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Business-society relations in Central- Eastern and Western Europe: How those who lead in sustainability reporting bridge the gap in corporate (social) responsibility

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InFER | Institute of
Forest, Environmental, and Natural Resource Policy

Diskussionspapier / Discussion Paper 3-2010

November 2010

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ISSN 2072-764X

Also published as

Steurer, R. & Konrad, A. (2009):¹ Business-society relations in Central-Eastern and Western Europe: How those who lead in sustainability reporting bridge the gap in corporate (social) responsibility, in: Scandinavian Journal of Management; 25, 23-36

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Eigenverlag des Instituts für Wald-, Umwelt- und Ressourcenpolitik, Universität für Bodenkultur Wien
Published by the Institute of Forest, Environmental, and Natural Resource Policy, University of Natural Resources and Applied Life Sciences, Vienna (BOKU)

¹ We thank the Austrian National Bank for financing the research project (number 11845) that led to this publication.

Abstract

In Western Europe, corporate (social) responsibility (CR) has become a popular concept that no major company can afford to ignore. However, what about the major companies from the new Central-Eastern Europe (CEE) Member States? The present paper is one of the first attempts to analyse the understanding and relevance of the CR of some major CEE companies that are leaders in sustainability reporting. This analysis is conducted in direct comparison with a similar analysis on major Western European companies. Methodologically, the paper intertwines two qualitative strands of research: An analysis of 19 CR reports (12 from CEE and 7 from Western Europe) provides a general impression about the understanding of CR across different socio-political contexts. This report-based depiction is complemented by two surveys of 22 companies (11 from CEE and 11 from Western Europe). The surveys show the relevance that the companies attach to specific CR issues. Overall, the paper concludes that the understanding of CR is context-specific, but also that, in the case of major companies that are leading in CR reporting, the differences are not as stark as one might expect.

Keywords

Corporate (social) responsibility/CR, corporate sustainability, sustainable development, stakeholder management, sustainability reporting, environmental reporting, Global Reporting Initiative/GRI, Central-Eastern Europe (CEE), Eastern Europe, Western Europe

Acknowledgements

We thank the Austrian National Bank for financing the research project (number 11845) that led to this publication, and the respondents of our survey (the companies listed in the right columns of the tables displayed in Annexes 2a and 2b) for taking part in the survey. We also thank three anonymous reviewers from the Scandinavian Journal of Management for their helpful comments in two challenging rounds of feedback, and Eleanor Smith for proofreading the manuscript.

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1 Corporate responsibility: A universal concept with regional variations

In recent years, the societal guiding model sustainable development and its corporate derivative known as corporate (social) responsibility (CR) have become popular concepts. By recognising that sustainable development requires a development “that meets the needs of current generations without compromising the ability of future generations to meet their needs and aspirations” (WCED 1987, 43), CR advocates that corporations should not only expand their economic horizon from a short-term (often quarterly) to a long-term perspective, but that they should also take the social and environmental claims of their stakeholders into account. In its Green Book on the topic and both subsequent Communications, the European Commission (2001, 10; 2002, 2006) defined CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. In managerial language, CSR and CR are often referred to as the triple bottom line principle (Elkington 1994; Dyllick & Hockerts 2002), aiming at minimising trade-offs and maximising synergies between economic, social and environmental aspects. An in-depth comparison of the closely related concepts of sustainable development, CR and CSR and their linkage to stakeholder management is explored elsewhere (see, e.g., Steurer et al. 2005 and Halme & Laurila 2008). While the empirical survey conducted for this paper employed the term corporate sustainability, this paper adopts the terminology of the special issue and speaks of corporate responsibility (CR).

Originating in the US business ethics discourse of the 1950s (Clarkson 1998; Mitchell et al. 1997, 307), CR has spread around the world, showing a particularly strong resonance in parts of Western Europe (Habisch et al. 2005; Middtun et al 2006) and Asia (Welford 2004). Although CR is often regarded as a universal concept evolving around the normative core of the above mentioned triple bottom line principle, one should not overlook the fact that its actual meaning changes over time and differs between regions due to varying socio-political and cultural circumstances (Moon 2007).

The latter, more specifically the variances of CR between major companies from Western Europe (WE companies) and from some new Central-Eastern Europe Member States of the EU (CEE companies)² that are leading in CR reporting are the focal point of this paper. Based on an analysis of 12 English CR reports from the CEE region and a complementary survey of 11 CEE companies also leading in CR reporting, this study describes what meaning and relevance they attach to CR, what stakeholder groups they regard as important, and how they perceive the interests of their stakeholders. Since we have conducted the same analysis for WE companies also leading in CR reporting (Konrad et al. 2006), the paper is able to draw a direct comparison. By doing so, it shows in essence how different historic pathways affect the contemporary understanding of CR in the two European regions.

The stocktaking of CR in major CEE companies with respective reports in English and the comparison with similarly progressive WE companies is structured as follows: In section 2, we review the literature on CR in CEE. The review suggests that there is a significant gap regarding both the understanding and relevance of particular CR issues across Europe. Section 3 introduces the samples and the methodology of the empirical analyses conducted. Section 4 describes the understanding of CR in selected major CEE companies as expressed in their CR reports in direct comparison with reports from WE companies. Section 5 describes and compares the survey results of the stakeholder-related aspects of CR (again in direct comparison for CEE and WE), and section 6 draws some conclusions regarding the socio-economic contextuality of business-society relations.

² When we speak of “CEE companies”, we refer to major companies from Poland, Hungary, the Czech Republic, Slovakia, the Baltic States and Slovenia. We intentionally excluded Bulgaria and Romania, because these countries were not members of the EU when we conducted the survey in 2006. For details about the company sample, see section 3 and Annexes 1 and 2.

2 The gap in CR between Western and Central-Eastern Europe

While the importance and the understanding of CR, as well as related management practices and instruments (such as codes of conduct, management systems, stakeholder management and reporting practices) are documented comprehensively with regard to WE companies, as far as CEE companies are concerned, the picture is somewhat sketchier. However, in recent years, the World Bank, the European Commission and the United Nations Development Programme (UNDP) have initiated several projects and studies that provide valuable insights into the status quo of CR in several new CEE Member States.³

Although none of these studies provides a direct comparison with CR in WE, one can sense that there must be a considerable “CR-gap” between the two European regions, at least with respect to average companies.⁴ While in WE (like in the US and parts of Asia) CR has become so popular that no major, publicly traded company can afford to ignore its societal relations, the concept is generally not so well known in new CEE Member States such as Hungary, Poland, the Czech Republic and the Baltic states (for references see footnote 3). The businesses that are most familiar with the CR concept are generally major, export oriented (multinational) corporations with close ties to WE or other parts of the world (Fekete 2005; Vasiljeviene & Vasiljev 2005; Lewicka-Strzalecka 2006, 446f; UNDP 2007). Regarding the understanding and the implementation of CR in average CEE companies, the following six characteristics can be deduced from existing studies:

- As the UNDP (2007, 23f) baseline study puts it, “Due to the socialist heritage, there is a general perception, both in the business community and the public at large, that social responsibility and social caring is the primary role of government. Most companies consider their responsibility to operate in compliance with the legal and regulatory environment of the given country.” In other words, CR is often understood as compliance with existing regulations (see also Mazurkiewicz et al. 2005a, xviii; Mazurkiewicz et al. 2005b, 19; Lewicka-Strzalecka 2006, 442). This interpretation clearly deviates from the WE understanding of CR, emphasising that related activities go voluntarily beyond what the law requires (see, for example, European Commission 2002).
- Other issues frequently related with CR in the CEE region are “behaving ethically” and “transparency in operations”, both closely related to the problem of fraud and corruption, which is still widespread in many CEE countries (Bohata 2005; Mazurkiewicz et al. 2005a, b; Trnkova 2004, 16; Lewicka-Strzalecka 2006, 443; UNDP 2007; for a detailed study on Poland, see Deloitte & IBLF 2005).
- While “assuring environmental protection” is regarded as important, social equity issues score rather low on the agenda of CEE companies (Mazurkiewicz et al. 2005a, xviii; Mazurkiewicz et al. 2005b, 19). This also seems to be related to the socialist heritage, which left major environmental problems on the one hand, and considerable scepticism regarding social equity issues on the other.
- While a considerable number of WE companies document their social and environmental performance in CR reports (Konrad et al. 2006), respective practices are still rather rare in the CEE region (for details, see section 3). Again, the socialist legacy of CEE countries seems to provide a conclusive explanation. “In the past, business avoided publicity. Secrecy was a norm due to a non-compliance culture in the context of a fragile and unstable economic environment. Rapid, hasty and sometimes ill-considered reforms provided many gaps for corruption, tax evasion and poor

³ See, for example, the studies for Hungary (Fekete, 2005; Mazurkiewicz et al. 2005b), Poland (World Bank 2005; Gasparski 2005; Mazurkiewicz et al. 2005b; Lewicka-Strzalecka 2006), the Czech Republic (Trnkova 2004; Bohata 2005) and the Baltic states (Vasiljeviene & Vasiljev 2005; Kooskora 2005; Mazurkiewicz et al. 2005a). A comprehensive “baseline study” by UNDP (2007) covers Bulgaria, Croatia, Hungary, Lithuania, Macedonia, Poland, Slovakia and Turkey.

⁴ Since the understanding of CR differs greatly between major, publicly traded and small- or medium-sized companies in both WE and CEE countries, the picture painted here is certainly very crude and general.

institutional capacities. These days the situation is changing. However, there are still some legacies of the previous mentality, which impede the progress of public disclosure related to CSR” (UNDP 2007, 45).

- Managing stakeholder relations is recognised as an integral part of CR (Freeman 1984; Donaldson & Preston 1995), and shareholders, employees, customers, governments and local communities are widely regarded as the most important stakeholder groups in terms of power, legitimacy and urgency (Mitchell et al 1997; Agle et al 1999). However, while Civil Society Organisations play an increasingly important role for businesses in WE, the literature suggests that they are hardly recognised as stakeholders by CEE companies, partly because the third sector is still rather weak in many CEE countries. According to the UNDP (2007, 31) baseline study, “The awareness, ability and organisational power of NGOs to put pressure on business and government are limited. Existing NGOs commonly see the business community as a source of funding”, and not as a potential target of critical activism (see also Mazurkiewicz et al 2005a, xvii; Mazurkiewicz et al. 2005b, 18; Lewicka-Strzalecka 2006, 445).
- While many WE governments play an active role in fostering CR with informational, partnering, legal and economic instruments, CEE governments pay relatively little attention to the respective changes in business-society relations (see in particular Steurer et al. 2008a; see also Habisch et al. 2005). As the UNDP (2007, 23) baseline study puts it, “In most of the countries of the region, systematic government incentives and initiatives for social and environmental performance are generally missing”. Consequently, CEE companies identify the lack of government involvement and “appropriate regulations” as key barriers to adopting CR practices (Mazurkiewicz et al 2005b, 23). Interestingly, a guide from the Polish Ministry of Economic Affairs (2005) on “How to do Business in Poland” contains not a single mentioning of CSR or CR.

Overall, these six points justify speaking of a significant “CR-gap” among average CEE and WE companies. However, what about a direct comparison of CEE and WE companies that are not average, but that are of a significant size and leading in triple bottom line reporting? Do we find similar differences in these groups of companies, or are they able to bridge the “CR-gap”, at least partially? The remainder of the paper shows that some differences persist, but that they are smaller than one might expect.

3 Methodology

In a first step, the paper presents the results on CR in selected CEE companies. In a second step, these results are compared with the results of a similar study on WE companies (Konrad et al. 2006). This section shows that, in order to ensure comparability, the methodology used in the WE and CEE studies had to be identical, but that some differences regarding the sample and timing were inevitable.

3.1 Samples and timing

Both the WE and the CEE samples consist of major companies that are leading in CR reporting. However, due to differences in size and reporting practices in WE and CEE (for details see section 2), the two samples are not perfect matches. In the WE part of the study that was conducted in 2003, we focused on the 500 biggest companies, according to the Fortune 500 index⁵, that report according to the Global Reporting Initiative (GRI, 2002).⁶ By doing so, we arrived at a sample size of 33 WE companies of which we analysed 7 CR reports and surveyed 11 (for details, see Konrad et al. 2006).

⁵ See www.fortune.com/fortune/global500

⁶ See www.globalreporting.org

Since the Fortune 500 contains no single CEE company, we had to go a slightly different way in the CEE part of the study. In a first step we identified the biggest 700 CEE companies from Poland, Hungary, the Czech Republic, Slovakia, the Baltic States and Slovenia according to a study by Central European Capital Ltd. (2005). In a second step, we learned that only six of them report on CR according to GRI (as of March 2006). In order to obtain a reasonable sample size we had to soften the “GRI rule”, and we selected every one of the 700 companies from the CEE countries mentioned above that provided an English environmental or CR report (covering social and environmental responsibility issues) online. By doing so, we also arrived at a sample size of 33 companies. Subsequently, we analysed all 12 CR reports (the other 21 reports focused on environmental responsibility issues only), and (like for WE) we were able to complement the report analysis with a survey of 11 CEE companies. Both steps of the analysis were conducted in 2006. Among the companies considered in the CR report analysis were five from Hungary, two from Poland, the Czech Republic and Slovakia respectively, and one from Slovenia (the sample contained no Baltic company with a CR report). Among the 11 out of the 33 companies that participated in the survey, Hungarian ones also dominated with six, complemented by companies from the Czech Republic, Estonia, Poland, Slovakia and Slovenia. Overall, the picture depicted here is based on 15 WE and 18 CEE companies (report analyses and surveys taken together). Of the 18 CEE companies, only three were WE subsidiaries (for details about the samples, see Annexes 1 and 2).

Despite the sample differences regarding company size and reporting practices, the results of the WE and the CEE parts of the study are comparable in the sense that they both focus on the largest companies that are leading in CR reporting, of course both relative to their socio-cultural contexts. Thus, the paper gives a good idea of the understanding and relevance of CR among this particular group of companies across Europe. The fact that the two studies were carried out at different times (2003 for WE and 2006 for CEE) may have influenced the results in favour of the CEE companies slightly. However, since the breakthrough of the climate change discourse occurred only after we had completed the empirical research, we regard the impact of the timing as negligible.

3.2 Report analyses and surveys

The analyses of the 7 WE and 12 CEE CR reports were qualitative studies based on a CR framework with a total of four dimensions (or themes) and 14 issues (for details see Table 1). The framework was derived from a selection of sources that are significant for the concepts of sustainable development and CR in terms of the societal consensus they represent (for details see Steurer et al. 2005).⁷ For the report analyses, we explored page-by-page if and how the sample companies address the economic, social, environmental and second-order (corporate governance) issues of the literature-based CR framework. By substantiating and operationalising the CR framework with concrete company practices derived from the report analyses, we gained a detailed picture of how WE and CEE companies understand and pursue CR.

The surveys that complement the report analyses were based on the operationalised CR framework. Their key objective was to depict the relevance of particular CR issues and stakeholders for WE and CEE companies (see Annex 3 for the survey). As mentioned above, we asked 33 WE and the same number of CEE companies to file the survey, and coincidentally one third (or 11 companies) of both groups followed our request (for details, see Annex 2). Similar to the study on WE companies, most of the questionnaires sent to CEE companies were answered by the CR or environmental unit, and a few were answered by the

⁷ The structure of the CR framework and its definitions build on (in chronological order of publication) (i) the Brundtland Report (WCED, 1987); (ii) Agenda 21 (UNCED, 1992); (iii) the so-called Bellagio Principles (Hardi & Zdan 1997), set up for the assessment of SD by 24 practitioners and researchers from five continents; (iv) the “Sustainability Reporting Guidelines” of the Global Reporting Initiative (GRI, 2002); (v) the Dow Jones Sustainability Indexes; www.sustainability-index.com/06_html/assessment/criteria.html; www.sustainability-index.com/06_html/publications/guidebooks.html, and (vi) publications of the World Business Council for Sustainable Development/WBCSD (Hameskerk et al. 2003).

public relations or the investor relations unit. Because of the small size of the survey sample, we kept its analysis simple and restricted it to the calculation of averages.

4 Understanding and relevance of CR issues

This section explores the understanding and relevance of selected CR issues for CEE and WE companies. It intertwines the results of the report analysis and the survey of both CEE and WE companies and it compares them directly. As mentioned above, both types of analyses were based on a CR framework that is described in detail in Steurer et al. (2005). It depicts widely accepted economic, social, environmental and second-order issues of CR. While the columns on “Aspects” and “Outline” in Table 1 are derived from the literature sources mentioned above in footnote 7, the operationalisation of the issues summarises the analysis of the 18 CEE and WE reports. Table 2 summarises the scores of the surveys that are also described here.

4.1 Economic responsibility

Regarding economic responsibility, the CR framework distinguishes three issues: (i) financial performance, (ii) long-term perspective and (iii) economic impact. Not surprisingly, extensive information on financial performance and long-term perspective tend to be included in annual company reports rather than in CR reports. However, in contrast to WE companies, those from CEE do report on the economic impact issue rather extensively. While only a few emphasize their responsibility for supply security (e.g. MOL 2004, 15), several outline their contribution to society as major employers and taxpayers (such as income tax, VAT, local taxes, excise duty and employment related contributions). Slovnaft (2004, 9), a major Slovak petrochemical company, for example, states: “This positive impact is reflected by the amount of taxes paid to the national budget, by keeping of employment rate and remuneration of employees, and in cooperation with our suppliers as well. Therefore we increase our contribution as a socially responsible company by the constant effort aimed at shareholders' value increase”. KP (2004, 6ff), a major Polish beverage company, emphasises that it provides a livelihood for over 115,000 people, mentioning its influence on the performance of its suppliers. The Budapest power plant company BE Rt. (2004, 23) even provides data on its paid taxes.

The relatively high importance of the economic impact issue in the CR reports of CEE companies is also reflected in the survey results. In the first question of the survey, we asked the companies to rate the aspects depicted in the CR framework (see Table 1) with a range from 0 (not important) to 3 (highly important), and to indicate how this had changed over the last 10 years, with a range from -2 (significant decrease in importance) to 2 (significant increase in importance).⁸ While the CEE scores for the issues “financial performance” and “long-term perspective” are slightly below those of WE companies, the opposite is the case for “economic impact” (see Table 2). All economic issues are perceived as having gained slightly in importance over the last 10 years in WE and CEE alike, except for the economic impact issue, which did not change so much in CEE. What Table 2 does not show is the significant deviation of scores. While some CEE companies perceived no changes in importance for the economic issues in question, others indicated significant ones.

⁸ Since not a single respondent indicated that an issue has decreased in importance, Table 2 shows the positive range only.

Table 1: Operationalisation of Corporate Responsibility (CR) aspects and issues for CEE and WE companies⁹

Aspects of CR	Outline of aspects	Operationalisation for WE and CEE companies
Economic responsibility	To perform in a way that enables the company to continue for an indefinite time	
Financial Performance	Sufficient cash-flow and persistent return to shareholders	Cash flow, shareholder value, sales, profits, profitability, debt-equity ratio, liquidity etc.
Long-term perspective	Maintenance or improvement of future competitiveness and company performance	Long-term strategic planning, R&D expenditure and activities, supply chain management etc.
Economic impact	Economic impact of corporation on society or societal groups (i.e. stakeholders)	Monetary flows to and from stakeholders, e.g. taxes, dividends, payrolls, positive and negative externalities.
Social responsibility	To contribute to the social well-being of the society and individuals	
Equity within a corporation	More equal distribution of income within a corporation('s branch) in a certain country	Activities to reduce income disparities between employees, e.g. <i>wage policy, gender mainstreaming, job evaluation and pay systems</i>
International equity	More equal distribution of income and wealth between countries	Activities to reduce income disparities and poverty, e.g. through <i>fair trade practices, supply chain management</i> , CEE only: competitive wage level
Internal social improvements	Improvement of social conditions within a corporation (i.e. of employees)	<i>Work-life balance (e.g. child care, flexible work schedule, telework), diversity, gender mainstreaming human rights (e.g. no child and forced labour), employee training, health and safety issues</i> , security of employment etc.
External social improvements	Improvement of social conditions outside a corporation (i.e. in its neighbourhood)	Community activities like sponsoring/donations, volunteer work , dialogue and participation processes
Environmental responsibility	To maintain natural capital to a certain (i.e. paradigm-specific) degree	
Resources	Responsible use of non-renewable and renewable (energy) resources	Consideration of resources in all company processes (including product design) and facilities
Emissions	Avoidance of emissions into water, air, soil and neighbourhoods (noise) to a certain degree	Consideration of emission reduction in all company processes (including product design) and facilities
Environmental damages & risks	Avoidance of environmental damages and risks to a certain degree	Risk assessments, long-term impact on environment of company activities, CEE only: environmental remediation
Second-order requirements	SD has to follow some superior process and concept requirements when it addresses the three dimensions	
Transparency & Participation	"Corporate openness" toward stakeholders via communication, reporting, SRM etc.	Communications instruments (e.g. reporting, participation, stakeholder dialogue, information campaigns, surveys)
Reflexivity	Monitoring and evaluation of progress toward SD on an ongoing basis	Implementation of management systems, evaluation and monitoring processes
Integration of dimensions I-III	Progress in one dimension of SD should not come at the expense of other dimensions of SD	Dealing with different stakeholder interests
Intergenerational Equity	Satisfaction of an enterprise's and its stakeholders' needs today and in the indefinite future	(no operationalization possible)

4.2 Social responsibility

The social responsibility issues depicted in the CR framework are (iv) equity within a corporation, (v) international equity, (vi) internal and (vii) external social improvement. As our WE survey has shown, the two equity issues are of minor importance to companies. As Table 2 shows, this finding is confirmed in the CEE context. However, if one looks at how the two issues are addressed in CR reports across Europe, the following two differences become obvious:

Regarding the issue "equity within a corporation", WE companies sometimes refer to fair and competitive compensation, whereas CEE companies avoid this issue altogether. KP (2005, 12ff) is the only company

⁹ Operationalisation features that play a more important role in the CEE context are emphasized in bold letters; issues that play a minor role in the CEE context are listed in italics, and issues with equal importance for WE and CEE companies are stated in normal font.

mentioning that salaries are dependent on the firm's financial results and on the achievements of individual employees. It also mentions that female employees earn the same as male colleagues in equivalent positions.

Although the issue of "international equity" scores low in CEE and WE companies alike (see Table 2), CEE companies raise this issue relatively often in their reports. If WE companies refer to international equity, they mean equal access to their products around the world. CEE companies, on the other hand, put a stronger emphasis on national income and wage levels. They explicitly strive to increase both income and wealth in the CEE countries they operate in, and for levelling them out across Europe (see, for example, MOL 2004, 14; Magyar Telekom 2004, 54; KP 2005, 11). Equity issues with regard to developing countries do not emerge in CEE company reports. One reason for this could be that they often gain attention through the development of expansion plans to developing countries, a rare practice among the CEE companies looked at.

While CEE companies regard internal and external social improvements as equally important, Table 2 shows that WE companies put more emphasis on internal improvements. Yet, how do the companies report on these issues? Striving for internal social improvements is clearly a major issue in both WE and CEE company reports, with the purpose of improving motivation and the capabilities of employees. CEE companies put considerable emphasis on the recruitment of young high-potential individuals by cooperating with educational institutions (e.g. Magyar Telekom 2004, 61; Gorenje 2004, 70; Skoda 2004, 20), providing mentoring programs for new employees (e.g. Magyar Telekom 2004, 61) and training opportunities for foreign languages (MOL 2004, 28; BE Rt. 2004, 15), IT skills (CRC, 2004, 34ff) and legal (EU) issues (CRC 2004, 34 ff). However, Gorenje (2004, 68ff) outlines, "The majority of educational activities (75%) were performed outside regular working hours; in this way the employees have proved once again that they are willing to learn and adapt to new business requirements."

Since 10 of the 12 CEE companies are in the production sector, internal social improvements are often concerned with health and safety issues. The CEE companies try to raise awareness for the prevention of fires, injuries and fatalities through meetings, brochures, campaigns, safety trainings and labour safety risk assessments.

Regarding layoffs, Magyar Telekom (2004, 59), for example, mentions its "chance program" which supports dismissed employees in finding a new job, for example through re-training, labour law consulting and psychological assistance.

Overall, the key differences to social aspects in WE company reports are as follows:

- Several catchwords and measures of internal social improvements that are very popular in WE company reports, such as work-life balance, flexible working hours, childcare facilities or part-time jobs, find no mentioning in the 11 CEE company reports. However, social benefits that are mentioned are supplementary pension and healthcare insurance/funds (Gorenje 2004, 71ff; MOL 2004, 28), meal tickets (MOL 2004, 28; Skoda 2004, 13; BE Rt. 2004, 19), and various support activities regarding retirement (MOL 2004, 28; Skoda 2004, 19), housing (MOL 2004, 28; Skoda 2004, 19, Magyar Telekom 2004, x) and vacations (e.g. Magyar Telekom 2004, 54; MVM 2004, 44).
- Contrary to WE (and in particular to US) companies, diversity concerns (such as providing equal opportunities for minorities, women and handicapped people) are also rarely mentioned in the analysed CEE company reports (see, for example, MVM 2004, 43; TVK 2004, 39). In this respect we found only standard commitments to non-discrimination (e.g. MOL 2004, 31; Skoda 2004, 18; Magyar Telekom 2004, 57ff; Slovnaft 2004, 19; MVM 2004, 43; BE Rt. 2004, 15).
- Likewise, human rights issues are not touched on in CEE reports beyond general commitments to legal compliance.

Regarding external social improvements, CEE companies report very similarly to Western companies in the following two respects: first, sponsoring of cultural heritage, environmental charities, sports events, disabled and socially disadvantaged people are universally popular CR activities. So is the support of selected Non-Governmental Organisations (NGOs). Magyar Telekom (2004, 2, 19), for example, granted free ADSL access to 400 NGOs for one year. However they (as well as the petrol-company MOL [2004, 31]), together with many WE companies, emphasize that their sponsoring activities must be in line with their business and marketing strategies.

Second, several CEE companies are engaged in local community projects (BE Rt. 2004, 30ff; KP 2005, 18). PKN Orlen (2004, 55), a Polish company in the petrochemicals sector, reports for example about "Town of Plock", a public-private partnership with a local community and NGOs that aims to improve education and neighbourhood security by fighting social exclusion. Improving the security of local communities is quite common in CEE company reports. Magyar Telekom (2004, 35, 89), for example, stresses the importance of its IT infrastructure for detecting and fighting crimes.

Overall, it seems that CEE companies are comparatively keen on social and security issues (at least at the local level). Obviously, they realise "that major involvement in the development of the entire society is an essential component of both the business success and the general public acceptance of the company", as Magyar Telekom (2004, 37) puts it in its report.

4.3 Environmental responsibility

Regarding environmental responsibility, the CR framework depicts three issues: (viii) resources, (ix) emissions and (x) environmental damages/risks. As Table 2 shows, the survey results with regard to environmental responsibility for the two groups of companies deviate the most so far. While WE companies regard the three environmental responsibility issues as "medium important", the CEE sample regards them as highly important (only one respondent from the services sector indicated that environmental issues are of low importance). Regarding changes over the last 10 years, both groups perceive only slight increases in importance. However, it is interesting to note that the importance of "environmental damages and risks" has increased the most, for WE and CEE companies alike.

The high importance of environmental responsibility issues for CEE companies is also reflected in the report analysis. Although not all analysed CEE companies follow the GRI guidelines (see Section 3), they present comparatively extensive information (including indicators) on their environmental performance. Some of the companies (e.g. Magyar Telekom 2004, 24; MVM 2004, 3ff; Gorenje 2004, 75; BE Rt. 2004, 17, KP 2005, 24; Skoda 2004, 8; Slovnaft 2004, 7; CRC 2004, 14; TVK 2004, 11) also report on the introduction of environmental management systems like ISO 14.001. Nevertheless, the following differences to WE companies are obvious in this context:

- The environmental performance of many CEE companies is still comparatively poor, making major improvements in water and electricity consumption (Gorenje 2004, 75; KP 2005, 27; Skoda 2004, 10ff) as well as sulphur dioxide emissions (BE Rt. 2004, 22) easily feasible.
- A key driver for improving the environmental performance of CEE companies is obviously the European Union. Some CEE companies concede explicitly that they are seriously challenged in achieving legal compliance with the EU regulatory framework. TVK (2004, 24ff), for example, a Hungarian plastics company, admits that it is engaged to "meet the new domestic legal environmental requirements issued on the basis of the EU directives", but that, "In spite of the significant amount of pollutants removed in the last years, the examinations show that the level of the underground contamination is still significant."
- More than 15 years after the collapse of the socialist regimes, environmental decontamination and remediation still plays a major role for CEE companies (e.g. MOL, CRC, TVK, MOL, Slovnaft, BE Rt.).

- While WE companies are eager to highlight their proactive (strategic) environmental activities (for example regarding R&D on renewable energies), CEE companies tackle environmental problems still rather reactively. Even for the numerous CEE energy companies in the sample, renewable energies were hardly an issue.¹⁰ The predominance of the reactive approach may be linked to the fact that, currently, the investments necessary to comply with EU regulations leave little space for other environmental protection measures.

4.4 Second-order requirements of CR

The fourth dimension of the CR framework depicts the second-order issues of (xi) transparency and participation (or stakeholder involvement), (xii) reflectivity, (xiii) the integration of the three other dimensions, and (xiv) intergenerational equity. We characterise them as being of second-order as they are relevant for all other aspects of CR as well. According to the survey, transparency and stakeholder involvement are the most important second-order requirements for both CEE and WE companies.

A closer look at transparency and stakeholder involvement practices in the CEE reports shows that reporting and stakeholder dialogues are the most important instruments in this context. Although the information provided on stakeholder dialogues is not as extensive as in WE reports, CEE companies nevertheless recognise the importance of a proactive stakeholder management approach (MOL 2004, 23). Many CEE companies assert that they maintain regular dialogues with employees and their representatives (Magyar Telekom 2004, 62ff; MOL 2004, 23) as well as with suppliers and investors (through personal meetings, road shows and thematic conferences). Some dialogues are also directed towards multiple stakeholders. Magyar Telekom (2004, 90) and Mobitel (2004, 15), for example, report on multi-stakeholder fora with NGOs, municipalities, ministries and various experts on the issue of electromagnetic radiation. The purpose of the fora is to provide “objective, unbiased and professional communication concerning electromagnetic waves” (Mobitel 2004, 15).

While reporting on their political activities is an important issue for WE companies, CEE companies handle the lobbying issue cautiously. Some companies report on their involvement in business associations (e.g. TVK 2004, 17ff; Slovnaft 2004, 8) in order to receive information on upcoming regulations and to articulate their viewpoints (e.g. BE Rt. 2004, 25; MVM 2004, 45; Magyar Telekom 2004, 35). Unlike US-based, but very much like WE companies, the automaker Skoda (2004, 43), for example, points out that it does not financially support political parties. As mentioned in the literature (see section 2), another important transparency issue is anti-corruption (e.g. KP 2005, 8; Skoda 2004, 43). Respective commitments are often anchored in company-specific codes of conduct.

Regarding the issue of reflectivity, CEE companies are establishing environmental and quality management systems, and like WE companies, they survey employees, customers and investors in order to learn more about their expectations. Skoda (2004, 27), for example, reports that it assesses and trains its suppliers according to the environmental management system ISO 14.001.

Similar to WE reports, CEE companies address the second-order issue of better integrating the three dimensions of CR only implicitly - without mentioning the importance of long-term, inter-generational time frames (due to the lack of operationalisation, this issue was dropped in the survey).

¹⁰ Although MOL (2004, 17) engages to some extent in bio-fuels, hydrogen and fuel cells it states, "Oil and gas will never be renewable resources. Nevertheless, by maintaining smooth flows of supplies and working to increase reserves, we hope to contribute to the postponement and reduction of the social costs of adjusting to alternative technologies".

4.5 Conclusions regarding the understanding of CR

Not surprisingly, Table 2 shows that the economic dimension of CR is the most important one for both CEE and WE companies. However, regarding the second most important dimension we can see a difference. While WE companies rank second-order requirements second, CEE companies give environmental responsibility issues a considerably higher score, also indicating that their importance increased the most over the last 10 years. Apart from this difference, the importance of the economic, social and second-order dimensions is almost identical for the surveyed CEE and WE companies.

If we look at the highest and lowest scores of individual issues, we see that CEE and WE companies both regard financial performance and long-term competitiveness as most important. However, the results are less clear for CEE companies. Unlike in the WE context, they (pretend to) regard the issues of economic impact, internal social improvements, emissions, and environmental damages/risks almost as important. On the other hand, both WE and CEE companies regard international equity in unison as the least important issue of CR, followed by equity within a corporation.

Table 2: Overview of the importance of Corporate Responsibility (CR) issues for CEE and WE companies and changes perceived over the last decade

Aspects of CR	Importance WE	Importance CEE	Changes WE	Changes CEE
Economic responsibility	2.7	2.7	0.93	0.87
Financial performance	2.9	2.7	0.8	1
Long-term competitiveness	2.9	2.7	1	1
Economic impact	2.3	2.6	1	0.6
Social responsibility	2.1	2.1	1.18	0.93
Equity within a corporation	1.9	2	0.6	0.6
International equity	1.6	1.5	1.1	0.6
Internal social improvements	2.7	2.6	1.6	1.3
External social improvements	2.2	2.5	1.4	1.2
Environmental responsibility	2.1	2.5	1.47	1.30
Resource	1.9	2.5	1.4	1.2
Emissions	2.1	2.6	1.4	1.3
Environmental damages and risks	2.3	2.6	1.6	1.4
Second-order requirements	2.4	2.3	1.33	1.27
Transparency and participation	2.6	2.5	1.5	1.3
Reflectivity	2.4	2.2	1.4	1.3
Integration	2.2	2.4	1.1	1.2

Answer categories importance:

0: Issue not important for corporation

1: Issue of low importance for corporation

2: Issue of medium importance for corporation

3: Issue of high importance for corporation

Answer categories changes:

0: no change

1: slight increase

2: significant increase

The most significant difference between the WE and CEE surveys concerns environmental resources (0.6 higher for CEE companies), emissions (0.5 higher for CEE companies), external social improvements and economic impact (both 0.3 higher for CEE companies). Conversely, WE companies perceive only a few (economic) responsibility issues as marginally more important than their CEE counterparts.

Regarding changes in importance over the last 10 years, not a single CR issue decreased in importance. In the surveyed CEE companies, environmental damages/risks saw the most significant increase, whereas in WE companies this applies to environmental damages/risks and to internal social improvements likewise. Since the socio-political circumstances were literally “under transition” in the CEE region in the last 10 years, the rather similar picture regarding changes in the importance of CR issues comes as a surprise.

This section has shown that the CEE survey results (such as the high importance of economic impact, internal social improvements and environmental issues) are in line with the findings of the report analysis. Overall, it became clear that CEE companies that are leading in English CR reporting do not attach less importance to CR issues than WE companies, but that they have a different understanding of CR in some respects.

5 Stakeholders and their interests from a business perspective

Building on the CR framework introduced in Table 1 and a typology of stakeholder groups depicted in Table 3, this section deals with stakeholder management as key aspect of CR (Freeman 1984; Donaldson & Preston 1995). As Clarkson (1998, 250) emphasizes, if managers think of social responsibility, they focus on stakeholders and their claims rather than on normative concepts per se. Thus, we now explore which stakeholder groups CEE companies regard as important, and how they perceive their interests – again in direct comparison with WE companies.

5.1 The most important stakeholders for CEE companies

In this part of the survey, we first asked the companies to indicate how important five groups consisting of 22 different types of stakeholders were for them on a scale from 0 (not important) to 3 (highly important). If we first look at the five groups, the surveyed CEE companies consider internal stakeholders (employees and management) as their most important group, and organised (civil) societal stakeholders as the least important group. Compared to the WE survey, CEE companies regard providers of capital as less and not organised (civil) societal stakeholders (media and local communities) as more important.

Regarding individual stakeholders, governments/regulators and the media/public turned out to be the most important for CEE companies overall (both scoring as high as 2.9), closely followed by management and owners (2.8). These results are quite exceptional compared to the WE survey in which owners, shareholders and governments proved to be the top three stakeholders, followed by employees and major customers (Konrad et al 2006). In other words, all stakeholders less important for CEE than for WE companies fall into the category of capital providers. Some of these differences can be explained by a closer look into the ownership structure of the surveyed companies. Major investors (“owners”) dominate four of the surveyed 11 CEE companies, three are 100% subsidiaries of WE companies, and three more are 100% state owned. In contrast, the stronger shareholder focus of the surveyed WE companies is certainly also due to the fact that they are among the biggest corporations listed in major stock exchange indexes.

Looking at the change over time, major customers, the media/public and local communities have gained the most ground in the last 10 years in CEE, whereas WE companies highlight environmental and social NGOs. In line with the literature summarised in Section 2, NGOs became only slightly more important for CEE companies.

Table 3: Stakeholders and their importance for CEE companies¹¹

Stakeholder Groups and their importance for CEE companies				
Providers of capital	Internal stakeholders	Customers and suppliers	Civil society, not organised	Governments and civil soc. organised
Owners	Employees, not organised	Private consumers	Media/public	Governments/regulators
Shareholders / Free float	Employees, organised	Consumer organizations	Local media	Environmental NGOs
Major shareholders	Management	Major customers	Local communities	Social NGOs
Fund managers/ Financial analysts		Suppliers	Scientists	Economic NGOs
Banks/ Lenders				Educational organizations
				Religious organizations

Answer categories:
 0: Stakeholder not important for corporation
 1: Stakeholder is of low importance for corporation
 2: Stakeholder is of medium importance for corporation
 3: Stakeholder is of high importance for corporation

5.2 The interests of stakeholders from a corporate perspective

In a next step, we asked the respondents to pick the six most important stakeholders and to indicate how relevant they think the CR framework issues are to them.¹² The results summarised in Table 4 give a picture of how companies see the interests of their most important stakeholders.

The surveyed CEE companies that selected owners as one of their six key stakeholders, think that for them, all economic responsibility issues and environmental damages/risks are of top relevance (3 of 3 points). In contrast, WE companies did not believe that their providers of capital (mainly shareholders) have such an interest in environmental responsibility issues. This difference is certainly one explanation for why environmental issues (in particular damages and risks) are more important for CEE than for WE companies.

For the category of internal stakeholders, we distinguish employees and management, both of which are perceived as key stakeholders by most CEE companies. They think that employees are strongly interested in internal social issues (both social improvements/benefits and equity) and in transparency. Management is believed to be strongly interested in environmental damages/risks receiving the highest possible score (3 of 3) from all respondents, closely followed by the issues of financial performance, long-term perspective, external social improvements, environmental resources and emissions (all scoring 2.8). Interestingly, internal social improvements are not believed to be among the most important issues for CEE company managers. Although employees are believed to be interested in this issue, internal social improvements got the lowest scores after international equity.

In the CEE survey, not organised (civil) societal stakeholders are perceived to be most interested in external social improvements (sponsoring etc.), followed by environmental issues and transparency. Governments/regulators are believed to be particularly interested in economic impact issues, transparency and, yet again, environmental damages/risks.

¹¹ We are well aware of the fact that, usually, governments are regarded as counterparts rather than as parts of civil societies. However, in the context of this paper, introducing governments as a sixth category would have increased complexity instead of clarity. Nevertheless, the survey makes clear that governments are one of the most important stakeholders for CEE companies.

¹² One of the respondents chose not to answer this question and another indicated only one stakeholder group.

Table 4: Relevance of corporate responsibility (CR) issues for stakeholder groups

Aspects of CR	Average score WE	Average score CEE	Stakeholder Group scores for CEE companies				
			Providers of Capital	Internal stakeholders	Customers and Suppliers	Civil society, not organised	Governments and civil soc. org.
Economic responsibility	2.1	2.1	2.8	2.3	1.9	1.6	2
Financial performance	2.1	2.1	2.9	2.4	1.9	1.4	1.7
Long-term perspective	2.1	2.1	2.7	2.4	2	1.5	2
Economic impact	2.2	2.2	2.8	2.2	1.9	1.8	2.3
Social responsibility	1.9	1.7	1.8	2.1	1.2	1.7	1.9
Equity within a corporation	1.8	1.7	1.8	2.2	0.9	1.5	2
International equity	1.7	1.3	1.7	1.4	1	1.1	1.4
Internal social improvements	2	1.8	1.9	2.5	1	1.7	1.9
External social improvements	2.2	2.2	1.8	2.5	1.8	2.6	2.1
Environmental responsibility	1.9	2.2	2.1	2.2	2.1	2.3	2.4
Resources	1.8	2.2	2	2.3	2.1	2.3	2.4
Emissions	1.9	2.1	2	2.1	2	2.3	2.3
Environmental damages and risks	2	2.4	2.3	2.3	2.2	2.4	2.6
Second-order requirements	1.8	2.2	2.4	2.2	2	1.9	2.3
Transparency	2.3	2.5	2.7	2.5	2.1	2.4	2.6
Reflectivity	1.8	2	2.1	2.3	1.9	1.8	2
Integration of dimension I-III	1.3	2	2.4	2	2	1.6	2.3

Answer categories:

0: SD issue is of no relevance for stakeholder group

1: SD issue is of some relevance for stakeholder group

2: SD issue is of rather high relevance for stakeholder group

3: SD issue is of very high relevance for stakeholder group

5.3 Conclusions regarding stakeholders and their interests

Regarding relevant stakeholder groups, the CEE picture contrasts with the WE one when it comes to capital providers. Because of the differences in the ownership structure, CEE companies rate owners (such as major investors or the state) higher than shareholders or banks. While (local) media and local communities seem to be more important in the CEE context, NGOs are not so important.

If we look at the interests of the stakeholder groups as perceived by the surveyed companies, the most interesting findings can be summarised as follows:

- CEE companies assume that economic issues are supported the most by capital providers, but that overall – in contrast to WE companies –, environmental and second-order issues get as much support if one takes all stakeholders into account. Although capital providers are certainly the most powerful stakeholder group, this may explain why environmental issues (in particular damages/risks) are more important for CEE than to WE companies.
- While WE companies indicate that customers and suppliers have rather little interest in most CR issues (except for the economic ones), CEE companies perceive that customers are generally interested in CR.
- In contrast to WE companies, which assume that their stakeholders are least interested in the integration of economic, social and environmental CR issues, the issue of international equity (followed by equity within a company) is believed to have the weakest stakeholder support in the CEE context. More so, CEE companies assume that social issues get the weakest stakeholder support overall.
- Not surprisingly, the CR issue with the strongest, non-partisan stakeholder support in both parts of Europe (in particular in CEE) is transparency and the challenge of stakeholder involvement.

6 Discussion

What does the comparison of major CEE and WE companies, both leading in CR reporting in their context, imply for the “CR-gap” described in Section 2 in particular, and what does it entail for the “universal” yet context-bound concept of CR in general?

Overall, the paper confirms that the understanding and the relevance of some CR issues varies between the selected CEE and WE companies. The most obvious context-specific differences can be summarised as follows:

- One of the most significant differences emerged at the very beginning of the study. CR reporting in CEE is not as widespread and advanced (the GRI guidelines are rarely applied) as in WE, even among the biggest companies with a strong international orientation.
- Legal compliance is a relevant CR issue for most CEE companies, in particular as their environmental performance is often lagging behind EU standards. This, in turn, implies that environmental responsibility is very important for CEE companies and their stakeholders (more important than for WE companies, and more important than the social dimension). Nevertheless, this does not imply that CEE companies are more progressive and proactive in terms of environmental management approaches, quite the opposite. Their key concern is to fulfil EU standards, not to go beyond them.
- While the survey confirms that “transparency” is among the most important CR issue for CEE companies and their stakeholders, from the CR reports alone one could not tell that corporate fraud and corruption are widespread problems for CEE companies. Respective references (such as anti-corruption commitments and references to codes of ethics) are rather sparse and general.
- Managing stakeholder concerns and relations is recognised as being an integral part of CR, and our findings do not confirm that local communities are hardly recognised as stakeholders. Regarding governments as stakeholders, it seems that EU institutions and regulations play a very important role compared to national (and sub-national) levels. What we can confirm is that civil society organisations play a less significant role than in WE.

Although the comparison of WE and CEE companies leading in CR reporting confirms some of the gaps identified in Section 2, it also shows that the gaps are not as stark as described in the literature on average companies. We also saw that WE companies do not always attach more importance to particular CR issues or stakeholder groups. Overall, it seems that every noteworthy gap in the understanding and relevance of particular CR issues can be deduced from socio-political and socio-economic context factors (including corresponding differences in the ownership structure of companies). As pointed out above, it is certainly no coincidence that companies in the CEE region regard environmental issues as more relevant than their WE counterparts, and also that they view some social issues quite sceptically.

This obvious contextuality of the CR understanding is certainly due to its close linkage with stakeholder interests and respective management practices. This point is illustrated vigorously by the fact that the remarkable importance that CEE companies attach to environmental issues (in particular to environmental damages and risks) corresponds perfectly with their perception that several powerful stakeholders (including owners) share this view. In other words, while socio-political and socio-economic context factors may have a blurred impact on CR understanding, stakeholders embedded in that context make them tangible; they are the transmission belts that translate cultural notions into concrete claims, and that convey them into corporate mindsets.

Because CR is a universal concept with regional variations, it is invaluable that business associations and national governments adapt international CR standards (such as the OECD Guidelines, the UN Global Compact, and the ISO 26000 “Guidance on Social Responsibility”) accordingly so that they correspond better with regional (or sectoral) concerns and challenges. However, while international CR initiatives and the EU membership are obvious drivers for CR in CEE, the national governments in the region do not make

adequate use of their possibilities to shape the understanding and the implementation of CR (for CR awareness raising see Berger et al. 2007; for Sustainable Public Procurement see Steurer et al. 2007, for initiatives on Socially Responsible Investment see Steurer et al. 2008b; for a summary see Steurer et al. 2008a). Since, in contrast, many Western European governments play quite an active role in promoting and facilitating CR, one should not overlook that the “CR-gap” between WE and CEE described here is also one of public policies on CR.

7 Appendices

Annex 1a: Sample of CR reports of CEE companies analysed (12)

Corporation	Report Title	Business line	Country
PKN Orlen (Polski Koncern Naftowy Orlen)	Corporate Social Responsibility Report 2004	Petrochemicals	Poland
MOL Group (Mol Magyar Olaj és Gázipari)	Sustainable Development Report 2004	Petrochemicals	Hungary
ŠKODA AUTO	Sustainability Report 2004	Automotive	Czech Rep.
Magyar Telekom	Annual Sustainability Report 2004	Telecommunications	Hungary
Slovnaft	Sustainable Development Report 2004	Petrochemicals	Slovakia
MVM Group (Magyar Villamos Művek)	Sustainability Report 2004	Energy Generation	Hungary
CRC (ČESKÁ RAFINÉRSKÁ)	Health, Safety, Environment & Quality Report 2004	Oil refining	Czech Rep.
TVK (Tiszai Vegyi Kombinát)	Sustainable Development Report 2004	Plastic Products	Hungary
Gorenje Group (Gorenje Gospodinjski aparati)	Corporate Social Responsibility Report 2004	White Goods	Slovenia
Kompania Piwowarska	Corporate Accountability Report 2005	Brewing	Poland
Mobitel	Social Responsibility Report 2005	Telecommunications	Slovenia
Budapest PowerPlant BE Rt.	Sustainability Report 2004	Energy Generation	Hungary

Annex 1b: Sample of CR reports of WE companies analysed (7)

Corporation	Report title	Business line	Country
Deutsche Telekom	Sustainability Report 2000/01	Telecommunications	Germany
HVB Group	Sustainability Report 2002	Financial Services	Germany
ING Group	ING in Society Report 2001	Financial Services	Netherlands
Metro Group	Sustainability Report 2002	Retailers	Germany
Royal Dutch/Shell	Shell Report 2002	Energy	UK
Siemens	Corporate Responsibility Report 2002	Consumer durables	Germany
Volkswagen	Environmental Report 2001/02	Automotive	Germany

Annex 2a: Survey sample of CEE companies (33), split in non-respondents (22) and respondents (11)

Non-respondents (22)		Respondents (11)
• Arctic Paper Kostrzyn	• Petrol	• Audi Hungária
• CHEMOPETROL	• PKN ORLEN	• Budapesti PowerPlant
• CRC ČESKÁ RAFINÉRSKÁ	• Richter Gedeon Vegyészeti	• Dunapack
• Dreher Sörgyarak	• Sava Tires	• Eesti Energia
• Elektrownia Bełchatów	• Slovenské elektrárne	• Gorenje Group
• Elektrownia Opole	• Slovnaft	• Magyar Posta
• KAUCŮK	• TVK Tiszai Vegyi Kombinát	• Magyar Telekom
• Kompania Piwowarska	• U.S. Steel Košice	• MOL Group
• Latvenergo	• UNIPETROL	• Prague Airport
• Mobitel	• UNIPETROL RAFINÉRIE	• ŠKODA AUTO
• MVM Group	• Zakłady Chemiczne Police	• Telekomunikacja Polska

Annex 2b: Survey sample of WE companies (33), split in non-respondents (22) and respondents (11)

Non-respondents (22)		Respondents (11)
• ABB	• Novartis	• Astra Zeneca
• ABN-AMRO Holding	• Royal Dutch Shell	• BT Group
• Aventis	• Royal Sun	• Deutsche Telekom
• BASF	• Alliance	• Endesa S.A.
• Bayer AG	• Renault	• Gaz de France
• British Airways	• Safeway Plc.	• Henkel
• British American Tobacco	• Saint Gobain	• HVB Group
• Electrolux	• Siemens	• ING Group
• J. Sainsbury	• Telefonica	• Lafarge
• Metro Group	• Volkswagen AG	• Rabobank
• Nokia	• Volvo	• Suez

Annex 3: CR survey

For the 8-page survey questionnaire, see www.sustainability.at/pdf/CSR-CEE_Survey_Questionnaire.pdf where the Annex is hosted.

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