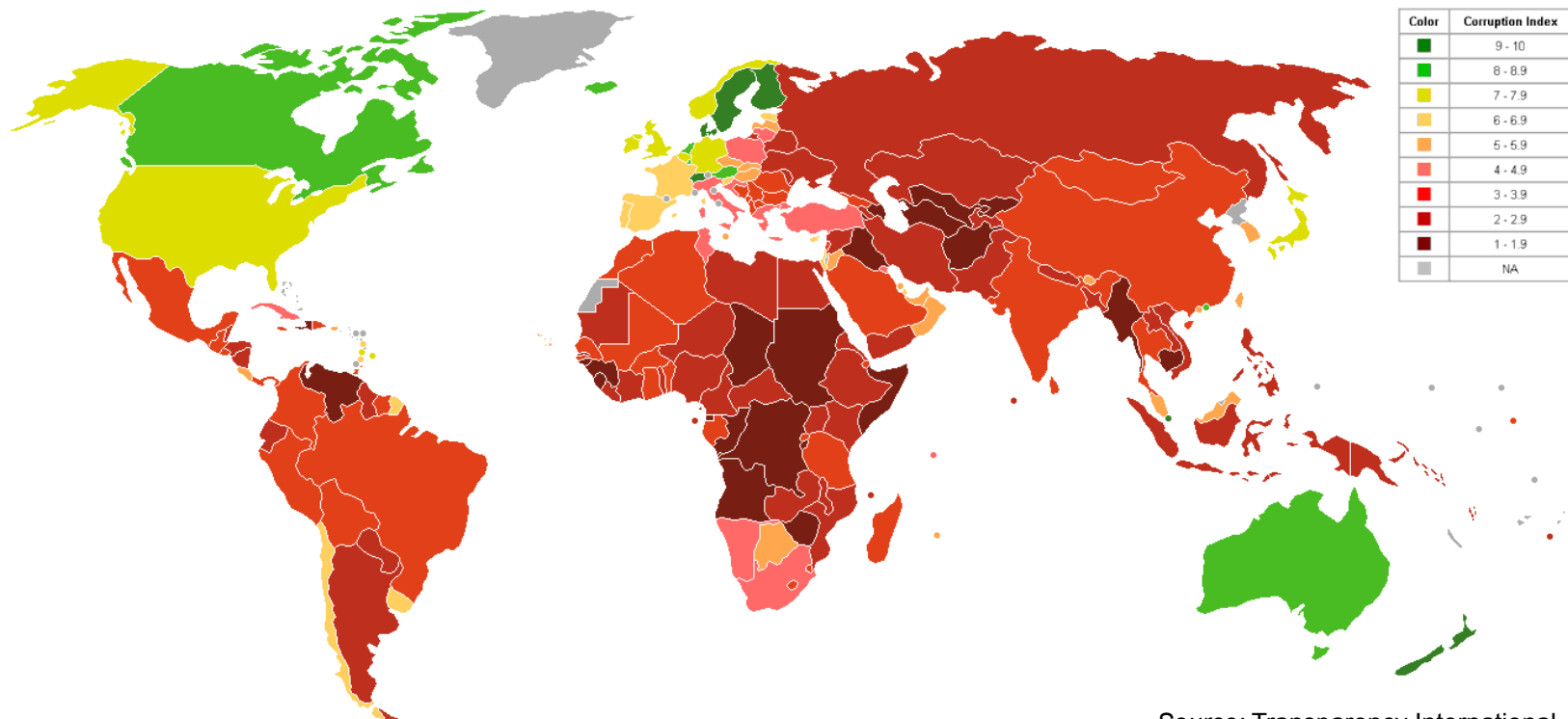




# From Supply Chains to Supply Loops



# Corruption in International Business



Source: Transparency International

This map is based on the latest Transparency International Corruption Perception Index (CPI). The CPI Score relates to perceptions of the degree of corruption as seen by business people, academics and risk analysts, and ranges between 10 (highly clean) and 0 (highly corrupt).

