



## **CSR pays!**

**A project within the research framework  
“Factory of Tomorrow” of the Austrian Ministry  
for Transport, Innovation and Technology**

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## The project TRIGOS - CSR pays

The project analyzed and developed assessment tools for sustainable management accounting in organizations that had already set such initiatives, had received awards for specific projects, and thus believed in the positive effects of responsible behavior even though the monetary effects and cost/benefit analysis had not been calculated.

TRIGOS is an award scheme for organizations that combine economic performance with social and environmental responsibility. It is organised by the Austrian Red Cross, the Caritas, SOS-Kinderdorf, the WWF, the Association of Industry, the Austrian Chamber of Commerce, and Humans World. TRIGOS itself endorses the notion that corporate responsibility pays economic dividends due to the increased trust into the values of an organization.

## Goals of the study

The performance indicators, assessment tools, and benefits described in this study aim to motivate organizations towards a more rational planning of their CSR activities. It is recommended that they evaluate the rationales of past and planned CSR activities and develop company-specific strategies.

Companies are urged to develop a definition, a budget, and performance indicators for their CSR-related philanthropy and sponsoring activities to be able to demonstrate results.

**“CSR doesn’t pay unless you define CSR as things that DO pay!” (Gray, 2005)**

Gray R., Does sustainability reporting improve corporate behaviour? Wrong question? Right time? ICAEW Information for better markets conference, December 2005

## The current situation

➤ "At the moment the CSR engagement of organizations is not coordinated and is separate from their business and strategy. Organizations are thus foregoing opportunities to do good for society and for themselves. If managers would assess the ethical engagement of their companies with the same tools they use for decisions on their core business, they would see that CSR is more than additional costs, a necessary burden, or pure philanthropy. They would realize the related market opportunities, innovation potentials, and other benefits." (Porter/Kramer, 2007)

- Porter M., Kramer M., Wohltaten mit System, Harvards Business Manager, Schwerpunkt Verantwortung, Boston, Jänner 2007

# EU Modernisation Directive

Requests from 2005 onwards:

„To the extent necessary for an understanding of the company's development, performance or position, the analysis shall include both financial and where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters.“

## Case studies

- Abfallwirtschaft Tirol Mitte GmbH, B.
- Braun Austria GmbH,
- Der Bäcker Ruetz GmbH,
- BauMax AG,
- Betriebsgesellschaft Marchfeldkanal,
- Investkredit Bank AG,
- Lafarge Perlmooser GmbH,
- Österreichische Elektrizitätswirtschaft – Verbund,
- Österreichische Kontrollbank AG,
- Österreichische Volksbanken AG,
- OMV AG,
- Philips Austria,
- Shell Austria GmbH,
- Sparkassenverband

## Results of the questionnaires and telephone interviews

- "We are currently not measuring our CSR effects, but we are searching for a tool that can demonstrate the effects. We will have to show the benefits in order to obtain funding for these projects."
- Most organizations do not have a CSR-strategy for charity and sponsoring activities, but are driven by external demand because they "have so many requests for funding." As a consequence, these organizations are not able to assess the effects of their CSR activities. The primarily benefits are employee motivation and identification with the company, and in part also the achievement of a regional presence.

# Motivation and results of the TRIGOS project and the general CSR orientation

## Highest scores for

- Being a cutting edge company,
- Employee motivation,
- Attractiveness as employer and
- Employee know-how and specialization.

Image and reputation only scores 5th as motivation and 8th for the effects.

It can be said that in general, motivation and results are in identical fields. The results are stronger than expected.

The lowest scores are with risk and compliance related issues.

The TRIGOS projects have effects on the corporate level that go beyond their original CSR-topics. Many organizations have seen positive effects on employee integration and working conditions result from charitable activities.



## CSR pays?

But, little direct effects of the TRIGOS project and of the general CSR engagement on indicators such as turnover, profit, and shareholder value. Here there exists a gap between expectations and results.

On the other hand, this is partly so because CSR activities are not well integrated into organizations' strategic and management systems.

Most organizations report that the TRIGOS project was worthwhile and that in general CSR measures have positive results, especially on image, employee motivation, and corporate culture. It can thus be stated that there is not at this time a direct measurable relationship between CSR and the bottom line, but there are several indirect positive effects.

# Impacts on Shareholder Value

The shareholder value is influenced by two factors:

- • The expected future profits, which are influenced themselves by the intangible assets;
- The discount rate, which depends on the risk classification.

CSR improves the overall corporate sustainability management system and therefore results in comparatively lower risks.

At the same time most CSR activities directly impact the intangible assets of an organization, like image, brand reputation, customer trust, employee motivation, relationships with neighbors, and administration.

Several comparisons of the share prices of sustainable and conventional shares and indices confirm that socially responsible investments have lower risks and higher performance.

# Relationship Sustainability - Shareholder Value

- 1. The impact of SD performance on shareholder value is likely to be a long-term one. Day traders will not be looking for companies with a strong SD performance.
- 2. The impact of SD on firm value is strongest when it is incorporated into corporate strategy. Sustainable development initiatives that are driven solely by PR are unlikely to improve share price.
- 3. For a number of SD dimensions, the relationship is stronger between weak SD performance and reduced shareholder value than between strong SD performance and increased shareholder value.

# Measuring the effects?

There are essentially two common approaches to measuring CSR effects:

- Performance indicators (GRI, Worklife Balance)
- Stakeholder surveys, mostly focussing on employees

Monetarisation is most developed for

- Sustainable responsible investments, funds and indices
- Environmental costs
- Health and safety costs
- Monetarisation of shadow costs of external effects.

For other aspects even the cause-effect relationships are still unclear, for example, for differentiating the effects of intangible assets on corporate profit and business success or for the effects of corporate citizenship activities.



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*INTERNATIONAL GUIDANCE DOCUMENT*  
*ON*  
**ENVIRONMENTAL  
MANAGEMENT  
ACCOUNTING  
(EMA)**

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# EMA Definition from UN DSD EMA WG

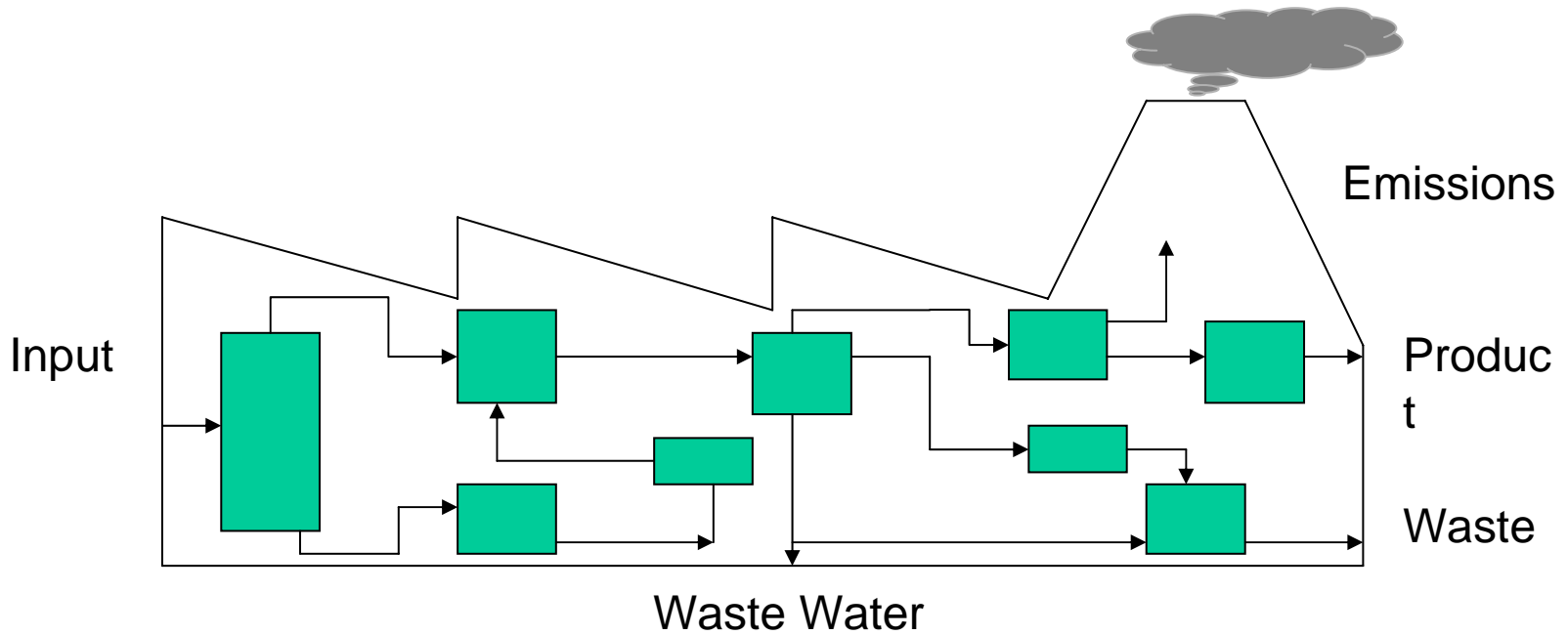
EMA is broadly defined to be the identification, collection, analysis, and use of two types of information for internal decision-making:

- physical information on the use, flows, and fates of energy, water, and materials (including wastes) *and*
- monetary information on environment-related costs, earnings, and savings.

# Physical Mass Balance: Input and Output Types

<b>Materials Inputs</b>	<b>Product Outputs</b>
Raw and Auxiliary Materials	Products (including Packaging)
Packaging Materials	By-products (including Packaging)
Merchandise	<b>Non-Product Outputs (Waste and Emissions)</b>
Operating Materials	Solid Waste
Water	Hazardous Waste
Energy	Wastewater
	Air Emissions

# Process flow charts: Opening of the black box





# Cost categories in the IFAC Document:

- **Materials Costs of Product Outputs**
- **Materials Costs of Non-Product Outputs**
- **Waste and Emission Control Costs**
- **Prevention and other Environmental Management Costs**
- **Research and Development Costs**
- **Less Tangible Costs**

**Percent distribution of environmental costs for 2000**

Environmental media <sup>1)</sup>	Air and climate	Waste water	Waste	Soil and groundwater	Other	Total
Environmental costs categories						
<b>1. Waste and emission treatment</b>						
1.1. Depreciation for related equipment	0.2%	3.2%	0.5%			3.9%
1.2. Maintenance, operating materials and services		5.0%		0.1%		5.1%
1.3. Related personnel	0.8%	1.6%	0.7%			3.1%
1.4. Fees, Taxes, charges	0.7%	1.3%	3.6%			5.6%
1.5. Fines and Penalties						
1.6. Insurance for environmental liabilities						
1.7. Provisions for clean up costs, remediation						
<b>2. Prevention and environmental management</b>						
2.1. External services for environmental management					0.1%	0.1%
2.2. Personnel for general environmental management activities	0.1%				0.9%	1.0%
2.3. Research and Development		1.5%				1.5%
2.4. Extra expenditure for cleaner technologies						
2.5. Other environmental management costs						
<b>3. Material Purchase value of non product output</b>						
3.1. Raw materials			23.0%			23.0%
3.2. Packaging			0.1%			0.1%
3.3. Auxiliary materials			2.1%			2.1%
3.4. Operating materials	0.1%	32.0%	0.5%			32.6%
3.5. Energy	22.6%					22.6%
3.6. Water		0.1%				0.1%
<b>4. Processing costs of non product output</b>		0.2%	0.9%			1.1%
<b>Total environmental costs</b>	<b>24.5%</b>	<b>44.9%</b>	<b>31.4%</b>	<b>0.1%</b>	<b>1.0%</b>	<b>101.9%</b>
<b>5. Environmental earnings</b>						
5.1. Subsidies, Awards		-0.8%				-0.8%
5.2. Other earnings		-0.2%	-0.9%			-1.1%
<b>Total environmental earnings</b>		<b>-1.0%</b>	<b>-0.9%</b>			<b>-1.9%</b>
<b>Saldo costs/earnings</b>	<b>24.5%</b>	<b>43.9%</b>	<b>30.5%</b>	<b>0.1%</b>	<b>1.0%</b>	<b>100.0%</b>

# Corporate Citizenship

Kotler/Lee, differentiate into the following categories:

- Philanthropy, Charitable Donations
- Cause Promotion
- Corporate Social Marketing
- Cause Related Marketing
- Community Volunteering
- Socially Responsible Business Practices.

And list the following criteria for a more professional approach:

Move to a more strategic approach to selecting social issues to support,

Choose an area of focus and tie activities to the company's business goals and objectives,

Develop long term relationships with non-profit organisations

Expand options for giving beyond cash donations to include contributions of other (often less costly) corporate resources such as excess products, use of distribution channels, and technical expertise,

Involve employees in decision making and managing corporate citizenship programs,

Determine ways to track and measure outcomes.

- Kotler P., Lee N., Corporate Social Responsibility Doing the most good for your company and your cause, John Wiley & Sons, New Jersey, 2005

# Benefits of Corporate Citizenship

If the company goals and the social issues to support fit together well and there is long term commitment, the benefits comprise

- Increased sales and market share
- Strengthened brand positioning
- Enhanced corporate image
- Increased ability to attract, motivate and retain employees
- Decreased operating costs
- Increased appeal to investors and financial analysts.

## Summary of results

**There is a positive relation between CSR and business success.**

**Brand value and reputation appear to be most strongly influenced by CSR activities.**

**Environmental protection pays.**

**Sustainability management pays.**

**Multiple measures are more successful.**

**Incorporation of CSR into mainstream business strategy is needed.**

**Measurement remains an open issue.**



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downloads?**

**[www.ifac.org/store](http://www.ifac.org/store)**

**[www.ioew.at](http://www.ioew.at)**

**Thank you for your attention!  
Christine Jasch**

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