In terms of corporate responsibility standards, Croatian companies have some catching up to do with their counterparts to the north, in Hungary. A survey by Braun & Partners, a corporate responsibility consultancy based in Budapest, finds an encouraging level of corporate social responsibility awareness among Hungarian companies.

Nearly 97% said ethical business was key to management decision-making. Two thirds of companies said corporate citizenship was key to long-term financial performance. And executives agreed that social and environmental responsibility was more a question of management than PR or marketing.

Tradition counts

In Serbia, companies are behind that level of understanding – though, as in Croatia, they have a tradition of providing some social goods.

Visnja Milosevic, of Responsible Business Initiative Serbia in Belgrade, says Serbian companies in the past "invested into everything, from waterworks to schools, from new roads to construction of hospitals".

But Serbian companies are struggling to develop a modern version of citizenship. A recent RBI survey found that most Serbian companies had an awareness of corporate social responsibility but were rarely able to list any issues associated with it. Most companies' corporate social responsibility activities "boil down to philanthropy", the report says.

Milosevic says Serbian businesses have been hampered by the economic disasters of the old Yugoslavia, and latterly of Serbia and Montenegro. During the conflicts in the 1990s, she says, companies were either seen as corrupt supplicants of the state, or were legitimate businesses starved of growth opportunities abroad.

"It was simply close to impossible to advocate investments in CSR when the first and only priority for business was sheer survival," she says. ■

Useful links:
www.zsem.hr
www.pliva.hr
www.pfsprogram.org
www.smartkolektiv.org
www.braunpartners.hu
Ethicalcorp.com keyword searches:
Croatia, Serbia, Bulgaria, Romania

Germany and corporate social responsibility

Mired in the regulation debate

By Torsten Sewing in Frankfurt

Proposals by Germany's council for sustainable development are a telling account of the country's corporate citizenship discussion

The German sustainability council was installed by the Schroeder government in 2001. Its brief was to instigate and develop a national sustainability strategy.

In the five years since the council's creation it has delivered recommendations to shape the federal government's sustainability plans. These include supporting the refurbishment of old buildings to reduce energy use; developing the energy efficiency of federal property; and campaigning on sustainable consumption.

Now the council has presented a draft of corporate social responsibility recommendations for government and corporations. As part of a "multi-stakeholder dialogue process", the council is also collecting feedback from the German corporate social responsibility community.

The recommendations show that the council sees corporate citizenship as defined by public concerns. The council wants companies to develop stakeholder engagement to ensure they are part of what the council calls "a new competition culture".

The council has a strong focus on consumer considerations – through its state funding it is accountable to the public. It is with this backdrop that it says its aim is to restart what it sees as a stalled debate on German corporate social responsibility.

A new competition culture?

The proposals provide an insight into the German debate on corporate responsibility. The council describes that debate as being stuck in a dichotomy of voluntary will versus regulation. And it warns that long-term opportunities cannot be harnessed if this impasse remains.

The council is clearly seeking to encourage a responsibility-based German business culture. It wants to see further progress of the debate, and to build better international connections in the discussion.

As well as outlining the business case for corporate responsibility, the council claims that the emergence of corporate responsibility is a political signal: the affairs of business are now firmly a matter of public concern, it says. This means, the council believes, that the value of a company should no longer be measured only according to the balance sheet, but also through the long-term impact that business strategies and public issues have upon each other.

Labour market changes

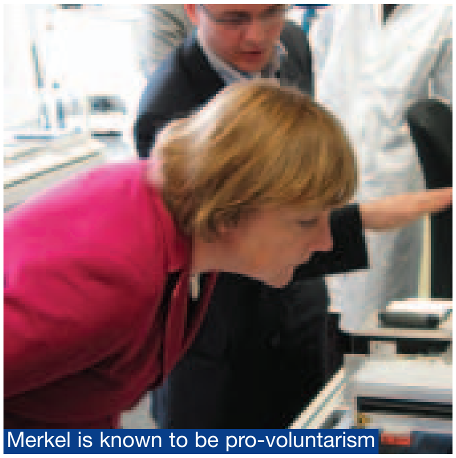
Within Germany, these long-term impacts could include the effect that demographic changes have on the labour market and the predicted lack of skilled workers. Internationally, they could include foreign direct investments in what turn out to be fragile or failing states.

How will Germany's corporate responsibility debate play out?

In the context of this publicly defined corporate social responsibility, the council claims that "dialogue and transparency as well as … responsibility are … part of the regulatory framework of a new competition culture".

To Daniel Unsoeld, of the German branch of Friends of the Earth (Bund), the recommendations of the council represent progress, as they demand a framework of corporate accountability and transparency.

Still, he notes that Bund hopes to see a more "international dimension" of these recommendations, especially in supply-chain issues – something of a core topic for corporate giants such as Adidas. Bund advocates that every citizen affected by corporate action should have the right to sue worldwide.


Merkel is known to be pro-voluntarism

The power of pressure

Professor Andreas Suchanek of the Wittenberg Centre of Global Ethics is of a different opinion. To him, pressure on a company's brand leads the way towards higher social and environmental standards in the supply chain. It is this focus on brand (and the non-governmental organisations watching the company) that can deliver more responsible manufacturing and should provide consumer product differentiation on ethical issues.

Suchanek sees the council's recommendations as constructive. However, he points out that voluntary, sector-specific standards already form a big part of German industry practice. To create these standards, competitors get together to agree on how to make voluntary progress on social or environmental issues.

Suchanek cites the foreign trade association of German retailers (AVE) as an example: all members of the association agree to audit and evaluate their suppliers regularly, as well as to help their suppliers to introduce working conditions that comply with the conventions of the International Labour Organisation.

As a result, the trade association claims higher product quality and customer satisfaction, together with positive social effects in the manufacturing countries. Yet, he notes, the council has failed to take note of existing voluntary practices such as these when making its suggestions.

Critical business associations

Antje Gerstein, responsible for corporate social responsibility at the confederation of German employers' association (BDA), is highly critical of the proposals by the German sustainability council. To Gerstein, the council aims to introduce compulsory elements when it recommends that the government establish "exemplary social responsibility in its own spheres".

As this relates to public procurement as well as to supporting socio-ethical funds through pensions and health policies, the BDA views the recommendations as a strong violation of the voluntary nature of corporate responsibility.

With the European Commission's latest proposals focusing on a voluntary approach, the centre-right German government will not have José Barroso to argue with if it ignores the recommendations towards its own social responsibility.

Whether Angela Merkel's government will seek to get its own sourcing and purchasing house in order in the meantime remains to be seen. ■

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Useful links:
www.csrgermany.de
www.nachhaltigkeitsrat.de/projects/csr/index.html
Ethicalcorp.com keyword searches:
Germany, Merkel, German CSR

Retailing and public relations

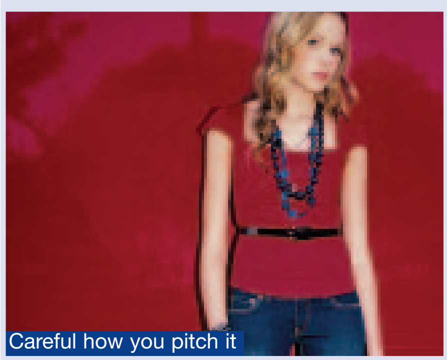
Fickle fair trade

By Ben Schiller, Europe writer

While retailers can be happy about their sales of ethical products, the trade does not come without PR risks

Fairtrade Fortnight, in early March, brought a flurry of media coverage claiming a "quiet revolution" in the high street. With ethical products on offer at Sainsbury's (flowers, t-shirts), Asda (baby clothes), Marks & Spencer (coffee, underwear), and Topshop (clothes), the media rushed to declare a trend: the "mainstreaming" of ethical trading.

But while commentators praised the retailers' adaptability, and the Daily Telegraph's fashion pages assured readers that buying ethically did not mean fashion compromises, it was hard not to detect an underlying tone of cynicism in some quarters – and not without reason.


Careful how you pitch it

Topshop, in particular, was accused more than once of "jumping on the bandwagon".

The Financial Times pointed out that Topshop's ethical lines would be available only at its flagship store in central London and would not arrive until May, and that it would not be making its own ethical products (the lines will come from People Tree, Hug and Gossypium). It also noted that Arcadia, Topshop's owner, was one of the few retailers (Primark is another) not to have signed up to the Ethical Trading Initiative, a prominent alliance of companies, non-governmental organisations and trade unions promoting fairer trade.

A 2000-plus-word article in the Independent on Sunday identified a potential pitfall for the likes of Topshop. If consumers are concerned enough to buy fairly sourced cotton shirts, when will they start asking where the rest of the stores' products come from?

Indeed, far from improving the retailers' ethical credentials, the coverage raised the possibility that the campaigns would highlight not only what the companies were doing, but also what they were not. As for the media, the coverage showed that newspapers and others might be getting wiser to companies that talk more than they act.

Arcadia, which says it is considering its position on ETI, may find itself having to