

CORPORATE RESPONSIBILITY IN SMALL STATES LIKE MALTA: A LUXURY COMPANIES CAN ILL AFFORD?

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Corporate Social Responsibility (CSR), or simply Corporate Responsibility for those who favour an even broader approach, has become yet another buzzword in an age of sound bites where ideas fall into and out of fashion rapidly. For those who view big business as a continued source of inequality and destruction in the global village, the possibility that CSR may be a temporary trend is far from welcoming. As a process which appears to be driven primarily by the direct, and less direct, profit-making potential of catering to more socially and environmentally aware customer markets, there is every possibility that CSR may be discarded in the future as more lucrative opportunities open up to those seeking profits. Viewing CSR as a permanent development in business culture may be to expect too much of corporations which, as Friedman argued, remain social constructs which do not exist without the legal and social devices of the community within which they were created or operate. Therefore, the corporation is nothing without the individuals that make up that society and it is those individuals that have responsibilities, not the corporations.¹

While polemics remain as to whether CSR should be a priority for big business or not, it can be observed that the gap between the rhetoric and practice of CSR can appear wide, often unbridgeable. Whether at the corporate level, with scandals, environmental disasters and continued economic exploitation of employees by corporations which have tried to brand themselves as CSR advocates, or at the regional and national authorities' level, where many initiatives remain diluted and non-binding, the gap between commitments and practice remains vast. The latter can be seen in terms of the EU, where Union initiatives on CSR remain the principal example of leadership from outside the business community but where that leadership can be considered to have limited impact, especially for new and small members like Malta, which has to be highly selective in allocating its limited resource to EU-level cooperative initiatives. Over five years have passed since the Lisbon European Council of 2000 made a special appeal 'to companies' corporate sense of social responsibility regarding best practices on lifelong learning, work organisation, equal

¹ Fisher and Lovell (2006): pg 312.

opportunities, social inclusion and sustainable development'². The interim has seen much activity and the launching of a regional CSR initiative, The European Alliance on CSR, but the initiative remains non-binding and participation from smaller EU members remains negligible.

This article aims to analyse some of the most salient features of CSR and the factors which can act as obstacles in its adoption, both as a business initiative as well as a national public policy priority. Of particular interest to a new member state like Malta, we will also look at the initiatives undertaken at the European level, both in terms of the EU itself as well as business-centred initiatives in regional fora such as the European Multi-Stakeholder Forum on CSR. The ultimate aim of this article is to see whether CSR poses specific or unique challenges for small states like Malta which may help to explain the limited focus given to CSR in Maltese business and Government circles and which may preclude, without adequate EU leadership, the development of wide spread CSR practices in Malta in the near future. Is Corporate Social Responsibility a luxury a small state can ill afford?

Corporate Social Responsibility: Opportunities and Obstacles

No single, widely accepted definition of CSR exists though the various permeations of what it covers appear to indicate common threads amongst the various approaches. Some of the most persistent elements, which continually recur in definitions, see CSR as indicating a responsibility on the side of corporations to take care of their stakeholders (invariably defined as all those who are influenced by, or can influence, the decisions and actions taken by a corporation) and that decisions should be influenced by the potential and actual economic, social and environmental impact of those decisions. Most definitions agree that CSR implies initiatives that exceed the established legal and contractual obligations a corporation has to comply with in a given society. In adopting this approach, the business community contributes towards the sustainable development of the community in which it operates. Many of these elements are to be found in the European Commission's definition of CSR where CSR is taken to be: 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. It is about enterprises deciding to go beyond minimum legal requirements and obligations stemming from collective agreements in order to address societal needs. Through CSR, enterprises of all sizes, in cooperation with their stakeholders, can help to reconcile economic, social and environmental ambitions.'³

While several constants can be found in various definitions, approaches to CSR can vary greatly. Amongst business communities, there is an over-whelming tendency to emphasise that CSR is a voluntary exercise, freeing corporations from any obligation while also attaching greater kudos to adopting CSR due to its voluntary nature. There is also a propensity to try and distance CSR from expectations that it can effect massive changes, from seeing it as a one-stop solution to all social and environmental problems; 'CSR is complementary to other approaches of ensuring high environmental and social performance: there are limits to CSR, and it alone cannot be expected to ensure environmental and social

² Lisbon European Council, March 2000, Presidency Conclusions, No. 39.

³ COM(2001) 366.

improvement and it should not be used to shift public responsibilities to companies'⁴. On the other side of the debate, many social and environmental groups see CSR as involving greater obligations, with action of a more binding nature, in particular through continued commitment for big business to collect information on the social and environmental impact of their practices, as well their efforts to implement CSR principles, and to make these available to third parties.⁵ Without a single encompassing definition, the gap between expectations and results is often partly explained by significant differences in what business and stakeholders understand as CSR.

One important aspect of what constitutes CSR, which does deserve particular mention, is the relationship between CSR and conventional, philanthropic work by corporations. It has long been traditional for business to engage in contributing a portion of their annual profits to charitable enterprises, whether through the endowment of scholarships, financial assistance for community projects or encouraging their employees to undertake voluntary work. The conventional wisdom was that this assistance was free of obligation and that the corporations concerned should gain no financial benefit from the association. Corporate Social Responsibility in America has tended to follow this philanthropic model of CSR with greater emphasis on corporations continuing their profit-maximising objectives throughout the year and undertaking corporate social responsibility initiatives through charitable work at defined periods of the business cycle, normally when profits are calculated and shareholders convened for annual general meetings.

This model is only partially followed in Europe. In many European countries, CSR includes components of charitable work and philanthropic initiative and these are considered as a way to consolidate investment in communities, even with an eye to reinforcing core business priorities, such as facilitating education with the potential for creating a better qualified future employee-pool. However, there is a greater tendency within Europe to view CSR as incorporating social and environmental awareness in the running of core business processes. In this situation, CSR is less about annual charity and more about reforming processes which can have negative social or environmental consequences, creating a culture of awareness which can bring about more long-term and sustainable changes in the way business may be run. The importance of this distinction rests upon the fact that, while CSR is much more 'doable' as a charity exercise, especially in small companies that may lack the resources to develop a more comprehensive programme (and it would be this form of CSR which we would expect to see in small countries where the majority of companies are of an equally small size) it would not really constitute the type of CSR which the EU is trying to encourage. While we will not preclude this idea of CSR, for the purposes of this article CSR is taken to involve a more holistic approach, an exercise which calculates the potential negative impact of business choices on social and environmental factors and which tries to incorporate solutions to those problems.

The flexibility involved in understanding CSR has important consequences for our approach to CSR in small states. First and foremost, is the simple fact that the lack of a single understanding of CSR can lead to confusion in its application. The choice by business to adopt CSR practises involves the establishment of some type of strategy based on an initial

⁴ The European Multi-Stakeholder Forum on CSR, Final Report, (2004): pg 4.

⁵ In particular, the Corporate Responsibility Coalition. <http://www.corporate-responsibility.org/>

concept of what is being pursued. The importance of the Commission's declaration on CSR stems from its ability to provide focus in an area not fully understood. For many business communities, the provision of charitable works was considered enough. Our evolving definitions of CSR allow business leaders to understand the true potential scope of CSR and not to fall into complacency by basing CSR on charity. But it can also confuse companies, especially small companies with limited human resources, into failing to see the wood for the trees and thus causing them to be overwhelmed by CSR before even starting.

The second factor relates to the fact that no single CSR approach fits all. Just as charitable work can appear more attractive to small companies with limited resources to invest in developing a CSR strategy, size has an impact on the nature and extent to which companies adopt CSR practices. In this way, the flexibility surrounding CSR definitions adds to the fact that there is no single approach and that we can expect different forms of CSR to operate in different circumstances, no less that of small states with small businesses.

Turning to the arguments put forward for CSR, there are many factors which can account for the promotion of greater social and environmental responsibility for businesses, some of which can be considered internal drivers (and which are more readily associated with the business/profit arguments behind CSR adoption) while others operate as external drivers such as investors, consumers, public authorities, NGOs, trade unions and other companies.⁶ These drivers can stimulate various initiatives such as the sudden manifestation of awareness by businesses (an attractive prospect but one increasingly less likely in a world constantly developing under the banner of globalisation, where governments and businesses use the threat of diminishing profits to extract even greater sacrifices from their citizens/workers) as well as greater political encouragement for CSR (though, as we will see, this is still limited and therefore constitutes a 'limited' factor, other than as a potential future development which propels business to get in early and develop socially and environmentally aware practices so as to pre-empt future regulations). However, the growth in CSR practices appears to be more logically explained by internal drivers, in particular greater business-related arguments in favour of CSR and where some 'reward' of sort accrues from its adoption. In this way, if CSR is often an initiative that is underpinned by a cost-benefit exercise, it is also logical to assume that the size of a business or corporation is an important factor in CSR adoption because this will affect the cost-benefit exercise and indicate the degree to which CSR is likely to be adopted and implemented.

Several of the most salient business-related arguments that feature in CSR literature and which have a direct link to the size of companies include;

Arguments Centred on Human Resources

At a time when competition for new recruits from amongst graduates (as well as with open poaching of the best-performing employees) is acute, a CSR approach is seen as an important aid to recruitment exercises and the retention rate of employees. Companies with a well developed CSR policy can appear as more attractive to more socially and environmentally aware graduates while employees often feel a greater identification and loyalty to a company with active CSR policies. Therefore, adopting

⁶ The European Multi-Stakeholder Forum on CSR, Final Report, (2004): pg 9.

a CSR approach may have important consequences for a business' human resource element, though this will depend directly on the human resource market in the country where the company is based. In countries where graduates are more numerous or worker mobility is restricted, the CSR argument will be less compelling.

CSR as an Element in Risk Management and Brand Differentiation

In addition to the human resource dimension, CSR is also believed to contribute to risk management. Corporations can invest huge resources in the development of effective reputations, which consolidate their attractiveness to their investors and consumers, but unwanted publicity (whether scandal or environmental disasters) can radically alter a corporation's fortunes in an instant, bringing unwanted publicity or attention from regulators or national authorities. Corporate social responsibility, as a means to introduce more socially or environmentally aware policies, is seen as contributing towards a diminishing of the potential for such negative developments, effectively aiding a corporation in its risk management exercises. This concern with the reputation of a company or a product is further linked to the idea of brand differentiation, where CSR is seen as a way to separate a product in the mind of consumers from other like products, to give it an additional selling point which may have no direct link to the quality of the product but is an indirect link in the mind of a more socially or environmentally aware consumer. The most cited example in this regard is the Body Shop and its effective strategy to sell itself as an ethical-based company supporting the communities from which it buys its raw materials.⁷ However, the result of this is that CSR is thus dependent on several factors, including the power and readiness of authorities to regulate as well as the state of the market to which the company provides products (whether goods or services). Depending on the availability of like products or the social and environmental awareness of the target consumer, these arguments in favour of CSR will fluctuate.

CSR as a Means to Deflect More Stringent Regulation

Related to the argument that CSR contributes towards risk management is the idea that CSR is also an effective tool for pre-empting authorities from taking more stringent steps to regulate corporations in their practices. Just as corporations can be attracted by the idea of branding themselves as more ethical than their competitors, political parties have seen a major advantage in attracting a more socially or environmentally aware population by branding themselves as more ethical than their political competitors as well. The British Labour Party's lead in promoting more environmentally or socially aware policies in the UK and beyond, especially in Africa, have been a principal aspect of PR exercises in the run-up to elections in the UK in recent years. With authorities viewing such CSR-related projects as a means to score points with the electorate, corporations can see the voluntary adoption of CSR processes as a means to pre-empt government and ensure that CSR remains a voluntary exercise as long as the corporations can convince the authorities and the general public that enough is being done. In this way, CSR as a cost-benefit exercise also becomes dependent on public awareness and the popularity of social and

⁷ Fisher and Lovell (2006): pg 464.

environment concerns, both domestically and internationally, for the local population. However, the importance of this argument for CSR adoption is conditional. Corporations which invest in cultivating a humane face to the world and which are then shown to undertake highly dubious or unethical practices, actually result in harming their image even more, with their CSR endeavours being undermined and their brand being viewed cynically, undermining the ability of the corporation to effectively send across positive messages at a later date.

The importance of the factors cited above rests upon the fact, as we will see, that CSR is not a project largely driven by external factors (authorities' input has been significant in terms of greater social legislation, workers conditions, environment regulation and eco-taxes but CSR is held to be action which goes beyond the legal requirements) but more by internal drivers and choices. As business is driven by profit, the importance of the cost-benefit arguments cited above are central. In fact, one of the central criticisms of CSR is that it has no place in organisations which, by their very definition, should be driven by profit-making potential more than by any other factor. For this reason, many believe that it is the cost-benefit argument that can best stimulate CSR and that for this reason, the size of returns will determine to what degree a potential cost is acceptable. Therefore, for slogans such as 'doing well by doing good' the potential good, as well as the success of creating potential good, depends on the degree to which it will contribute to doing well. For small countries like Malta where even the returns from multinational companies operating locally are similarly small, the potential 'success' is thus small. Thus, it is difficult to see what actual cost would be small enough to be practical, for both local companies and large ones. This is particularly salient for those areas where arguments in favour of CSR rest on actual cost savings through eco-efficiency.

In this way, for our study, it can be seen that, even in terms of the positive reasons which can be brought forward to encourage the adoption of CSR, certain factors already indicate that success depends on the benefits accruing from the endeavour and this, in turn, is conditioned by other mitigating factors such as public awareness and support for ethical issues, the cost, in a limited market, of introducing 'ethical' practices and the limited profits that these can help stimulate, as well as the sensitivities of the local job market and worker mobility. Ultimately, central factors include the internal drivers for change being sensitive to these realities/opportunities as well as external drivers, which contribute towards CSR adoption through their activities to stimulate or raise awareness of ethical issues. In this way, cost-benefit exercises are mitigated by various internal and external factors/actors. These factors would already indicate that CSR take-up could face serious problems in small countries but are further compounded by other variables, which have been cited in various studies as affecting the take-up of CSR in corporations. These include;

- Altering practices to be CSR compliant, as well as undertaking internal analysis to highlight areas of potential CSR benefit where changes could be made, are not tasks without their own cost. This often means that small companies do not have the resources to even begin adopting CSR practices. For many companies, there may be too many other priorities, which take precedence over CSR. For companies in those countries which joined the European Union in 2004, much of the domestic economy is still adapting to the single market and this appears to be the single, largest concern

of most companies in these countries. CSR may be a luxury few can afford at this point in their development and for those companies with very limited human resources undertaking a CSR exercise may not constitute the most pressing demand in an economic environment of continued adaptation to EU membership.

- CSR also involves a learning curve which many companies may be unfamiliar with and lack the resources to gain adequate information about. As already indicated, definitions differ as to what constitutes CSR and so, in a similar vein, does the information available. This is why leadership provided by important actors, most notably public authorities, the EU or business group, is central. As most corporations may actively distrust the advice given by NGOs and trade unions, the direction given by governments or business groups, such as a chamber of commerce, is central and vital. Mapping the environment within which a corporation works and the external drivers prepared to offer guidance is an over-riding factor for understanding CSR adoption in small countries and for helping to explain why CSR can fail in certain situations.
- Related to the above, because CSR deals with the potential impact of business decisions and decision-making methods on stakeholders, the diffuse range of issues concerned can make action unfocused and insubstantial. From recognising potential social and environmental consequences of business decisions, deciding an adequate response, creating a structure through which to effect change and then communicating that strategy to stakeholders (both directly to those concerned within the company and on a wider level to highlight the action taken, both for employees and the wider public), all involve a complex series of choices which can confuse and complicate the business process with the result that companies maybe overwhelmed.
- The difficulty of judging the true effectiveness of data also can account for CSR problems. From the initial stage in actually deciding on the degree to which decisions may actually have a negative social and environmental impact, to evaluating the costs of taking remedial action, to calculating the cost and effectiveness of communicating CSR initiatives to employees and the wider public/consumer, all involve calculations which may be unclear and open to question and further muddy the water in terms of trying to understand the benefits of adopting CSR.
- Finally, within the business cycle, the development of CSR may fluctuate in importance in the decision-making system, undermining its adoption as profits rise and fall or companies face emerging problems, with the result that CSR adoption over the long-term may begin with a fanfare and be overwhelmed by subsequent events.

The list of factors which can undermine the adoption of CSR show clearly that as a process, CSR poses major challenges to companies, even if they arrive at a point where their calculations of the cost-benefit of CSR indicates that it is an approach worth undertaking. While some of these factors operate irrespective of size, most indicate that CSR involves a human resource commitment which small companies may be unable to muster. In this way, to fully understand why small states may show a lack of awareness amongst authorities or

indigenous companies, one must appreciate several related factors. Amongst these is that the cost-benefit argument often constitutes the primary stimulus for adopting CSR practices but that the cost-benefit arguments may be the most difficult to find in a small state because profit margins are similarly small. Without adequate financial rewards, the need to publicise action to customers with little social or environmental awareness, to find adequate human resources when other issues, such as adapting to the single market, constitute the primary concern of small businesses, or even action to pre-empt authorities with little interest to increase their popularity through championing CSR, can all constitute reasons for a lack of interest in CSR. The latter point is also important in terms of external drivers. With little profit-making capacity of CSR in small economies, one can assume that external drivers can assume a much more conspicuous role in trying to bring about change. Beyond the national authorities, which we will speak about later, it cannot be denied that one of the principal external drivers for new states like Malta is the European Union. However, how effective an external driver is the EU in the area of CSR?

Corporate Social Responsibility - A Voluntary Commitment?

A starting point in terms of the framework within which business can develop a CSR approach can best be gathered from the initiatives that can be found at the national and regional level. First and foremost, most international initiatives in this area fall under initiatives related to Multinational Companies, such as the ILO Tripartite Declaration of Principles Concerning MNEs and Social Policy, or come from international and regional initiatives in terms of human rights or environmental priorities (such as the European Union Charter of Fundamental Rights or the EU Sustainable Development Strategy⁸).

For EU countries, these initiatives are augmented by the priority the EU has placed on CSR within the framework of the Lisbon Agenda. However, while an understanding of CSR is that of initiatives beyond the legal requirements of the state in the operation of business, the indirect CSR impact of EU membership cannot be under-estimated. EU membership, especially after the Single Market programme was started, involves the implementation of standards in almost all social and environmental areas which the state and its business community must comply with. Worker mobility, environment emissions, equality laws, the rights of minorities, all these factors have been directly affected by EU membership and constitute an important and initial stimulus towards more socially and environmentally aware member states, though falling outside the remit of CSR, as defined by the Commission.

In terms of stimulating the adoption of CSR across the Union, the principal EU initiatives centre on the work of the Commission. As stated, progress began at the Lisbon Council where the member states made an appeal to companies' sense of social responsibility in March 2000. This was soon followed by a Green Paper in 2001 and later by a Communication, in 2002. At the same time, the European Parliament made a contribution to the debate on CSR, notably through its resolutions of 2002 and 2003, which helped to keep minds focused on the importance of the issue prior to the next significant stage, the establishment of an EU Multi-Stakeholder Forum on CSR (CSR Forum). This forum brought together representatives of business, trade unions and civil society, with the

⁸ Presidency Conclusions, Göteborg European Council, June 2001 (SN 2001/01 REV 1).

Commission in a facilitating role. The CSR Forum published its final report in June 2004 with the Commission stating that the adoption of the Forum's recommendations would play a significant role in advancing CSR across Europe.

In March 2005, the member states themselves, at the European Council, reiterated their earlier commitment and underlined that "in order to encourage investment and provide an attractive setting for business and work, the European Union must complete its internal market and make its regulatory environment more business-friendly, while business must in turn develop its sense of social responsibility"⁹. Related to this, in the Integrated Guidelines for Growth and Jobs (2005-2008), the Council recommended that Member States "encourage enterprises in developing their corporate social responsibility".

In 2006, CSR moved a step further with the Commission's Communication to the EP, the Council and the Economic and Social Committee on 'Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence on CSR'¹⁰. The Communication takes CSR to be: 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. It is about enterprises deciding to go beyond minimum legal requirements and obligations stemming from collective agreements in order to address societal needs. Through CSR, enterprises of all sizes, in cooperation with their stakeholders, can help to reconcile economic, social and environmental ambitions.'¹¹

To achieve these aims, the Commission declared that it wished to give CSR greater political visibility and to encourage European enterprises to do more in adopting CSR. Of consequence for all members, but especially those like Malta, which have no top-down government initiatives at the national level, it was decided that CSR, as a voluntary business initiative, should not involve additional obligations and administrative requirements for businesses as these were considered counter-productive and would be contrary to the principles of better regulation. It was therefore decided that any new initiative would be purely voluntary and it was in this vein that the Commission announced the creation of the European Alliance on CSR, an initiative drawn up on the basis of contributions from businesses active in the promotion of CSR.

The Alliance is an open alliance of European enterprises and involves no legal obligation on the side of participants. In fact, the Communication is explicit in stating that it is not a legal instrument and is not signed by anyone. Ultimately the Alliance is there as a political process to increase the uptake of CSR amongst European enterprises whether large companies, SMEs or their stakeholders. Until now, the majority of those who have expressed a wish to contribute to the Alliance remain large, multinational companies and not all EU members are represented directly under its umbrella.

In this way we can see that, beyond national guidelines, the EU's input in CSR remains purely voluntary with the result that there is little, if any, real possibility of the EU acting as an external driver in CSR adoption, other than through the voluntary association of local

⁹ European Council Presidency Conclusions, 22 and 23 March 2005, (7619/1/05, REV 1).

¹⁰ COM(2006) 136 final.

¹¹ COM(2001) 366.

companies in its activities or through the efforts to increase the profile of CSR, both amongst companies as well as amongst the general public. Whether due to monetary restrictions or other priorities, no Maltese representatives have joined the CSR Alliance.

What is also interesting in terms of emphasising the importance of CSR is that the Commission's Communication itself places emphasis on the fact that CSR alone, and its adoption by businesses, cannot solve the problems many assume CSR could help alleviate. In fact, the Commission states that CSR is not a panacea and not a substitute for public policy, shifting the onus onto authorities and away from the business community. While many countries have adopted CSR as a public policy priority (the British government created a Minister specifically for CSR in 2000) certain small countries within the EU, notably Malta and Cyprus, have little national leadership in the area, leaving the EU as the principal external driver which can be classified as having 'authoritative status'.

In this way, when looking at the adoption of CSR in a small state like Malta, what can already be highlighted is that there are various factors which would indicate that one should expect a limited take up in small countries which have a majority of very small SMEs. In addition to this, for a new EU member state, it has been seen that while the EU's initiatives have gone some way to increasing public awareness of CSR (Malta participated in the Forum through the participation of the Maltese Chamber of Commerce as a member of Eurochambres) there is no binding framework around which CSR can be encouraged at the local level. So what can we say of CSR in a small state like Malta and does EU membership offer the prospect that things could improve in the short to medium term?

Corporate Social Responsibility in Malta

On membership of the European Union in 2004, Malta had nearly 30,000 enterprises with just under half of these being concentrated in the retail sector and construction.¹² Overall employment by enterprises amounted to just under 110,000 persons with a large part of this figure being accounted for by hotel and restaurants, the retail sector and, in the area of manufacturing, in the production of food and beverages, furniture and electronic apparatus. As can be seen from the number of enterprises and the number of those employed, the average employee number per each enterprise was relatively small and it was noted that in the years leading to membership, the average size of manufacturing enterprises in Malta were classified as micro-enterprises with less than five persons employed.¹³

In this way, the initial observation that one can make is that many Maltese businesses have such relatively small profit margin, as well as operating in sectors where personnel turnover is relatively flexible and rapid (retail, hotels and catering), that it would be surprising for these companies to adopt CSR practices based on internal drivers stimulated by cost-profit exercises. This is further compounded by the fact that efforts to stimulate small businesses, such as the Kordin Incubation Centre, have created many small operators which focus primarily on export markets, meaning that there can be an even less intense argument for adopting CSR due to the lack of potential public relation benefits accruing from its adoption.

¹² National Statistics Office (Malta), Press Release No. 279/2006.

¹³ National Statistics Office (Malta), Structural Business Statistics (Industry & Services), September 2005.

However, most CSR initiatives focus on large companies, in particular multinational corporations whose business culture can affect a diverse range of economies. In this case, and based on the idea that the profit-cost argument can best be expected in large companies, one would expect any manifestation of CSR to surface in companies of a particular size. In the case of Malta, four principal types of business activity can be highlighted as potential drivers of CSR. On one side, we have the multinational companies based in Malta and which enjoy a competitive edge in this area as they are able to implement CSR policies in a more cost-effective way, benefiting from the research and methods adopted by the parent company. This makes the CSR initiative easier to implement and minimises the cost aspect of CSR, meaning that the cost-profit margin is more easily bridged in being able to borrow wholesale from an 'external source'. While this is an obvious advantage of such corporations, it can also constitute a negative impact in the adoption of CSR locally as the application of CSR in Malta may not be tailor-made for the local operation and it becomes mere lip service to try and appear pro-active when little, of substance, is actually being done.

The multinationals themselves can be differentiated into two types - the typology having an impact on CSR adoption. This differentiation is based on the fact that certain foreign companies are based in Malta for export only and while the human resource dimension may be cited as a reason for CSR adoption, there are few public relations benefits to be gained from selling the company locally as socially and environmentally conscious. In this respect, several major foreign companies based locally, but operating for an external market, focus much of their CSR work on the American approach of charity work, in particular encouraging their employees to participate in annual 'volunteer days'. Examples can be seen with De La Rue and Playmobil. Little effort is made to publicize more widespread CSR practices.

The other type of multinational based in Malta is that which caters to the domestic market and which should, in theory, also have greater cost-benefit arguments for adopting CSR practices. Key players in this regard include HSBC, McDonalds, and Vodafone and it is of little surprise that each has its own CSR approach and has undertaken efforts to ensure that this is communicated to the general public. While these CSR approaches have focused on a range of social concerns, a key to communicating CSR in Malta appears to be the environmental aspect. This can be for several reasons, including the fact that such corporations are considered primarily as having an effect on the environment (through the use of huge amounts of packaging or concerns over mobile phone signals in built-up areas) but could also be due to the fact that the Maltese are increasingly seen as primarily concerned about the environment when it comes to CSR issues, a reflection of wider concern and reference to environmental issues in public policy.¹⁴ This would appear to indicate that while CSR maybe driven by internal 'feel-good' factors, there appears a greater drive to ensure a more sustainable presence in the market by creating a positive brand, which can ensure employee and customer loyalty. In this way, these companies are expected to be, and in effect are, market leaders in this area because they enjoy a relative advantage in being able to borrow CSR programmes from their parent company, as well as more cost-effective practices, and this makes branding the company a local proponent of CSR easier and more cost effective. One important consequence of these companies is that they can

¹⁴ In no small part a consequence of the 2004 EP Elections where the Green Party won just under 10% of the vote.

have a positive and wider impact by acting as external drivers in the Maltese business environment, which can stimulate CSR adoption in other companies.

In addition to these multinationals operating locally, we can also refer to the second major type of enterprise which has the potential to adopt CSR practices, namely Maltese businesses not falling under those considered as micro-level employers. While many companies exist as export-orientated, the distinction amongst local enterprises centres primarily upon customer types. Several Maltese companies have launched CSR initiatives and have made branding their company as CSR leaders a major public relations exercise, most notably with Simonds Farsons Cisk, Gasan Mamo Insurance, Island Hotels Group and Bank of Valletta. However, the actual incorporation of CSR practices amongst such companies fluctuates. A notable exception could prove to be Bank of Valletta which recently launched a detailed CSR initiative and highlighted areas of action, in particular the incorporation of more eco-friendly products which is being validated primarily on its cost-saving advantages. The factor that unites these businesses is their target audience which can be considered to cover a broad range of the population but includes the higher end of the market or more sophisticated customers, individuals considered more socially and environmentally aware and therefore influenced by such factors.

On the other side, the second type of local business that can be considered are those which cater to a customer base which may not be so readily associated with CSR concerns. In particular, we can mention the construction industry, which employs significant numbers of people, often in socially unacceptable circumstances (the employment of illegal immigrants on exceptionally low wages and often in conditions not compliant with EU rules) and can cause extreme harm to the environment (through illegal dumping, the destruction of natural areas and protected structures). There appears to be little concern amongst the local operators to adopt CSR practices even though they have the financial resources to undertake such an initiative. In this case, a primary factor may be the lack of CSR awareness amongst potential customers as alternatives are few, awareness is low and where a key customer remains the Government which, many argue, appears to show little concern for CSR objectives.

The latter observation is a key factor in the lack of wide-spread CSR adoption in Malta. The Maltese Government has paid some lip-service to the idea of CSR, in particular incorporating a nebulous reference to CSR in the preliminary Discussion Documents pertaining to the development of Malta's First Overseas Development Policy in 2006. Several ministries have also made reference to CSR but there remains a lack of a centralised government policy on CSR with the result that local companies wishing to pursue such an approach must go elsewhere for information and assistance. In this case, the principal key actor remains the Maltese Chamber of Commerce which has participated in the EU Multi-stakeholder Forum on CSR through Eurochambres and which has actively pushed its members through information seminars and conferences.

Without this lack of centralised leadership and with the cost-profit argument applicable only to a very small group of large companies, external drivers become central and in this regard the EU becomes the principal authority which can aid the adoption of CSR in Malta through

the efforts of the European Alliance Agency and the increased profile given to CSR by the Commission and the EP.

Corporate Social Responsibility and the Luxury of Caring

In concluding, we can make several observations about CSR and its prospects for the future in Malta. From our earlier discussion it can be seen that CSR is rarely driven by external factors but more so by internal drivers which are, primarily, galvanised by the cost-benefit arguments for adopting CSR, both as short term gains by adopting cheaper eco-products and long term gains by branding the company as more socially and environmentally aware. As many enterprises in Malta remain exceptionally small by European standards, it is hard to expect that there will be a wide-spread adoption of CSR practices in the near future. It would be not only too costly to research and implement but the benefits would also be too small. CSR therefore becomes impractical.

As seen, certain large companies, both foreign and local, have become CSR leaders and their importance stems from the fact that they constitute important external drivers for future change. Along with the Malta Chamber of Commerce and Enterprise and the EU's efforts (which remain relatively distant as Malta's presence, both on the side of the Government and from its commercial sector, is exceptionally low-key in the Union's CSR forums, especially within the European Alliance on CSR) they constitute the main stimulus for CSR adoption in Malta. They do this by showing the way, indicating areas of action and priorities while also increasing public awareness in CSR, thus making it more desirable for other companies to adopt CSR in the future. Without adequate Government initiatives in this area, these actors remain the sole factor which could increase CSR adoption.

However, there are many arguments in favour of greater Government involvement in CSR. As the single largest employer on the Island, as provider of services which have huge social and environmental consequences, including the provision of educational and health services, the Government could lead by example, adopting CSR practices within its operations. While the Government cannot be considered a corporation, the increasing tendency to farm out services is a key factor which could contribute to CSR, ensuring that Government allocates contracts to more responsible companies. This could also be a key in dealing with those local companies which have little incentive to adopt CSR practices, in particular the construction industry. However, the Government can be considered like so many corporate actors operating at the local level and having to deal with adapting to EU membership. With little binding legislation from the Union, the Government has had many other priorities to deal with since membership. This can be seen in the events following membership when consultation with economic and social groups almost ground to a halt. It took nearly two years for the Government to catch up with the changes associated with membership and to 're-open' its consultation with these groups. In the initial tough years of membership, CSR was definitely not a Government priority and if any radical changes are to be effected in major areas of the local economy where businesses operate with little CSR awareness, it will take leadership from the Government to effect change, especially as the EU contribution remains 'distant'. While CSR is a luxury many small companies can ill afford, as Malta consolidates its place in the EU, it maybe a luxury which the Government can now

start to expend energy on in the knowledge that without its leadership, CSR's potential success in Malta will remain confined to a select few.

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