

# International Comparisons of Corporate Social Responsibility

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## Abstract

Companies facing intense competition need to differentiate, which eventually demands a larger view of the business' role in society, going beyond mere economic and legal concerns and including social aspects. Consumers have started to value more the social and environmental performance of companies. Within this scope it becomes interesting to evaluate in which countries Corporate Social Responsibility (CSR) culture is more ingrained and consolidated among the companies. However, CSR practices are not receiving equal attention in all countries nor they are embodied in the same way. This work aims at bridging this gap by defining a CSR numerical value enabling to characterize CSR in different countries. The results showed that among the selected countries (USA, France, Norway and Italy) Norway has the highest CSR score and USA the worst one. Countries with the highest CSR values seems to present the least social inequalities. Overall the study is a step forward to the understanding of how CSR practices are being incorporated and developed in different countries, as they create value for both the companies and the societies.

**Keywords:** Corporate Social Responsibility; International Comparisons; CSR Dimensions; CSR Indexes

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## 1. Introduction

In recent years, particularly in the last decade, we have noticed a sharp increase in the study of Corporate Social Responsibility (CSR). In fact, nowadays, companies are increasingly encouraged to act in a socially responsible way. This behavior undergoes a greater coverage of the role of business in society, beyond profit maximization and wealth creation.

It is easy to understand the importance of CSR in the context of society and all stakeholders, such as the employees, the environment, the customers, the suppliers, and others. However, the relevance of this topic goes beyond the welfare of society, since it can also be seen as a differentiating factor. Consumers are looking for products and practices that provide the greatest benefit to the environment and to society in general, and preferring companies that act with social responsibility, which turns CSR into a competitive advantage. Due to the competition between companies and pressure of governments there has been an increasing attention to CSR as a way of trying to achieve that competitive advantage.

It is thus crucial to understand the concept of CSR and know how it should be applied in the most efficient way, since its good practice brings benefits to both society and businesses. A well-incorporated Social Responsibility culture in the company values gives a competitive advantage to the company and also provides greater welfare to the community as well as a possible reduction of the government expenditure.

However there is still no consensus, either at the academic level or at the corporate level, about how CSR should be defined. We will focus the most common definitions so that we can study the differences of CSR between the various countries. Given that the study of this subject have not got the same attention in all countries or at all times, the main goal is then to provide a sense of overview of the state of CSR in each of the countries studied. The selected countries were the USA, Norway, France and Italy, since they represent different cultures: North America, Nordic countries, Central Europe and Mediterranean countries.

To this end, we intend to find a value that represents the social responsibility of companies in each of the four countries studied. We will use a measure of standardization such as the Gross Domestic Product (GDP) as a way to achieve comparable results. In short, this paper aims to characterize the social realities and concerns of companies in countries representing different social realities and also to understand how far CSR relates to the macroeconomic indicators of each country.

The paper is structured as follows. Next chapter it will be presented a small literature review to define what is CSR, then it will be shown the methodology of the paper. After that It will be explored the results analysis and it will be presented the conclusion in the final chapter.

## 2. What is CSR?

To better understand the concept of CSR it is important to understand all its dimensions. Carroll, according to Dahlsrud (2008), is the author to refer to, on this topic, as the one whose theory is widely accepted.

Carroll (1979) considered that a definition of social responsibility covering all the obligations a company owes to society should incorporate economic, legal, ethical and philanthropic factors of corporate performance. In 1991, Carroll joined this his theory into four types, defining the pyramid of corporate social responsibility, which is shown in Figure 1 (Carroll, 1991).

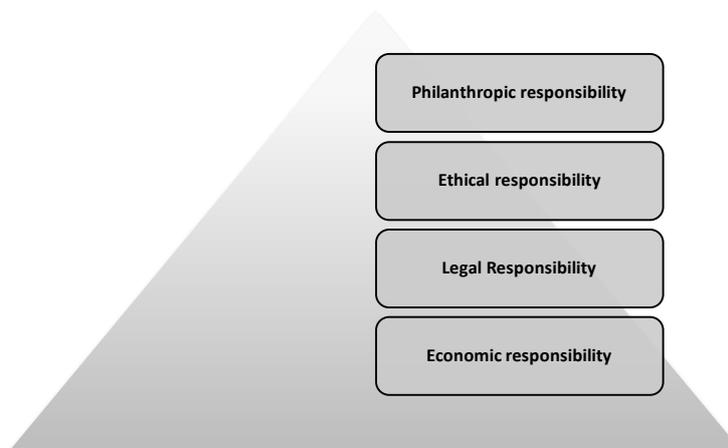


Figure 1 - Pyramid of CSR (Carroll, 1991)

First, the economic responsibility is the base of the pyramid, meaning that profitability is the prerequisite condition underpinning the development of the remaining ones. The second level of the pyramid is the

legal responsibility, since companies must pursue profits always within the Law. Legal responsibility requires companies to comply with the Law and act according to the rules. The next level is the ethical responsibility that encompasses all activities or practices that reflect what is just and fair, even when the companies are not required to perform these activities in the legal framework. Finally, at the top of the pyramid we find the philanthropic responsibility. The philanthropic responsibility of business encompasses all business matters taken in order to improve the quality of life of the employees, the local communities and the society in general. This last level of the Carroll's pyramid addresses a wide range of CSR issues, such as charitable donations, support to local schools, or sponsoring art and sporting events, among others (Carroll, 1991; Filizöz & Fişne, 2011)

### 3. Methodology

As seen in the introduction, we chose to compare the CSR in four countries: the U.S., France, Norway and Italy. We chose these countries because, in addition to being able to access documents and related literature, they represent North America, Central Europe, the Nordic countries and the Mediterranean countries. Thus, Portugal has not been selected for the study since its presence in international indexes, as well as the presence of Portuguese companies in these indexes, has very small relevance. Furthermore, the normalizing measure chosen to compare the sampled countries which was the GDP is considerably lower for Portugal (around 212 billion EUR in 2012) than the other countries in the study ("WorldBank", 2014). Italy was chosen as representative of the countries of Southern Europe, since its GDP is about ten times higher than the Portuguese. It is therefore a considerably larger economy, with larger companies and hence more firms listed in each of the indexes.

Since the aim of this paper is the comparison of CSR between the four countries, we start by finding a score to measure CSR. To this end, we will use the indexes that according to Gjølberg (2009) are the most relevant to assess the social responsibility of a country's companies. All indexes that report some aspect of CSR and composed of at least 100 companies were considered. In particular, preference was given to those indexes who assume a triple bottom line approach.

The indexes that meet the above criteria are the following seven, which are divided into the following areas:

- Socially responsible investing:
  - Dow Jones Sustainability Index;
  - Global 100.
- Adherence to communities and initiatives that promote CSR:
  - UN Global Compact;
  - World Business Council for Sustainable Development (WBCSD).
- Reporting of sustainability practices:
  - Global Reporting Initiative (GRI);
  - SustainAbility's list of the 100 best sustainability reports.
- Process of accreditation
  - ISO 14001.

Once the collection of all the data relating to previous indexes is gathered, we calculate the value of CSR in each country  $j$  using Formula 1:

$$Value\ of\ CSR_j = \sum_{i=1}^7 \frac{\left( \frac{Total\ number\ of\ companies\ in\ the\ Index\ X_i\ from\ country\ j}{Total\ number\ of\ companies\ in\ the\ Index\ X_i\ from\ all\ countries} \right)}{\left( \frac{Country\ j\ GDP}{SUM\ of\ the\ GDP\ from\ all\ countries} \right)}$$

Formula 1 - Value of CSR in the country j

Additionally, we will consider some variations to formula 1, which is justified by the different entry requirements the indexes possess. We will calculate the value of CSR using not only the complete set of all seven indexes, as well as indexes only in the following groups: 1) result-oriented indexes with hard requirements; 2) result-oriented indexes with soft requirements; 3) processes-oriented indexes with hard requirements; 4) processes-oriented indexes with soft requirements. We will also use in the denominator not only GDP, but population as well. Thus we intend to verify whether the values of CSR suffer any significant variations with these changes, so we can verify the robustness of the index.

#### 4. Results Analysis

Once the information about the indexes is gathered and applied the formula 1, the following results are obtained (Table 1):

Table 1 - Values of CSR (Formula 1)

	USA	France	Norway	Italy
2007	4,96	12,68	24,94	10,15
2013	5,25	13,88	16,19	9,46

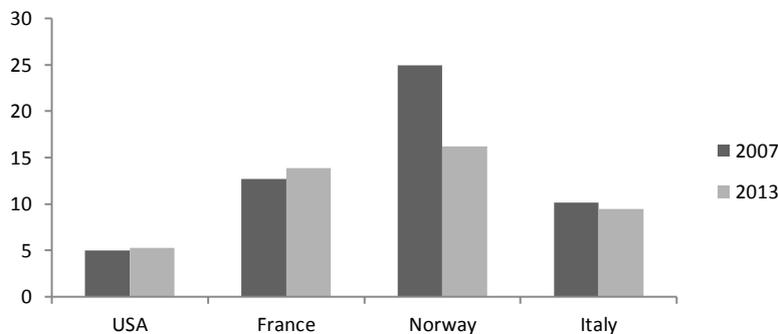


Figure 1 - CSR in the 4 countries in study in 2007 and 2013 (Calculations according to formula 1)

As it can be seen in graph 1, Norway is clearly the country that excels in terms of CSR. However, it is worth noting the decrease of 35% suffered from 2007 to the present day. The remaining countries denoted similar CSR values in the two years in studies, with France and the U.S. having an increase of 9% and 6% respectively and Italy a decline of 7%. Overall Norway stands out from other countries, having almost doubled the score of the second-placed France and almost five times more than the U.S., which occupy the last position. When comparing the values of 2013, the countries maintain their ranking, with Norway in the lead, followed by France, Italy and the USA in the last position of the four. However, the growth of almost 10% from France and 35% decrease from Norway makes the current values of CSR closer than those calculated for 2007.

#### 4.1 Variations to the denominator

To test the robustness of the Gjørberg's formula and to understand whether the same results in terms of rankings are maintained when one of its attributes is changed, it was decided to test variations of the formula using the denominator based in the population instead of the GDP.

$$Value\ of\ CSR_j = \sum_{i=1}^7 \frac{\left( \frac{Total\ number\ of\ companies\ in\ the\ Index\ X_i\ from\ country\ j}{Total\ number\ of\ companies\ in\ the\ Index\ X_i\ from\ all\ countries} \right)}{\left( \frac{Country\ j\ population}{SUM\ of\ the\ populations\ from\ all\ countries} \right)}$$

Formula 2 - Value of CSR in the country j

The results with the population as denominator are illustrated in Figure 2:

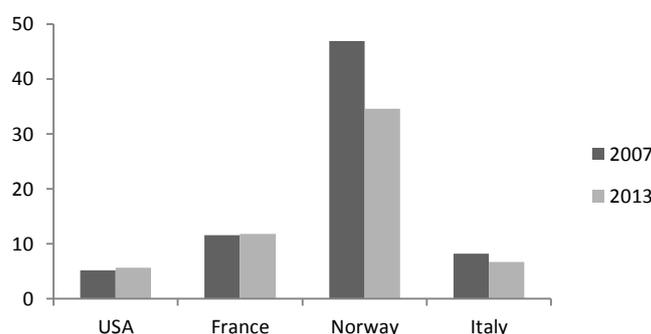


Figure 2 - CSR in the 4 countries in study, 2007 and 2013 (Calculations according to formula 2)

As it can be seen in the graph 2, the conclusions remain precisely the same when it is used as denominator the population of the country, varying only in the qualitative values, with Norway decreasing 26%, Italy 18% and France and the U.S. rise respectively to 3% and 8%. The Pearson correlation coefficient computed between the scores with the two denominators returned 0.966 for 2007 and 0.810 for 2013, thus validating the robustness of the formula.

#### 4.2 Variations to the numerator

In a further exercise test to the robustness of the results, we tested the change of numerator. Thus, the number of companies to consider in the numerator is now limited, taking into account the type of requirements for their inclusion in the indexes. Predictably, these changes in the numerator caused some modifications in the overall index. The smaller these changes are (according to the previous results), the more robust the final index should be. In the following tables the Pearson correlation coefficients obtained from the global index and the calculated index with the numerator changes are shown for the cases in which the denominator is the population and GDP, respectively.

Table 2 - Correlation between the overall index with the indexes using the numerator changes for the cases in which the denominator is the GDP

	2007	2013
Hard requirements focused on results	0,936	0,79
Hard requirements focused on processes	0,833	0,473
Soft requirements focused on results	0,976	0,968
Soft requirements focused on processes	0,485	0,801

Table 3 - Correlation between the overall index with the indexes using the numerator changes for the cases in which the denominator is the population

	2007	2013
Hard requirements focused on results	0,992	0,984
Hard requirements focused on processes	0,973	0,929
Soft requirements focused on results	0,996	0,997
Soft requirements focused on processes	0,858	0,958

As seen in the tables above, both denominators show high rates of correlation with the indexes that have limited numerators. Yet it should be noted that the case in which the denominator is the "population" have much higher values, with an average correlation of 0.96 against an average correlation of 0.78 of the denominator "GDP". On the one hand, this might indicate that the "population" is a more stable denominator. On the other hand a more rigorous evaluation might be achieved using it as the denominator of a global formula that compares the CSR from different countries.

However this analysis is also important to evaluate the individual state of CSR in each country, and the variation of the results turns out to be normal. It is when we consider the numerator with the most demanding requirements, especially those that are "result-oriented", that we are closer to evaluate the true performance of the CSR of a country, since in other cases we mix this real performance with participation and effort. In these situations, as we have seen, Norway stands out from other countries, with France increasingly closer. Next follows Italy and USA, respectively. However, to measure CSR fairly, it should be considered not only the performance on CSR but also the participation of companies and their intent. When we use in the numerator indexes focused in processes, Italy CSR score is much higher, becoming, in some cases, the first place among the four countries studied. This is due to the fact that countries such as Italy are increasingly trying to distinguish themselves in terms of CSR but they are still not getting the desired results.

Nevertheless, a cluster analysis allows us to conclude that Norway continues to represent the state of the art regarding to CSR performance, forming one cluster alone. This means that this country is still well above the others in this matter and that Norwegian companies represent a CSR model that should be followed by other countries.

### **4.3 Comparison between RCI 2007 and the index obtained**

The Responsible Competitiveness Index (RCI) is an index produced by AccountAbility, aiming at producing a global ranking on CSR. Since this is the most relevant rank of this kind which strives to achieve the same kind of results that we suggest in this paper, we decided to compare our results with the latest available figures from the RCI index. In Responsible Competitiveness Index 2007 (the latest), Norway occupies the 6th place followed by France in 17th place and by U.S.A. and Italy in the 18th and 32nd, respectively. Thus, within the set of countries studied, Norway is ranked first followed by France like, replicating our results. However, in 3rd place of the countries studied, there is the U.S.A. and then Italy, contrary to what we obtained in the index calculated in this paper. To understand exactly how the RCI is correlated with the index, we calculated the Spearman correlation coefficient obtaining  $\rho = 0.8$ , for both denominator (GDP and population) in 2007, indicating a strong positive correlation.

### **4.4 Correlations of the index with macroeconomic variables**

It is important to understand which countries excel in CSR, but it is also important to realize which are the macroeconomic factors that are related to the evolution of the index and thus may have more or less influence on the social responsibility of the companies of each country.

#### **4.4.1 Gini Inequality**

To analyze how social inequalities affect the CSR from a country we resorted to the Gini coefficient. The Gini coefficient is a measure of inequality that ranges between 0 and 1, where 0 corresponds to perfect equality in income among the population and 1 is maximum inequality.

**Table 4 - Gini coefficient for the 4 countries in study (Source: World Bank)**

	2013
USA	0,38
France	0,29
Norway	0,25
Italy	0,34

Looking at the data in the table above we observe that Norway is the country which has the lower Gini coefficient and so the country with less social inequality. After Norway, it follows France, Italy and USA respectively, precisely the same order of CSR index that we calculated for 2007 and 2013.

Calculating the correlations of inequality between the Gini coefficient and the CSR index with GDP denominator and the population denominator, we conclude that in both cases there is a strong negative correlation (-0,994 for GDP and -0.871 for population), being almost maximal in the case when the denominator is GDP. Therefore it is concluded that, within our sample, social inequalities are quite correlated inversely with CSR, *i.e.*, the higher the Gini coefficient, the greater the social inequality in a country, the lower the corporate social responsibility of the companies in that country and vice versa. However, the fact that these two variables are mathematically correlated does not imply a cause-effect relationship between them, as this can be influenced by a third factor.

#### **4.4.2 Unemployment rate**

The unemployment rate, *i.e.*, the proportion of people able to exercise a profession and seeking unsuccessfully to enter the job market, is another macroeconomic variable that was compared to CSR. The values of the unemployment rate by country are shown in table 5.

**Table 5 - Unemployment rate (%) in 4 countries (Source: Eurostat)**

	2013
USA	6,7
France	10,4
Norway	3,5
Italy	13,0

Observing the data presented in the table above it is concluded that Norway, the country's most highly-rated in terms of CSR, is also the one with the lowest unemployment rate. However this country is followed by the U.S. which is the country among the 4 countries analyzed, that shows the lowest CSR value.

Calculating the correlation between CSR and the unemployment rate we obtain -0.33 with the denominator GDP and -0.80 with the denominator population. There seems to be a moderate negative correlation between this indicator and the CSR of a country. Thus it is concluded that a country with a smaller rate of unemployment tends to be composed by firms with greater social responsibility and vice-versa.

#### **4.4.3 Weight of the Government in the economy**

It was also studied the relation between the weight of government expenditure and the social responsibility of a country's companies. This weight was measured as the proportion of Government Expenditures in the GDP of each country, and is 25% in France, 21% in Norway, 20% in Italy and 16% in USA in 2013 ("WorldBank", 2014). These values correspond to a correlation of 0.78 and 0.28 with the denominator GDP and population respectively. This way, a country whose state is more spendthrift is more likely to have firms that have a greater concern with their social responsibilities. However, this correlation is not conclusive since the correlation values, while always positive, are considerably different between indexes

whose denominator is GDP and population. This may be due to the fact that the weight of the state in the economy is measured based on GDP, so naturally this indicator is more correlated with the GDP denominator than with the population.

#### 4.4.4 Degree of openness of the country

It was also considered important to understand how the weight of a country's commercial trade relations with other countries relates to its corporate social responsibility. Thus we calculated the degree of foreign trade, as the total of imports and exports divided by the country's GDP.

**Table 6 - Imports, Exports and Economy Openness for each of the countries studied (Source: World Bank)**

	Imports B\$	Exports B\$	EO %
USA	2300	1560	0,25
France	659	568	0,47
Norway	84.8	163	0,50
Italy	470	483	0,47

**Table 7 - Values of the correlations between CSR and the weight of the state in the economy for cases in which the denominator of the formula CSR is GDP and population**

	2013
PIB	0,850707
População	0,526969

By observing the data in table 6 and 7 it is concluded that the three European countries in question have very similar degrees of openness, around 0,48. As for the U.S. these have a considerably smaller degree of opening, about 0,25.

The correlation between this indicator and CSR seems to present a considerable result. This may lead to believe that the more open is the economy of a country, the greater is the tendency of companies from that country to be more socially responsible. However, once again, to measure the degree of openness to the GDP, this measure tends to be more correlated with an index also calculated on the basis of this indicator. Thus the correlation coefficient with GDP denominator is higher than with the population in the denominator.

## 5. Conclusions

This study compared CSR in four countries representing different social realities. Firstly, we looked for the best way to reach an analytical value for CSR in a country. It was concluded that the best way would be choosing international renowned rankings already presented in the literature as a key to distinguish the best CSR practices, together with major international CSR initiatives whose companies adhere when interested in the topic. Thus, the ratio of the number of firms in each country belonging to this set of rankings and initiatives form a numerator for a comprehensive formula that calculates CSR.

As for the denominator, it is concluded that the most robust formula to calculate the aggregate CSR was using the population as normalization factor. Thus, the denominator should be the proportion of population in the country in analysis. Another hypothesis which is also quite reliable is the use of GDP. The results obtained with the calculated index were compared with the RCI 2007, achieving a strong correlation between them.

Turning to the analysis of the data, the first conclusion that we reached was that, overall, the crisis affected CSR, since it suffered 18.4% down on the average of the four countries studied. This may indicate that the subprime crisis and the sovereign debt had some negative influence on the relationship of business with society, causing, in a situation of difficulties, the fall back on the philanthropic and ethic responsibilities in order to try to focus in meet its economic and legal responsibilities. However, studying each country in

particular one concludes that the levels of CSR are stable in France, Italy and the USA, between 2007 and 2013, with a slight increase in France and the U.S. and a slight decrease in Italy. Unlike these countries, Norway presents a sharp drop in the values of the CSR Index from 2007 to 2013. In terms of ranking there are no variations between 2007 and 2013: Norway is ranked first, followed by France. Italy and the U.S. are in 3rd and 4th place respectively. These facts lead us to believe that the political incentives for CSR may not have been successfully in Norway. At the same time, in Italy there is a sharp increase in the social concern of companies, which has led to increased attention to the subject, however it has not yet managed to achieve the best results. This phenomenon becomes noticeable thanks to the strong Italian presence in indexes and CSR initiatives focusing on processes and at the same time its absence from indexes focusing on results. On the other hand, in France the success that CSR policies have achieved is highlighted.

Subsequently, a correlation analysis was taken to assess how some macroeconomic variables are related to the concept of CSR. We came to the conclusion that the Gini coefficient, an index of social inequalities in a country, is strongly inversely correlated with CSR. Thus, the lower the inequalities presented in the population of a country the best the CSR of that country should be. It was also found that both the weight of the State and the degree of openness of the economy are factors that can somehow be directly related to CSR: the higher they are, the greater the CSR performance of these countries should be. Moreover it was found that the unemployment rate is inversely correlated with CSR.

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## Annexes

Annex 1 - Macroeconomic data from 4 countries (source: World Bank and OECD)

	USA		France		Norway		Italy	
	2007	2013	2007	2013	2007	2013	2007	2013
GDP (Billions USD)	13.961,8	15.684,8	2.582,39	2.612,88	393,479	499,667	2.127,18	2.013,26
GDP per capita (Billions USD)	46800	50610	33580	36720	55630	66960	32020	32870
Population (Millions)	301,2	313,9	64,0	65,7	4,7	5,0	59,4	60,9
Life expectancy (years)	77	78	80	81	80	81	81	82
Unemployment (%)		8,1		9,8		3,2		10,7

Annex 2 - Number of firms in each country indexes

	USA		France		Norway		Italy	
	2007	2013	2007	2013	2007	2013	2007	2013
DJSI World Index	58	75	19	19	5	2	6	6
Global 100	17	10	2	9	2	4	0,1	0
UN Global Compact	128	521	260	972	18	89	87	206
WBCSD	38	35	9	11	8	5	4	3
GRI	201	621	93	71	16	26	67	90
SustainAbility	12	49	8	5	3	0	2	0
ISO 14001	5462	5699	3476	7975	618	824	12057	19705

Annex 3 - Mother illustrative vision of each index analyzed

	Most demanding requirements	Requirements more accessible
<b>Results-Oriented</b>	DJSI Global 100 SustainAbility	
<b>Oriented Processes</b>	WBCSD ISO 14000	UN Global Compact GRI