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Corporate Performance and Corporate Social Responsibility (CSR). A necessary choice?

Regular paper

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Summary[1] – 1. The framework: the firm as a vital open system – 2. Sustainable growth, ethics and social responsibility – 3. The CSR from an internal and external point of view – 4. CSR management – 5. System thinking to understand the relationship between investment in CSR and company performance – 6. Difficulty in measuring results – 7. The firm's performance indicators – 8. The case of Dr. Irena Eris (Poland) – 9. Conclusions. The conditions for the effectiveness of CSR measures - Bibliography

Abstract

The study aims to show how assuming corporate social responsibility should not be considered a cost to bear as an *economic social actor* but an investment that will contribute to the competitiveness and growth of the firm.
The work is based on two models:

- the first, by Mella (Mella, 1997 Ch. 2; 2002), provides the conceptual framework that brings together the functional, vital, instrumental and cognitive processes of the firm conceived of as a permanent organization that developed these processes in an environment that conditions or favours its long-term vitality;
- the second, by Molteni (2004) – which has a similar framework as Mella (2004) – involves an exercise of System Thinking that presents a structural map of the system of variables that show how investments in CSR produce long-term positive economic performance.

The synergy between social responsibility and economic efficiency is not automatic; rather it is the result of efforts that combine managerial professionalism and business creativity for the purpose of business growth that also takes into account the social groups. In this sense it is important to consider the conditions for the effectiveness of CSR actions in creating a positive feedback that can produce ever greater economic and social-environmental results.

Keywords: CSR, responsibility, performance, social, effectiveness

[1]Paragraphs from 3 to 7 were written by Patrizia Gazzola; the others were co-written by the authors.

1 - The framework: the firm as a vital open system

Every firm can be viewed as a permanent organization (Mella 2003) or as an open socio-technical system that is structurally linked, by means of input and/or output flows, to a macro system that represents its vital environment.

In this sense, it is a *cognitive and viable agent* (Beer, 1981), in that we must assume that the firm-economic agent carries out a cognitive activity aimed at giving significance to the environmental stimuli, translating these into information that is structured in knowledge (de Geus, 1988, 1997), to produce a *reactive* and *proactive* behaviour aimed at reproducing the economic processes in a lasting way, thereby adapting itself to changes in its environment while maintaining its identity in a long-lasting autopoietic process. (Maturana & Varela, 1980; Mingers, 1994; Uribe, 1981; Varela, 1981).

In order to maintain its teleonomy, the capitalist firm, viewed as an open system, is conceived of as a system of transformation that carries out the following transformations (Fig. 1):

1) The productive transformation; this is a transformation of utility: volumes of factors of production having a given utility are transformed into volumes of products able to provide a greater utility based on rules of efficiency aimed at maximizing productivity and quality.

2) The economic transformation; this is a transformation of values: firms try to maximize economic efficiency through market choices that yield the maximum gap between revenue and cost of production, and thus the maximum operating result[2].

3) The financial transformation, through which the firm finances its economic processes with risk capital and debt capital, thereby raising the invested capital that optimizes the operating leverage, taking account of the cost of capital and its yield.

4) The managerial transformation, through which the operating objectives and the internal and external information are transformed into decisions aimed at maximizing efficiency (Davenport, 1993; Lax & Sebenius, 1986).

5) The business transformation, through which information is transformed into strategies to modify the strategic position of the firm and permit it to remain vital for an indefinite period.

With regard to the first four technical transformations the firm can be viewed as a *rational agent*, in that the managerial cognitive activity is aimed at maximizing its *fitness*, indicated by a system of performance measures – analytical (businesses and the various cycles of the economic

[2] In non-profit organizations the objective of this transformation is to minimize the gap between revenue and cost by reducing the operating result as much as possible.

processes) as well as synthetic (entire firm) – which express the entrepreneur's ability to maintain or improve the autopoiesis of the system-economic agent in a given area and over a definite interval of time.

With regard to the business transformation, the firm appears as an *economic social actor* that operates in an ethical, social, political environment to which it belongs and interacts not only through a system of physical, monetary and financial exchanges but also through human and communication flows through which knowledge, trust and reputation are produced (Prahalad & Bettis, 1986; Harrison & St. John, 1998).

Firms, as social actors, always operate within a multitude of networks along with many other actors: economic, political and social.

In particular, larger-sized firms are subject to the actions of international organizations and governments, along with the pressures from civil society, which ask firms with increasing insistency to account for their actions, judging not only the "effects" of their actions but also their "intentions".

Boycotts by consumers, organized actions by citizen groups or entire local communities, protests by non-governmental organizations (such as *GreenPeace* or *Amnesty International*) and collective movements, such as the environmental ones, press campaigns which become more widespread and heated at times of natural disasters or clamorous human rights violations, are all expressions of an increasingly stronger "voice" of civil society that produces effects that can influence business decisions[3].

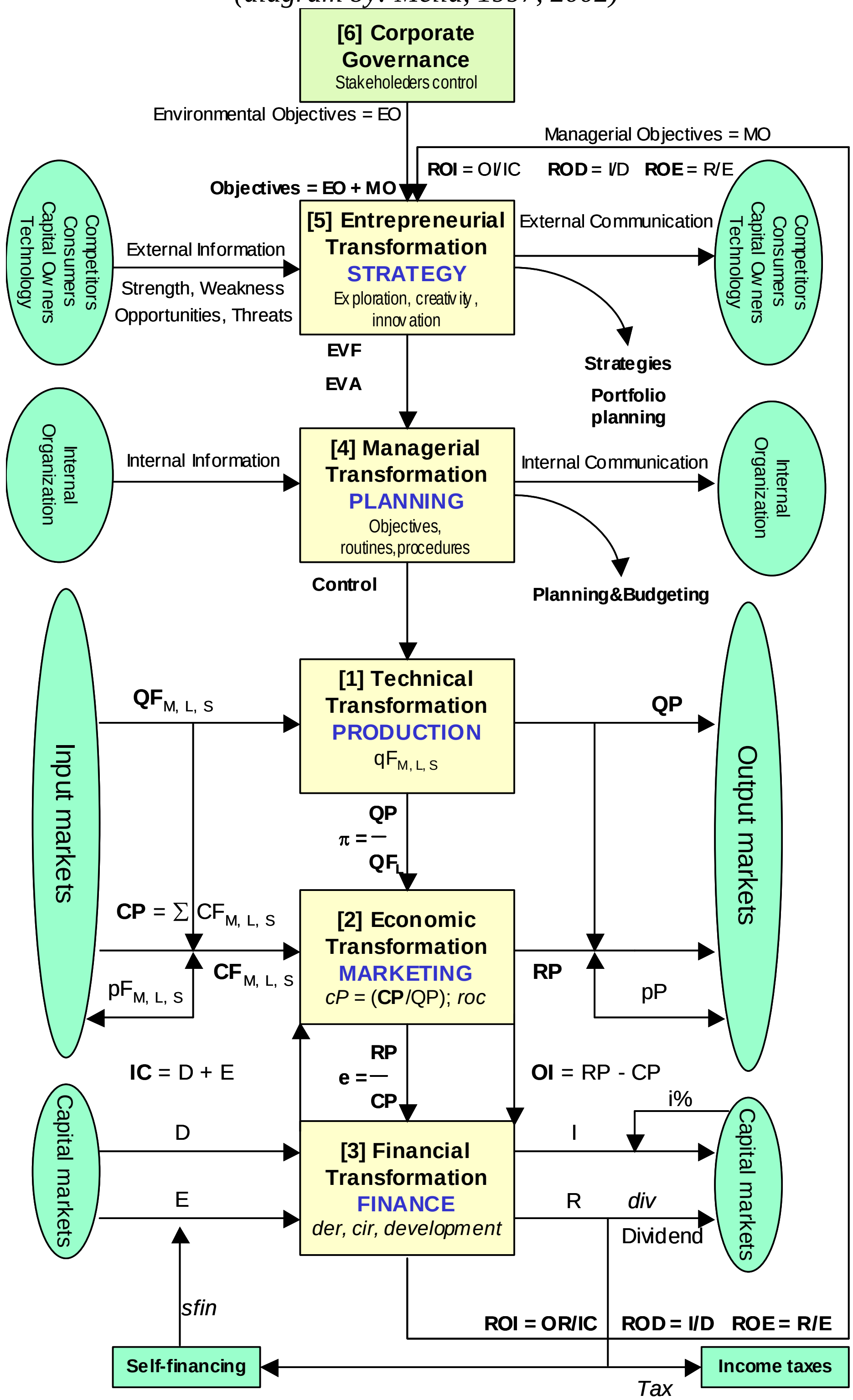
Thus firms, in a context of growing social and political interconnections, are no longer considered solely as systems that produce economic and financial values but as actors and driving forces that are responsible for environmental development (Wilson, 1999) and are capable of producing environmental and positive social value and, in some cases, even environmental and social negative value in the form of environmental damage.

The reputation of the firm as a social actor is formed and strengthened precisely on the basis of a positive evaluation of this capacity to interact with the environment, on the ability of the business transformation not to limit itself to the growth of the firm but to produce an internal growth that is sustainable and compatible with environmental growth.

The creation and management of Corporate Social Responsibility (CSR) finds a place within this context.

3 Typcial cases in this regard are Nike and the Anglo-Dutch Shell, which have developed their own social accounting documents to deal with the criticisms regarding the external diseconomies and social costs from their production processes.

Fig. 1 – The firm as a system of open transformation
(diagram by: Mella, 1997, 2002)



2 - Sustainable growth, ethics and social responsibility

The concept of sustainability is based on the 1987definition by the Brundtland Commission of the United Nations, according to which “sustainable growth is that which allows the economic, environmental and social needs of the present generations to be satisfied without compromising the development of future generations” (ISEA, 1999). This is a clear message to businessmen: they must voluntarily contribute to the progress of civil society and the preservation of the environment by bringing social and ecological valuations into the business transformation and the governance relationship with stakeholders[4].

That growth is held to be sustainable which unites the economic, environmental (Clarkson, 1991) and social activities of every human activity, while maintaining its impact within the economic and financial capacity of the system in which it takes place. On the one hand, firms, in developing their typical technical and managerial transformations, have to keep in mind the conditions that respect sustainability; and on the other hand, the social groups will have to be kept informed about this responsibility (Schmidheiny & Zorraquin, 2000). The changes under way in the general economic and social context mean that a greater attention to the satisfaction of the expectations of the *stakeholders* will impact the success of the firm in dealing with new challenges:

a. the globalization process places new responsibilities on firms regarding the evolution of the economies of poor countries;

b. the reputation of the firm is inextricably linked to its environmental policy;

c. the social sensitivity of consumers has grown, and is increasingly more attentive to the behaviours and to the ethical values promised by the firms;

d. the weight assumed by the respect of human rights and the rights of workers imposes new constraints on the management of the human resources of the entire *supply chain*;

e. the growth of human capital underscores the need for personnel policies that productively employ staff;

f. the unification of financial markets calls for growing levels of correctness in behaviour and transparency (Molteni, 2003).

These factors lead to a clear evolution in the concept of *social responsibility* (De Bettignies, 2002), with the shift from the respect of stakeholder expectations to the responsible behaviour of firms intended to bring out and strengthen the *social citizenship of the firm* (Vaccari, 1998) and the “rectitude of the firm” (Keeley, 1988).

[4] Orsadata, the observatory on the social responsibility of firms, contextualizes the topic by citing the Green Book “Promoting a European Framework for the Social Responsibility of the Firm”, published by the European Commission on July 18, 2001.

The social responsibility of the firm thus defines a transparent corporate behaviour based on ethical values (Crivelli, 2001) and on the respect of co-workers, of society and of the environment (Borzaghi, 2003). Above all, the ethical aspects of *correctness*, *responsibility*, *transparency*, and *respect for basic rights* take on a fundamental role, since the *social legitimization* of business activity – without which the firm can not survive and grow – depend on them. However, the businessman can not achieve these if he does not publicly show that he takes account of the compatibility between his development plans and the shared values of the social environment in which he operates.

The *social citizenship* of a firm – which is based on the awareness that economic far-sightedness and social responsibility are not antithetical – expresses the commitment to create well-being in the community of operation, in virtue of the knowledge that a cohesive society is one that makes the most productive use not only of its excellent resources but also of its marginal and residual contributions, recognizing the dignity and value of the latter. The *social citizenship of the firm* depends on the relations the firm has with its political, social (Perrini, 2003) and environmental systems – from which no firm is cut off– and, in particular, on its ethical obligation to contribute to this system and to use precautional methodologies and means in order not to damage the collectivity of reference, while respecting the laws, enhancing the social customs and the local culture, playing an active role in the cultural and political life, safeguarding the environment through non-destructive systems for managing natural resources and efficient recycling systems, and investing in projects to preserve and upgrade the environment (Mucelli, 2000).

The concept of the *social citizenship of the firm* must be joined to that of *restricted personality* (Seabright & Kurke, 1997). The firm, as a social agent, is morally responsible for its own actions, the same as any individual or citizen in society, but it has a *restricted* personality. In fact, unlike a real person it can not have the same scope of operations and of responsibility.

This means raising the social expectations for firms and encouraging managers to act like public functionaries for the creation of sustainable value for the firm and the shareholders, as well as for the social community and the territory (Parolin, 2002), considering in addition to the economic impact the firm's environmental and social ones as well.

3 - The CSR from an internal and external point of view

The introduction of socially responsible behaviour from an internal point of view aims to consider the following aspects: [5]

[5] European Commission "Green Book –Promoting a European framework for the social responsibility of the firm", Brussells, July 18, 2001.

- *managing human resources*, by introducing measures that meet the needs of the employees, for example more flexible hours of work to reconcile work with free time, as well as equality in pay and in career prospects (Zadek, 2001);

- *health and safety at work*, even if these aspects are already regulated by legislation; the continual recourse to outside production leads to responsibility for the firm also regarding the behaviour of subcontractors toward their human resources in terms of health and safety (Beda & Bodo, 2004);

- *adapting to changes in company reorganization*, by balancing and taking into consideration the interests and concerns of all interested parties, and paying particular attention to all useful methods for limiting the number of lay-offs;

- *managing the effects on the environment and on natural resources*, by considering that responsible actions toward the environment are not only advantageous for nature but also for the firm; limiting the waste of natural resources reduces energy consumption and creates an advantage for the firm in terms of lower costs (Christmann, 2000).

From the external point of view CSR involves a number of interested parties, such as suppliers, clients, public authorities and NGOs that represent the local community and the environment. The areas to consider are:

- *local communities;* by integrating the firm into its community of operation two objectives are achieved: the firm contributes by creating job openings, tax revenue, etc., at the same time benefitting from the prosperity and stability of the community it is a part of;

- *business partnership and suppliers;* the socially responsible firm should pay attention to the way suppliers and subcontractors operate, since bad behaviour would be damaging to the firm’s image. This could lead to the creation of a negative feedback that leads the partners and the suppliers to behave responsibly;

- *rights of* man; adopting codes of behaviour regarding working conditions, jointly considering the rights of man and environmental protection as provided by legislation;

- *environmental concerns* at the global level; the responsibility of firms is not limited to those areas in which they carry out their production activities, since many activities have a much wider impact, such as the supply of natural resources and the emission of polluting gases. (Walden & Schwartz, 1997).

4 - CSR management

There are a variety of strategies for CSR control – and consequently a variety of related costs/benefits.

They can be summarized by the following principal measures (Angel & Rivoli, 1997):

a. investments aimed at satisfying social and environmental expectations, and that economically involve annual depreciation expenses;

b. increase in variable costs tied to the satisfaction of stakeholders, such as the offer to employees of additional services; or higher costs due to the purchase of raw materials, semiprocessed goods, or services from special suppliers;

c. use of human resources, tangible or intangible, for social causes;

d. taking up some of the time and attention of top management and middle managers, who will temporarily take their minds off of other company activities;

e. limitation of strategic alternatives

We clearly see from the above that the costs imputable to social responsibility are often difficult to measure and, above all, to forecast with sufficient accuracy.

These difficulties increase substantially when we try to identify the benefits from CSR and, in particular, the direct correlation with the economic results at any level.

Nevertheless it is generally accepted that measures to control CSR form or revalue the firm's intangible resource assets and that these resources can contribute – at least in the long-term – to the creation or consolidation of the revenue flows and, in the case of listed companies, to the increase in stock values (Fombrun & Van Riel, 2003). In this sense we can state that, though it is difficult to quantify the effect, efforts by management to control CSR represent drivers for the production of corporate and social value.

5 - System thinking to understand the relationship between investment in CSR and company performance

There are a variety of social responsibilities, each of which has a different objective. Nevertheless we can refer to a general model to identify the impact that a vast range of social responsibility measures can have on the firm.

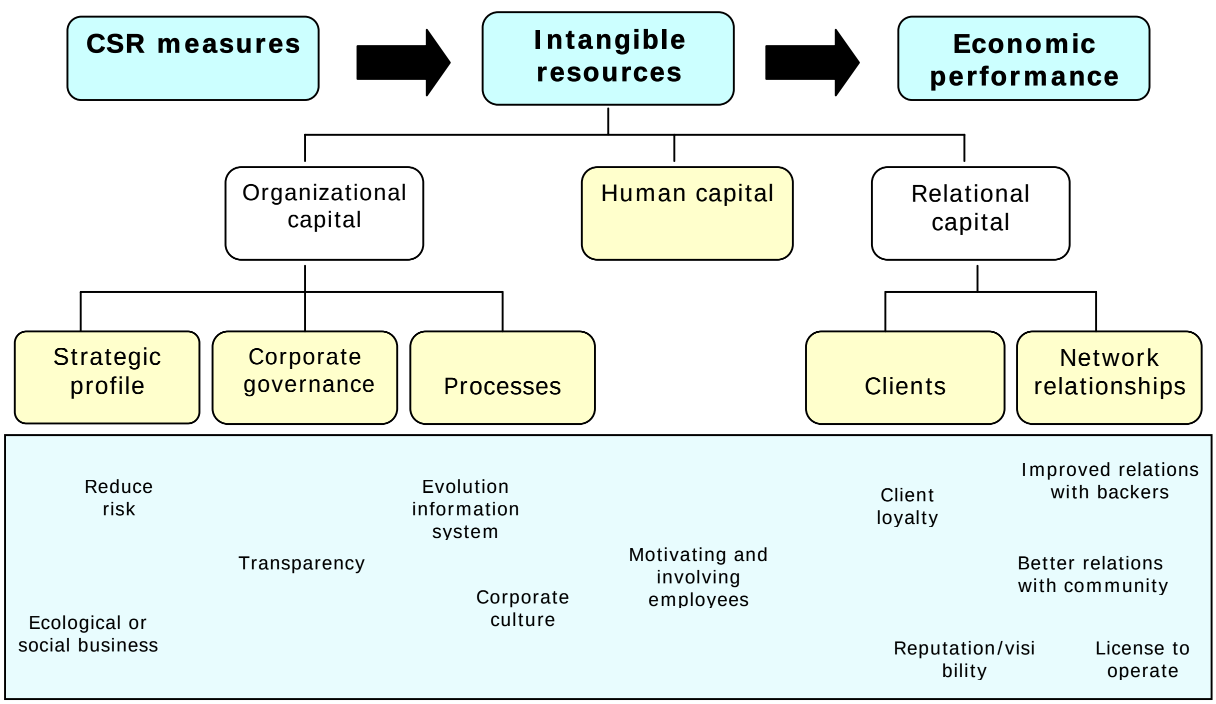
The model links CSR to the firm's economic performance through a causal network whose elements are for the most part *intangible resources* (Molteni, 2004a) capable of providing a fundamental contribution to the economic performance over time and that, according to time-tested views, can be divided into three classes (Edvinsson 2002), as shown in Fig. 2.

A) *Organizational-structural capital*, given by the structures, processes and technologies used by the firm; this also includes the organizational culture: that is, the set of values that characterize, unite and guide the organization;

B) *human capital*, which involves the knowledge competences and skills of those working in the organization;

relational capital; that is, the quality and quantity of relations that the business transformation has with the firm's stakeholders; good relations with suppliers, clients, institutions, and all the other stakeholders represent in general an intangible asset that can turn out to be of great value (Frey, 2003).

Fig. 2 – The relation: CSR – intangibles - performance[6]
(source: Molteni 2004a)



The model assumes that the investments in CSR (indicated as cause) result in four types of benefits for the firm (specified in more detail in Table 1), which are indicated as the initial effects (left-hand side of model);

1) increase in visibility, fame and reputation;
2) development of the capacity to anticipate trends ;
3) increase in motivation and involvement of personnel;
4) increase in the level of safety, and thus in the ability to prevent crises.

[6] The model has been created by the ICS and has been appropriately adapted (Molteni, 2004).

The benefits in terms of *visibility and reputation* (Fombrum & Van Riel, 2003) lead to an advantage with regard to differentiation, which impacts in particular the number and loyalty of clients, with positive effects on sales.

Table 1 – Benefits of CSR
(source: Molteni 2004b)

		Connected to process	**Connected to diffusion**
External	**clients**	- client involvement	- Client loyalty - Growth in reputation
	Network relations	- Involvement of agents, distributors, etc.	- Improved relations with financial analysts, investors, public authorities, local community, etc. - Growth in reputation - Consensus for coporate policies
	Strategic profile	- Greater awareness at the top of what the firm is and wants to become - Rethinking of the mission - Evolution of decisiom-making criteria	- Communication of strategic plan - Checking whether it is being achieved
	Corporate governance	- Evaluating need for some governing bodies	- Transparency
	Internal processes	- Developing data collection methods - New social performance and environmental indicators - Towards the balanced scorecard	- Ways to listen to stakeholders
Internal	**Human capital**	- Involving advisors, top management, collaborators, worker representatives in process - Cultivating sense of belonging	- Awareness of contribution firm makes to society - Consolidation/spread of corporate culture - Cultivating sense of belonging

Secondly, investments in CSR have an *anticipatory value* (Russo & Fouts, 1997).

In a narrow sense CSR specifically concerns taking on behaviours for which there is no legal obligation but that correspond to the expectations of important or emerging social and economic groups.

Over time these expectations that are being expressed are often directly safeguarded through the introduction of new laws. In this case those firms already committed in those areas are able to adapt to the laws rapidly and with lower costs, gaining for a certain period of time a competitive advantage over their less farsighted competitors.

The impact on personnel is quite complex. The highest level of *motivation and involvement* can improve the internal processes, both directly as well as through a reduction in *turnover* (Soloman & Hansen, 1985).

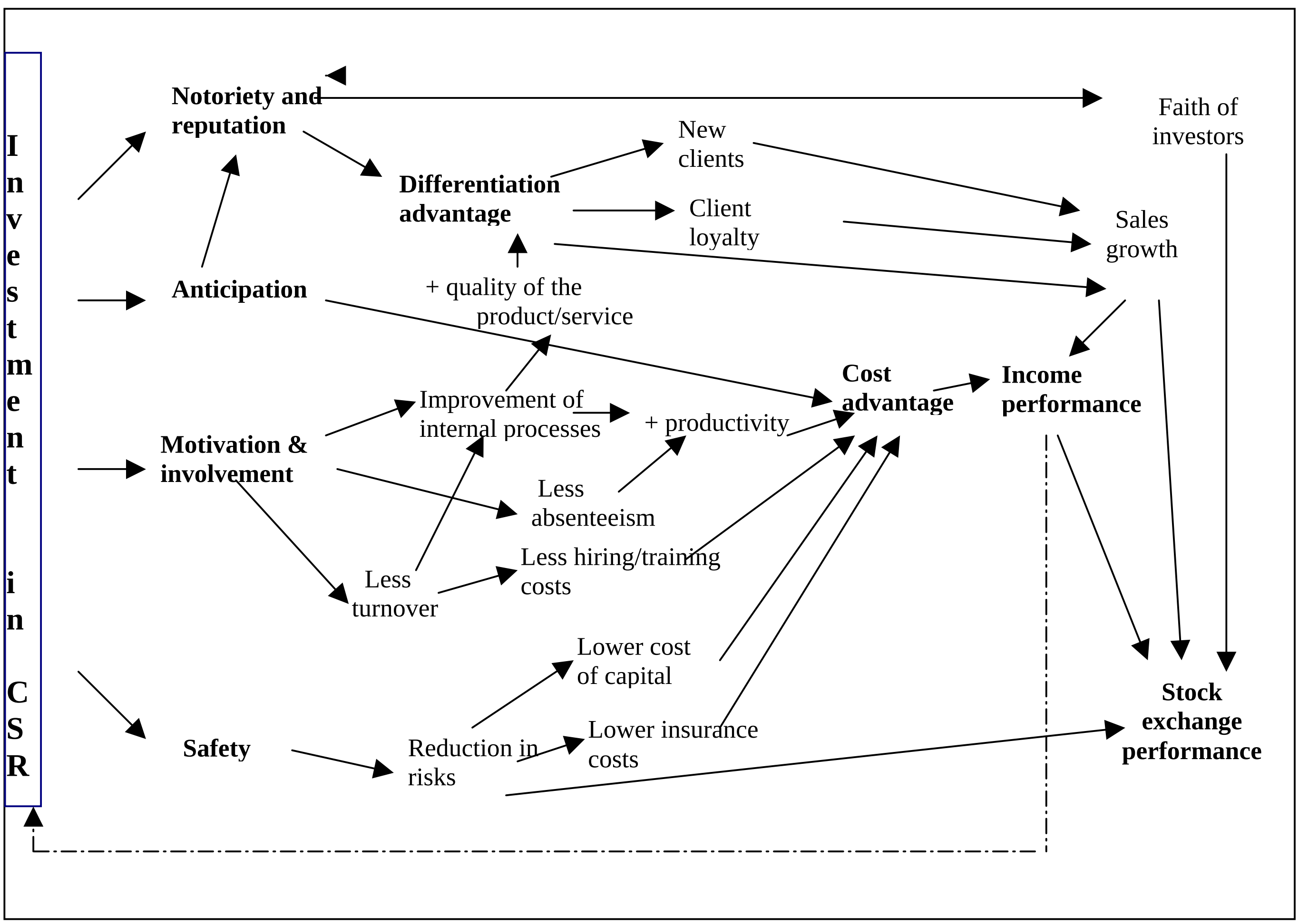
This improvement effects the quality of the product/service (and thus the differentiation advantage) and/or productivity (thus the cost advantage).

Moreover, the lower *turnover* reduces the need to sustain selection and training costs for the new personnel. A cost reduction is also obtained through lower absenteeism linked to greater job satisfaction.

Lastly, investment in CSR reduces the *risk level* of the firm.

Here we refer above all to the probability of catastrophic events such as: environmental disasters, which have an enormous economic impact on the firm and its image; social scandals, such as the use of child labor, often the cause behind consumer boycotts; corporate crises due to a lack of transparency and the failure of the system of controls.

Fig. 3 – The causal web between CSR and economic performance
(source: Molteni 2004a)



A second type of risk has a less pervasive impact, but one that is equally important: workplace injuries. Safety measures that go beyond the legal obligations produce satisfaction in the personnel and help sustain productivity in the company.

The reduction in the level of risk brings with it a cost benefit, since recognition by the financial operators of the effectiveness of the policies leads to a decrease in insurance premiums and passive interest rates, as well as a diminution in the average weighted cost of invested capital following the reduction in the cost of equity which, with conditions being equal, leads to an increase in the economic capital of the firm.

Let us now consider the chain of variables that link these initial effects – which are directly connected to the investment in CSR – to the firm's economic performance. The growth of sales and the reduction in costs leads to a more or less perceptible increase in income.

In the case of listed companies, profit and the growth in sales are two of the main measures that effect the performance of the stock, together with the faith of investors.

The increase in the firm's economic performance can have a positive feedback effect on investment in CSR.

The greater availability of financial resources allows the legitimate needs of the various interested parties to be more fully satisfied. In this sense a sort of positive feedback arises that leads to increasingly better economic, social and environmental results.

The model proposed in Fig. 3 is entirely consistent with that in Fig. 4; the latter, though beginning with the investments in quality and productivity, shows how such investments can be decisive for the basic variable of fame and reputation.

The investments in CSR depend on the environmental quality of the firm (Mella, 2004).

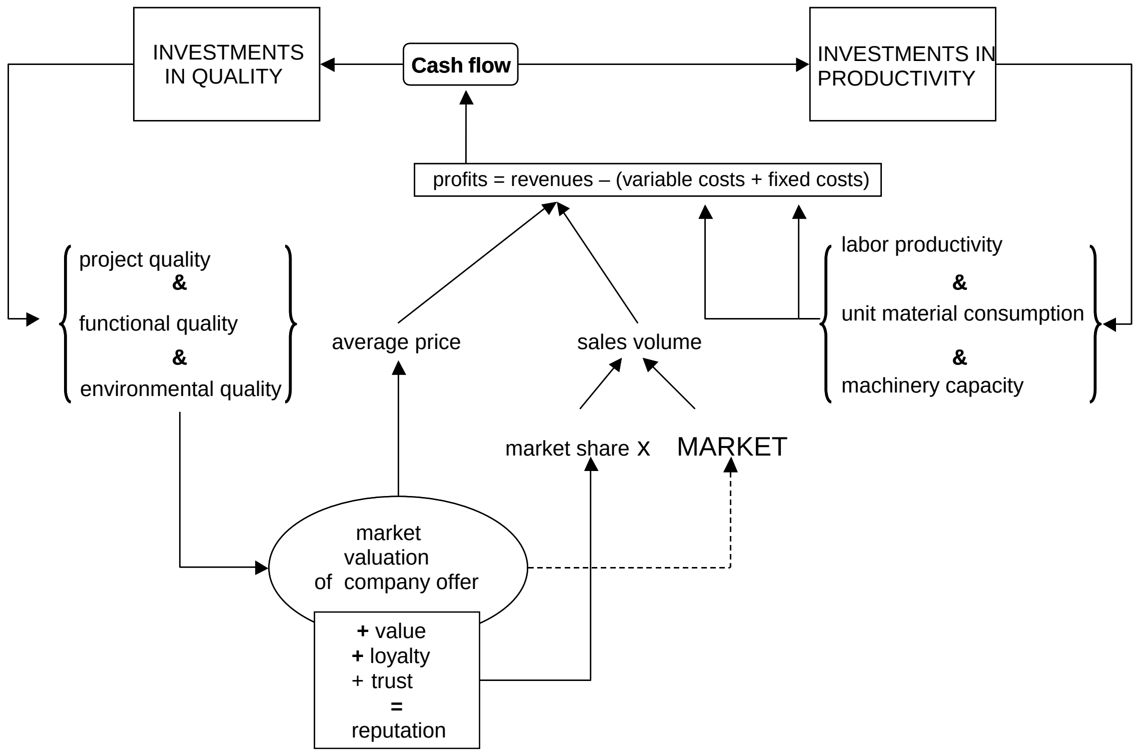
In fact, each investment in CSR is an investment that can maintain the value-loyalty-faith triad of the market; thus it is synonymous with reputation.

6 - Difficulty in measuring results

To each form of investment in CSR there corresponds specific expectations for the improvement in the corporate *performance*.

A *cause-related marketing strategy*, for example, will above all focus on a business objective; on the other hand, the offer of additional services for employees and their families (nursery school, transport, etc.) will tend, at least in principle, to strengthen ties between the firm and its personnel.

Fig. 4 – The relation between investment in economic efficiency and the variables fame and reputation (Source: Mella, 2004)



As we have pointed out in the previous model, if on the one hand the application of System Thinking makes it possible to identify reliably enough the variables that will be positively effected by the CSR measures, on the other it is difficult to measure the size of the benefits (Bruni, 2003) that will be generated for various reasons (Manfredi, 2000):

a. the results from CSR behaviour can be analyzed only in the medium and long term;

b. the impact involves intangible resources such as the firm's image and reputation, whose values are difficult to determine since it is difficult to determine the unit of measure of the state of the variable in question; moreover, if we consider that often the firms do not know the initial level of the variable, calculating its variation becomes even more complicated;

c. it is difficult to isolate the effects of the CSR measures from those linked to the other actions of the firm before, during and after the CSR measures, and from the effects linked to the impact of environmental factors on the quantities under examination;

d. the success of a CSR measure is linked to the degree of coherence with the other corporate policies; in particular, several loops appear in the model, some of which can strengthen the effects of certain variables while others can weaken them;

e. often the individual CSR measures imply the investment of limited financial resources, or give greater value to human resources, tangible and intangible, that are present in the firm, without additional costs. Thus the financial burden for measuring the impact of this measure on the firm's results would not be proportional to that incurred for the measure itself.

7 - The firm's performance indicators

Despite the difficulties in measuring the results – which could be done with the help of a multi-year simulation plan – the model shows that the production of social values is not only compatible with the production of corporate values, as shown in Fig. 4, but also that the two types of values can potentially strengthen each other. High profits free up resources for new investments in CSR, which allows new business opportunities to be identified, increases client satisfaction, and thus their loyalty, increases the motivation of employees, improves the relations with the local community and the public authorities, reduces costs, and improves the firm's reputation (European Commission, 2004).

We must remember that the firm's mission remains that of producing useful goods for man's way of life, by pursuing growing levels of quality and efficiency.

The other benefits to society are subordinate to this mission: the generation of work opportunities - directly or induced (components and services for the firm, services for workers and their families) - the development and spread of knowledge (scientific, technological, business, managerial, organizational, etc.), the contribution to balancing the national trade balance, generating tax revenue for the state and local authorities, and so on (Coda, 1998).

Thus the primary responsibility of the firm is to carry out its production mission, that is to create wealth. "The firm's willingness to take into account social and environmental concerns in its business operations and its relationships with the concerned parties", according to the definition of CSR in the European Commission's Green Book, published in July 2001 (European Commission, 2001), indicates the way to achieve these primary responsibilities.

In short, the truly responsible firm is the one that shows it is vital – where vitality is demonstrated above all by income *performance* and growth over a multi-year period – and at the same time socially-oriented, where social orientation is shown in particular by the attention directed at satisfying the legitimate expectations of all the stakeholders, starting with the employees and stockholders (Mella & Gazzola, 2004).

Measuring the improvement in the firm's performance through the application of CSR practices (Smhmid-Schoenbein & Braunschweig & Oetterli, 2001) can be achieved by dividing corporate objectives into:

- managerial (roi, roe), linked to the production of economic-financial values (Mella, 2002)

- instrumental and environmental, which view the firm as the instrument of human activity in the economic field linked to the production of social value.

To measure the improvement in performance (Clarkson, 1995) (Kaplan & Norton, 1992) we must construct a system of indicators (EEA, 2001) that consider the various transformations carried out by the firm and the typical problems related to the relations with the stakeholders (Larsimont, 1979). These indicators must permit us to measure the firm's capacity to create well-being for the collectivity and the possible positive trends (Atkinson & Bunker, Kaplan & Young, 1998) and to demonstrate the firm's social value by pointing out, both internally and externally, it's capacity to pursue economic, social and environmental objectives (Ranganathan, 1999).

The internal performance indicators should show the relation between the result obtained and the means used to achieve this result (Haywood & Pickworth, 1988), with the objective of highlighting the conditions of efficiency (Davis, 1991) in order to bring out the conditions of endogenous teleonomy, that is the ability of the firm to develop an autopoietic behaviour (Vicari, 1991; Luhmann, 1995) by continually self-producing the network of internal operational and cognitive processes that define it, for the purpose of achieving the managerial objectives (Horngren & Foster, 1987).

Only from the above relation can we understand the social role of the firm, as a *responsible citizen*, in utilizing its resources through appropriate behaviour to satisfy the "legitimate" expectations of the different stakeholders.

The external performance indicators are used to examine the conditions for the effectiveness of the firm's performance in order to show how internal economic efficiency is linked to an efficient relationship between the quality and price of the products sold or distributed; that is, to the production of value for the user and the client, as measured by appropriate outcome performance measures (Schalock, 1995; Drucker, 1995).

Only the joint production of internal economic value (revenues, costs, returns) and external economic value (quality, value, satisfaction) (Mella, 2004) allows the firm to create and maintain high conditions of exogenous teleonomy - the capacity to survive in the environment (Costanza R., 2000) it operates in - and to achieve its instrumental and environmental objectives.

Turning again to the general model of the firm in Fig. 1, it is immediately clear that the achievement of the *managerial objectives* should be measured in terms of efficiency and effectiveness, paying attention to:

a. *the management of human* resources, by analyzing the attention paid to personnel and the investments on their behalf. The measures refer to: continuous training and instruction, pay scales, work hours, equality and non-discrimination practices, prospects for a professional career;

b. *health and safety at work*, by considering the adoption of voluntary measures to supplement legislative ones, with the aim of developing on a larger scale a culture of prevention. Some of the indicators are: attention to the guarantees offered by the supply chain regarding health and safety at work, the selection of suppliers that take account of this, and the improvement in the level of product safety;

c. adapting to changes in *corporate restructuring* and thus a commitment by the firm to a responsible management of the corporate restructuring so as the ease the social impact. The indicators refer to: ensuring the participation and commitment of the interested parties, the adoption of policies for the reorganization of the professional framework, partnerships in favor of local employment and social activism;

d. management of the *natural resources* and of the *effects on the environment*; this concerns the use of the natural resources directly used in production, so as to reduce their environmental impact. For example: the reduction in the consumption of resources, of toxic emissions and of waste; concern over the impact of the product over its entire life-cycle; the adoption of systems of environmental management and auditing certified by accredited bodies; improvement in environmental performance along the entire production chain, even at the global level;

e. improvement in the *economic results*.

The achievement of the business and environmental objectives can be measured by considering several outcome indicators for each exogenous variable:

f. *local community:* by analyzing the firm's integration in the community it operates in; we can use the following measures: building up the reputation, attracting skilled human capital, paying taxes and duties, relations with the local authorities, the increase in consensus and legitimization to operate in its business area, heightening the sense of belonging and productively employing the personnel, raising stakeholder satisfaction; loyalty of the clientele, attracting new clients;

g. *business partnerships, suppliers;* considering the way suppliers and subcontractors operate; the indicators refer to the criteria for choosing the suppliers;

h. *rights of man;* the indicators analyze: the adoption of codes regarding working conditions, the rights of man and environmental protection that supplement the legislative provisions;

i. *global environmental concerns*, since the firm's responsibility is not limited to where it carries out its production activities; we can calculate the following data: the consumption of energy and materials, emissions, etc. [7].

8 - The case of Dr. Irena Eris (Poland)

Several firms have adopted a management style that seeks to increase the positive contribution the firm makes to society and at the same time to minimize the negative effects on people and the environment. From the collection of examples of good practices published by the European Commission in the book "Responsible entrepreneurship" (European Commission, 2004) there clearly stands out the case of "Dr. Irena Eris" (Poland).

The firm had adopted a socially responsible behaviour with regard to its internal operations, in particular its human capital.

In fact, it closely monitors the safety and health, and the training and development of its personnel.

The cosmetic laboratories of Dr. Irena Eris[8] produce over 300 different types of advanced skin-care products, which are sold in Poland and all over the world.

The firm also runs the Hotel SPA at Krynica Zdrój, a research and training center in Warsaw, and a network of ten cosmetic institutes in Poland and one in Moscow.

The firm's mission is based on respect for employees, clients, partners, and on working together with these groups.

The quality of the production process and of the products is kept at high levels, as shown by the ISO 9000 certification of the firm and the many patents and citations for product excellence.

The firm deals with health and beauty using a holistic approach, offering not only its products but also advice and services through its franchised cosmetic institutes and the Hotel SpA.

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[7] Per un set completo di indicatori cfr: "Il Progetto CSR-SC per la diffusione della responsabilità sociale delle imprese" Il Sole 24 ore, 10 dicembre 2004 che tiene conto del Social Statement del progetto CSR-SC del Ministero del Lavoro e delle Politiche Sociale presentato a Milano nel 13 dicembre 2002

This attention to health and well-being regards not only the clientele but also the work force, which is mainly composed of female workers at the main cosmetics production plant.

The firm has decided to undertake special assistance programs for these women and to provide full-time medical and nursing assistance.

All employees have access to various training programs run by the firm and have the right to the reimbursement of expenditures for study at university or at specialized institutes run by the firm; moreover, they can also take part in a special company loan program as well as social and other types of projects.

The advantages of this approach are:

- Personnel that is motivated and more loyal to the firm
- Lower turnover among the personnel
- Better working conditions for employees
- Better health assistance
- Closer collaboration with employees
- Greater productivity
- The advantages connected to diffusion are:
- Employees serve as ambassadors for the firm's image
- Employer is more appreciated and respected

The model in Fig. 3 shows how these variables are linked together and how investment in CSR, which has provided motivation and skills to the workers, is linked to the firm's economic performance.

9 - Conclusions. The conditions for the effectiveness of CSR measures

The assumption of social responsibility represents a structural aspect in the life of the firm which, in carrying out its typical production mission, inevitably has an impact on a variety of subjects, for whom it can create or destroy value.

The synergy between social actions and economic efficiency is never automatically achieved; it is instead the result of efforts where managerial professionalism and business creativity are

[8] The firm has been cited over 70 times for its business excellence and its products. For more information on the firm go to: http://www.eris.pl

linked for the purpose of contributing to a corporate growth that also takes into account the social groups.

There are five principal conditions for the effectiveness of CSR measures:

1) the involvement of top management

2) the presence of a variety of CSR instruments; it is important that the individual CSR measure be part of a system of socially-oriented initiatives and behaviour, which in turn is part of overall corporate strategy;

3) the economic compatibility of the social measures to be undertaken;

4) internal coherence and integration with corporate strategy;

5) placing the measure within the specific national, regional, or even local context, which takes account of aspects such as history, culture, the level of social-economic development, the role of the state, etc.; this can lead to differing judgements about the CSR measure.

The CSR orientation represents a way of being for the firm. The key actors take this approach believing that it expresses the culture of the firm.

However they often do not look at the appropriateness of the various actions but at the overall results for the firm[9], to which these and a variety of other actions contribute (Manfredi, 2000).

Future research must perfect the methodologies and measurement techniques for these results and incorporate them in some sort of corporate control panel so as to systemactically monitor several important indicators (including those regarding intangible resources) which are important for corporate strategy.

This will allow management to develop its business system while maintaining the conditions that are compatible with growth, thereby increasing the overall long-term fitness of the firm (Kaplan & Norton, 2001).

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[9] For the data from this research see Molteni, 2004.

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