BRE
REVIEW

BALTIC RIM ECONOMIES

NOVEMBER 2016
ISSUE NO. 5

SPECIAL ISSUE ON CORPORATE SOCIAL RESPONSIBILITY

BY GUEST EDITOR HANNA MÄKINEN

ROEL NIEUWENKAMP
Responsible business is key for the Baltic Rim Economies

ANNE LAMMILA
Women are the biggest emerging market

MARJA INNANEN
The Finnish way to implement the 2030 Agenda for Sustainable Development

pan-european institute

To receive a free copy,
register at www.utu.fi/pei

BALTIC RIM ECONOMIES

BRE REVIEW

The Pan-European Institute publishes the Baltic Rim Economies (BRE) review which deals with the development of the Baltic Sea region. In the BRE review, public and corporate decision makers, representatives of Academia, and several other experts contribute to the discussion.

Pan-European Institute

ISSN 1459-9759

Guest Editor | Hanna Mäkinen

This BRE is part of MNEmerge project, funded by the EU's FP7 Programme for research, technological development and demonstration under Grant Agreement No. 612889.

University of Turku
Turku School of Economics
Pan-European Institute
Rehtorinpellonkatu 3
FI-20500 TURKU, Finland
Tel. +358 2 333 9567

www.utu.fi/pei

pan-european institute

EXPERT ARTICLES

ROEL NIEUWENKAMP

Responsible business is key for the Baltic Rim Economies

Expert article • 2058

For the Baltic Rim Economies it is important to tap into Global Value Chains, to attract investments and export to the EU and OECD countries. In order to position the economies well, responsible business conduct is key. Responsible business conduct (RBC) means that businesses should make a positive contribution to sustainable development and that businesses have a responsibility to avoid and address the negative impacts of their operations. In simple terms, RBC implies that businesses should do well by doing good and should not do harm. While the concept of corporate social responsibility (CSR) is often associated with philanthropic corporate conduct external to business operations, RBC goes beyond this to emphasise embedding responsible practices in the 'corporate DNA', i.e. within internal operations and throughout business relationships and supply chains. This extends beyond philanthropy and implies that responsible business practices should be integrated in all corporate activities.

Responsible business is also good and profitable business as it allows for efficient ways to manage risks, diversify portfolios, and increase productivity. Understanding, addressing, and avoiding risks linked to business operations beyond financial risks - can often lead to a competitive advantage. Examples such as Volkswagen and BP clearly highlight the business case for corporate responsibility. Business can generate economic value by identifying and addressing human rights, labour and environmental issues that intersect with their activities. To achieve this it is important to continuously engage with key stakeholders, be it workers, local interest groups or NGOs. The consequences of irresponsible business behaviour can be significant. Beyond actual legal liabilities poor business conduct can also result in opportunity costs for companies. For example, issues as resource depletion and worker unrest can cause major delays and financial costs. Additionally, reputational costs stemming from poor business conduct can hurt and scare off investors. Today divestment campaigns from companies with poor environmental and social records are a common tool to encourage better behaviour. Responsible business practices, in addition to avoiding costs, can help to build a positive corporate culture and image. This in turn can influence the retention of employees, help increase productivity as well as boost brand appeal and thus increase market strength. However, in order to ensure that responsible business practices are embedded in all corporate activities, a move towards organisational and incentive structures prioritising long term growth over short term gains has to be made.[1]

The OECD Guidelines for Multinational Enterprises are a multilateral agreement by 46 governments setting out specific recommendations and guidelines on corporate responsibility in areas ranging from labour and human rights to environment and corruption. Each government that signs up firmly expects that its businesses will follow the Guidelines. Celebrating its 40th anniversary this year, the Guidelines are the leading instrument on RBC worldwide and have become a benchmark for respect of social and environmental standards in international trade and investment.

Observance of the Guidelines are an important tool for the Baltic States to attract responsible investment which is sustainable and comes with due consideration of its environmental and social impacts. At the same time, buyers from OECD countries nowadays often demand responsible sourcing and actively stimulating RBC will open market access opportunities for the export of its products. As adherents to the Guidelines, the Baltics have committed to promote RBC for multinational enterprises operating in or from their territories. Furthermore, the Guidelines have also been integrated in the trade and investment strategy for the European Union, which encourages "the EU's trading partners to comply with [..] international principles and in particular the OECD Guidelines for Multinational Enterprises"[2] and as such are explicitly referenced in its trade and association agreements, see for example the EU-Georgia Association Agreement and the Association Agreement with Ukraine.

Responsible business conduct (RBC) means that businesses should make a positive contribution to sustainable development and that businesses have a responsibility to avoid and address the negative impacts of their operations.

Additionally, the Guidelines are equipped with a unique problem-solving mechanism - known as the National Contact Points for responsible business (NCP). The main role of NCPs is to promote the Guidelines and to help companies to prevent getting in trouble and help them solve corporate responsibility issues. This globally active mechanism allows civil society; trade unions and other interested parties to submit complaints regarding non-observance of the Guidelines

1 See also: *Can Companies Really Do Well By Doing Good? The Business Case for Corporate Responsibility*, by Roel Nieuwenkamp https://friendsoftheoecdguidelines.wordpress.com/2015/11/02/can-companies-really-do-well-by-doing-good-the-business-case-for-corporate-responsibility/.

2 European Commission (2015), Trade for All: Towards a more responsible Trade and investment policy, European Commission Publishing 2015, accessible at http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153846.pdf.

Expert article • 2058

by companies. Over 360 cases, related to mostly human rights, labour and employment and the environment have been brought to the NCP mechanism since 2000 addressing impacts from businesses in over 100 countries and territories. From 2011 to 2015 about 50% of all accepted complaints resulted in an agreement between the parties and 36% resulted in an internal policy change by the company in question, contributing to potential prevention of adverse impacts in the future. This grievance mechanism covers global value chains with a link to companies from adherent territories and as a result it covers a large part of the Asian export industry as well.

As signatories to the Guidelines, the Baltic States are under an obligation to set up a NCP that has the confidence of the social partners and other stakeholders; and to make human and financial resources available to their NCP to fulfil their responsibilities.[3] To this effect all three states have set up a NCP,[4] yet they have not dealt with any complaints so far. While both Estonia and Latvia are OECD Members – Latvia as recent as July 2016 –, Lithuania is currently in the process of accession to the OECD. As part of this procedure, the Government will have to show evidence of a commitment to implement the Guidelines and in particular the existence of a credible well-functioning NCP.

3 Decision of the Council on the OECD Guidelines for Multinational Enterprises (2011).
4 Estonia NCP: https://www.mkm.ee/en/objectives-activities/economic-development
Latvia NCP: http://www.mfa.gov.lv/en/policy/economic-affairs/oecd/latvian-national-contact-point-for-the-oecd-guidelines-for-multinational-enterprises
Lithuania NCP: http://ukmin.lrv.lt/lt/veiklos-sritys/investiciju-veiklos-sritis/nacionalinis-koordinacinis-centras-nkc.

ROEL NIEUWENKAMP
Chair
OECD Working Party on
Responsible Business Conduct

ANNE LAMMILA

Women are the biggest emerging market

Expert article • 2059

This statement was pronounced in the International Finance Corporation meeting a couple of years ago. It goes right into the heart of the topic of today. It explains why it is smart for private companies to exert their corporate social responsibility what comes to respecting women's rights and making a full use of women's capacity in the economy, in other words, empowering them. Not only is it that women make the majority of decisions on whether to buy a product or not, let it be a car or a health service. Women are also the biggest unused pool of labor force.

No wonder that the Prime Minister of Japan, Shinzo Abe, introduced the "womenomics" in 2014, to highlight that closing the gender employment gap could lift Japanese GDP by nearly 13 per cent. Higher female labor participation and more women in leadership positions were seen as a solution to boost the Japanese economy that has for decades suffered from recession and slow growth rates.

Japan is not alone with its ideas. The biggest and most powerful economies of the world, the G20, have established the Women 20 (W20) engagement group which provides support for efforts made by the G20 towards achieving inclusive growth and raising the profile of gender issues. This year the W20 submitted a Communiqué to the G20 Summit where they encouraged G20 members to take a number of measures to ensure the full participation and contribution of women to the economy. Elimination of all forms of discrimination, integration of gender mainstreaming into macroeconomic policies, ending violence against women, taking effective measures to increase opportunities for equal representation of women in decision-making and leadership positions were seen as solutions to that end.

Corporates that are socially responsible are more competitive than those companies that don't respect human rights.

There is a lot of data available that proves indisputably that both public sector and private companies benefit when women are taken on board and obstacles are removed in order to enable women's empowerment both in the workplace, marketplace and community. According to IMF productivity could be raised by 27 per cent if gender equality would materialize in the labor market. McKinsey Global Institute published a report 2015 stating that advancing women's equality can add 12 trillion to global growth. According to the OECD, gender based discrimination in social institutions costs up to USD 12 trillion for the global economy. Gradually reducing discrimination in social institutions could lead to an annual average increase in the world GDP growth rate of 0.03 to 0.6 percentage by 2030. The European Institute for Gender Equality has calculated that violence against women costs more than 200 billion euros per year for the European Union member countries.

The evidence is there but how to do it?

Luckily, there is the UN Global Compact, a voluntary initiative based on CEO commitments to implement universal sustainability principles to take steps to support UN goals. It calls all companies to align strategies and operations with universal principles on human rights, labor, environment and anti-corruption and take actions that advance societal goals.

As for empowering women and enhancing gender equality, there is a proposal of action on seven principle areas: 1) establish high-level corporate leadership for gender equality, 2) treat all women and men fairly at work – respect and support human rights and non-discrimination, 3) ensure health, safety and well-being of all women and men workers, 4) promote education, training and professional development for women, 5) implement enterprise development, supply chain and marketing practices that empower women, 6) promote equality through community initiatives and advocacy and 7) measure and publicly report on progress to achieve gender equality.

Companies show the way to the rest of the society. Often, cultural norms and practices hostile to gender equality and women's equal participation are deeply rooted in the society. It is difficult to get rid of them. When the initiative for change comes from the employer, it is easier to accept it. When it is a multinational company that encourages the governments to get give up discriminatory laws on women, it is probable that this happens.

Global Compact sets the minimum standards for corporate social responsibility. Smart companies do more than that. They understand that it is not enough to 'do no harm' in the business. It pays off to 'do good', as proposed in the Agenda 2030 and the Sustainable Development Goals. It is important to see that a proper child care system is put into place so that women can go to work. It is even more important to see that the company respects human rights in all of its activities, starting from the production, procurement processes, value chains and work environment.

Soon Finnish companies can also benefit of the advice given by Väestöliitto, the Family Federation of Finland. It is a leading expert organization on family and workplace issues that promotes sexual health and rights and gender equality as ways to increase well-being and sustainable economic and social development of Finland and the world. It is preparing a publication for companies on on how to advance women's rights in business.

Corporates that are socially responsible are more competitive than those companies that don't respect human rights. The biggest emerging power looks carefully at businesses. Women choose the products and services that are produced with women and understanding the needs and aspirations of women. ■

ANNE LAMMILA
Ambassador-at-Large for Global Women's issues and Gender Equality
Ministry for Foreign Affairs
Finland

MARJA INNANEN

The Finnish way to implement the 2030 Agenda for Sustainable Development

Expert article • 2060

Almost exactly one year ago the UN Member States agreed on the new global Sustainable Development Goals and the 2030 Agenda for Sustainable Development. The 2030 Agenda steers the implementation of sustainable development for the next 14 years. The Agenda strongly promotes a shift from development policy towards comprehensive sustainable development policy. The aim is to turn the global development into a path where human welfare and human rights, economic prosperity and stable societies can be secured in an environmentally sustainable manner. The big aim is also to eradicate extreme poverty in the world.

The Government is responsible for the implementation and follow-up of the Agenda. "In Finland we take sustainable development very seriously. It is a question of our own wellbeing and our global responsibility", Prime Minister **Juha Sipilä** said few weeks ago in Copenhagen in the Nordic Prime minister meeting.

In the beginning of the year Finland reorganised **the coordination mechanisms** of the work on sustainable development. Now the main responsibility for the coordination of both the global 2030 Agenda for Sustainable Development and the national work rests with the Prime Minister's Office. The engine and key body in this work is the over 20-year-old **Commission on Sustainable Development**, with representatives from all ministries, the Parliament, business life, trade unions, civil, environmental and social organisations, the church and research institutes. This hybrid model brings together top political leaders and actors of the civil society in a way that is quite unique. **The Expert Panel on Sustainable Development** hosted by the Finnish Innovation Fund Sitra serves as a support body as well as watchdog for the Commission by giving opinions and feedback.

The Commission on Sustainable Development manages the actions within Finland, while the Development Policy Committee as the other key collaboration forum deals with the external dimension. Both of these bodies have created broadly-based understanding and foundations for the work on sustainable development in Finland, and now they focus on the monitoring and supervision of the implementation of the global 2030 Agenda.

The Commission on Sustainable Development has introduced a low-threshold tool by which anyone from a daycare centre to large enterprises may contribute to the implementation of the SDGs. **Society's Commitment to Sustainable Development** - the Finland We Want is the current Finnish strategy for sustainable development, including a vision and 8 objectives as well as cross-cutting principles. In spring 2016 the national objectives of Finland were harmonised with the goals of the 2030 Agenda. The commitment is a functional tool that allows any party or actor to join in and give a concrete, creative and measurable contribution to promote the common cause. So far more than 330 commitments have been made, mostly by companies, towns and cities and schools.

The conditions for implementing the 2030 Agenda in Finland are excellent, among the best in the world, but like in all other countries the challenges are enormous. Even if Finland is doing fine with many of the SDGs, there are some major pains. These include combatting climate change (SDG), which is closely linked to the challenges in energy production, manufacturing, and sustainable consumption and production. Another main theme that needs more attention is non-discrimination and participation. This includes guaranteed access to education for all, reducing social inequality, and caring for the health and wellbeing of the people. These messages were confirmed **in the gap analysis** conducted in Finland last spring to determine our baseline situation. The analysis showed that more work needs to be done to maintain the strengths of Finland – education and stability. The baseline analysis will be utilised in **Finland's national implementation plan** to be adopted by the Government by the end of this year.

The implementation plan will be a dynamic framework, including a description of the first steps to be taken, means and tools to be used, principles, and the systems for management, monitoring and assessment. The monitoring system is currently being prepared, together with the revision of the national indicators for sustainable development and mechanisms to be used by the government for the annual reporting on the progress of the 2030 Agenda, where the Parliament has a significant role as well.

Maintaining and strengthening policy coherence is one of the main challenges and objectives in the national implementation of the SDGs. The Government is already doing a lot through the Government Programme and key projects, ministries have numerous programmes and strategies, and there are agreements that are directly concerned with implementing the 2030 Agenda. Society's Commitment to Sustainable Development and its 8 objectives are among the most important tools in support of coherence. The shift of the national development policy coordination to the Prime Minister's Office in the beginning of 2016 allows even more systematic approaches to improving policy coherence.

For more than 20 years we have had a **coordination network** between the ministries which is also tasked with ensuring policy coherence, but this is not enough. During this autumn there will be discussions and means will be sought to incorporate the 2030 Agenda into decision-making, strategies and legislation and to develop budgeting in a way that the objectives can be achieved. The Parliament has a key role as a guardian of policy coherence. Finland is right now considering whether the implementation of the objectives of the 2030 Agenda could be reported as part of Government's annual reports, which would also allow the Parliament to participate in the evaluation on an annual basis.

Expert article • 2060

Agenda2030 emphasises that the means of implementing the objectives are almost as important as the objectives themselves. The Agenda calls for multidimensional cooperation and partnerships between the different countries, actors and citizens, active exchange of information and experiences, policy coherence, and sharing of the best practices.

In Finland Society's Commitment to Sustainable Development and the related voluntary operational commitments constitute, already at this stage, an innovative and internationally recognized solution for the implementation of the Sustainable Development Goals. The time to act is – now! ■

Links

The national report on the implementation of the 2030 Agenda for Sustainable Development to UN: http://kestavakehitys.fi/documents/2167391/2186383/VNK_J1016_National_report_net.pdf/48be3fcf-d40c-407a-8115-e59b2c0683ee.

Animation Finland's strengths/weaknesses video (30 seconds): https://www.youtube.com/watch?v=RdoEgKxZoeE&index=1&list=PLgS5PsOs9_ZdGCwBU6WpbFccVfoxO7Uhq.

Society's Commitment to Sustainable Development video (4 minutes): https://www.youtube.com/watch?v=0Zkz1cwvMnA&list=PLgS5PsOs9_ZdGCwBU6WpbFccVfoxO7Uhq.

The implementation of the 2030 Agenda in Finland: http://kestavakehitys.fi/en/agenda2030/implementation-finland.

The operational commitments: sitoumus2050.fi.

MARJA INNANEN
Deputy Secretary General
National Commission on Sustainable Development
Prime Minister's Office
Finland

JUHA VÄÄTÄNEN

How multinational enterprises can contribute to global development challenges – MNEmerge project is searching for the answers

Expert article • 2061

The beginning of new century was marked by initiation of the Millennium Development Goals (MDGs) at the Millennium Summit in September 2000, which mobilized the global community towards achieving its targets. A set of eight clear objectives, addressing aspects such as dignity and basic standard of living as human rights, sent a call to multinational enterprises for solidarity. At the UN Sustainable Development Summit in September 2015 the new document "Transforming our world: the 2030 Agenda for Sustainable Development" was accepted. The document outlines new set of seventeen objectives referred as Sustainable Development Goals (SDGs). SDGs represent the revised and extended edition of MDGs.

Large multinational enterprises (MNEs) have been assumed to contribute to economic development of host countries through their Foreign Direct Investment (FDI), which ultimately results in poverty alleviation and human empowerment through building linkages with host country businesses and enhancing local capabilities pool. On the negative side, they are often criticized for serving only small part of population, the elite. Furthermore, having high bargain power MNEs can force governments in developing countries to adjust the legislation in favor of international business. Therefore, we can observe a clear gap in understanding the linkages between the activities of companies in developing countries and countries socio-economic development.

Having in mind UN goals to improve the basic standards of living and to ensure sustainable development and aiming at resolving the discrepancies between the idealistic perceptions and harsh realities, an international and multidisciplinary team of researchers have been working since 2014 on the research project called "A Framework Model on MNE's Impact on Global Development Challenges" (MNEmerge). The team consists of researchers from nine universities and research institutes. The main goal of the EU-Commission FP-7 financed project has been to develop comprehensive framework to analyze contribution of MNEs to United Nations (UN) Millennium Development Goals and subsequent Sustainable Development Goals. The research has been conducted between 2014 and 2016. The research team conducted extensive studies in three developing countries: Brazil, India and Ghana. The project data is very diverse and consisting both from secondary statistics collected from official databases but also from in-depth interviews and field studies. The resulting multifaceted dataset has enabled application of multi-method analysis and provided deep insights on the research topic. The project outcomes have been presented in numerous international workshops and conferences, regional stakeholder workshops and academic journal articles.

The study results clearly show that the most critical positive impact on improving population well-being arises not from direct aid and charity but rather from enhancing the local population's capabilities. That leads to sustainable positive effect and enables low-income countries to develop further. However, findings demonstrate certain challenges among MNEs to implement complex measures in order to improve the local population well-being. Quite often, the primary impact is seen only as new job generation which although undoubtedly does have a positive effect cannot alone dramatically change the situation. Absence of local knowledge decreases the bargaining power of governments in negotiating agreements with MNEs. Furthermore, engagement with advanced technologies without sufficient knowledge base in fact can lead to capabilities eradication and increase the dependence of local produces on the large MNEs. To solve these issues the joint actions of governments and businesses are strongly advised. Unfortunately, governmental programs may lack of regional knowledge, which can result as imperfect program design and implementation. Business on the other hand is burdened with the short terms goal setting and objectives, which prevents them to address long-term developing objectives.

The results of project demonstrate the importance of governmental policies to achieve significant results in poverty reduction. The governments have a difficult task to find the balance between the "carrot" and "stick"; incentives attracting FDIs to the country and regulations requiring MNEs to contribute to local development. Multinational enterprises on the other side need to recognize that Corporate Social Responsibility (CSR) is not only a marketing tool but also the instrument for increasing the customer base. Improvement the well-being of the poorest part of the population, so-called "base of the pyramid" in the long term will bring financial benefits for the business.

Overall, in spite of the fact that the current situation is far from ideal the project results revealed significant potential for improvement. Furthermore, the most important outcome of the project is the generic framework describing the relationship between MNEs and local stakeholders. The analysis of the collected data through the lenses of the framework enabled the research team to develop the set of policy recommendations aiming to empower the local government in creating the engaging environment for MNEs operation. It is in our power to make the world better place to everyone.

Further information about project results and research consortia can be found from the project website: www.mnemerge.com. ■

JUHA VÄÄTÄNEN
Professor, MNEmerge Project Director
Lappeenranta University
of Technology
Finland

BRE REVIEW

HELENA KEKKI

Sustainable Development Goals – a shopping list of a wealthy customer?

Expert article • 2062

The Sustainable Development Goals (SDGs) were ceremoniously published last autumn at the Summit organised in New York in connection with the UN General Assembly. What made it unique is that every one of 193 UN Member States committed to executing the concrete and ambitious Sustainable Development Goals and the related Agenda 2030. The goals bind all of us: states, organisations, individuals – and companies. How successful these goals will be in changing the role of companies as the enablers of and partners in sustainable development, remains to be seen.

The SDGs are a bleak summary of the current state of the world and the challenges it is facing. They outline 17 global sustainable development challenges, which are described in more detail through the 169 sub-targets. Together these form an overview of the hurdles and problems that we face today. The same list of goals and targets forms the 2030 Sustainable Development Agenda. The goals are in a way an account and a working plan of what has to be done globally over the next 15 years. The goals must be met. Otherwise, the challenges facing our societies will snowball to such proportions that we will jeopardise our possibilities to achieve a humane and environmentally sustainable future.

Even before its official publication, the list of goals generated a positive stir and hope of something better among a very large group of different actors: States showed unanimous commitment to execute the ambitious agenda on national level. Non-governmental organisations started to plan their new projects and activities in line with the goals. Individuals were asking themselves what role they played in the formula for sustainable development.

I think the most interesting aspect was the reaction of companies to the high-level UN goals: a significant number of companies large and small took ownership of them from the word go. Some company directors travelled to the Summit to show their support for the goals. Many discussed them within their networks and spoke of how the company was going to ensure that their business operations would be in line with the goals. This was not a surprise as such, since many of the sustainable development goals are directly linked to companies' daily activities: sustainable consumption and methods of production; youth unemployment; decent work regulations are all among the themes covered by the goals and ones which company decision-making influences directly. Company directors are indispensable to achieving certain goals, and there is no hope for achieving them, if the private sector does not commit to shaping its activities to meet the goals.

> The framework provided by the SDGs offers companies an ideal opportunity to consider what is essential for their stakeholders, then pick what is relevant to their own operations and incorporate these into their development projects.

Pair of sustainable development glasses for company management

In my view, what makes the SDGs interesting is their comprehensiveness: they spell out the complexities of our society and the interdependences of issues, making complex sustainability challenges more accessible and understandable for company directors who may previously have been unfamiliar with the topic. The SDGs emphasise the fact that no development *is sustainable if economic, environmental and social aspects are not in balance throughout a company's value chain*. In other words, it is not enough that a company uses state of the art technology for energy management and waste treatment in its production plant if the environmental impacts of their product's life cycle are not considered at the product development phase. It is not enough that the company's own personnel are fairly treated, if a peak to the supply chain in developing countries exposes the exploitation of child labour, discrimination due to gender or race or inhumane working condition - let alone slavery. It is not enough to be a good tax-paying corporate citizen in Finland but resort to bribes and illicit facilitation payments elsewhere.

The Sustainable Development Goals challenge companies to evaluate the impact of their decisions, processes and products throughout their value chains – from the source of the raw material to the final stage of the product's life cycle. I would like to see companies use the SDGs as ***"a pair of sustainable development glasses"***; a tool which can help companies see the positive and the negative impacts of their activities on their immediate stakeholders as well as on the wider society.

Reducing the negative impacts of operations makes sense on risk management and cost basis alone: it is cost-effective to operate energy efficiently. It is also foolish to operate in a way that harms the surrounding society also from the view point of reputation management.

Recognising the positive effects of activities helps companies make their value creation to the society more concrete – who receives added value from the company's operations and how? A company pays wages to its employees and dividend to its owners – but do the company's products, for example, bring something positive to the world too?

Expert article • 2062

Increasing pressure for sustainability from customers, investors, regulators and other stakeholders

By recognising and being vocal about the positive effects of their activities on the society, companies can stand out in the ever-tightening competition and gain a better licence to operate. Customers and their stakeholders now, and increasingly so in the future, demand sustainability from companies and are also prepared to vilify those who clearly need to step up on sustainability. I believe that the pressure from stakeholders will only increase in the near future. The FIBS 2016 corporate responsibility survey, for instance, reveals that Finnish companies have over the last few years seen solid interest and increasing demands from their customers and investors when it comes to sustainable business practices. The framework provided by the SDGs offers companies an ideal opportunity to consider what is essential for their stakeholders, then pick what is relevant to their own operations and incorporate these into their development projects. Once a company has integrated sustainable practices into its strategy and business processes, it should also communicate this to stakeholders.

I predict that, with the Sustainable Development Goals and also the growing regulation, the next few years will see increasing demands for sustainability of business processes. At the time of writing this article, a number of sustainability-related schemes are being developed that will inevitably make life harder for unsustainable businesses, whether we talk about aggressive tax sheltering activities or business operations that rely heavily on the use of fossil fuels.

It makes business sense for the company management to identify the company's problem areas related to the Sustainable Development Goals, and make an action plan to address them in a timely manner.

SDGs – a wealthy customer's shopping list

The SDGs also provide opportunities for pioneering companies and businesses that can offer interesting solutions to the challenges the goals outline. I believe that companies should look at the goals as a list of requirements which will be in demand and probably a recipient of both public and private financing. The SDGs are like a shopping list – we will have to wait and see whose products and services will end up in the shopping baskets of this significant, wealthy customer. Any company providing, for example, health, education, water supply management and sanitation-related products and services should be showing interest in the markets to be created by the SDGs. The goals will undoubtedly also increase investment in and funding for projects that promote energy efficient, resource wise and clean technologies as well as projects that utilise information and communication technologies to improve the use of resources. There is a huge demand for commercially developed solutions.

I do believe that the Sustainable Development Goals are not a hindrance to businesses; quite the opposite, they are an opportunity particularly to companies that promote sustainable business operations. Those companies that are among the first to react to the SDG's are likely to get a significant head start in the competition to capitalise on the business opportunities brought about by sustainable development.

Need for innovative partnerships

The challenges defined in the SDGs are significant. Meeting them will require new and innovative partnerships, whether for companies or other players. To find these partnerships, companies should look beyond their traditional cooperation partners: Maybe non-governmental organisations could offer a perspective which would help the company recognise the sustainability risks in its own operations before they materialise? Perhaps an educational establishment would be able to provide the kind of insight the company needs when developing sustainable products? Maybe companies should seek their customers' opinions and input when developing new and innovative solutions and services? At their best, innovative partnerships create added value that goes beyond what anyone had hoped for. The demand for partnerships and innovation is immediate; otherwise, we will not be able to achieve the Sustainable Development Goals by 2030. The goals concern us all, you and I too. With this in mind, I will conclude with a question: What will you do to contribute to achieving the Sustainable Development Goals?

HELENA KEKKI
Manager
FIBS
Finland

MAGDALENA POPOWSKA

The main developments of the CSR initiatives in Poland

Expert article • 2063

The implementation of the responsible behavior in Polish companies has never been an easy process and went through few steps, resulting from the socialist heritage of this country past. Mainly due to the word «social» in its name, entrepreneurs in former socialist countries frequently saw CSR as some form of socialist renaissance, considered as dangerous as for the transition to market economy. Therefore, in reality, this approach started its reach and influence on the native companies only after 1989. First publications on that topic started to appear in the very end of the XXth century. That is also when Polish business leaders became more interested in the idea of CSR (Rok, 2004).

In last 10 years, CSR is getting more and more popular among Polish companies and businessman. There have been many publications, conferences and meetings with top managers that have improved and expended their knowledge in that field. According to numerous studies the amount of Polish companies that implement CSR in their day to day practice is growing.

Application of international CSR initiatives in Poland

In 2002, in Warsaw, took place a "Sustainable Development Management. Agenda 21 – 10 years after Rio" conference, during which the representatives of Polish local governments have discussed the implementations of the 1992 Rio Conference and Agenda 21. Reports from the conference brought to light that since 1998 more than 80 local governments have created documents enabling the realization of the sustainable development strategy based on Agenda 21 and have started its implementation. During the conference there have also been signed a "*Polish Cities Network Declaration in Sustainable Development*". The network was dedicated to enable the coordination of local governments in the sustainable development and cooperation with the European networks (Responsible Business Forum, 2015).

So far, the implementation of CSR principles was a voluntary action for companies all over the world. That situation had changed with the European Union's directive form 6th December 2014 on disclosure of non-financial and diversity information by certain large undertakings and groups. The directive obliges large companies, working within the European Union to disclose information on CSR policies applied in their firm politics.

Final shape of the regulation was weakened in the last stages of its formation, mainly as a result of lobbying conducted by major companies that the document would consider. Poland, as the only EU country lobbying in favor of shrinking the list of companies concerned by the directive, was suggesting to encourage, rather than force, firms to report their CSR activities (Krukowska, 2014). After long negotiations, it was agreed that the document will apply as well to listed companies as other public-interest entities, that employ more than 500 people and which total assets exceed 20 million euros or which revenues excess 40 million euros. Consequently, at the EU level the directive will apply to approximately 6000 entities. On a Polish scale, it will include from 250 to 300

EU member states have two years to transpose the directives into national laws. That means that until 6th December 2016 the regulations have to be implemented and not later than by the 1st January 2017 should be applied. Detailed guidelines for their implementations are to be announced within year 2016, after a number of consultations between the European Commission and states representatives. Responsible for the implementation process in Poland is the Ministry of Finance.

The document clearly shows the change of EU's approach to corporate social responsibility, going in the direction in which the companies would be obliged to incorporate and report CSR into their operations. Unfortunately, even though it is a step in the wright direction, many would argue it is of too small significance, being too little rigorous and concerning too small group of companies. It may indeed make European companies start to consider CSR as part of their operations and include it in their policy, but given its lack of popularity on the Polish market it alone will not change much. As a matter of fact, for the companies to which the directive applies, it will mainly mean employing new consultants that would help them to neatly create a report of activities with a small significance, conducted with a minimalistic cost, or even fictional ones, as in the end none would hold them accountable for what they claim to be doing.

Responsible Business Forum and the Partnership Program

As a milestone in history of CSR in Poland is considered year 2000, when Responsible Business Forum (RBF) was created. Initiated by three companies, RBF was a first, and later the biggest, Polish non-profit organization that works in order to bring awareness of business ethics in Polish corporate world. In 2002, RBF became its partnership with CSR Europe – the biggest CSR organization, working under the European Union. RBF cooperates with a number of international and Polish organizations, such as World Business Council for Sustainable Development, Global Reporting Initiative, Business in the Community, and CSR 360 Global Partner Network.

As its mission RBF wants to spread the idea of CSR in the country and encourage Polish companies to be active in that field. Therefore, the organization focuses on cooperation with business, NGO's and state administration, trying to accompany them in solving their stakeholders' problems.

One of the most important initiatives that is led by the RBF is the comprehensive Partnership Program with companies working on Polish market. The program exists for 15 years and includes over 100 companies, divided into two groups of strategic and supporting partners. Its main purpose is promotion and popularization of CSR practices in Poland. Companies that take part in the partnership Program can benefit from many activities offered by the RBF and described in the following sections.

Diversity Chart in Poland

Diversity Chart is an international European Commission initiative promoting diversity and non-discrimination in the workplace, implemented in many EU countries, including Poland. By signing the Chart companies are joining the platform in promoting good practices in equal treatment and are confirming their willingness in engaging

Expert article • 2063

all their employees and partners in supporting cohesion and social equality. This document can be signed by any willing employer, regardless from its legal status. The participation is free, although there is a possibility to join the paid educational program with it associated. After becoming one of the signatories the company can count on RBF support in form of newsletters, discounts on Forum's conferences, and a preparatory substantive meeting.

The Diversity Chart in Poland is held under auspices of Government Plenipotentiary for Equal Treatment, the Human Rights Defender and the Ministry of Labor and Social Policy, and is fully coordinated by RBF. Polish edition of the Chart was launched in February 2012 with 14 signatories, and have grown to over 150 entities in August 2016.

Responsible Business League

In April 2004, RBF, together with 3 academic research centers from University of Lodz, Wroclaw University of Economics and University of Gdansk, have created an educational program called Responsible Business League (RBL). The League was built in order to train and shape new top socially responsible managers, entrepreneurs, and leaders.

RBL consists of a group of students, called Ambassadors of CSR that, together with many student's organizations, are working on different educational and social projects, spreading the idea of responsible business at the local and national levels. RBL working groups are building dialogue between entrepreneurs, administration, academia, NGOs, and media, by initiating local activities, promoting good examples, and shaping responsible attitudes. It is an important partner for micro, small and medium or large enterprises.

Among RBL projects one would list: CSR Ambassadors Program – a unique educational initiative associating students from all over Poland, Local CSR Action Workshop Grant Program – a CSR found for student organizations, science clubs, and non-governmental CSR, Responsible Business Academy – the largest conference on CSR addressed to Polish students, Afternoon tea with CSR – informal meetings with practitioners, theorists, managers, and entrepreneurs, Competition of CSR knowledge – an annual test for university and high school students.

Report "Responsible business in Poland. Good Practices"

Since 2002, every year RBF publishes a report entitled "*Responsible business in Poland Good Practices*" – the largest CSR overview in Poland. This publication collects the most significant CSR practices undertaken by companies and organizations operating on Polish market in the previous year. The report also presents expert commentaries, media analysis and an agenda of completed and upcoming events. That creates a unique and detailed picture of Polish CSR that may be either a source of information or inspiration to every person interested in that matter or planning to start responsible practices. All the reported practices are grouped in 7 categories, derived from ISO 26000, namely: local community involvement and development, labor practices, environment, corporate governance, fair play practices, consumer issues, and human rights.

The newest 14th edition of this report shows record-breaking number of 813 good CSR practices. The development of CSR is also noticeable in the number of companies reporting new practices. There are 137 of them (vs. 124 last year), of which 35 represent the SME sector (31 last year). The areas with the highest number of practices remain the same. They are 'local community involvement and development' and 'labor practices' (Responsible Business Forum, 2016).

The statistics on this reporting activity are optimistic: every year there is more new companies and also more firms reporting on the long-term CSR practices. However, in comparison with other developed countries, Poland has still a lot to do in terms of CSR business involvement.

"People who changed business" award

In 2015, a year of 15th anniversary of Responsible Business Forum's existence, "*People who changed business*" award has been established. It is a first such prize dedicated to people involved in development and promotion of CSR, addressed as well to companies' representatives as individuals working in the business environment. RBF is an initiator and organizer of the Award.

Candidates for the awards are to be suggested through an application form on RBF's website, by themselves or third parties. By evaluating the candidates' actions taken in the previous year are taken into account. As main criteria adopted in choosing the winners Responsible Business Forum will be looking at measurable effects of the changes brought upon the company, originality of the activities undertaken by the candidates, openness to cooperation, as well as involvement and role of candidates in undertaken actions.

Polish Vision 2050

One of the most significant projects of RBF is its current collaboration with the Ministry of Economy and Deloitte Sustainability Consulting Central Europe on the "*Polish Vision 2050*", an initiative developed in response to, created by the World Business Council for Sustainable Development, "Vision 2050. The new agenda for sustainable development". The document describes main challenges in sustainable development creation and gives instructions on achieving it.

In order to help in integration of Polish companies around the idea of sustainable development within the Vision 2050, there have been created four working groups that are substantively supported by the Ministry, RBF and PwC. They provide space for dialogue and exchange of experiences essential for good results in following areas: sustainable production and consumption; renewable energy sources and energy efficiency; social innovation; small- and medium-sized enterprises.

After nearly eighteen months of cooperation in the working groups, involving many consultation sessions and debates, in May 2012, "*Vision 2050: The New Agenda for business in Poland*" has been published. The report identifies 6 key challenges and areas on

Expert article • 2063

which Polish business needs to work in order to support the socio-economic development in the country: need to improve social capital, need to strengthen human capital, development of infrastructure, effective natural resources management, ensuring energy security, improving the quality of the state and its institutions (PwC, 2012).

Academy for the Development of Philanthropy in Poland

An important actor on the CSR stage in Poland is also, active since 1998, Academy for the Development of Philanthropy in Poland. As an independent NGO, its mission is to improve life and activate local communities, by creating a forum for various solutions for life enhancement, encouragement of local corporations to be more financially engaged in the socially useful causes, as well as for popularization and support of goodwill and philanthropy.

Additionally, the Academy has created a special handbook available on its website, with the important information and advice on how to develop an independent social responsibility strategy. It also offers individual consultations, various multimedia presentations and an independent database of around 90 publications in the field of CSR.

The Academy is also an organizer of an annual competition for a "*Benefactor of the Year*". By rewarding the businesses which are practicing charity, they want to promote effective forms of socially responsible cooperation between corporations, different organizations, programs, volunteer work and social initiatives.

RESPECT Index

In 2009, the Warsaw Stock Exchange (WSE) was the first in Central and Eastern Europe to establish the index of the CSR leading enterprises on the Polish market. Today, the RESPECT Index, in addition to identifying the most socially responsible companies, is also putting strong emphasis on their investment attractiveness, showing their high information governance, good reporting quality or high level of investor relations, and consequently being a relevant reference for professional investors.

The number of companies taking part in the index audit fluctuates all the time. Being an income-based reference, it takes into account internal procedures and certificates. Its calculation is quite complicated and explicitly specifically described on the WSE website.

The WSE seems to be strongly committed to the promotion of responsible approach to business among listed companies. Recently, WSE has commissioned Martis Consulting to evaluate the attitude towards CSR of 65 WSE listed companies. Polish corporations have been asked to assess the importance of CSR for the investors and to evaluate the impact of CSR on their purchasing decisions. According to the results, 68% of institutional investors analyze the CSR data of their business partners, whereas only 23% of individual clients are interested in it. However only 3% of surveyed companies think that investing in the highly socially responsible companies would in any way reduce their investment risk (Martis, 2014).

The number of companies included in the RESPECT Index is growing every year. That proofs that Polish enterprises are paying more and more attention to idea of CSR, by applying its principles in their daily operations and also by reporting it to the public.

Conclusions

Despite the growing number of RBF, other NGOs and government initiatives aiming at increasing the awareness of sustainable business importance among Polish companies, the popularity of CSR approach seems smaller than in other developed countries. There is still a shortage of reports and research on how companies working on Polish market actually adjust to CSR standards.

At the same time, CSR continues to be considered as a tool to build firms image rather than a way of building a strong trustworthy company. Still not many entrepreneurs understand its core purpose and tools, reducing it only to sharing the profit with needy to strengthen their Public Relations. The environmental issues and local community involvement, even though highly important, should not be the only ways of implementing CSR. In order to bring value to the company and to the society, corporate responsibility should be implemented systematically and fully. Ambitious socially responsible company should look beyond its financial gain, trying to improve its structures and wellbeing of employees. That is a conclusion to which many Polish companies still have to come to, but once they do, they will be able take full advantage of CSR from the financial, organizational and philanthropic point of view. ■

References

PwC Polska (2012), Wizja zrównoważonego rozwoju dla polskiego biznesu 2050, retrieved on 23.10.2016, from: http://www.pwc.pl/pl/publikacje/2012/wizja-2050.html.

Akademia Rozwoju Filantropii (Academy for the Development of Philanthropy in Poland), retrieved on 27.10.2016 from http://www.filantropia.org.pl/.

European Commission (2011), Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Brussels: European Commission.

Krukowska, M. (2014). Forbes Poland, retrieved on 30.08.2015, from: http://csr.forbes.pl/czy-firmy-rzeczywiscie-beda-rozliczane-za-csr-,artykuly,174996,1,1.html.

Agenda 21, Forum Odpowiedzialnego Biznesu (Responsible Business Forum), retrieved on 02.11.2016 from: http://odpowiedzialnybiznes.pl/hasla-encyklopedii/agenda-21/.

Rok, B. (2004). Odpowiedzialny Biznes w nieodpowiedzialnym świecie. Warszawa: Akademia Rozwoju Filantropii w Polsce Forum Odpowiedzialnego Biznesu.

Martis Consulting and GPW (2014), Raport: CSR ważny dla spółek, retrieved on 22.10.2016, from: http://www.proto.pl/aktualnosci/raport-gpw-i-martis-consulting-csr-wazny-dla-spolek.

Report "Responsible Business in Poland 2015. Good Practices", Forum Odpowiedzialnego Biznesu, retrieved on 24.10.2016, from: http://odpowiedzialnybiznes.pl/publikacje/report-responsible-business-in-poland-2015-english-summary/.

MAGDALENA POPOWSKA
PhD, Vice-Dean for International and Public Affairs
Assistant Professor
Faculty of Management and Economics
Gdansk University of Technology
Poland

YURY E. BLAGOV

Support for local communities development in the corporate social performance "portfolio": the case of leading Russian companies

Expert article • 2064

The current developments of Corporate Social Performance (CSP) in Russian business are generally in line with the global trend of connecting strategic approaches to CSR with creating value both for business and society. Theoretical debate on creating "blended", "integrated", and ranked as the most popular "shared" value dominate at the agenda of Russian CSR and sustainability scholars. A number of leading Russian companies, including the so-called "Russian MNCs" (*Atomredmedzoloto, Gazpromneft, Lukoil, Norilsk Nickel, RUSAL, Sakhalin Energy, Severstal, TMK* among others), are actively introducing the respective terms and approaches in their vision and mission statements for "responsible/sustainable corporate strategies" and trying to develop the necessary KPIs and managerial routines. At the same time the real process of creating value orientation of these companies is quite specific, clearly reflecting the national economic and social circumstances. Above all, creating value by supporting local communities development remains important and fairly stable direction of their CSP "portfolio" which includes such elements as "corporate philanthropy", "integration" (conducting existing business operations in responsible way) and "innovations" for solving social and environmental problems.

In 2014-2015 the PwC Center for Corporate Social Responsibility at SPbU GSOM has been leading two continuing nation-wide research projects: "Report on Social Investments in Russia — 2014: creating value for business and society" conducted in co-operation with the Russian Managers Association and the "Report on Corporate Philanthropy in Russia" settled on survey data collected from participants of the national "Corporate Philanthropy Leaders" award competition. These projects covered about 80 leading Russian companies of different industries, including the main "Russian MNC's", which tended to be the national champions in all CSR-related activities. The data presented in these reports have led to the following major conclusions in the field under review.

It is obvious that all CSP "portfolio" elements are in different interconnections with the value creation for business and society. Theoretically, companies should preferentially treat corporate philanthropy as a main source for social value creation, integration — source for creating economic value, but innovation — source for creating the shared one. Moreover, traditional corporate philanthropy as such is considered as the "old fashioned" approach in comparison with innovative shared value creation. Nevertheless, the very implementation of strategic approaches to CSR at the leading Russian companies is largely hindered by the deeply-embedded view on the corporate social performance as mainly a source for creating social value through participation in resolving particular societal/environmental problems of the local communities via corporate philanthropy (about 52% of the responding companies), rather than creating shared value (42%). The support for local communities development remains one of the most important directions of corporate philanthropy (69,5% of the responding companies) but its real share is even higher taking into consideration that the two more popular directions (education — 88,1%; social work and social protection — 84,8%) are also mainly not completely related to local communities. Leading Russian companies usually create particular strategies for corporate philanthropy (95%) with a purpose to create social value for multiple stakeholders (88%) and in many cases these strategies actually substitute the officially proclaimed "responsible/sustainable corporate strategies". The companies also reported on creating social value through the CSP "integration" by providing employment in the regions of operation and making tax payments for local budgets. The both elements of CSP "portfolio" are seemed to be non-debatably legal and moral duty-based and provide the companies with the "license to operate". Through these elements companies realize their responsibilities towards local communities as the important stakeholders on the level of particular cities (in some cases mono-cities) and even large regions. Social value creation here seems to be an "article" of implicit Social Contract between society and the big businesses that was created in the mid of 1990s after the controversial voucher privatization and loans-for-share-auctions. Due to this implicit contract Russian society and the government particularly continue to view CSP as support and/or even substitution for the social expenditures of the state.

No doubt many of the particular philanthropic projects are very effective and supportive for local communities. Nevertheless, since the mid of 2010th some leading companies have started to reorient their support for local communities development into the innovative creation of shared value. On the one hand, the responsible innovations offered by these companies are mainly limited by the unclear "social innovations" (62%) rather than connected with the process-, product-, or marketing ones. On the other hand, some companies (34%) have been trying to connect their societal/environmental efforts with the competitive advantages through transforming their traditional philanthropic projects into multisided networks, for example, to develop social entrepreneurship in cooperation with the NGOs and local governments. Among them are the nominees of the annual national

Expert article • 2064

“Corporate Philanthropy Leaders” award competition. The abovementioned Social Contract is not violating but rather developing towards the more rational CSP choices. For example, *Norilsk Nickel* implemented the *New Concept of Regional Social Policy* as the extension to the new corporate development strategy implementing on 2013 with the purpose to improve operating efficiency and raise the quality of investments and capital management. The companies’ efforts to support for local communities development are now centered round the *World of New Opportunities*, a program launched in 2014 and already acclaimed as one of the Top 30 social projects in Russia. The program covers three focus areas: PARTNERSHIP (support for public initiatives, knowledge sharing and local expertise development), INNOVATIONS (facilitating the advanced technologies implementation and fostering innovations and R&D potential) and DEVELOPMENT (engaging local community to address social issues through the implementation of social entrepreneurship). In all these areas the company is clearly seeking for creating shared value through the long-time oriented cluster development. ■

References

Report on Social Investments in Russia — 2014: creating value for business and society /Y.Blagov, I.Sobolev (eds). St.Petersburg. ATM Kniga, 2014.

Blagov Yu. E., Petrova-Savchenko A. A. *Report on Corporate Philanthropy in Russia* // All about leaders 2014: the national “Corporate Philanthropy Leaders — 2014” project. Moskow. The Donors Forum. 2014.

Halme M., Laurila J. Philanthropy, Integration, or Innovation? Exploring the Financial and Social Outcomes of Different Types of Corporate Responsibility // *Journal of Business Ethics*. 2009. Vol. 84. # 3. P. 326–339.

YURY E. BLAGOV
Director
PricewaterhouseCoopers
Center for Corporate Social Responsibility
Graduate School of Management
St. Petersburg University
Russia

LEONARDO BREMERMANN, MAURO ROSA & VALERIE MONTEIRO

Social commitment of the MNEs in the Brazilian electric sector

Expert article • 2065

Throughout the research realized in the MNEmerge project, different stakeholders, from the Brazilian Electric Sector, were approached to participate of the project. Brazil has a public policy in which the investments to attract MNEs should result in local socioeconomic development. Therefore, the next section presents the social programs supported by the stakeholders that were interviewed by the INESC P&D Brazil in the MNEmerge project environment.

Tractebel Energy

Through the acquisition of Gerasul ("PowerPlantsoftheSouthofBrazil"- a previous state-owned company), in the year of 1998, the GDF Suez established its activities in Brazilian territory, but only in 2002 the subsidiary gained the head office trademark "Tractebel Energy". The company manages the generation of energy through implementation and operation of generating plants, being the commercialization of the generated energy, its main product.

The major service provided by the brand is the transmission of that energy. Tractebel has its shareholding control held by the GDF Suez Latin America Participation (GSELA) that holds 68.71% of all social capital of Tractebel Energy. On the other hand, GSELA is controlled by the GDF Suez, a French-Belgian group with structured offices in 70 countries, 147,000 employees around the world and with an average annual revenue of approximately 80 billion euro. GDF Suez operates across all the energy value chain, with expertise in electricity, natural gas and energy services.

The company's activities affect directly in the environment of where its operations are installed, causing the dislocation of entire communities, geomorphologic modifications and alteration on the local landscape. Another important consequence is the emission of liquid and carbonated effluents in the atmosphere, which contributes to the disturbance of the natural fauna. However, from all units of the company, 15 (95% approximately) have ISO 14.001 (environmental management). Therefore, the activities of the company are aligned with the environmental standards.

Tractebel addresses a portion of its profits to social programmes, helping to improve the quality of life of children in poor communities around the country. The company focuses on providing education for school-age children and professional qualification for the youth. In the environmental field, the company invests in sustainability with renewable sources of energy in its generation plants and its efforts were acknowledging by the "The American Chamber of Commerce of Rio de Janeiro", which granted Tractebel with the Brazilian Environmental Award in the special category of "Clean Development Mechanisms".

Other examples of programmes endorsed by the company are the establishment of partnership for social and health assistance in needy communities and campaigns for public awareness to improve social inclusion for children and adolescents in risk situation. Besides the programmes fostered by the company, once it locates an operation plant in a distant area it generates direct and indirect employment, helps to boost the local economy by contracting local suppliers and provides long-term employment vacancies.

EDP – Energy of Portugal

The company started its operations in Brazil through the acquisition of Electrical Company of Rio de Janeiro – CERJ -, in 1996. In the year of 2000, the company began to operate under the official name of EDP Brazil – a subsidiary of the EDP Group-, with investments in the area of generation of energy and making partnerships with the main companies of the sector. Through the years that followed, the company expanded its operations and was restructured so the sectors of generation, distribution and commercialization of energy were administrated by different subsidiaries.

The portfolio of activities kept growing, and in the year of 2010, EDP, as part of a pioneer project in the country, installed vehicles recharging stations in the cities of *Vila Velha, Vitória, Serra, Cariacica* and *Guarapari* in the state of *Espírito Santo* and in the cities of *Guarulhos, São José dos Campos* and *Mogi das Cruzesin São Paulo*. In addition, the company donated several electrical bicycles to public order organs.By the year of 2015 the company was acting in many different sectors such as renewable energies, through the hold of a 45% stake in EDP Renewable Energies, where it sells 57.2 average MW of new energy from four wind generation projects. In this year, the demand was 4.5 times greater than forecast, sale of 14% of the company's shares held by EDP de Portugal raised R$ 810.7 million and the commercializing sector reached the record of 1,168 average MW of commercialized energy.

All the operation sites of the company are certified by the relevant agencies and follow all the governmental regulations. Through the years, EDP also raised its participations in social projects. The EDP Institute has projects in many areas, such as culture and sports, education and development and sustainable development. When the aspect is the environment, EDP has strict policies concerning the treatment of water and effluents, the impact on the fauna and flora and the responsibility of preserving the biodiversityof the regions of operation. Besides the EDP Institute, the social work and activity of the EDP Group in the world is also developed by the EDP Foundation and by the *HidroCantábrico* Foundation.

Siemens

Siemens is an international electronics and electrical engineering company, based in Germany, which had a revenue of over €75billion in the last year. The company has been acting in Brazil for over a century, providing technologies that help to improve the life quality of the population. Siemens has participated in many important projects such as the implementation of public transportation in the main cit-

Expert article • 2065

ies of Brazil, the optimization of the sports arenas across the country through the provision of technological solutions and even the installation of the first telegraph line between the city of *Rio de Janeiro* and the state of *Rio Grande do Sul*. The company was the pioneer in providing new technologies and solutions that supported the economic growth of the country since 1867.

Over the years the company has enlarged its range of activities, acting in the health sector (diagnosis appliances), security sector (remote surveillance), power generation, energy management, building technologies and others. Siemens currently has more than 7,000 employees in Brazil working at 12 manufacturing facilities, 7 Research & Development centers, as well as 13 regional offices spread across the country.

Siemens holds many different social projects in Brazil. One of the biggest is held in the city of *Curitiba*, in the south region. In the year of 1975, the company purchased a 250m² land to establish a new project, even though the plant would only occupy 15% of the land. The remaining area would be a green area, filled with soccer field, a restaurant, a health and fitness center and nature trails, all opened to the community. In the area is also installed a garbage center (with trash compactors and recycling area) where all the waste from the offices is divided and recycled by the company.

In addition, Siemens has an operating project in a poor community stalled outside the city of *Curitiba*. The community of Sabara was in financial distressed and the public service was unable to provide food and service to the kindergarten of the city, which supported 220 children between the ages of 4 and 5. The company installed a bakery in the community, the *Panificadora Comunitária Sonho de Criança* (the Childhood Dream Bakery), which produces different products to provide for the kindergarten and also to sell to the community and restaurants in the area, converting the profit back to kindergarten and others educational institutes of the area. Siemens also helps with the administration of the business to this day.

Reason Technology

Reason was founded in 1991, in the city of *Florianópolis*, in the south region, and has been one of the main companies to provide equipment and service for protection, automation and control of power systems in the region. In the year of 2014, the Alston Group purchased Reason. Alston is headquartered in France and employs 32 thousand people in 60 countries. The Alston Group is divided by its areas of expertise, where the energy sector is headed by the company sector called Alston Grid.

Through their suppliers, Reason encourages many social projects. For instance, the CEEB (*Eurípedes Barsanulfo Educational Center*) is a project supported directly by one of the company suppliers. CEEB is a project that offers free comprehensive education, focused on human development, for children in extreme poverty and social risk in the city of *Santa Ines*, state of *Maranhão*. Another example of environmental awareness by Reason suppliers is the company *Circuibras*, which has adequate its facilities to rigorous local, state and federal environmental requirements, including being under implementation of ISO 14001. The company, which has always been concerned with the environment, has its own area of 8,000m² allocated for preservation only.

In 2007 the Alstom Group created the Alstom Foundation. The foundation supports a great variety of humanitarian initiatives in the areas of economic development of local communities focusing on the preservation of the environment, environmental education and awareness, social support and nature preservation.

The described programs supported by these MNEs are in line with the MDGs and are important for the local development of the poor communities. Although, sometimes, the incentives gave by the government for installation of big enterprises do not result in local development, Brazil is increasing its regulations in order to require for the large companies the social responsibility that they should incorporate in their activities. ■

LEONARDO BREMERMANN
Ph.D.
INESC P&D Brasil
Brazil

MAURO ROSA
Ph.D.
INESC P&D Brasil
Brazil

VALERIE MONTEIRO
Eng.
INESC P&D Brasil
Brazil

GODFRED FREMPONG

Contributions of multinational enterprises to economic development in Ghana

Expert article • 2066

Multinational enterprises (MNEs) have been engines of global economic development, technology transfer and deepening globalization. Operations of MNEs have important implications for many countries, especially the developing ones in terms of employment creation, resource mobilisation and utilisation, technology development and transfer (Rehman, 2016). They also contribute to improve productivity of domestic firms (Cubillo-Pinilla, 2008; support social development through corporate social responsibility (Barkemeyer, 2011), serve as catalyst for the recipient economy (Kim and Han, 2014) and knowledge spillovers (Kampik and Dasch, 2010).

On the other hand, the operations of the MNEs have been criticised affect developing economies through capital flight through repatriation of profits (De Backer and Steuwagen, 2003), crowding of local firms (Gerschewski, 2013), and poaching of skilled workers (Rehman, 2016).

The MNEs operations in Ghana date back to the colonial era with companies such as United African Company (UAC), United Trading Company (UTC), Kingsway, Lever Brothers (UniLever) and Paterson and Zochonis (PZ) among others. Some of these companies are still in operation.

In recent years, a legal/institutional framework has been established to attract MNEs into the country. The Ghana Investment Code (1994 and 2013) has been enacted with the underlying objective of attracting foreign direct investment (FDI) to support the country's socio-economic development. The Code established the Ghana Investment Promotion Centre (GIPC) to be the lead institution in attracting MNEs. This paper looks at the contributions of the MNES to national development through investment projects, social development, linkages with domestic and capability building.

Investment projects

Ghana through the activities of GIPC continues to attract MNEs to invest in the country. Between 2010 and 2015, Ghana registered 2,035 MNE projects. The sector which received many projects was the building/construction which constituted 51% of the projects registered by GIPC. It was followed by manufacturing and the service sectors. The least sectors were agriculture, general trade and tourism. Most of the investors in Ghana were from USA and South Korea between 1993 and 2013, however, Chinese investment has been considerable in the recent period. For example, the Chinese invested USD 1,104.45 in the third quarter of 2014.

Employment

MNEs investment in Ghana between 2010 and 2015 was to potentially create over 300,000 non-farm jobs out of which 87% were to be Ghanaians and 13% expatriates. The expected employment opportunities will contribute to reducing unemployment situation in the country, especially at the time when there are restrictions on employment by the public sector. Creating more employment will have a positive ripple effect on the economy in terms of increased consumption of goods and services provided by the other segment of the economy. This will contribute to economic bouyancy.

Capability building

The operations of the MNEs in Ghana have contributed to capability building among domestic firms who have direct links with them. A statement by a local supplier for an MNE epitomises this point.

"We have benefitted tremendously from our relationship with Blue Skies. Not only do they provide ready market for our produce, they also provide training on Good Agricultural Practices including record keeping, provide inputs (pesticide) on loan as well as impacts knowledge on our social responsibility. These benefits have contributed positively to the improvement of our production and yields over the years as our mango farm size has increased from thirty (30) acres to sixty (60) acres in the past five years" (CSIR-STEPRI, 2015).

Social development

In recent years, many MNEs have contributed towards social development through their corporate social responsibility (CSR). The CSR activities are broad and can include community assistance programs, education/scholarships, community health and safety, and sponsorship among others. For example, the MTN Foundation has three focus areas – Health, Education and Economic Empowerment. While Millicom Ghana Ltd (Tigo) supports the empowerment of communities through Digital Lifestyle Agenda and education

Poverty reduction

Ghana's poverty rate has declined substantially over the past two decades from 51.7% in 1992-92 to 28.5% in 2005-06 and 7.7 % in 2013 (GSS, 2014). Importantly, MNEs have contributed towards poverty reduction in the country. The direct creation of jobs and linkages with domestic firms have contributed to achieving this situation.

Conclusion

The discussion has shown that Ghana has received investments from MNEs in many sectors of the economy. It is concluded MNEs have made considerable contributions towards the development of the national economy. It is important that Ghana design strong policy and regulatory frameworks to enable the country obtain maximum benefits from the operations of MNEs. ■

Expert article • 2066

References

Barkemeyer, R. (2011). Corporate perceptions of sustainability challenges in developed and developing countries: constituting a CSR divide? *Social Responsibility Journal*, 7(2), 257-281.

CSIR-STEPRI (2015). Ghana Policy Case Study Report: The Impact of FDI on Local Development and Poverty Reduction: Insight from 8 Case Studies

De Backer, K., & Sleuwaegen, L. (2003). Does foreign direct investment crowd out domestic entrepreneurship? *Review of Industrial Organization*, 22(1), 67-84.

Gerschewski, S. (2013). Do Local Firms Benefit from Foreign Direct Investment? An Analysis of Spillover Effects in Developing Countries. *Asian Social Science*, 9(4), 67.

Greenaway, D., Görg, H., (2002). *Much Ado about Nothing?: Do Domestic Firms Really Benefit from Foreign Investment?* (Vol. 3485). Centre for Economic Policy Research.

Kampik, F., & Dachs, B. (2010). The innovative performance of German multinationals abroad.

Kim, H. M., & Han, S. S. (2014). Inward foreign direct investment in Korea: location patterns and local impacts. *Habitat International*, 44, 146-157.

Cubillo-Pinilla, M.J. (2008). Small business performance in MNC suppliers' networks. *Journal of Small Business and Enterprise Development,* Vol. 15 No. 3, pp. 571-583

Rehman, N. U. (2016). FDI and economic growth: empirical evidence from Pakistan. *Journal of Economic and Administrative Sciences*, 32(1), 63-76.

GODFRED FREMPONG
Chief Research Scientist
CSIR - Science and Technology
Policy Research Institute
Ghana

AASHNA MEHTA, HABIB HASAN FAROOQUI & SAKTHIVEL SELVARAJ

How can MNEs contribute towards access to medicine in India?

Expert article • 2067

The Indian pharmaceutical industry has earned the title of the pharmacy of the global south. It accounts for eight percent of the global production, exports medicines to over 200 countries across the globe. The industry is in fact third largest in the world in terms of volume and thirteenth largest in terms of value[1]. According to the Indian pharmaceutical sales data from IMS Health medicines worth USD 15.83 billion[2] were sold in the private pharmaceutical market by 492 companies in the year 2015. This enormous size of private pharmaceutical market is on account of high out-of-pocket private spending by households on healthcare and medicines. India spends about four percent of its gross domestic product (GDP) on health, of this the Government spending is just over 1 percent of the GDP[3]. Majority of the healthcare expenditure is out of pocket and medicines account for over 66.4 percent of the total out of pocket expenditure[4]. This has led to a situation where millions of Indians are impoverished or pushed below the poverty line each year due to expenditure on medicines while several others are forced to forego treatment altogether for not being able to afford medicines. Further, insufficient public expenditure on medicines coupled with inefficient procurement and supply chain management practices resulting in frequent stock-outs and unavailability of medicines at public health facilities, lead to a situation where majority of Indians access medicines in the private market. This makes the role of both domestic players as well as foreign multinational enterprises (MNEs) in the private market important for access to medicines in the country.

Indian pharmaceutical market is dominated by the domestic firms in terms of sales value, the Multinational enterprises (MNEs) accounted for a little over 22 percent in the year 2015. Further, the top 10 companies (in terms of sales value; see table 1) had a combined market share of over 42 percent, of which seven companies were Indian and three were MNEs - two American (Abbott, rank 2 and Pfizer, rank 10) and one British (GlaxoSmithKline, rank 7). In fact, the market share of MNEs and domestic companies varied across therapeutic segments. MNEs had the highest market share in technologically intensive therapeutic segment like hormones (58.55 percent), vaccines (56.26 percent), parenterals (53.45 percent) and anti-diabetics (42.70 percent). Interestingly, within anti-diabetics MNEs dominate the technological intensity sub-segment of human insulins analogues (87.35 percent), insulin devices (97.83 percent) and agonist antidiabetics (99.78 percent) as compared to oral anti-diabetics wherein domestic firms dominate. Overall, Indian firms dominated in most therapeutic segments with greater than half the market share in 20 out of 23 broad segments. In two segments, anti-TB and anti-malarials which cater to high priority health conditions for India, the contribution of MNE's is negligible and only Indian firms contribute (anti-TB -98.27 percent and anti-malarials-95.90 percent).

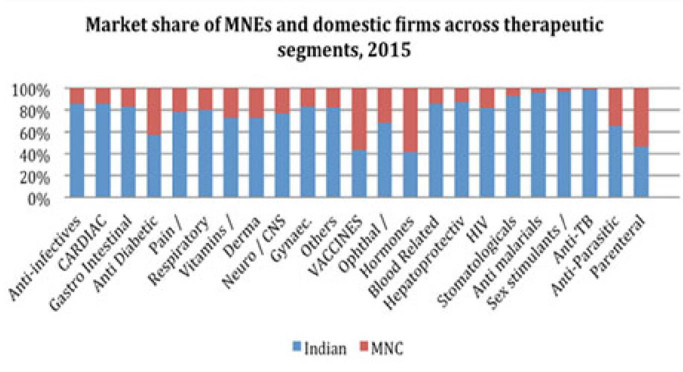
1 Indian pharmaceutical Industry, Executive Summary, Working group paper, Planning commission, weblink: http://planningcommission.gov.in/aboutus/committee/wrkgrp12/wg_pharma2902.pdf; accessed on 7/5/2015.
2 Based on the average exchange rate for the year 2015, extracted from the Reserve Bank of India's Reference Rate Archive, weblink: https://www.rbi.org.in/scripts/referenceratearchive.aspx.
3 Government of India, 2011, High Level Expert Group Report on Universal health Coverage for India, Planning Commission of India.
4 Authors computation based on National Sample Survey (NSS), Consumer Expenditure Survey, 68th round.

Table 1: Top 10 companies in the Indian pharmaceutical market (in terms of market value), 2015

Rank	Company	Sales value (USD Billion)	Indian/MNE
1	SUN	1.28	Indian
2	ABBOTT	1.00	MNE
3	CIPLA	0.83	Indian
4	MANKIND	0.58	Indian
5	ALKEM	0.54	Indian
6	ZYDUS CADILA	0.53	Indian
7	GLAXOSMITHKLINE	0.53	MNE
8	LUPIN LIMITED	0.50	Indian
9	MACLEODS PHARMA	0.49	Indian
10	PFIZER	0.47	MNE

Source: Author's computations based on Sales data from IMS Health

Figure 1: Market share of MNEs and domestic firms across therapeutic segments



Source: Author's computations based on Sales data from IMS Health

Expert article • 2067

In India, the MNEs have traditionally led drug innovation and the development of New Chemical Entities (NCEs)[5] whereas the domestic industry focussed on the development of generics and incrementally modified medicines[6]. However, as a result of sharp fall in the number of new drug introductions leading to a 'product gap' and expiring patents on blockbuster drugs, MNEs are now keenly targeting the generic segment in emerging markets such as India[7]. According to the Department of Industrial Policy and Promotion (DIPP), the pharmaceutical sector accounted for 5.17 percent of the total FDI inflows into the country and ranked 6th in sector-wise FDI equity inflows between April, 2000 and June, 2015[8]. However, the Parliamentary Standing Committee on FDI in the Pharmaceutical sector[9] observed that only one out of the 67 FDI investments till September, 2011 was greenfield whereas the rest were all brownfield. The committee also noted that MNEs have paid exorbitant prices that are way higher than the norms to acquire Indian pharmaceutical companies and expressed its concern as this is leading to further consolidation of highly concentrated pharmaceutical market. This may lead to a situation where acquired Indian companies would not be able to utilize the flexibilities allowed under the TRIPS agreement such as patent oppositions or compulsory licensing.

Access to healthcare and medicines was an integral part of the United Nation's Millennium Development Goals (MDGs). The discourse has been taken forward through its incorporation in the post-2015 Sustainable Development Goals (SDGs). SDG 3 seeks to ensure healthy lives and promote well-being for all at all ages. Target 3.8 is to achieve universal health coverage, including access to safe, effective, quality and affordable medicines and vaccines for all. In this context, it is important that country's FDI policy should incentivise greenfield investment over brownfield investment. There is sufficient evidence that greenfield investment results in asset creation, employment generation and technology transfers leading to capability enhancement of the domestic industry as well as greater economic growth. In addition, instead of taking over the domestic generics producers through mergers and acquisitions in already concentrated market, the MNE's should focus on research and development of vaccines and medicines for communicable and non-communicable diseases affecting populations across developing and developed nations. The MNE's should promote innovation and foster inclusive and sustainable development in developing nations through technology transfer and contribution towards patent pools. They should also invest in social development through Corporate Social Responsibility programmes in the domain of primary education, women empowerment initiatives and access to healthcare. ■

5 See Joseph, N.I., 1979, Multinationals in the Indian Drug Industry, Social Scientist, Vol. 7, No. 8/9, pp. 78-89.
6 Chaudhari, S., Park, C. and GopaKumar, K.M (edited By Kajar Bharadwaj), 2010, Five Years into the Product Patent Regime: India's response, United Nations Development Programme.
7 Chaudhuri S., 2011, Multinational and Monopolies Pharmaceutical Industry in India after TRIPS, Indian Institute of Management Calcutta, WPS No. 658.
8 Government of India, Ministry of Commerce and Industry, Department of Industrial Policy and Promotion, Factsheet of Foreign Direct Investment, June, 2015.
9 Department Related Parliamentary Standing Committee on Commerce, 2013, One Hundred and Tenth Report on Indian Pharmaceutical Sector, Parliament of India, Rajya Sabha.

AASHNA MEHTA
Research Associate
Public Health Foundation of India
India

HABIB HASAN FAROOQUI
Associate Professor
Public Health Foundation of India
India

SAKTHIVEL SELVARAJ
Senior Health Economist
Public Health Foundation of India
India

MICHAEL ROE

Corporate Social Responsibility and the governance of international shipping

Expert article • 2068

The international shipping industry is in many ways the finest example of the development of globalisation that can be found. Ships are the manufacturing plants of the industry and permanently on the move between and across different continents, countries and oceans. No other industry reflects such mobility although the international airline and communications sectors make a brave attempt. Much of what international shipping does takes place in no country or continent at all, located in international waters where jurisdictions are obscure, flexible and manipulable with ease.

Cargoes are frequently owned by an enormous array of international owners, in particular those on container ships where loads of up to 15,000 containers each with multiple cargo ownership, frequently exist. To make matters worse these cargoes may often change ownership whilst being transhipped and in some cases many times as trading opportunities and currency movements take place.

But we are far from finished. The ships themselves may be flagged anywhere with the choice largely dictated by taxation and a desire to manipulate political agendas. They rarely reflect vessel or cargo ownership or even common destination of the vessel. Many vessels have never been anywhere near their flag nation-state. And it is quite feasible to move flags at ease; there are commonly few requirements and almost no control of flag-hopping between flags of convenience. Consequently a questionable cargo of crude oil which might be subject to international sanctions might change flag a dozen times en route between origin and destination, with the aim of disguising its illegality.

Crews are commonly multi-national and rarely reflect the vessel flag or ownership (which in itself might well be multiple and diverse). Finance for the vessel is normally internationally sourced; insurance with no national assumptions; maintenance chosen across the globe at will... and so on. There is no aspect of international shipping which is not now wholly globalised with the very minor exception of military related fleets and a very few strategic operations and cargos.

With this in mind the issue of corporate social responsibility becomes that much more significant. Coupled with the almost complete privatisation of the shipping sector which has removed any direct state involvement in social responsibility for safety, the environment and security - all major international shipping issues - it is down to the private sector in control of vessels, ports, cargos and increasingly inspection and regulation to ensure that these highly significant but also highly difficult issues are remembered. To make matters more difficult, globalisation has made protecting labour rights more complex adding an additional dimension to the need for a social responsible approach.

Given both a highly globalised and privatised industry it seems apparent that the only possibility to achieve high standards of corporate social responsibility is through some sort of global authority, and the activities of the United Nation's International maritime Organisation (IMO) alongside those of supranational bodies like the European Union (EU) would seem to be a solution. However, shipping remains an intensely dangerous activity, highly polluting and is responsible for moving almost all terrorist materials around the world. How successful can any claim be that the current governance framework manages corporate social responsibility in the sector?

The indicators are not good as the statistics for death, injury, pollution and terrorism suggest. This can be put down to the characteristics of the governance of international shipping that is currently the case. Five specific problematic issues are apparent.

The dominance of the nation-state. Despite the overwhelming development of globalisation and the predominance of globalised activities within the shipping industry, the nation-state remains the major player in shipping governance. Nation-states form the constituent parts of international and supranational maritime organisations such as the IMO and the EU where policies for the sector are agreed by nation-state representatives with clear (and understandable) national requirements and agendas at heart. This in turn creates a significant problem for maritime governance and thus the defence of social responsibilities. An overtly significant nation-state in terms of maritime policy-making finds itself largely impotent in putting policies into effect because of the globalised industry to which its efforts are directed. Meanwhile the global institutions developed to deal with a globalised world find themselves impotent when trying to put global policies into effect through nation-states that retain their national influence. The result is widespread maritime policy failure exacerbated by a shipping industry that exploits these divisions to its best advantage, trading off standards and flags at will to maximise commercial profit. Without a serious global maritime governance authority, nation-states, for example in the form of nationally flagged vessels, can and do flag-hop to avoid regulation and to place pressure on national governments to do as the shipping industry desires. The nation-state retains a vastly significant role which it struggles to implement effectively as the influence that a nation-state can have over such a globalised sector is inevitably erratic and minimal. The shipping industry uses this conflict between globalisation and domesticity to its own advantage, trading off one jurisdiction against another and involving itself at differing jurisdictional levels (global, national, supranational etc.) as it sees fit.

Institutionally determined. Maritime governance and the development of maritime policies are both essentially determined by the institutions which create and control them - in this case dominated globally by the United Nations (International maritime Organisation, IMO), supranationally by such bodies as the European Union, nationally by

Expert article • 2068

state ministries and regionally and locally by other specific institutions. In itself this is not a problem in that policy for and the governance of any sector needs to have an institutional framework if it is to be effective but in the case of the maritime sector, and consequently for the success of maritime corporate responsibility, these institutions and their structure and relationship derive from a design that can be sourced back to the nineteenth century when globalisation was in its infancy and the nation-state was effectively predominant. Many of the inadequacies of the maritime sector in terms of safety, the environment and security can be traced to the ineffectiveness of this institutional structure where the all important nation-state retains control of decision-making but is ineffective in implementing these decisions within a wholly globalised sector. Thus, for example, the IMO has a considerable number of policies to strengthen and enforce collective social responsibility in shipping (eg for the environment, safety and security) but is extremely slow in agreeing and implementing them because ultimately agreement is needed of each nation-state government for them to be enforced. The same can be said of the European Union. Both major institutions with responsibility for maritime governance are thus largely ineffective, held to ransom by their membership.

Stakeholder definition. There has been a recognition that stakeholder recognition for the maritime sector needs to be expanded to have any impact on the corporate social responsibilities of the industry, but despite many good words, little has been achieved. Thus interest groups, the media, related industrial actors and consumers in the widest sense remain peripheral to most governance and the much lauded expansion of public participation in maritime policy-making is commonly restricted to the sector itself and the wider communities that might be affected by policies or have a responsibility to the outcomes of the maritime industry are marginalised. Thus policy is derived from those affected directly by it, within a context of ineffectual nation-state domination backed up by institutions that are impotent. The industry itself can thus control, manipulate and ignore policy decisions at will, hardly a good recipe for effective corporate social responsibility.

The dominance of shipowners. Of course shipowners are central to the process of corporate social responsibility, governance and policy-making but in the maritime sector they hold almost all the cards. Exhibiting territorial hypocrisy, they can on the one hand choose any flag they like for their vessels whilst on the other demand national privileges arguing that they will desert a home flag if they are not granted what they want. The whole regime of tonnage taxation which has proliferated globally reflects this, offering tax advantages through flag loyalty and opening up the prospect of flag wars based around a common low for standards. Maritime borders thus become porous with shipowners migrating across them at will - making the significance of the nation-state in maritime governance all that more ludicrous. Shipowners dictate national policies largely (if understandably based on profit), who then take their demands to the global policy-makers (IMO, EU etc.), who are ineffective in generating an environment which reflects social needs and responsibilities.

Form, process and juxtaposition. And finally to the future. Maritime policy-making and its governance currently focuses upon the static rather than the dynamic, on form rather than process. Shipping is constantly on the move both actually and metaphorically but policy-making remains snapshot; relevant to one point in time and with the severe delays emanating from the institutional structure of policy-making at the IMO in particular, largely out of date before it comes into effect. Consequently policy-making and the policies generated itself need themselves to become dynamic and whilst this might sound unrealistic, it is an issue being actively addressed in other sectors. In addition there is little recognition of the need for policies to understand other policy-making that occurs and the juxtaposition of policies that could make the whole process more effective. Thus attempts to improve the maritime environment needs to also accommodate those being made in security and safety along with rather less obvious changes in the media, public perceptions, regional economies, public tastes and so on. No policy is an island and each needs to recognise its wider impact, complex though this may be.

Each of these issues needs to be addressed if the governance of international shipping is to be fit for purpose and provide a framework that encourages and maintains adequate corporate social responsibility for the sector. Only in so-doing can the issues of safety, the environment and security be incorporated effectively within the industrial structure and thus reflect the importance that social responsibility now possesses. Currently none are considered effectively.

The role of extended stakeholder involvement is increasingly understood as reflected in recent moves by the European Union to widen maritime policy-making to take account of more than the traditional interests to incorporate interest groups, media, political interests and the wider logistics sector. However the ambitions of over-influential shipowners are very unlikely to change, although recognition of their excessive power within the governance of the sector can only help to balance their influence with social concerns and priorities

Meanwhile the importance of the nation-state cannot be over-stated and the inadequacies of the fundamental institutions that ought to provide the basis for ensuring corporate social responsibility remain clear. And the static nature of current international shipping governance and its failure to comprehend the relationship of policies as they are implemented continue to prevent adequate levels of corporate social responsibility to be maintained. ■

MICHAEL ROE
Professor
Plymouth University
The United Kingdom

NEIL BELLEFONTAINE, PATRICK DONNER, GEORGE THEOCHARIDIS & TAFSIR JOHANSSON

EU stakeholder participation in the management of abandoned vessels: through the lens of Corporate Social Responsibility

Expert article • 2069

A "vessel" may be defined as a watercraft or structure, other than a seaplane on the water, used or capable of being used as a means of transportation or habitation on the water [1]. Every vessel that has been manufactured or built is either owned by a natural person[1] or by a legal person[2]. If a vessel is licensed and registered, and properly insured, then the natural or legal person is deemed to be the owner of that vessel. After acquiring ownership of the vessel, whether it is a fishing boat, or a recreational craft, or a commercial vessel engaged in trade, the registered owner or the company incurs certain responsibilities. While the responsibilities of an owner under domestic law are numerous, a fundamental duty that lies with the owner is to make sure that the vessel is properly maintained at all times. Because every vessel that is built for private or commercial use, has an operational life [1] [2]. Without proper maintenance, reconstruction or retrofit, the vessel will rapidly move to its end-of-life. Quite often, an aging vessel or a vessel that has completed its end-of-life cycle may cease to be its original structure [1]. If adequate measures are not taken to dispose of the aging vessel, it may pose a number of problems whereby environmental-contamination is considered to be the greatest.

Over the last few years, a new problem has surfaced in the waterways, harbours, marinas and shorelines of a number of maritime nations including the United States of America (US), Canada and a number of European Union (EU) member states [3] [4] [5]. This emerging issue has been titled as "abandoned vessel and derelict", and in some jurisdictions, such as Canada and the US, as Vessels of Concern. Although there is no internationally accepted definition of abandoned vessel, the concept mainly revolves around the intention of the owner to permanently abandon the vessel. Although the concerned government authorities of the aforementioned jurisdictions have not been able to identify the specific reasons of vessel abandonment, a few probable reasons have been indicated: a) owners financial insolvency; b) owners intention to no longer use the vessel; and c) death of the owner.

Today, the phenomenon of abandoned vessel is a recurring challenge for governments and coastal communities and as such, a number of actions have been initiated [6] [7]. These include quantifying the number of abandoned vessels, vessel turn-in program, development of owner liability regimes, development of a legislative framework etc. At the EU level, both remediation and prevention action plans were developed by the members of the Boat Dismantling Insight by Generating Environmental and Safety Training (Project Boat DIGEST) that was funded with support from the European Commission. Some of the important deliverables of Project Boat DIGEST include: a) awareness module for recreational craft owners; b) training module for recreational craft dismantlers; c) a map indicating specific location of potential dismantlers with the EU; and d) posters for dismantlers and owners. From a quick observation of the work-package deliverables, it is quite clear that the focus of Project Boat DIGEST was mainly on end-of-life recreational crafts, to the exclusion of commercial vessels. The outcome of Project Boat DIGEST is commendable insofar as the project has gathered all stakeholders including the European Boating Industry (EBI) and the European Boating Association (EBA) to develop and provide a solution to recreational craft owners for dealing with abandoned end-of-life. In short, stakeholder participation has been highly prioritized in the process.

Based on the positive outcomes of Project Boat DIGEST, it would be safe to assert that the benefits of stakeholder participation are numerous. For example, within the project time frame Catalonia (Spain) introduced an environmental licence for boat dismantling while in Brittany (France) Arc Environment enterprise started a collection of abandoned boats as a part of the campaign led by EcoNav [8]. Parallel to these initiatives, a Dutch company named Extreme Eco Solutions proposed new ways to recycle waste composite materials [8]. In short, the participants, represented by a number of EU member states, were equally committed in developing an end-of-life abandoned recreational craft management framework. In this context, the invaluable participatory and contributory roles of the EBI, the EBA and other members uphold the central message of the "stakeholder theory" as propounded by R. Edward Freeman. Freeman defined "stakeholder" as "any group or individual who can affect or is affected by the achievement of the organization's objectives" [9]. While the "stakeholder theory" can be seen as the epitome of balance in the field of business administration, it is currently applied in the shipping field to hold companies responsible for all actions involved in everyday business operation. Today, this company-responsibility is aptly termed as Corporate Social Responsibility [CSR]. CSR is an umbrella term for a concept of operations that companies use to act in a responsible manner and hold themselves accountable to the people and other entities in a corporate and social manner [10]. So the question is – how are abandoned vessels connected to CSR?

Private shipping companies tend to conduct business via com-

1 One who has a legal personality.
2 A business entity or a non-governmental organization.

Expert article • 2069

mercial vessels that range from oil tankers to passenger ships. From a CSR viewpoint, it is assumed that as long as those shipping companies exist, the owner of the company should be accountable to a number of stakeholders for the problems that arise in the process of conducting business. Even after the commercial vessel has served its purpose and reached the end of its operational life, the owner(s) of the company should make sure that the vessel is dismantled and recycled in the manner prescribed in international law. This is also where the Nairobi International Convention on the Removal of Wrecks of 2007 comes into play whereby the owners of any seagoing vessel and seaborne craft of 300 Gross Tonnage or more are required to obtain compulsory insurance. Because there are chances that large commercial vessels may be involved in a maritime incident and require huge amount of costs that the owners may fail to bear. In some cases removal may be a priority because the commercial vessel contains a huge quantity of fuel and diesel and this may also require a considerable amount of money. Those are instances where the owner or a company might abandon the vessel.

There have been a few commercial vessel incidents in Canada, which can be used as a reference to indicate the reality of the aforementioned situations. The bulk carrier *MV Miner* ran aground on the shores of Scaterie Island in Nova Scotia in 2011 and sat abandoned and dilapidated in a provincially protected wilderness area for 4 years [11]. Another incident involves the Liberian-flagged *MV Manolis L* that ran aground on Blowhard Rocks and sank near Change Islands in Newfoundland in 2013 [12]. In the same year, an investigation by the Canadian Coast Guard Environmental Response unit revealed that a small quantity of oil was leaking from two cracks in the hull [12]. These are abandoned vessel incidents that have caused public concern and eventually, led to the question – who is responsible? Primarily, the *onus* lies on the owner. But if it is an abandoned vessel, then the question is – who takes over the responsibility? Again, how should the situation be dealt with if any of these incidents occurred within the EU Marine Protected Areas?

The current focus of the EU is on end-of-life boats and recreational crafts. It is understood that multiple organizations and stakeholders are engaged in this process. In short, this is a process where law and technology has made simultaneous progress within the EU. For commercial vessels, the common belief is that even if abandoned, the materials have a good second-hand market rate. While this is a fact, it must also be acknowledged that a new commercial vessel has a high-value and has very little risk of being abandoned [13]. On the other hand, vessels that are in the low-value range have a high risk of being abandoned [13]. Again, there are many reasons why a commercial vessel may move down the value-chain. Commercial vessels that are in heavy use may be subject to major wear and tear [13]. This is where the owners of the company may need to conduct significant maintenance-work on the vessel quite frequently. Therefore, it is important that these issues are brought to the attention of the EU shipping industry. An action could be initiated similar to what has been done by the members of Project Boat DIGEST. The industry needs to be aware of their responsibility and how to best deal with situations where their large commercial vessels have reached the final phase of their operational life. Constructive shipping industry involvement is a *sine qua non* condition to the abandoned vessel management process. Direct involvement of the shipping companies or their representatives will demonstrate their eagerness to be responsible towards stakeholders and the society at large. Because, there might be situations where the ship-owner has dissolved the company due to bankruptcy and cannot afford to maintain the vessel that has served its operational life. In those cases, abandonment of the vessel is the only way forward for the owner. This is where CSR awareness programs could be developed to assist owners to understand the negative consequences of vessel abandonment. It is only then the shipping industry players can observe the CSR precepts and solidify their role in ocean sustainability. ■

Bibliography

[1] Christine L. Boring et. al. (2008). *Abandoned Small Vessels: States Perspectives on a Nationwide Issue*, International Oil Spill Conference, 2008.

[2] *Recovery of Obsolete Vessels Not Used in the Fishing Trade* (2011), Final Report, European Commission, DG Environment, p. 31, Retrieved from the World Wide Web; http://ec.europa.eu/environment/waste/ships/pdf/Final_report_ver03_09_12_2011.pdf.

[3] Official homepage of NOAA's Office of Response and restoration, Retrieved from the World Wide Web; http://response.restoration.noaa.gov/about.

[4] *Study of the extent of abandoned and derelict vessels in Canada* (2012). A Transport Canada report based on research carried out by Nortak Software Ltd. (Ottawa), November 2012.

[5] Official homepage of Boat DIGEST, Retrieved from the World Wide Web; http://www.boatdigest.eu/.

[6] Official homepage of Transport Canada, *Abandoned boats or wrecks*, Retrieved from the World Wide Web; http://www.tc.gc.ca/eng/marinesafety/abandoned-boats-wrecks-4454.html.

[7] Official homepage of Washington State Department of Natural Resources, *Recovering Derelict Vessels*, Retrieved from the World Wide Web; http://www.dnr.wa.gov/programs-and-services/aquatics/recovering-derelict-vessels.

Expert article • 2069

[8] Official homepage of Boat DIGEST, *Boat DIGEST is at its halfway stage now*, http://www.boatdigest.eu/newsletter/newsletter-003-ext.asp.
[9] R. Edward Freeman (2010). *Strategic Management: A Stakeholder Approach*. Cambridge University Press.
[10] A.B. Carroll (1991). *The pyramid of corporate social responsibility: toward the moral management of organizational stakeholders*. Business Horizons, Vol. 34, Iss. No. 4, pp. 39 - 48.
[11] Official homepage of CBC news, Retrieved from the World Wide Web; http://www.cbc.ca/news/canada/nova-scotia/mv-miner-finally-removed-from-cape-breton-s-scaterie-island-1.3122918.
[12] Official homepage of Fisheries and Oceans Canada, *Manolis L – Update – September*, Retrieved from the World Wide Web; http://www.dfo-mpo.gc.ca/media/infocus-alaune/2016/Manolis/index-eng.htm.
[13] Steve Greaves, Presentation titled "Washington State's Derelict Vessel Removal Program", Recreational Boating Association of Washington, slide 4. November 19, 2015. Retrieved from the World Wide Web; https://conference.ifas.ufl.edu/NWWWS/documents/Presentations/1%20Greaves.pdf.

NEIL BELLEFONTAINE
Vice President (Academic), Professor
World Maritime University

PATRICK DONNER
Associate Academic Dean, Associate Professor
World Maritime University

GEORGE THEOCHARIDIS
Dr., Associate Professor
World Maritime University

TAFSIR JOHANSSON
Research Assistant, Ph.D. Candidate
World Maritime University

ADRIAN BRAUN

CSR in the European Arctic metal mining sector: dependencies and conflicts

Expert article • 2070

Metal mining in the European Arctic determines a considerable value for local economies in the most Northern latitudes, for example in Sweden, Finland and Russia. Several large-scale mining companies operate in remote areas in the Arctic and produce nickel, copper, gold, silver, iron and other metals. This is a meaningful development, as from the viewpoint of CSR; industrial efforts of this kind derive numerous dependencies but also enormous conflict potentials. In the framework of this column, I will outline in the following a few relevant dependencies and reasons for disputes with respect to interrelations of mining companies and their stakeholders.

Mining industry representatives from different companies and regions often have the same leading argument why metal mining is needed and what is their responsibility in this regard. The majority points out that the global society has a strong demand for metals because metals are part of a wide range of goods and services that are element of the everyday life. Cars, mobiles, buildings and computers are just a few out of countless examples. Remarkably, it is not just the proponent side of mining that is underpinning the significance of mining to remain the status of production and life standards that the society achieved to this date. Many actors on the opposite side of the table, including environmental activists, NGO´s or residents that live close to mine sites, admit in a myriad that the societal need for metals is obvious. Hence, we have already a strong consensus related to this question. What the opponents often demand is not the abundance of mining, but rather a transition that results into mining operations in a more sustainable way, including the reduction of ecological footprints and a further promotion of circular economy practices.

By considering the European Arctic and its mining industry, we will perceive several regions and communities that depend on mining to a large extent. In this context, the notion of single-industry towns becomes relevant and many of those places have a long tradition in mining. The development of these regions are intensely intertwined with the mining industry and mining companies provide in many instances employment for local inhabitants, infrastructural upgrading, and provision of social services (e.g. education, health care, pensions, municipal administration). From this follows the concept that companies understand their societal role as a good corporate citizen which intends to fulfil its social responsibilities. Inside the single-industry communities, a strong acceptance towards the local mining industry is evident and expansion plans find often rather appreciation than criticism among the locals. The communities are aware of the fact, once the local mines are closed; it will be challenging to diversify the economy into other directions, as the economic pillars of the extractive industries are too meaningful. One example for diversification is the establishment of tourism, once mining is gone.

> To achieve the utmost potentials of benefits and avoid conflicts, stakeholder dialogue from the earliest planning stages can be the answer to solve disputes.

The metal mining industry provides not solely benefits, but naturally several negative environmental and social impacts with breeding ground for conflicts. From the social perspective, Northern Europe is not just home to miners and their families. People of various groups call the European Arctic home, indigenous and non-indigenous, and they rely on livelihoods based on income sources apart from the extractive industries. Reindeer herding, fishery and tourism are three prominent businesses in this regard that can be adversely affected by mining operations. In the close proximities where mining and other of those businesses come together, land-use conflicts are repeatedly the logical consequence.

Indigenous people as the Sami people and Nenets practice reindeer herding since centuries and continue and sustain this engagement not due to profitability at first, but because of their beliefs and traditions. Reindeer herding was practiced in the Northern latitudes long before mankind was even thinking about large-scale exploitation of metals and minerals. The indigenous population argues that the land belongs to them and miners are considered as intruders. Reindeer herding requires large land areas for pasturing and these areas must be therefore remain in an excellent ecological condition. Mining proponents claim that the land use for mining operations is marginal and usually just a few hectares are needed to set up a mining area. On the contrary, the development of infrastructure (railways, access roads) and the possible pollution of air, soil, lakes and streams can affect large areas of the Northern ecosystems that go extensively beyond the claimed mining area. Leaks of tailing ponds into water bodies with contamination of toxic chemicals and heavy metal particles are one prominent example that impacted the environment enormous in the past. These accidents do not only occur in developing countries, for example in equator regions, but also happened in the European Arctic in recent years.

Another conflict is related to the tailings management and waste rock treatment of mining companies. There are different solutions

Expert article • 2070

with different magnitudes of environmental impacts and different intensities of procedural costs. Companies face often criticism by representatives of local communities and environmental NGO´s for choosing exploitation solutions with the lowest costs but not solutions that would have the minimum ecological footprint. In other words they are accused to neglect their social responsibility to protect the nature to the greatest possible extent. The disposal of tailings in the nearby seabed or other water bodies had stirred conflicts in Arctic countries. Environmentalists propose rather backfilling of waste materials into the mine and using the mining waste in larger quantities for other purposes. Waste rock can be utilised for road constructions and in addition to the target metal(s) inside the extracted materials, further metals could be leached and extracted, even though they are economically of inferior interest. How to handle and manage the waste materials responsibly is not only an issue during the production of metals but throughout the entire life cycle of a mine, from exploration to closure. In terms of CSR a closure could imply restoration and re-vegetation of the affected land areas in a way that the natural environment in the area can obtain the pre-mining standard as close as it is feasible.

To conclude, the metal mining industry and stakeholders have in some perspectives common objectives and in other cases, they are heading into opposite directions. To achieve the utmost potentials of benefits and avoid conflicts, stakeholder dialogue from the earliest planning stages can be the answer to solve disputes. It is subtle to develop stakeholder dialogue mechanisms in an early stage by implementing a CSR strategy into the mining project. The invitation of local community residents and other stakeholders to a meeting can allow the definition of mutual interest between decision makers inside the mining project and its stakeholders. In case of divergent opinions, the mining companies can offer compensations and elaborate their further activities that create wealth in the communities and reduce the negative environmental impacts to a minimum. Nowadays, we can perceive that transparency and dialogue as outcome of CSR practices are essential elements of successful industrial actors in the modern mining era. ■

ADRIAN BRAUN
Doctoral Candidate (Environmental Policy)
Institute for Natural Resources, Environment and Society (LYY)
University of Eastern Finland

Researcher
Member of the Northern Political Economy team
Arctic Centre – University of Lapland

Finland

LINDA PIIRTO

Mapping stakeholder views on Finnish responsible business conduct

Expert article • 2071

How well Finnish business is doing when it comes to responsible business conduct (RBC) is one of the most frequent questions I have been asked during the past six years as a representative of the Government's RBC policy. This is a very natural question since measuring performance and contrasting companies with their competitors are essential parts of business. However, for us, it was more obscure what the Government could offer to the framework of measuring.

As many RBC aficionados already know, there are several international indices which measure individual Finnish companies and a few national anonymous surveys that measure either company views on their own performance or which are based on company reporting or communication. It is worth noticing that the methodologies of these indices and surveys differ greatly. Some are based on purely survey questionnaires, some require supporting data and/or assurance, and some combine all data with existing news coverage. In other words different RBC measurements can offer valuable information, as long as the reader understands how the data has been compiled.

In view of the already existing measurements it was hard to see what added value a governmental measurement could bring in to the situation. Then we at the Government came up with the idea of asking Finnish stakeholders – investors and financiers, non-governmental organisations, public officials, labour and trade organisations, as well as RBC specialists – how they saw Finnish companies performing. These five stakeholder groups were selected because they were expected to offer a comprehensive and diverse picture.

Consulting company KPMG was selected to perform the survey, which consisted of two parts. The first one was an anonymous online survey, where stakeholders were asked to review company performance under various RBC themes. Stakeholders were also asked to review company RBC performance on different sectors and to also assess, how Finnish companies' RBC performance bears in comparison with other European companies. The respondents were also free to complement their answers with comments without length restrictions.

The latter part of the survey consisted of ten personal interviews. The interviewees were selected to compliment stakeholder groups with low response rate, or whose views were for other reasons unknown.

The online survey got 63 answers, with a response rate of 44 %. Most answers were from RBC specialists, public officials, and investors. At the beginning of the survey, respondents were free to describe Finnish companies' RBC performance in their own words. As RBC strengths respondents identified strong capability, concrete actions and good ethics, transparency, communication, and stakeholder cooperation, and environmental responsibility. However on the more challenging aspects respondents identified weak leadership, global supply chain management, and insufficient understanding of RBC.

It was intriguing that respondents identified RBC capability as a strength and at the same time RBC understanding as a challenge. This can however be understood when having a closer look at the response quotes: capability was seen as good education, agreement based labour traditions, and RBC forerunners who raise the bar. Insufficient understanding was on the other hand linked to reactivity and cautiousness in RBC theme identification and control, not making good use of RBC in marketing, and possible reputational risks and their repercussions. In other words it seems that respondents valued Finnish know-how, education, and traditions on negotiation but at the same time they were apprehensive about the overall understanding of RBC and especially its integration into all business activities.

This interpretation is affirmed later on in the survey, when respondents were specifically asked about the integration of RBC into management and strategic planning processes: the results indicate that according to respondents, listed companies fair better than other companies (on average they were given 3,56 points out of five), SMEs are seen as the weakest link (2,5/5 points), and majority state or municipality owned companies fair somewhere in between the previous two company types (3,12 /5 points). In their open comments, respondents criticized listed companies' board of directors' lack of RBC expertise, lack of RBC performance indicators in the remuneration of top management, and the separation between RBC and business making, which makes internal RBC integration impossible.

The respondents were also asked to review seven RBC themes and their execution in Finnish companies. These themes were human rights, labour rights, environment, consumers, anti-bribery and corruption, taxation, and reporting and communication. According to the respondents, Finnish companies fair best with anti-bribery and corruption issues (on average they were given 4,0 points out of five), whilst consumer issues (3,82/5 points) and labour rights (3,75/5 points) take second and third places respectively. Human rights got the lowest grade with 3,26 points out of five. In the open comments section respondents saw supply chains still as a major issue, which affected the given grades. Credit was however also given to the development of RBC issues in Finnish companies.

When asked to compare different sectors and their RCB activities, respondents valued retail and wholesale industries with highest scores (3,79 points out of five). Retail was commented on being a forerunner in RBC. Second highest score was given to industry (3,57/5 points) and third highest score to ICT (3,39/5 points). The lowest performers were estimated to be infrastructure, construction, and real estate, finance, and energy (2,89, 3,2, and 3,36 points out of five respectively). Respondents commented that every industry has its stars as well as weaker performers.

One of the most frequent RBC assertions presented to us at the Government is that other comparison countries, especially Sweden, are doing so much better in RBC. This is such an interesting assertion that we wanted respondents to compare Finnish companies to certain countries, namely Sweden, Denmark, UK, Germany, and the Netherlands. Compared to said countries, respondents gave Finnish companies' RBC state and grade on average 3,3 points out five, with listed

Expert article • 2071

companies receiving highest points (3,48/5 points), SMEs the lowest (3,08/5 points), and majority state and municipality owned companies again in the middle (3,28 points/5 points). Respondents estimated that Finnish companies operate principally on the same level of RBC as other comparison countries. There were however seen some room for development for example in RBC communication, using RBC as a competitive advantage, and in partnerships with non-governmental organisations and public officials.

In addition to the survey, ten personal interviews were made to complement the picture gotten from the survey results. Based on the interviews, Finnish companies have good prerequisite to develop RBC as an integral part of their business. The interviewees felt that Finnish RBC should be developed so that it's actively monitored by and a part of management's goal setting, and integrated into business. This would support risk and reputational control and competitiveness in the long run. Key factors in accomplishing this would be added transparency, focusing on material RBC issues, and even more stakeholder engagement. All interviewees had a positive respond to public sector participating in RBC development. As measures for this the interviewees welcomed creating a fluent operational environment for Finnish companies and stating clear rules for those operating with different modus operandi.

Was the survey worth to make? I think so; since the respondents had such a positive attitude toward the survey (we got a lot of opinions through open commenting). Other major factor is that this survey showed that we are not just doing RBC for ourselves, but for the stakeholders. ■


photography: Aleksi Malinen

LINDA PIIRTO
Senior Advisor in CSR
Ministry of Employment and the Economy
Finland

MATTI KALERVO

Kesko is a pioneering company in responsibility

Expert article • 2072

Corporate responsibility is more than just a word for us at Kesko. It is displayed in our everyday actions. Responsible business activities are crucial for achieving sustainable financial results. All our operations are built on trust between Kesko, the K-Group stores, our customers and business partners.

We operate in an increasingly globalised world, where many conventions and guidelines have an impact on the operations of Kesko. Our responsibility is global. Our core commitments are stated in the general principles of corporate responsibility. The principles are complemented by more detailed policies and statements and the K Code of Conduct, which lays the foundation for everything we do.

The recently launched, updated K Code of Conduct outlines the shared guidelines for the work of each Kesko employee and business partners. The K Code of Conduct contains 12 principles, and clear examples lay out what is expected of Kesko employees and business partners for example in the areas of human rights, environmental care and fair competition. The updated K Code of Conduct comes with a new SpeakUp channel, which gives employees and business partners new tools for reporting potential violations of the common principles.

The centre of our responsibility work is Kesko's responsibility programme, which applies to all of Kesko's divisions and contains short-term, mid-term and long-term objectives. The objectives of the responsibility programme are based on the impact of global megatrends across Kesko's value chain. Such megatrends include global economy, digital transition, increasing importance of corporate responsibility, climate change and changes in demographic structure.

Researched, safe and sustainable products

Purchasing principles and statements support Kesko's responsible purchasing. Our customers must be able to rely on the fact that the products offered by our stores are well-researched, safe and sustainably produced.

The quality of the products included in the selections is monitored by our own Product Research Unit. The Product Research Unit's laboratory monitors the quality of products sold by K-food stores and K-citymarket hypermarkets. It is a testing laboratory T251 which has been accredited by the FINAS accreditation services and approved to comply with the SFS-EN ISO/IEC 17025 standard.

In addition to the laboratory, the Product Research Unit includes the test kitchen and the K Consumer Service. The test kitchen's duties include sensory evaluations of products and testing their cooking properties. The consumer service provides information on Pirkka products. Customers give feedback about products and ask about various aspects such as product origins, ingredients, their suitability for different kinds of users and instructions for use and preparation.

Responsible choices are communicated to customers in stores according to the K-responsibility concept with in-store communications, such as shelf labelling and product labelling.

K-food stores want to respond to their customers' growing need for more background information about products. Our aim is that K-food stores offer the market's largest selection of products with responsibility labelling. All Pirkka and K-Menu coffees, for example, have either the Fairtrade or UTZ certificate.

Human rights issues are important for Kesko

At Kesko, we pay special attention to human rights issues and working conditions in the purchasing chain. When suppliers are monitored, the focus is on the countries where the risks of violations of these rights are the greatest.

Special attention is paid to working conditions at factories in high-risk countries, though the quantities imported from these countries are small (1.2% of all Kesko's purchases in 2015).

International assessment systems, BSCI auditing and SA8000 certification, are used for supplier audits in high-risk countries. Kesko is a member of the European Business Social Compliance Initiative (BSCI).

A human rights impact assessment completed

In September 2016, we completed a human rights impact assessment in compliance with UN's Guiding Principles on Business and Human Rights. The extensive survey involved listening to the views of customers, personnel and high-risk country factory workers on human rights and on the implementation of human rights in the K-Group's operations.

Human rights assessment provides us a great deal of valuable information we can use to further improve the transparency of our supply chain, listen to our personnel more carefully and improve our customer service.

Customer hearings reinforced our view that the right to health, children's right to special protection and the prohibition of discrimination are seen by customers as the most central human rights that we have to take care of.

In China, India, Bangladesh and the Philippines, we conducted a survey of high-risk country factories in cooperation with the Trade Union Solidarity Centre of Finland (SASK). The results from the survey were largely consistent with BSCI and SA8000 reports. Employment relationships were found to be fragile, and there were omissions in working hours and overtime pay, among other things. We have forwarded the information to the BSCI organisation for future development of auditing procedures.

In compliance with the UN's Guiding Principles on Business and Human Rights, the management of a responsible company shall make a public statement of commitment on human rights. In September 2016, we also published our statement of commitment on human rights statement on our website (http://kesko.fi/en/company/responsibility/how-do-we-manage-responsibility/statement-of-commitment-

Expert article • 2072

on-human-rights/). In our statement, we commit to respecting internationally recognised human rights in all our operations and promoting them in practice.

Cooperation with Plan helps children of migrant families to school in Thailand

At Kesko, we consider that we have an obligation to take responsibility for the human rights in the purchasing chain of our products. No company can change the world alone, but cooperation between all operators – governments, NGOs and the entire supply chain – is needed.

Our cooperation with Plan International Finland, an organization promoting children's rights, supports our efforts to develop the supply chain and to increase transparency. We act in cooperation to improve the sustainability of Thailand's fish industry and the position of migrant workers.

As a part of our joint project, already 60 children from migrant families have been able to start school. The learning centers give the children of migrant families skills they need in the public schools in Thailand, and support the children to continue their studies. Kesko and Plan have agreed on cooperation for the years 2015–2018. ■

MATTI KALERVO
Vice President, Corporate Responsibility
Kesko Corporation
Finland

JENNI NESTE

Corporate Social Responsibility requires active public engagement

Expert article • 2073

Internationally, there are many examples where local people have held massive protests on the streets or debates in social media against industrial project plans. These protests often originate from local knowledge related to the environmental or the social circumstances of the area. Vulnerable flora or fauna might be threatened, or local people might feel that their way of living or, for example, the landscape will become something totally different to what they are used to. Why should companies or project proponents take local knowledge seriously?

There are several reasons for improving public involvement and stakeholder participation in companies' activities around responsibility. An effective public participation process has been proved to increase the legitimacy of a business and to promote democratic procedures, social learning and quality assurance in different situations. Stakeholder engagement often demonstrates that a company is committed to governing itself with honesty and transparency and to having a positive impact on social and environmental well-being. These aims are also included in Corporate Social Responsibility, and this is the basis for responsibility work even when legal or other requirements do not incorporate these issues clearly.

Social Licence has been defined as existing when a project has on-going approval or broad social acceptance within the local community and other stakeholders. Getting the Social Licence to Operate requires stakeholder engagement as well as active two-way communication between different actors. The concept was first used by mining companies, but can also be utilised in other industry sectors. At the level of a specific project, the Social Licence is rooted in the beliefs, perceptions and opinions held by the local population and other stakeholders about the project. It is difficult to measure and might change quickly, because these beliefs and perceptions can change as new knowledge is adopted. A Social Licence can have different levels of approval. It can embody the acceptance of the local people and stakeholders of the project or company, or be at a higher level where all affected have been heard and have approved the upcoming industrial activities.

There are several ways to co-operate with stakeholders. First of all, it is important to recognise essential stakeholders. There are many methods that can be used to understand the chosen stakeholders' values and evaluate the criteria on which company decisions are made. Engagement methods include the stakeholder engagement plan, which often follows the stakeholder analysis phase. At the project level, the social impacts of the project must also be assessed. This assessment gives guidelines on which stakeholders are most affected by the specific project and the kinds of mitigation measures needed. Social impacts are often very diverse in addition to being connected to the location. It is not enough to earn the Social Licence: it must also be maintained regularly.

Communication and the reporting of responsibility actions have increased a great deal during recent decades. Nowadays for many companies responsibility reporting is more likely to be a presentation of future plans and key issues of company actions, rather than of something that has been done in the past. In addition, corporate social reporting is more and more related to the needs of the stakeholders and the company itself than to the requirements of the legislation of international standards.

We often hear the same question: when should stakeholder engagement be started? Of course, there is no single correct answer to this question, but one reply can be: the earlier the better. Changes, corrections or developments in a company's actions could present a need for stakeholder engagement. People are eager to know what is happening around their home or neighbourhood, and they need more information as well as knowledge of the possible impacts. It is important to discuss both positive and negative impacts with stakeholders in order to increase the transparency and trust between different actors. Knowledge is important for inhabitants as well as for authorities, politicians, decision-makers, companies, NGOs, etc. And to achieve two-way communication, it is important that these above-mentioned groups also share their own knowledge with the proponent and company.

Lately, social responsibility has become part of all functions of a company, not just of high-level strategy. Incorporating responsibility issues as a practical part of activities requires appropriate stakeholder engagement methods as well as listening to the stakeholders' responses. Companies should be open about their processes and have understandable decision criteria which are communicated clearly with the stakeholders. This allows companies to meet expectations without becoming vulnerable to unreasonable demands, and increases companies' Social Licence to Operate.

Social responsibility is a way of working: it is an essential part of a company's culture. The amount of information involved is huge, and stakeholders have better possibilities to take their own actions with increased knowledge of responsibility issues such as human rights, environmental and social impacts, safety, etc. Companies must keep the promises that they make, because stakeholders are able to follow these on their own and make their concerns public very rapidly. A Social Licence can never be self-awarded: it requires an activity to enjoy sufficient trust and legitimacy, and to have the consent of those who are affected. A business cannot determine how much prevention or mitigation it should undertake to handle environmental or social risks – stakeholders and affected people have to be involved in this process in order to make responsible decisions. ■

JENNI NESTE
PhD Student
University of Oulu

Environmental Expert
Pöyry Finland Oy

Finland

SURAKSHA GUPTA

Image of socially responsible organizations

Expert article • 2074

Organizations use resources available from a society, produce and return their products to address the needs of its members with an objective of managing the demand and supply system of the society (Gunasekaran, 1999). These transactions have an impact on the society and corporations are accountable for both the positive or negative contributions they make to the progress of the environment of the society in which they operate (Goodpaster, 2003). In both the cases, it has an impact on the stakeholders as their externalities could be beneficial or harmful to the society (Friedman and Miles, 2002). If the externalities are positive, markets become competitive for the products (Rosenkranz, 2003). Incase of negative externalities, it is the responsibility of the corporate to change its business strategy and processes to address the damages (Cespa and Cestone, 2007). The objective of this paper is to highlight the role of communications in enabling the organization to control the negativity of externalities by developing a socially responsible corporate policy, strategically incorporating, implementing it in their processes and communicating about it to its stakeholders.

Today, the role of a corporate in welfare of its own employees or the social or ecological welfare demonstrates its contribution to the society and attitude towards its responsibility to influence the quality of life of people in a particular social environment (Cornelius, 2008). While United Nations Global Compact Office promotes the concept of corporate social responsibility (The UN Global Compact Operational Guide, 2007), OECD explicitly provides business ethics guidelines to global companies operating in a list of adhering countries and promotes these guidelines through local governmental offices in adhering countries known as ‘National Contact Points’ (OECD guidelines for multinational enterprises, 2005). These contact points become instrumental in implementing the socially responsible policies into the processes followed by organizations. Companies prefer to follow voluntary compliance for a CSR initiative rather than being regulated by laws as it enhances consumer’s perception about the attitude of the corporate towards the societal issues and socially responsible policies (Hill et al., 2007) and corporate’s responsiveness reflects in the gains in the form of a competitive edge (Drumwright, 1994). A corporate social policy is an integration of three dimensions i.e. social issues, social responsibility and social responsiveness of an organization as suggested by Carroll (1979).

Social issues

The researchers over past many years have acknowledged the importance of the responsibility that a firm has towards the social environment it operates in (Sen and Bhattacharya, 2001; Spar and La Mure, 2003). They have also highlighted the relationship between the role of financial performance of the corporate and socially responsible policy in fulfilling their corporate social responsibility (McGuire et al., 1988; Ruf et al., 2001; Hill et al., 2003; Simpson and Kohers, 2002). Practitioners in the past instead have not been very forthcoming to participate in addressing the social issues of the environment in which their firm operates (Pava and Krausz1996). The model presented by Preston (1990) was based on the assumptions that managers are involved in the process of recognizing and addressing the social issues by an organization. As per Preston (1990), managers are instrumental in responding to these issues by taking active part in development and implementation of organizational policies. A study by Hillman and Keim (2000) studied the relationship between shareholder value, stakeholder management and social issues based on the data collected from 500 firms and proposed that while stakeholder management positively influences shareholder value, the demonstration of concern towards social issues by an organization is negatively associated with shareholder value. This paper conceptually recognizes the geographical and cultural differences in the types of social issues that affect the developmental aspects of the local social environment of a corporate and links them with ethically operational aspects of businesses (Jenkins, 2006). These aspects stimulate and direct the stakeholders towards the corporate and influence shareholder value (Wiele et al., 2001).

Social responsibility

Corporates today enthusiastically project and demonstrate their concerns towards social issues by implementing socially responsible policies (Singh et al, 2005). The purpose of this demonstration is projecting a positive social image to its stakeholders and using the image as an instrument for business development and reputation management apart from fulfilling the basic social requirement and having a genuine concern for the society (Brown and Dacin, 1997; Maignan and Raltson, 2002). The divisive theories and thoughts in the CSR practices was brought in light by the critics of corporate social responsibility and the practitioners of corporate law who defined the motif of a corporation as an activity directly related to profits and wealth creation and not as a concern towards sustainable development and welfare of social and environmental factors (Garriga and Mele, 2004). As a result the hidden agenda behind CSR became increasing profits by way of increasing investments in potential resources and opportunities (Auger et al., 2007). The study by Clarkson (1995) proposed that although corporations try to focus on the issues faced by their stakeholder, they are unable to differentiate between the social issues and stakeholder issues. Clarkson (1995) analysed the research conducted between 1983 and 1993 on corporate social performance and proposed a framework for analyzing the fulfillment of corporate responsibility by companies.

Social responsiveness

The construct of social responsibility has been evolving since 1930s and is a consequence of social responsiveness of the corporate based on its issue assessment and management techniques at individual, institutional or organizational levels (Wood 1991). Globalization of businesses guided multinational companies to work towards nurturing a global civil society (Levy and Egan, 2003). During last decade many global companies tried to operate by strategically incorporating a policy for being socially responsible in their business policies that lead to the upcoming of many nongovernmental organizations (Etzion, 2007). These organizations are autonomous bodies that avoid institutional links (Sanyal 1997). Clarkson (1995) proposed that corporate social performance of a firm can be evaluated based on it's relationships with its stakeholders. In 1984, Cochran and Wood (1984) suggested the existence of a correlation between corporate social responsibility and financial performance of the firm. This paper acknowledges the differences in types of concerns that organizations should have in different types of economies (Lantos, 2001) and how these concerns impact the affluence of the local environment (Waldman et al., 2006). Waldman et al. (2006) conceptually categorised CSR values for managers in three different ways. The first category proposed by them was from the perspective of shareholders and related to the responsibility fulfillment by the organization to its shareholders in the form of economic benefits. The second category involved non-financial stakeholders apart from shareholders and was reflecting on the ethical and positive relations that impact the physical environment of the organization. The third category included the community from a broader perspective and explained the need for organizations to involve themselves as a societal entity that requires them to engage themselves with the community development projects.

Corporate social policy

Researchers have been discussing the connection between stakeholder theory and theory of corporate social responsibility (Ullman, 1985). These discussions are based on conceptualization of every business as a social activity performed with identified objectives (Pava and Krausz, 1996). These objectives involve different set of stakeholders and have defined sets of privileges and obligations (Lantos, 2001). These privileges and obligations reflect the concern that organization has towards the society and demonstrate the ethical values that form a part of its management philosophy (Donaldson, 1999). These values also enable the corporate to express it's morality to the society (Rawls, 1971). Such demonstrations of morality by companies are reviewed by academicians and practitioners as the construct of corporate social responsibility (Painter-Morland et al., 2006).

Many researchers have provided different types of perspectives based on organizational policies that enable practitioners to analyse the relationship between their corporate's performance and its involvement with its' social environment (Wartick and Cochran, 1986). It has been observed that global companies try to influence industrial and trade policies of the country they operate in with the help of local government (Dicken, 1994). Amba Rao (1993) proposed that MNCs should work with the government of the countries they operate in and should be influential in supporting local developmental policies of economic growth and environmental protection and in turn local governments should help them by way of supportive trade and environmental policies and an environment for progressively managing socially responsible policies (Panapanaan et al., 2003).

Social concerns

Consumers today perceive a firm based on the role it plays in social development and welfare of the society in which it performs its business (Winters 1988). As a result, the social development initiatives of a corporate are forming an important part of corporate marketing strategies (Pirsch et al 2007) because they provide avenues for relationship development and an emotional bonding between the corporate and its customers (Bhattacharya and Sen 2003; Marin and Ruiz 2007). These marketing strategies benefit all stakeholder groups that are within or outside the firm, like users, suppliers, employees, investors etc. (Pirsch et al 2007). Thus, researchers suggest that social agenda of a corporate should be focused on cause-related relationships and associations that demonstrate its concern for improving of the environment (Till and Nowak, 2002). CSR policies help organizations to attract its stakeholders by communicating with them for creating a positive image of the firm (Fombrun and Shanley 1990; Turban and Greening 1997). Woodstock and Smith (2000) proposed when powerful corporations cross different national boundaries, for a sustainable approach to address these markets organizations try to influence the local conditions by demonstrating their concerns to the society that influences their stakeholder relationships in that geography.

Types of concerns

The difference in concerns of different economies has become a debatable issue for researchers. It has become essential for corporates to be able to clearly understand the boundaries of corporate social responsibility and also be able to distinguish it from philontropy (Fry et al, 1982). It is a challenge for the organizations to identify which of the issues should be included and excluded from the concept of philanthropy. Lantos (2001) highlighted the differences between ethical corporate social responsibility, altruistic corporate social responsibility and strategic corporate social responsibility. The aim of corporate social responsibility should be to build policies that contribute to the self-sustenance and development of the society in which they are operating (Murphy, 1988). The classification of the types of corporate social responsibility proposed by Lantos (2001) helps researchers and practitioners to understand that fulfillment of legal, economical and ethical responsibilities lie within the internal boundary of the roles of a corporate and does not help the organization to take a step forward in preventing the harm that its negative externalities may have on the stakeholders. An organization is considered to be fulfilling its philanthropic corporate social responsibility (Caroll, 2000) or altruistic corporate social responsibility (Lanton, 2001) when it tries to ensure that all its stakeholders and other members of the society in which it operates will be benefited by its internalities and externalities. Lanton (2001) also explained the concept of strategic corporate social responsibility by strategically linking socially responsible activities of an organization to its organizational goals. Researchers have also proposed that marketers should take a lead role in planning and implementing socially responsible corporate policies of the organization (Garriga and Mele, 2004). Strategic and socially responsible policies of the organization when contribute to the local community can not only attract desirable employees but also influence employee morale for higher productivity (Branco and Rodrigues, 2006). They create an image of a caring organization and attract higher number of customers for influencing shareholder value (Lanton, 2001).

Corporate strategies

The concerns of organizations towards social environment in which they operate are different for different regions (Rondinelli and Berry, 2000). The reason for this difference is that the concern should depend on the particular need of the broader set of activities performed by the organization and the involvement of local people in those activities (Hillman and Keim, 2001). In practice some companies are trying to integrate philanthropy and social responsibility into the core policy of the organization. Corporate social responsibility today has become a regulatory obligation of organizations in certain countries (Pinkston and Caroll, 1996). Incase of developing economies the emphasis required by the social environment from organizations is strategic contribution towards community development, local infrastructure, education and sanitation (Pillay, 2006). Whereas incase of developed economies, the investments made by organizations are for strategically involving stakeholders of the organization towards the well-being of the overall society (Dignam and Galanis, 2008).

Corporate communication strategies

The role of different constituencies in the growth of an organization is evident in the literature available to researchers (Kraft, 1991; Lantos, 2001; Garriga and Mele, 2004; Waldman et al, 2006). Various studies have suggested that practice of strategic corporate social responsibility unlike philanthropic activities of the organization lies with the marketing function of the organization (Daub and Ergenzinger, 2005; Branco and Rodrigues, 2007). The role of marketing in communicating to all the constituencies of the organization influences the image of the corporate and is reflected in the form of motivated and loyal stakeholders (Maignan et al, 1999; Du et al, 2007). The literature on corporate social responsibility also highlights the role of communications in ensuring stakeholder satisfaction (Jenkins, 2006). Webb et al (2009) highlighted the role of different stakeholders in encouraging organizations to strategically incorporate information related to its socially responsible initiatives in its corporate communication strategies. The concerns of different set of stakeholders of an organizations are different in different types of economies, based on the argument of Webb et al (2009), this study proposes that corporate communication strategies of a corporate can facilitate managers to strategically communicate about the socially responsible initiatives of the organization based on the type of concerns that they may have.

Conclusion

The role of organizations in the era of globalization requires them to be socially responsible towards the society in which they operate. The organization is held socially responsible by its stakeholders if it fails to identify the socially non-responsible acts in its practices. The research on the level of involvement required from the organizations in development of the environment it operates in has identified different concerns and different standards for evaluation of its practices ensuring an ideal socially responsible behaviour by the organizations. This paper reflects upon the relationship that a corporate has towards the society in which operates and the role that its communication strategies play in building its image in the society in which it operates. ■

SURAKSHA GUPTA
Senior Lecturer in Marketing
Kent Business School
University of Kent
The United Kingdom

References

Amba Rao S. C. (1993), 'Multinational corporate responsibility, ethics, interactions and third world governments: An agenda for 1990s', *Journal of Business Ethics*, 12(7): 553-572.

Auger P, Devinney T M, Louviere J L (2007), 'Using best-worst scaling methodology to investigate consumer ethical beliefs across countries', *Journal of Business Ethics*, 70(3): 299-326.

Bhattacharya C B and Sen S (2003), 'Consumer-company identification: A framework for understanding consumer relationships with companies', *Journal of Marketing*, 67(2): 76-88.

Branco M C and Rodrigues L L (2006), 'Corporate social responsibility and resource based perspective', *Journal of Business Ethics*, 69(2): 111-132.

Carroll A B (1979), 'A three-dimensional conceptual model of corporate performance', *The Academy of Management Review*, 4(4): 497-505.

Cespa G and Cestone G. (2007), 'Corporate social responsibility and managerial entrenchment' *Journal of Economics and Management Strategy*, 16(3): 741-771.

Clarkson M B E (1995), 'A stakeholder framework for analyzing and evaluating cor porate social performance', *The Academy of Management Review*, 20(1): 92-117.

Cochran L P and Wood R A (1984), 'Corporate social responsibility and financial performance', *The Academy of Management Journal*, 27(1): 42-56.

Cornelius N, Todres M, Janjuha-Jivraj S, Woods A and Wallace J (2008), 'Corporate social responsibility and social enterprise', *Journal of Business Ethics*, 81(2): 355-370.

Daub C H and Ergenzinger R (2005), 'Enabling sustainable management through a new multi-disciplinary concept of customer satisfaction', *European Journal of Marketing*, 39(9/10): 998-1012.

Dicken P (1994), 'The Roepke lecture in economic geography* global-local tensions: firms and states in the global space-economy', *Economic Geography*, 70(2): 101-128.

Dignam A and Galanis M (2008), 'Corporate governance and importance of macroeconomic context', *Oxford Journal of Legal Studies*, 28(2): 201-243.

Donaldson J (1999), 'Codes, stakeholders and business philosophy', *International Journal of Value-based Management*, 12(3): 241-257.

Drumwright M E (1994), 'Socially responsible organizational buying: environmental concern as a noneconomic guying criterion', *Journal of Marketing*, 58(3): 1-19.

Expert article • 2074

Du S, Bhattacharya C B and Sen S (2007), 'Reaping relational rewards from corporate social responsibility: The role of competitive positioning', *International Journal of Research in Marketing*, 24(3): 224-241.

Etzion D (2007), 'Research on organizations and the natural environment, 1992-present: a review', *Journal of Management*, 33(4): 637-664.

Fombrun C and Shanley M (1990), 'What's in a Name? Reputation Building and Corporate Strategy', *Academy of management Journal*, 33(2): 233-258.

Friedman A.L. and Miles S. (2002), 'Developing stakeholder theory', *Journal of Management Studies*, 39(1): 1-21.

Fry L W, Keim G D and Meiners R E (1982), 'Corporate contributions: Altruistic or for profit?', *Academy of Management Journal*, 25(1): 94-106.

Garriga E and Mele D (2004), 'Corporate social responsibility theory: mapping the territory', *Journal of Business Ethics*, 15(1-2): 51-71.

Goodpaster K.E. (2003), 'Some challenges of social screening', *Journal of Business Ethics*, 43(3): 239-246.

Gunasekaran A. (1999), 'Agile manufacturing: A framework for research and development', *International Journal of Production Economics*, 62(1-2): 87-105.

Hill R P, Stephens D and Smith I (2003), 'Corporate social responsibility and the consumer movement', *Consumer Policy Review*, 13(4): 127-131.

Hill R P, Ainscough T, Shank T and Manullang D (2007), 'Corporate social responsibility and socially responsible investing: a global perspective', *Journal of Business Ethics*, 70(2): 165-174.

Hillman A J and Keim G D (2001), 'Shareholder value, stakeholder management and social issues: what's the bottom line?' *Strategic Management Journal*, 22(2): 125-139.

Jean B. McGuire, Alison Sundgren, Thomas Schneeweis (1988), 'Corporate social responsibility and firm financial performance', *The Academy of Management Journal*, 31(4): 854-872.

Jenkins H. (2006), 'Small business champions for corporate social responsibility', *Journal of Business Ethics*, 67(3): 241-256.

Kraft K L (1991), 'The relative importance of social responsibility in determining organizational effectiveness: student responses', *Journal of Business Ethics*, 10(3): 179-188.

Lantos G P (2001), 'The boundaries of strategic corporate social responsibility', *Journal of Consumer Marketing*, 18(7), 595-630.

Levy D L and Egan D (2003), 'A neo-Gramscian approach to corporate political strategy: conflict and accommodation in the climate change negotiations', *Journal of Management Studies*, 40(4): 803-829.

Maignan I, Ferrell O C and Hult G T M (1999), 'Corporate citizenship: Cultural antecedents and business benefits', *Journal of the Academy of Marketing Science*, 27(4): 455-469.

Maignan I and Raltson D A (2002), 'Corporate social responsibility in Europe and US: insights from businesses' self-presentations', J*ournal of International Business Studies*, 33(3): 497-515.

Marin L and Ruiz S (2007), "I need you too'!, corporate identity attractiveness for consumers and the role of social responsibility', *Journal of Business Ethics*, 71: 245-260.

Murphy E.F. (1988), 'Some legal solutions for contemporary problems concerning groundwater and aquifers', *Journal of Natural Resources and Environmental Law*, 4: 49-117.

OECD Guidelines for Multinational Enterprises (2005), Weblink http://www.oecd.org/dataoecd/23/2/34873731.pdf downloaded on 02 February, 2005.

Painter-Morland M. (2006), "Triple bottom-line reporting as social grammar: integrating corporate social responsibility and corporate codes of conduct", *Business Ethics: A European Review*, 15(4) 352-364.

Panapanaan V M, Linnanen L, Karvonen M and Phan V T (2003). 'Roadmapping corporate social responsibility in Finnish companies', Journal of Business Ethics, 44(2-3): 133-148.

Pava M L and Krausz J (1996), 'The association between corporate social-responsibility and financial performance: The paradox of social cost', *Journal of Business Ethics*, 15(3): 321-357.

Pillay S (2006), 'Absence of justice: Lessons from the Bhopal Union Carbide disaster for Latin America', *Michigan State Journal of International Law*, 14(2/3): 479-520.

Pinkston T S and Carroll A B (1996), 'A retrospective examination of CSR orientations: Have they changed?', *Journal of Business Ethics*, 15(2): 199-206.

Pirsch J, Gupta S and Grau S L (2007), 'A framework for understanding corporate social responsibility programs as a continuum: An exploratory study', *Journal of Business Ethics*, 70(2): 125-140.

Preston L E (1990), 'Stakeholder management and corporate performance', *Journal of Behavioral Economics*, 19(4): 361-375.

Rawls J (1971), 'A theory of justice'. *Cambridge, MA: HarvardUniversity Press.*

Rondinelli D A and Berry M A (2000), 'Environmental citizenship in multinational corporations: social responsibility and sustainable development', *European Management Journal*, 18(1): 70-84.

Rosenkranz S. (2003), 'Simultaneous choice of process and product innovation when consumers have a preference for product variety', *Journal of Economic Behavior and Organization*, 50(2): 183-201.

Ruf B M, Muralidhar K, Brown R M, Jannery J J and Paul K (2001), 'An empirical investigation of the relationship between change in corporate social performance and financial performance: a stake-holder theory perspective', *Journal of Business Ethics*, 32(2): 143-156.

Sanyal B (1997), 'NGOs' self-defeating quest for autonomy', *Annals of the American Academy of Political and Social Science*, 554: 21-32.

Wiele Tvd, Kok P, McKenna R and Brown A, 'A corporate social responsibility audit within a quality management framework', *Journal of Business Ethics*, 31(4): 285-297.

Sen S and Bhattacharya C B (2001), 'Does doing good always lead to doing better? Consumer reactions to corporate social responsibility', *Journal of Marketing Research*, 38(2): 225-243.

Simpson W G and Kohers T (2002), 'The link between corporate social and financial performance: evidence from the banking industry', *Journal of Business Ethics*, 35: 97-109.

Singh J, Kilgore J E, Jayanti R K, Agarwal K and Gandarvakottai R (2005), 'What goes around comes around: Understanding trust-value dilemmas of market relationships', *Journal of Public Policy and Marketing*, 24(1): 38-62.

Spar D L and Mure L T La (2003), 'The power of activism; assessing the impact of NGOs on global business', *California Management Review*, 45(3): 78-101.

The UN Global Compact Operation Guide for medium-scale enterprises (2007), Weblink http://www.unglobalcompact.org/docs/news_events/8.1/Operational_guide_ME.pdf, downloaded on 02 February 2007.

Till B D and Nowak L I (2000), 'Toward effective use of cause-related marketing alliances', *Journal of Product and Brand Management*, 9(7): 472-484.

Turban D B and Greening D W, (1997),'Corporate social performance and organizational attractiveness to prospective employees', *Academy of Management Journal*, 40(3): 658-672.

Ullmann, A (1985), 'Data in search of a theory: a critical examination of the relationship among social performance, social disclosure and economic performance', *Academy of Management Review*, 10(3): 540-577.

Waddock S and Smith N (2002), 'Relationships: The real challenge of corporate global citizenship', *Business and Society Review*, 105(1): 47-62.

Waldman D A, Luque MS de, Washburn N and House R J (2006), 'Cultural and leadership predictors of corporate social responsibility values to top management: a global study of 15 countries', 37(6): 823-837.

Watrick S L and Cochran P L (1985), 'The evolution of the corporate social performance model', *Academy of Management. The Academy of Management Review*, 10(4): 758-769.

Webb H L, Cohen J R, Nath L and Wood D (2009), 'The supply of corporate social responsibility disclosures among US firms', *Journal of Business Ethics*, 84(4): 497-527.

Winters L C (1988), 'Does it pay to advertise to hostile audiences with corporate advertising?', *Journal of Advertising Research*, 28(3): 11-18.

Wood D J (1991), 'Corporate social performance revisited', *The Academy of Management Review*, 16(4): 691-718.

SONJA VARTIALA

Future of CSR: increasing transparency and strategic cooperation between companies and NGOs

Expert article • 2075

In January 2013, the world's grocery retailers came under fire after Finnwatch, a corporate social responsibility watchdog organisation, published a report on the production of pineapple juice in Thailand. Workers at Natural Fruit's pineapple processing plant in Prachuap Khiri Khan province alleged illegally low wages and migrant worker passport confiscation. Their products which were marketed worldwide had alleged links to serious labour exploitation and human rights abuse.

In preparation for the report, Finnwatch approached Finnish retail companies for information on the suppliers of their own brand products. Natural Fruit appeared, among many others, on the list of suppliers that the S Group – one of the biggest companies in Finland – gave to Finnwatch in response. At the time, S Group was the only company who provided Finnwatch with supplier information.

The report changed the way that Finnish companies do business in many regard, and since then, many more companies have been more willing to disclose information on their suppliers to the public, but it also had unexpected, negative consequences.

Most devastating of these was Natural Fruit's suing of Finnwatch researcher Andy Hall. Hall coordinated field research and interviewed migrant workers who were employed at the Natural Fruit pineapple processing plant for Finnwatch's report. Altogether Natural Fruit has brought four criminal and civil cases against Hall. According to the company, Andy Hall intentionally harmed the reputation of Natural Fruit.

> Civil society and companies can support state efforts to protect human rights by working together.

The actions by Natural Fruit have been widely criticised as judicial harassment of a human rights defender which has now been going on for four years. In July a senior vice president of S Group, testified for the defence in court in Bangkok.

Although S Group in their testimony told the Court that the reason they stopped purchases from Natural Fruit was not the Finnwatch report, Andy Hall was still convicted in September 2016. The Court found Andy Hall guilty of all charges, sentenced him to prison for four years and ordered him to pay 150 000 baht fine. His prison sentence was reduced by one year to three years and suspended for two years because of his record as a human rights defender. Andy Hall will appeal the ruling.

Andy Hall's conviction has met with stern criticism from around the world. Most recently the European Parliament adopted a resolution expressing its concern about the conviction of Andy Hall. According to the Parliament resolution, his conviction undermines the capacity and willingness of researchers, rights groups and migrants' themselves to bring labour rights abuses suffered by migrant workers in Thailand to light.

Demands for increased transparency over supply chains have increased significantly among civil society and consumers. The case of Natural Fruit is just one of the examples which evidence how civil society organisations can produce valuable information regarding the complex, global supply chains, that companies deal with on a daily basis. As a witness for Andy Hall's defence, S Group wanted to show its support for a free civil society. Instead of taking disputes to a court, attempts to solve issues through transparency and dialogue should be made.

From child labour behind smart phone and electric car batteries to perilous working conditions in garment factories, civil society has exposed some of the most egregious worker abuses and injustices on the planet and created an environment in which there is an imperative for companies and governments to act. When workers can organise freely and take action to further the realisation of their rights, and when advocates can act unhindered to support workers and expose abuse, companies can more readily have confidence in the respect for labour and human rights in their supply chains. Legal action like that taken against Andy Hall by Natural Fruit risk creating a chilling effect where workers, advocates, and communities are afraid to speak up.

S Group stopped purchases from Natural Fruit in 2013 because Natural Fruit would not agree to independent, international social responsibility audits. Companies have developed different kinds of auditing tools, which are then used to monitor the conditions in their supply chains. Such tools are not perfect but they have led to greater protection of labour rights in risk countries. A strong civil society is critical to strengthening audits through the involvement of trade unions and workers' voices in the monitoring of working conditions. Improvements to corporate action to respect human rights can't happen in a silo.

The example of S Group shows that companies can do a lot to address problems in their own supply chains as well as to support civil society and human rights defenders. The European Union, which condemned Andy Hall's conviction, has many possibilities to further these same goals as well.

Lack of transparency in global supply chains is a barrier to improving working conditions, strengthening the protection of human rights and providing remedy to the victims of abuse perpetrated by companies. Secrecy over supply chains benefits companies who are able to sell products that have been made in conditions of labour exploitation to the European market and European consumers. For example, we don't know if Natural Fruit is still exporting products to our markets.

Without binding regulations that would require companies to make information on their supply chains public, stakeholders such as NGOs, HRDs, victims of abuse and consumers, rely on companies voluntarily providing supplier information to the public. While disclosure requirements to companies to make supplier information public should be made stricter, increasing the transparency of import/export data within the EU should be explored as other means to increase supply chain transparency.

At the moment each EU member state follows their national laws regarding disclosure of information on company names engaged in foreign trade; early evidence gathered by Finnwatch suggests, however, that information that would enable identification of importing companies is considered confidential across the continent. Information collected by and shared between national customs in each member state regarding trade between member countries currently does not enable traceability of products once they have been released to free circulation within the single market.

By creating a standardised EU level system that enables making public data on imports and exports entering European ports, including the name of companies involved, the European Union significantly increase supply chain transparency and thereby help stakeholder groups to bring in to companies and authorities' attention suspected cases of labour exploitation, child labour, forced labour or human trafficking, and shortcomings in companies' human rights due diligence processes. Such data would also enable European consumers to make more informed transactional decisions.

Protection of human rights and creation of structures that advance the protection of human rights, are a state duty. Human rights are best realised in strong democracies that are implement the principles of open governance and freedom of information. Civil society and companies can support state efforts to protect human rights by working together. No one can build a more sustainable world on their own. When we have the courage to change the rules of international trade, look beyond the dividing lines and collaborate without prejudices, we can bring about change for the better sooner. ■

SONJA VARTIALA
Executive Director
Finnwatch ry
Finland

JAANA HIRSIKANGAS

Women's Bank gives women a chance

Expert article • 2076

Women's Bank is a Finnish volunteer network which raises funds to support women's sustainable entrepreneurship and livelihood in developing countries. Women's Bank is a unique Finnish innovation. The network was founded in May 2007 by a Finnish NGO Finn Church Aid and a group of influential Finnish women as a result of their visit to Liberia in West Africa. This group of leading Finnish women from business and politics were deeply moved by the living conditions of the Liberian women and the challenges they were facing. Women's Bank was set up soon after the visit to Liberia. In the years to follow, the network grew fast. Since inception, Women's Bank aim has been crystal clear: to support women's entrepreneurship with entrepreneurship at the core of its values.

Today Women's Bank has over 35 regionals groups and thousands of volunteers, mainly in Finland but also across Europe. These volunteers, along with numerous donours, are the main assets of Women's Bank. Active volunteers arrange hundreds of events, campaigns and collections annually to raise funds. In just over nine years, Women's Bank has fundraised well over 10 million euros for women in developing countries. Regular donations are the lifeblood of Women's Bank's projects: they enable long term and planned development work. Over the years, Women's Bank has become a forefront movement of modern volunteer work, where each volunteer can make use of their own professional skills. Volunteering takes place mainly in Finland but from 2016 Women's Bank has also provided volunteering opportunities within its projects in developing countries. Volunteering takes a multitude of forms. The volunteers contribute with their time, money and skills, and utilize their business and media contacts. Every year they organize hundreds of events such as concerts, golf tournaments, fashion shows and flee-markets selling designer clothes and jewellery.

> Through educational projects women become more aware of their own strengths, abilities, opportunities and rights and become more active in utilizing, developing and claiming these rights.

Limitations to women's rights on a global scale

Of all the work done in the world, an estimated 59 % is paid. Out of the paid work, men do an estimated 2/3 and women 1/3. In contrast, when it comes to unpaid work, women do 3/4 of it. Globally, women's rights and earning possibilities are still severely restricted. In as many as 18 countries a woman is not allowed to work or start her own business without her husband's permission. There are four countries in which a woman cannot independently register her business. In 30 countries a woman cannot choose where to live. Furthermore, in 32 countries a woman needs her husband's permission to apply for a passport. There are 34 countries where a woman cannot inherit her spouse under the same terms as a man. In as many as a hundred countries legislation imposes gender-based job restrictions on women. In 155 countries legislation restricts the rights of women compared to men.

Barriers to female entrepreneurship exist all over the world, but especially so in developing countries. Obstacles come in such forms as age-old traditions, time restrictions and availability of capital. Also lack of societal and familial support prevents women from starting their own businesses.

Alleviating poverty through female entrepreneurship

Girls and women possess vast potential for change in developing countries. Women are frequently the poorest of the poor. A number of international forums have noted that one of the most important means of abolishing poverty is to improve women's possibilities of earning their living. By improving women's position sustainably, her whole family and often the entire village community benefits. As women's income increases, the livelihood of the people around them improves as well. Women with their own earnings can ensure that the household income is used to cover the family's necessities and secure their livelihood.

Women's Bank strives to create sustainable welfare for the whole community. This becomes possible through supporting women. The goal of Women's Bank is to support women mainly in Africa and Asia by alleviating poverty. The projects are located in the most fragile countries: Liberia, Sierra Leone, Uganda, Nepal, Myanmar and Cambodia. Finn Church Aid is responsible for carrying out the project work. Over its 9-year-history Women's Bank has reached over 30 000 women and their families in 14 different countries. This has been made possibly by a wide-based support from businesses, communities and individuals who contribute as donators to Women's Bank

Aiming for sustainable livelihoods

Women's Bank promotes women's equal economic, social and cultural rights and the voice of women within various levels of decision making. The way Women's Bank works facilitates women's empowerment. Women's Bank supports women's empowerment through professional education, entrepreneurship training, village bank savings groups and loans schemes, supporting market access and women's cooperatives as well as literacy and civic skills training.

Through educational projects women become more aware of their own strengths, abilities, opportunities and rights and become more active in utilizing, developing and claiming these rights. The work supports women in building their capacities and skills, self-sufficiency and different forms of peer, support and advisory networks. We work with women groups, supporting their collaboration and contacts with other relevant stakeholders.

Women's Bank works on a grassroot level, from bottom up. We work to strengthen community initiative, participation and cohesion. From start, the projects are planned together with communities and beneficiaries, building on their strengths and addressing their needs. Local ownership and implementation is essential. Women's Bank relies on local capacity and supports its development. Permanent structures, e.g. village banks, are always owned by their members.

Women's Bank creates opportunities and alternatives for enterprise for poor women. We prioritise those women who for any reason are in a vulnerable position; affected by war or conflict, single or teen mothers, school drop-outs, and widows. We promote women's enterprise and viable, profitable income generation and seek ways to combine existing strengths and market opportunities. We aim at sustainable solutions that both lessen the workload and time poverty of women, and increase their asset base.

The skills developed through Women's Bank's training enable self-employment and entrepreneurship. The skills trained for are selected on the basis of local markets and demand. Agriculture, farming and animal husbandry are commonly trained businesses. Women's Bank projects always encompass the necessary support and advisory services for entrepreneurship. Access to finance is secured via village banking or other suitable arrangements. Although Women's Bank promotes entrepreneurial approach, entering into business is always a personal decision. We facilitate and encourage but do not presuppose or pressure.

The work Women's Bank has a sustainable impact on women and their households. The capacity of and opportunities for women to engage in economic activities on equal terms with men have increased. This in turn strengthens women's income which has direct implications on the whole family's economic security. Women's Bank's work helps women manage their economic activities more profitably and professionally than earlier. Their economic decision-making and negotiating power in the household increases. Families' food security improves and they enjoy better health. More children, particularly girls, can attend school more regularly. As women's economic activity increases, the poverty on a household level decreases.

The empowering implications of this work on women are vast. Women's self-confidence and self-esteem increases, they develop support networks, their literacy and numeracy improves and gender-based violence decreases. Through Women's Bank work women's participation in political, social and economic activity outside the home increases and becomes visible. ■

JAANA HIRSIKANGAS
Women's Bank Coordinator
Finn Church Aid
Finland

MARIA JOUTSENVIRTA

We need a new economic story

Expert article • 2077

Since 2008, Europe and the world at large have been shaken by an ongoing crisis. An increasing number of citizens are exposed to socioeconomic risks, and they are experiencing negative effects on their standards of living. Social cohesiveness is fracturing, and the polarization of citizens is deepening. At the same time, our societies are facing serious threats caused by climate change and other ecological problems.

The main economic story revolves around this question: How do we bring back economic growth, high employment and healthy financial returns? But at the same time we hear that the current low-growth period is probably not a temporary phenomenon. We may be experiencing the beginning of a new era where the growth of Gross Domestic Product (GDP) will no longer provide the basis of countries' development and citizens' wellbeing. A growing number of notable economists and policymakers have raised the possibility of a long period of low growth.

The growth of GDP is not only becoming ever more difficult. The rapidly warming Earth, declining natural resources and increasing localized wealth inequality are putting to question the standard economic models and theories based on profit maximization and growth.

On top of that, regular salaried work is becoming more scarce. Until the last decade or so, people in the labour force took for granted that they would learn specific skills and then find full-time employment in one or several positions along their career until they retired. In rich welfare states, this path used to provide people secure livelihoods and sufficient social benefits.

The old 'social contract' does not apply any more. While the 'work until retirement' path may still hold appeal to many people, the job market is changing. Certain jobs are outsourced to less developed countries and lower social cost environments. At the same time, technology advances and robots are replacing people in many areas so rapidly that old models of adaptation no longer apply. New jobs and professions are emerging but at a much lower pace than what is needed. Studies indicate that there will not be enough salaried work for all citizens, at least not insomuch that it would provide a secure livelihood for families.

The need to rethink the way in which we organize our economic activities and measure progress should not come as a surprise. Since its birth, GDP has been questioned as the measure of progress and well-being by numerous leaders and experts, such as former US president John F. Kennedy and Nobel Prize-winning economists Amartya Sen and Joseph Stiglitz. GDP was never even intended to be a measure of wellbeing. Its creator, Simon Kuznets, stated already in 1934 that the welfare of a nation should not be inferred from a measurement of national income.

It is necessary to ask: How can we sustain our wellbeing in the absence of GDP growth? Can we build a new economic story that better matches with our current challenges?

The dominant economic story focuses on certain activities – selling, buying, exporting, importing – that take place in a global market economy and that are dependent on the conditions of the global financial markets. This view emphasizes the need for growth and profit making and is too narrow to help us make the necessary changes to the economic and welfare systems.

For the past decade or so, a growing number of academics, NGOs and politicians have tried to find ways to redirect our economies away from the perpetual pursuit of growth. Studies indicate that the ecological, social and human problems caused by economic growth and the primacy of the profit motive become, at some point, larger than its benefits.

Alternative economic models have been developed and proposed where prosperity is not confused with a consumerist lifestyle and constantly growing material well-being. Indeed, after a certain income level, the positive correlation between income growth and well-being seems to weaken or even disappear. After certain material needs have been fulfilled, people's wellbeing is based on social and psychological factors that do not necessarily require more money to be acquired and spent. In advanced countries, many people would like to have more free time rather than a busy consumerist lifestyle that requires a high paying job and long working days.

We need a broader conception of the economy. Now that a growth-based system has become difficult to sustain we should open our eyes to those kinds of activities and types of wealth that advance our wellbeing independent of GDP growth. A broader view of the economy takes into consideration the central role of household, community and local economies in the production of wellbeing – and real wealth.

Indeed, it is useful to ask what is wealth? Is it something that always has a known monetary value? Is it created by businesses or governments and governed most effectively through private ownership? Or could wealth be something that has a more direct connection to our wellbeing and that may often require another type of ownership structure? Things such as a clean and healthy environment, good social relationships, a secure livelihood, and meaningful work.

When we understand that ecosystems, local communities, families and other non-market entities produce value that is important not just economically but also for human and social wellbeing, we can find ways to increase our activities in these fields. Maybe this is the growth that we need.

Now that a growth-based system has become difficult to sustain we should open our eyes to those kinds of activities and types of wealth that advance our wellbeing independent of GDP growth.

Expert article • 2077

Alternative economic theories have increased our understanding of how these types of 'sub' economies function and how they produce value that differs from the dominant view of economic value production. The problem with the dominant view is that labour, money and nature are all seen as commodities. We should rethink these issues and realize that they are less like commodities and more like commons and function differently. Therefore, alternative economic theories are focusing not only on the logic of producing "exchange value" but also on producing "use value". A big difference is that some of the value producing activities take place outside the conventional monetary economy. Indeed, a lot of activities in homes, communities, neighbourhoods and local environments take place without (conventional) money. Therefore, these activities have mostly remained 'invisible' and 'undervalued' inside the dominant economic thinking frame.

We need a broader understanding of work, livelihood, sustainable business and methods of welfare production. Various community-based initiatives – such as local food production networks, cooperative enterprises, time banks and community currencies – have a key role in our attempts to change the economic and welfare system from below.

When we separate the concept of economy from the monetary market and re-define it more broadly as including also the non-monetized economy, a new vision and economic story starts to emerge that does not require a constant increase in consumption and material gains. This vision helps to move societies away from lifestyles and institutions that are based primarily on consumerism, productivism, wage-labour and centralized bureaucracies. The new vision changes the direction of development towards wellbeing and real wealth that is independent from the growth of GDP.

Some people say that our economic system cannot be changed through democratic means. Is it so? Many studies indicate that what people in many advanced countries want from their governments is not economic growth but wellbeing. There is a strong case for the policymakers and researchers to ask: How can we secure citizens' wellbeing and jobs in a low-growth or no-growth future and start making corresponding changes in our economic and welfare systems?

It is unlikely that the 'systemic' change will occur (only) top-down. A growing number of people are annoyed with the current politics. Underneath this growing frustration, there seems to be a longing for a new type of thinking and politics. This comes often with a desire to start connecting with people in new ways from below and to use people's creativity and collective wisdom to build a new vision and courses of action. Maybe this is the most powerful way to bring a new economic story to life. ■

MARIA JOUTSENVIRTA
PhD, Researcher and changemaker
Aalto University
Sustainability-in-Business research group (sub.aalto.fi)
Finland

MIRA TUOMINEN

Changing the role of MNEs in building a better world

Expert article • 2078

Governments and NGOs have been battling against social problems, such as poverty, hunger and access to clean water, for over 50 years now. However, the development has been slow and in many cases ineffective. In 2013 there were still 767 million people living on less than $1,90 a-day. The main issue is that the solutions that the NGOs and governments have traditionally offered are not sustainable enough.

Logically thinking there should be some underlying reason why there still are so many global issues while there are the resources and technology available to eradicate them; food production could feed the entire globe but it is distributed unevenly; there are effective cultivation systems and tools but still methods that yield poor crops are used. Why is it then that these issues still persist?

Michael Porter called this issue the problem of scale; there are not enough resources to make a large scale impact. Dr Ricardo Hausmann calls the issue as lack of productive knowledge. Both have a good point. Both also suggest similar solution; the MNEs. Combining their ideas and solutions, policies and strategies could be developed to reach sustainable solutions for the developing countries. After all, the flow of FDI has increased into developing countries and has surpassed the FDI inflows into developed countries. Thus there are more companies active in the developing countries and they are directly or indirectly affecting the economies and societies in a positive or a negative way.

MNEs can contribute to poverty alleviation by selling to BoP and through CSR. The effects to the developing country include improving market access to products and services, non-market transfer for capacity building, enhanced quality of life and empowerment. MNEs on the other hand will gain profit, capabilities, networks, reputational gains, improved consumer perceptions, enhanced consumer purchase intentions, and goodwill from sponsors and other stakeholders.

Following Porter's idea there is a lack of resources and only businesses can create resources and wealth which are generated when they get profit. The traditional view has been that businesses are not interested in helping with global issues as those eat away their profits. It has been seen as a trade-off between social problems and economic profits. During the last couple of decades this view has started to shift as consumers are more aware of the global issues and favour companies that share their views. This has in turn increased the share of CSR and turned attention to social issues. CSR is becoming more of a responsibility than something to be overlooked. The trick, according to Porter, is to learn how to create shared value; to incorporate social issues to the company's business model and thus end up creating social value and economic value.

The question Hausmann has wondered is why we see lower levels of development if the higher levels are possible as well. He sees that the problem lies in lack of productive knowledge. The main idea behind the division of knowledge is that if you put different pieces of knowledge in different heads and then add them altogether, then the group is going to operate with more knowledge than any individual could operate by himself. After all that is how the modern society works; modern production involves putting people and teams with different pieces of information together e.g. logistics, marketing, and procurement.

The problem is that the emerging countries lack productive knowledge that would enable their economies to develop. Knowledge transfer is difficult and it has very narrow paths through which it moves across organisations and countries. It is a gradual process where similar things are easiest to acquire. MNEs are a way to the solution as they can be in the frontline of knowledge transfer. When successful firms hire and teach locals their management styles they in turn leave the company to create new business. Thus, what the world really need is mobility.

The results of MNEmerge project are showing that these theories are true in practise. The MNEmerge is EU FP7-Project to promote the UN Millennium Development goals (MDGs) through case studies in Ghana, India and Brazil. The project has aimed to provide comprehensive framework for understanding the impact of multinational enterprises on MDGs. The project is ending in December 2016 after which policy recommendations will be discussed in various organisations.

Through the general framework where the impact of MNEs to emerging markets was studied it looks as MNEs do have a positive impact on the target market but the impact is often limited to the personal level and thus societal level impacts are only marginal. MNEs employ local people mainly to the lower level tasks which improves individual lives but the knowledge base of the society as a whole does not increase. This is because it is easier to move brains than knowledge i.e. the experts and managers are brought in and not hired locally.

The case study in Ghana tried to analyse this exact issue; knowledge transfer. How it happens, at what level and why it is so marginal? In addition to the fact that it is easier to bring experts from outside the country it is also that many companies do not like to share their trade secrets. In India where MNEmerge case study analysed the access to medicines they saw this phenomenon as well. The Indian pharmaceutical market is led by the Indian companies but most of them only sell general medicine. The more special medicine is the more likely it is produced by a MNE and they are not willing to share their knowledge and help the access to general public or lower the costs of the medicine, such as HIV and TB.

Local managerial capabilities building is often the bottleneck for industrial development and economic growth in developing countries. Through knowledge transfer employees can build their capabilities which in turn will increase their income, gain better skills and have more aspiration. Furthermore these factors encourage entrepreneur-

Expert article • 2078

ship and empowerment. Thus it is little less about how much companies are willing to share their trade secrets and more about building general managerial skills. Skills that are crucially needed in countries with only little productive knowledge to start with. The more specialised knowledge is transferred the more possibilities it opens for the economy and builds the foundations of sustainable business and develops the economy out of poverty.

Through the case studies in the MNEmerge project it is clear that the solutions are far more complicated than just building a facility or employing local people from emerging markets. To make a sustainable impact there is a great need to increase the productive knowledge in emerging markets which will lead to increased resources and the MNEs are ideal candidates in enabling this development.

It all comes down to the idea that development is a process, a process of accumulating capabilities and expressing it in a more complex productive set. Therefore when looking at the main industries in different countries, there is a significant difference between the rich and poor countries; rich countries have multiple industries while poor countries only have a few. Thus the focus should be more on economic development and not only in poverty reduction. The only way of eradicating poverty truly and sustainably is to enable emerging markets to develop so that they can generate the resources and wealth that they need. Porter has a point; we need to see business in a different light, a light that offers their hand instead of taking advantages of the lower levels of standards. Hausmann was also right, the emerging markets are not going to develop much further with just aid and microloans; what is needed is more knowledge transfer and thus an increase of productive knowledge. What is needed is truly sustainable solutions. ■

MIRA TUOMINEN
Research Assistant
Pan-European Institute
Turku School of Economics
University of Turku
Finland

HANNA MÄKINEN

Concluding remarks on the Special Issue on Corporate Social Responsibility

Expert article • 2079

As was highlighted in several expert articles in this Baltic Rim Economies Special Issue on Corporate Social Responsibility, the United Nation's Sustainable Development Goals (SDGs) and the 2030 Agenda for Sustainable Development, adopted in 2015, set a global framework for promoting sustainable development. They present the current state and the challenges the world is facing and promote a comprehensive sustainable development policy to resolve these challenges. The SDGs bind states, organisations, companies and individuals alike, and innovative partnerships between various actors and looking beyond the traditional cooperation partners are needed in meeting them.

However, the various articles clearly show that different countries and regions have rather divergent conditions and starting points for promoting sustainable development and business responsibility. For instance in developing countries, the multinational enterprises (MNEs) can contribute to employment creation, technology transfer, capability building, social development and poverty reduction, particularly if the operations of MNEs are guided by strong policies and regulatory frameworks. Countries also have their own national initiatives for business responsibility, as can be seen for instance in the case of Poland in this issue. In addition, different industrial sectors have their own challenges concerning corporate social responsibility. In the Arctic metal mining sector, for instance, the potential environmental and social impacts have to be taken into account. The metal mining industry can have negative effect s on local people and their livelihoods, such as reindeer herding, fishery and tourism, through the use of land and pollution. When it comes to the shipping industry, that is both highly globalised and privatised, the lack of effective and dynamic governance remains the main obstacle for achieving high corporate social responsibility standards, as well as for incorporating the issues of safety, security and environmental sustainability adequately in the industrial structure.

Several expert articles also highlight that making corporate social responsibility the core of companies' operations and corporate culture, not only by practising philanthropy but by integrating responsible business practises in all operations is essential, brings economic value for companies and creates a positive image of them. Businesses need to engage with various stakeholders also at grassroots level, such as local employees and population. Social and environmental impacts of the companies' operations also need to be carefully assessed and communicated in a transparent manner, including two-way communication that gives the locals a chance to express their opinions and give feedback for companies. Furthermore, increasing the transparency of information on supply chains would help in revealing cases of labour exploitation, child labour and human trafficking. In fact, in advancing CSR, civil society plays an important role. Although the state bears the main responsibility of the protection of human rights, companies and NGOs can support the state by increasing their cooperation and working together towards a more sustainable world. Consequently, the various expert articles in this Baltic Rim Economies Special Issue clearly demonstrate that cooperation among different stakeholders, including businesses, decision-makers and the public sector, intergovernmental organisations, NGOs and local communities is essential in promoting sustainable development and business responsibility.

The MNEmerge *(A Framework Model on MNE's Impact on Global Development Challenges in Emerging Markets)* project, funded by the EU's Seventh Framework Programme for research, technological development and demonstration under Grant Agreement No. 612889, deals with the issue of corporate social responsibility by exploring the role of MNEs in addressing global development challenges by mirroring the impacts of the operations of MNEs in developing countries against the SDGs, as well as the preceding Millennium Development Goals (MDGs). The project has analysed the impacts of MNEs on socio-economic development by using case studies, quantitative data as well as policy analysis and by focusing on three countries, Brazil, Ghana and India. The project's research team has studied how MNEs manage their activities in FDI, business functioning, technology and innovation strategies, corporate philanthropy or socially responsible investments and how these issues can contribute to the attainment of poverty alleviation, food security, health security, environmental security and electrification in developing countries. The three-year international research project will end in December 2016.

The MNEmerge team presented the policy implications that have arisen from the project's research results in a policy briefing organised at the Directorate-General for Research and Innovation (DG RTD), European Commission in Brussels, Belgium on the 27th of October, 2016 and in a workshop *MNE's impact on global development challenges in emerging markets* organised at UNIDO's 50th Anniversary Conference in Vienna, Austria on the 24th of November, 2016. The main research results will be presented in a panel *MNEs' Corporate Social Responsibility as Complementary to National Development* in the European International Business Academy (EIBA) conference in Vienna on the 4th of December, 2016. ■

HANNA MÄKINEN
Project Researcher
Pan-European Institute
Turku School of Economics
University of Turku
Finland

BALTIC RIM ECONOMIES

BRE REVIEW

Pan-European Institute

Co-funded by
the Centrum Balticum Foundation,
the City of Turku, the Commercial Sea Port of Ust-Luga,
the John Nurminen Foundation, the Port of Turku
and the Turku Chamber of Commerce