

**CSR and Competitiveness
European SMEs' Good Practice**

National Report Germany

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1 Introduction

About the project

Corporate Social Responsibility (CSR), generally understood as voluntary initiatives going beyond legislative requirements and contractual obligations ("responsible entrepreneurship"), is continuously gaining importance with regard to both, public and private discussion as well as its practical application in European enterprises. However, comparatively little is known about the engagement of Small and Medium-Sized Enterprises (SMEs)¹ in CSR activities as well as on the relationship between respective initiatives and the SMEs' competitiveness.

Against this background, the European Commission launched a call on *Mainstreaming Corporate Social Responsibility*² in 2005 to support the take-up of CSR among SMEs as a means to enhance their competitiveness. One of the projects funded by this programme (also see http://ec.europa.eu/enterprise/csr/ms_sme_projects.htm) refers to the study "CSR and competitiveness – European SMEs good practice". This research is conducted by an international research team³ under the lead of the Austrian Institute for SME Research (KMU FORSCHUNG AUSTRIA) and focuses on analysing the essential linkage between the competitiveness of small and medium-sized enterprises (SMEs) and their CSR activities in seven European countries (Austria, Finland, Germany, Norway, Poland, Romania and Spain).

The document on hand constitutes the national report for Germany, providing an overview on the most important national, regional or local (semi-)public actors as well as their strategies dealing with CSR and the deployment of CSR in German SMEs. With regard to the latter, five illustrative case studies of CSR activities at individual company level have been elaborated, pinpointing the possibilities of small and medium-sized enterprises to become involved in CSR as well as the potential effects of such initiatives. Next to being presented in this national report, the respective findings have also been included in a consolidated European report compiling the information gathered at national levels by the local experts into a cross-country analysis.

In Germany, corporate social responsibility (CSR) was brought up and discussed at first in the social sciences. Shortly after the turn of the century CSR also became an issue of the business economics. Now a growing interest of the general public and the business community on CSR becomes apparent. But the broader debate on sustainability goes back to the 1970s, where especially the question of the environmental responsibility of the business sector was raised. With CSR the debate on corporate responsibility has now received new impulses. CSR is thereby regarded as a strategy for enterprises to manage their business processes. The aim is to produce an overall positive impact on society while doing business. CSR is considered to provide win-win effects also in terms of economic gains. CSR is thereby not equated with philanthropy. It is about capacity building for a sustainable production and stable stakeholder relations. The debate on CSR in Germany goes in line with the discourse lead by the European Commission. In fact, the Commissions' efforts to foster CSR have significantly influenced the German discourse and still due.

¹ According to the European Commission, Small and Medium-Sized Enterprises (SMEs) are independent business entities with less than 250 employees, an annual turnover of up to € 50 million and/or a balance sheet total of up to € 43 million (see Commission Recommendation 2003/361/EC of 6th May 2003 concerning the definition of micro, small and medium-sized enterprises).

² Specific Call for Proposals. Mainstreaming Corporate Social Responsibility (CSR) Among SMEs, Grant Programme 2005.

³ Next to the Austrian Institute for SME Research the following institutes are involved in the project: Small Business Institute, Turku School of Economics and Business Administration (Finland), Institut für Mittelstandsforschung Bonn (IfM Bonn, Germany), Instituto Vasco de Estudios e Investigación (IKEI, Spain), Agderforskning / Agder Research (ARF, Norway), Academy of Management "Społeczna Wyższa Szkoła Przedsiębiorczości i Zarządzania w Łodzi" (Poland), Chamber of Commerce and Industry of Romania (CCIR, Romania)



Enterprises in Germany become increasingly aware of their societal responsibility. According to new findings⁴ of the Institute for SME research in Bonn (IfM Bonn) on the basis of a representative sample of enterprise, the majority of the leaders of German SMEs (58.9 %) regard themselves as one of the strongest pillars of civil society. Another business survey⁵ conducted earlier by IfM Bonn on German enterprises of the industry sector indicates that societal aims are highly considered in most of the firms' business strategy (74.1 %). Especially the SMEs are aware of their societal responsibility.⁶ Thereby social issues concerning the internal and external stakeholders are even more often taken into account (60.8 %) by SMEs than environmental issues (46.2 %).⁷ At the same time the vast majority of the SMEs moan about a growing administrative burden (64.1 %) especially in the policy areas of labour market, working conditions and social assistance (46.0 %), but also in the fields of environmental protection (29.9 %).⁸ Considering these administrative burdens the high percentage of enterprises that still are concerned and willing to integrate social and environmental issues into their policies appears to be quite remarkable. This draws to the conclusion that CSR issues are highly approved by German SMEs. There still is room for the development of responsible business strategies on a voluntary basis. But there is also a great consensus in Germany within the business sector that CSR should remain a voluntary approach, a method that provides added value to the enterprises. Public attention in Germany on business responsibilities is high as well. A survey of IfM Bonn on the press releases⁹ indicates that a multitude of articles are addressed to this subject. This high level of attention exerts pressure on the business sector to react. At the end it is the market-driven pressure that stimulates the willingness of the business sector to a great extent. Despite this general interest on corporate responsibility only a small percentage of the articles directly refer to the management concept of CSR (7.3 %). In business papers the share is perceived to be higher (13.0 %) than in regular newspapers (3.9 %). Also the scientific interest on CSR management tools is rather limited, as the findings of Hansen and Schrader (2005, p.373) suggest. Whereas the general awareness on the societal role of the business sector is high, the discussion on the management strategy CSR still is in its infancy.

⁴ The inquiry 'MIND – Mittelstand in Deutschland' was undertaken by IfM Bonn on behalf of the German Savings Bank Association [Deutschen Sparkassen- und Giroverband] and the business magazine 'Impulse' in 2005. The inquiry covered a total amount of 1307 SMEs of all branches and size.

⁵ The inquiry 'Der industrielle Mittelstand' was undertaken by IfM Bonn on behalf of the Federation of German Industries [Bundesverband der Deutschen Industrie e.V.] in 2003. The inquiry covered a total amount of 1046 enterprises of all sizes and branches, including 905 SME.

⁶ 67.2 % of the large enterprises and 75.0 % of the SME consider societal aims in their business strategy.

⁷ 55.5 % of the large enterprises active in the fields of CSR focus on their internal and external stakeholders and 47.1 % on environmental issues.

⁸ 78.4 % of the large enterprises recognise a growing administrative burden in the policy areas of labour market, working conditions and social assistance (46.8 %) and fields of environmental protection (31.5 %).

⁹ The 10 largest nationwide newspapers by edition were analysed in the period between 2000 and 2006.



2 Overview on the Most Important (Semi-)Public Actors and their Strategies with Regard to CSR in Germany

2.1 Legal Framework for CSR in Germany

The German tax system promotes the societal involvement of the private citizens as well as of enterprises by offering tax concessions. Expenses on donations¹⁰ can be reduced from tax duties if the recipient proves to be a charitable organisation. Recently political considerations were raised to cancel these tax privileges. This discussion caused massive critics among enterprises and non-profit making organisations (Habisch/Wegner 2004, p. 23). A political decision has not yet been made. Most of the enterprises regard CSR not as a way to reduce their tax burden, but as a 'risk reduction strategy' to achieve a 'licence to operate' from society (Maaß/Clemens 2002).

Donations are differently treated for tax purposes than expenditures on Sponsoring. Sponsoring costs are regarded as operating expenses¹¹, if undertaken for business reasons (Boochs 2000, p. 187). Otherwise turnover taxes need to be paid¹². Corporate Volunteering can also be claimed fiscally for the same reason (Habisch/Wegner 2004, p. 4). As long as employees are sent by their company to attend external CSR projects, they are fully insured.

2.2 (Semi-)Public Protagonists in the fields of CSR

Since the European Commission began to launch CSR on the basis of the Lisbon Strategy, a steady growing number of initiatives in this field can be observed in Germany. A great variety of protagonists are involved. They range from public and semi-public actors to private individuals. The listing presented below covers those protagonists who are recognised supra-regionally in German public:

Federal Government

The Federal Government has undertaken various steps to promote CSR among enterprises:

- The German national parliament [Deutscher Bundestag] established in 1999 a commission on the Future of Civil Engagement [Enquete-Kommission `Zukunft des Bürgerschaftlichen Engagements]. The task of this commission was to develop political strategies and tools to foster the voluntary, non-profit-oriented societal involvement of civil actors in general.¹³
- On the recommendation of the above mentioned commission the National Council of the International Year of Volunteers (IYV 2001) founded on June 5th 2002 the National Network for Civil Society [Bundesnetzwerk Bürgerschaftliches Engagement (BBE)], aided by the Federal Ministry for Family Affairs, Senior Citizen, Women and Youth [Bundesministerin für Familie, Senioren, Frauen und Jugend]. The BBE is a nationwide network linking organisations and associations from the third sector (non-profit organisations) and civil society, from business and work life to federal and community institutions. The key objective of this network is the improvement of the general legal, organisational and institutional conditions for civic involvement.¹⁴

¹⁰ §§ 10b EstG, 9 KStG and 9 GewStG.

¹¹ § 4 EstG.

¹² § 15 UstG.

¹³ Deutscher Bundestag (2002): Drucksache 14/8900.

¹⁴ <http://www.b-b-e.de>



- Furthermore the German National Parliament established the 'German Council for Sustainable Development' [Rat für Nachhaltige Entwicklung] in April 2001. The task of this council is to promote sustainability as an issue for public discussion and to support the German government in all matters of sustainability.¹⁵

The CSR policies of the German National Parliament are geared to raise awareness¹⁶ on CSR issues upon enterprises and to encourage them to form co-operations with organisations from civil society. CSR is thereby understood as a voluntary management approach. At no time did the government plan to transform time-honoured CSR approaches into compulsory arrangements. The German standards in this area are perceived to be sufficient. Up to so far CSR standards for public tenders have not yet been set.

Governments of Federal States

Politically driven initiatives are also observed at the level of the federal states. The federal states in general do not initiate CSR programmes on their own, but rather support or co-operate with the large semi-public organisations (to be introduced in the following section). North Rhine-Westphalia [Nordrhein-Westfalen] is among the few federal states so far that have developed a concept to systematically promote CSR. The government of this state installed an internet platform to facilitate the knowledge exchange on Corporate Citizenship and CSR. Furthermore, this government hosted a contest (ENTERPreis) to award CSR strategies and a conference to disseminate CSR good practice cases among SMEs and large enterprises.¹⁷ The federal state of Thuringia has awarded family friendly business concepts in the field of gastronomy.¹⁸

Research institutes

Institute for SME Research Bonn [Institut für Mittelstandsforschung Bonn (IfM Bonn)]¹⁹

IfM Bonn, a private law foundation, conducts research on the status quo and prospects of small and medium-sized enterprises in Germany. Undertaking surveys in various fields such as human resources, corporate finance, corporate governance and CSR, IfM Bonn provides information for enterprises, policy makers, the general public and other researchers on the latest business developments and business challenges. The IfM Bonn has published various studies on CSR subjects and provides basic data on the spread and development of Corporate Citizenship. IfM Bonn aims on developing expertise in the analysis and verification of CSR.

Oeko-Institute [Öko-Institut e.V.]²⁰

The Oeko-Institute, a private foundation located in the city of Freiburg, is active in the fields of research and consultancy. Thereby, this institute focuses on environmental issues also relating to CSR. This includes materials management, plant safety, genetic engineering as well as safety and health issues. By submitting scientific studies and providing advisory services, the Oeko-Institute aims to initiate and advance sustainable policies. But the Oeko-Institute does not focus especially on SMEs.

¹⁵ <http://www.nachhaltigkeitsrat.de>

¹⁶ The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety [Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit] has released a brochure on 'Corporate Social Responsibility - An Introduction from the Environmental Perspective'.

¹⁷ <http://www.corporate-citizenship.nrw.de>

¹⁸ <http://www.thuringen.de/de/tmsfg/familienfreundlich/landeswettbewerb/>

¹⁹ <http://www.ifm-bonn.org>

²⁰ <http://www.oeko.de>



Other research institutes working in the fields of CSR but do not only specify on SME research:

- Association for Ecological Economic Research [Vereinigung für ökologische Wirtschaftsforschung e.V.]²¹
- Cologne Institute for Economic Research [Institut der Deutschen Wirtschaft (IW Köln)]²²
- Institute for Employment Research [Institut für Arbeitsmarkt- und Berufsforschung (IAB)]²³
- Institute for Ecological Economy Research [Institut für ökologische Wirtschaftsforschung Deutschland]²⁴
- Institute for Market-Environment-Society [Institut für Markt-Umwelt-Gesellschaft.e.V. (IMUG)]²⁵
- Institute for Social-Ecological Research [Institut für sozial-ökologische Forschung]²⁶
- KATALSE – Institute for Applied Environmental Research [Institut für angewandte Umweltforschung]²⁷
- Wuppertal Institute for Climate, Environment and Energy [Wuppertal Institut für Klima, Umwelt, Energie GmbH]²⁸

Universities

University of Halle Wittenberg [Martin-Luther-Universität Halle Wittenberg]²⁹

The chair of Business Ethics at the University of Halle Wittenberg, Professor Dr. Ingo Pies, engages in teaching and research in the area of Corporate Social Responsibility. Main subjects are Corporate Citizenship, corruption prevention, Global Governance and social structures of modern governance.

University of Munich [Ludwig-Maximilian-Universität München]³⁰

The University of Munich founded an own department for 'Philosophy and Economics', affiliated to the faculty of Philosophy. Chair of this department is Prof. Dr. Dr. Karl Homann. Together with other researches he analyses the philosophical and ethical aspects of business practices.

Catholic University of Eichstätt-Ingolstadt, Economic Ethics and Business Ethics³¹

Prof. André Habisch is head of the 'Central Institute on Matrimony and Family in Society' ["Zentralinstitut für Ehe und Familie in der Gesellschaft"] at Catholic University of Eichstätt-Ingolstadt. He also is the chairman of the Center for Corporate Citizenship (see below).

²¹ <http://www.voew.de>

²² <http://www.iwkoeln.de>

²³ <http://www.iab.de>

²⁴ <http://www.ioew.de>

²⁵ <http://www.imug.de>

²⁶ <http://www.isoe.de>

²⁷ <http://www.katalyse.de>

²⁸ <http://www.wupperinst.org>

²⁹ <http://www.wiwi.uni-halle.de>

³⁰ <http://www.philoek.uni-muenchen.de>

³¹ <http://www.ku-eichstaett.de/Fakultaeten/WWF/Lehrstuehle/ETHIK.de>



Other Universities in Germany that in fact do not particularly focus on CSR, but have undertaken research in this field in the past. They are mentioned below in alphabetic order:

- University of Bayreuth, faculty of Philosophy³²
- University of Berlin [Freie Universität Berlin], Institute for Media and Communication Studies³³
- University of Erlangen, faculty of business administration, economics & social sciences³⁴
- University of Flensburg, International Institute for Management³⁵
- University of Hannover, faculty of Economics and Business Administration³⁶
- University of Kaiserslautern, faculty of Business Studies and Economics³⁷
- University of Kassel, faculty of Economics³⁸
- University of Lüneburg - Centre for Sustainability Management (CSM)
- University of Oldenburg, department of Economics and Statistics³⁹
- University of Paderborn, Research Center for Civic Engagement [Forschungszentrum für Bürgerschaftliches Engagement]⁴⁰
- University of Potsdam, faculty of Economics and Social Sciences⁴¹
- University of Stuttgart, faculty of Economics⁴²
- University of Witten/Herdecke, faculty of Economics⁴³

Semi-public Actors: (a) Associations

Bertelsmann Stiftung⁴⁴

Serving a common good, the goal of Bertelsmann Stiftung is to contribute to society's long-term viability by encouraging enterprises to get involved in and for civic society. Corporate Culture and philanthropy is one focus of the foundation besides others, among them education and health. In the fields of CSR, Bertelsmann Stiftung has undertaken several campaigns to raise awareness among firms. The Carl Bertelsmann Prize is awarded annually to honour innovative and exemplary business solutions in areas of pressing social concern.

BDA, BDI, DIHK, ZDH (Central Associations of the German Economy)

The Confederation of German Employers' Associations [Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA)]⁴⁵, the Federation of German Industries [Bundesverband der Deutschen Industrie (BDI)]⁴⁶, the Association of German Chambers of Industry and Commerce

³² <http://www.uni-bayreuth.de>

³³ <http://www.kommwiss.fu-berlin.de>

³⁴ <http://www.management.wiso.uni-erlangen.de>

³⁵ <http://www.iim.uni-flensburg.de>

³⁶ <http://www.marketing.uni-hannover.de>

³⁷ <http://www.wiwi.uni-kl.de>

³⁸ <http://www.uni-kassel.de>

³⁹ <http://www.uni-oldenburg.de>

⁴⁰ <http://www.forschungszentrum-be.uni-paderborn.de>

⁴¹ <http://www.uni-potsdam.de>

⁴² <http://www.susfin.uni-stuttgart.de>

⁴³ <http://www.susfin.uni-stuttgart.de>

⁴⁴ <http://www.bertelsmann-stiftung.de>

⁴⁵ <http://www.bda-online.de>

⁴⁶ <http://www.bdi-online.de>



[Deutsche Industrie- und Handelskammertag (DIHK)]⁴⁷ and the German Confederation of Chambers of Skilled Crafts [Zentralverband des Deutschen Handwerks (ZDH)]⁴⁸ founded in 2001 together with WirtschaftsWoche, a German business magazine, the initiative 'Freedom and Responsibility' [Freiheit und Verantwortung].⁴⁹ The aim of this initiative is to disseminate information on CSR e.g. by hosting conferences and awarding annually a prize to creative and successful enterprises that practice CSR. Furthermore, BDA and BDI established an internet-platform⁵⁰ to inform enterprises about the business case of CSR and further their engagement. Besides these conjoint initiatives, each of the above mentioned organisations also takes own initiatives to mainly spread the concept of CSR among their members. In co-operation with the German Junior Chamber [Wirtschaftsjunioren Deutschland e.V.]⁵¹ the associations mentioned above annually award the prize "Zivil" for societal involvement of firms in Germany.

Center for Corporate Citizenship (CCC)⁵²

The Center for Corporate Citizenship is a private organisation for interdisciplinary research on strategic Corporate Citizenship at the University of Eichstätt-Ingolstadt. Working together with a wide range of partners, the association aims to identify and publish good business practices in the field of Corporate Citizenship (CC) and develops model solutions. The CCC arranges conferences on CC politics and members of this organisation take part in discussion workshops. Chairman of the association is Professor Dr. Habisch.

Other associations that work in the fields of CSR in alphabetic order:

- Foundation for product testing [Stiftung Warentest]⁵³
- Friedrich Ebert Foundation [Friedrich-Ebert-Stiftung]⁵⁴
- Konrad Adenauer Foundation [Konrad-Adenauer-Stiftung e.V.]⁵⁵
- Robert Bosch Foundation [Robert-Bosch-Stiftung e.V.]⁵⁶

Semi-public Actors: (b) Networks

German Business Ethics Network (DNWE) [Deutsches Netzwerk Wirtschaftsethik (DNWE)]⁵⁷

The German Business Ethics Network (DNWE) is a national chapter of the European Business Ethics Network (EBEN), and seeks to promote an intercultural dialogue on various business ethics matters. The DNWE aims to foster the interchange of ideas concerning ethical aspects in commerce and to encourage business activities to be ethically oriented. The DNWE founded a scientific institute, the 'Centre for Business Ethics' (ZfW) [Zentrum für Wirtschaftsethik], based in Konstanz. Its task is to promote the practising of business ethics in Germany and Europe in close cooperation with other scientific and economic institutes.

⁴⁷ <http://www.dihk.de>

⁴⁸ <http://www.zdh.de>

⁴⁹ <http://www.freiheit-und-verantwortung.de>

⁵⁰ <http://www.csrgermany.de>

⁵¹ <http://www.wjd.de>

⁵² <http://www.corporatecitizen.de>

⁵³ <http://www.stiftung-warentest.de>

⁵⁴ <http://www.fes.de>

⁵⁵ <http://www.kas.de>

⁵⁶ <http://www.bosch-stiftung.de>

⁵⁷ <http://www.dnwe.de>



`Initiative for additional employment' [`Initiative für Beschäftigung!']⁵⁸

In 1998, a group of business leaders founded a network to develop concepts for reducing unemployment in Germany. Networks were formed in different regions in Germany and on the national level to enhance job creation processes all over the country.

National Network `Business in Partnership with Youth' [Bundesinitiative "Unternehmen: Partner der Jugend" (UPJ) e.V.]⁵⁹

The National Network `Business in Partnership with Youth' combines intermediary organisations, companies and business leaders in order to promote Corporate Citizenship in Germany. The Network initiates long-term co-operation between businesses, community organisations and governments, thereby giving positive impulses for the sustainable development of society. The network combines the know-how of its members in order to further promote Corporate Citizenship within Germany's business world. The network demonstrates new ways of community investment, supports the development of co-operational projects and the search for suitable partners and facilitates the initial contact as well as the first steps in implementing a partnership. UPJ legal status is that of a registered society.

National Network for Civil Society [Bundesnetzwerk Bürgerschaftliches Engagement (BBE)] (BBE was mentioned above)

`Initiative „for me, for us, for all of us“ [„für mich, für uns, für alle“]⁶⁰

This initiative is unique for Germany, since it had been originated in the first place by private individuals. Members of the Bundestag, the German national parliament, who had been committed to voluntary involvement of private citizens, founded together with representatives of certain cities and communities and the Bank association `Sparkassen-Finanzgruppe' this initiative. The aim is to award private citizen as well as enterprises for their societal involvement.

Besides these nationwide operating networks there is a great variety of other network initiatives active on the regional and local level. Among them there are agencies bringing volunteers together⁶¹. These intermediaries are sometimes private initiatives, frequently also supported and run by the local communities. The implementation of the Code of Conducts in Germany is left to NGOs, such as the Confederation of German Employers' Associations [Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA)].⁶²

⁵⁸ <http://www.initiative-fuer-beschaeftigung.de>

⁵⁹ <http://www.upj-online.de>

⁶⁰ <http://www.buerger-engagement.de>

⁶¹ <http://www.freiwilligen-agentur.de>

⁶² <http://www.bda-online.de>



3 CSR in German SMEs

3.1 Deployment of CSR Activities in SMEs

Level of SMEs' engagement in CSR activities

The national data sources presented by the Federal Statistical Office Germany [Statistisches Bundesamt] do not provide evidence on the absolute number of SME's engagement in CSR. The debate on CSR business practices thereby relies entirely on the results of empirical research among enterprises. Only few scientific surveys had been undertaken yet to fill this gap. The German scientific discourse differs between societal involvement and business related strategies. Forms of a societal involvement are pooled under the term Corporate Citizenship (CC). CC is a strategy that covers the external dimension of CSR including community activities and environmental issues. The business related part of CSR faces the internal dimension of corporate responsibility, referring to the workplace and the marketplace. CSR is considered to be the broad concept embracing both internal and external dimensions.

The Institute for SME Research Bonn [Institut für Mittelstandsforschung Bonn] had been the only research institute in Germany so far that was able to provide reliable information on the business performance of German SMEs in the fields of Corporate Citizenship. The findings of this institute suggest that approximately two out of five medium-sized enterprises do good for society regularly at least once a year (41.1 % in 2005). Apart from corporate donations (Corporate Giving), around one out of four medium-sized enterprises gets involved in Corporate Citizenship (26.0 % in 2005). Corporate Citizenship is thereby defined as voluntary contributions to society, in which members of the enterprises get personally involved in societal projects by introducing time, skills and manpower. While Corporate Citizenship gained popularity among SMEs within the observed time period, the number of enterprises only involved in Corporate Giving declined constantly. The willingness of the enterprises to participate personally is growing. Thereby especially smaller enterprises tend to use all kinds of their resources, especially their knowledge and manpower (Table 1):

Table 1: Percentage share of German medium-sized enterprises^a involved in Corporate Citizenship and Corporate Giving in the years 2001, 2003 und 2005

Involvement:	Percentage of SME (in %):			Percentage shift (in %):		
	2001 ^b	2003 ^c	2005 ^d	2001 ^b	2003 ^c	2005 ^d
Corporate Citizenship	22.6	22.8	26.0	+0.2	+3.2	+3.4
Corporate Giving only	18.5	16.5	15.1	-2.0	-1.4	-3.4
No societal involvement	58.9	60.7	58.9	+1.8	-1.8	-0.0
SME altogether	100.0	100.0	100.0			

a Only ownerlead SME with an annual turnover of at least 250.000 Euro (retail: 500.000 Euro; wholesale: 1 Mio. Euro) to max. 100 Mio Euro

b Number of observations: 604

c Number of observations: 759

d Number of observations: 637

Source: Maaß/Backes-Gellner (2006).

Taking the business related fields of CSR (apart from Corporate Citizenship) into account, statistically valid data are not available to fully estimate the spreading of these business activities among SMEs in Germany. But at least several aspects had been subject matter to empirical studies. A survey carried out by the Institute for Employment Research (IAB) concludes that the share of enterprises with own voluntary measures to promote and improve equal opportunities between female and male employees rises with the size of the firm (Table 2):



Table 2: Percentage share of German SMEs^a that undertake voluntary measures to promote and improve equal opportunities between male and female employees in 2004

	SMEs with...		
	11 to 50	51 to 100	101 to 499
Enterprises actively promoting equal opportunities	5.8	7.8	8.7

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a According to the German definition of SMEs this study covered enterprises up to 499 employees.

Source: Allmendinger/Kohaut/Möller (2006, p. 66).

The Cologne Institute for Economic Research (IW Köln) will publish in 2007 a report on work-life balance policies in companies, differentiating between SMEs and large enterprises. Flexible working-time arrangements, care of family members, parental leave and family assistance are issues regarded in that report.

Fields of involvement / Target group of SMEs' CSR activities

As pointed out before, CSR is not just confined to external stakeholders such as the local community, but also targeted to internal stakeholders such as their employees. Regarding Corporate Citizenship (the external dimension of CSR) enterprises mostly consider social issues. Less importance is given to environmental issues (Maaß/Clemens 2002, p. 48). This is due to the fact that especially environmental issues are subject to relatively high legal standards in Germany, which leaves rather limited freedom for own voluntary activities and makes other fields of CSR more attractive. Looking at the internal dimension of CSR, statistically consolidated findings cannot be provided. First impressions, gathered on the basis of an ongoing research process on 145 good practice cases, suggest that SMEs focus rather on their workplace than on their business partners when it comes to planning and implementing a CSR strategy.⁶³ Since these findings do not represent the SMEs at the whole, they can only give a first idea of the preferences of the SMEs regarded. Further investigation on this subject is needed.

Business strategy

CSR and profit growth are not conflicting goals. On the contrary: SMEs in Germany mostly regard CSR as a business strategy to improve their market performance. Thereby, a sense of moral responsibility not only on the part of the management but also on the employees is a major driver of such an involvement. Often it is the customers who demand a responsible business strategy. In general, patterns of CSR reflect patterns of corporate interests. Enterprises profit from responsible business practices in the supply chain management and marketing by customer satisfaction (Habisch 2003, p. 54). CSR is a market strategy to improve the external and also internal stakeholder relations and thereby differentiating from competitors. Corporate Citizenship is thereby regarded as a strategic tool to enhance a company's reputation and public image, good corporate governance in a sense of CSR creating a profitable and sustainable future for the business. Corporate citizenship is not seen as an optional attachment to business core activities, but as a part of the philosophy and the business approach of the involved enterprises.

Communicating and reporting CSR

Especially when it comes to an involvement in the local community (Corporate Citizenship), SMEs opt to communicate their activities. It appears more than rational that enterprises want to be rewarded for doing good to society by gaining public attention. Especially smaller enterprises thereby use their informal communication channels to spread information on their CC/CSR-activities. A systematic information policy is much more often observed upon medium-sized and

⁶³ Reseach undertaken by IfM Bonn, results not yet published.

large enterprises. Larger enterprises tend to have more often the financial abilities to combine CSR with external communication strategies in order to influence public opinion, to enhance the image of the enterprise and, thereby, improve its external relations. But since small enterprises usually operate in local markets, they do not depend on formal communication to be recognised. For the same reason a professional reporting on the CSR policies is rarely observed among SMEs (Maaß/Clemens 2002, p. 107). Also some SME do not intend to make their CSR involvement public: The leaders of these firms often believe that communicating CSR ruins their credibility by obviously seeking positive image effects. Others choose not to make their CSR activities public simply because they try to avoid being run over by requests to subscribe money by NGOs. When it comes to CSR initiatives within the marketplace or the workplace, stakeholders can be addressed directly.

3.2 Fostering and Hindering Factors for SMEs to Engage in CSR activities

Conducive conditions

The terms for CSR in Germany are favourable: Most of the German citizens welcome initiatives from the business sector undertaken to support and stabilise society. That makes CSR a profitable strategy not only for big enterprises but also for SMEs. And since the public sector is in many fields not any more equipped with the necessary capital to fulfil additional functions, opportunities for private initiatives are becoming multitudinous.

There is a growing number of private business consultants offering services in the fields of CSR, such as Vis-à-vis⁶⁴ in Cologne. But for most SMEs these services are unaffordable. They depend on cost-free information available on the internet, provided by the above mentioned governmental and semi-public organisations. Public advisory boards on CSR issues hardly exist in Germany. But contrary to common beliefs a lack of competence of how to manage a CSR initiative seems not to be the major barrier for SMEs to get involved. New research on CSR undertaken by IfM Bonn indicates that most of the SMEs develop their policies out of their broad firm strategy (Maaß 2006, p. 103). This allows them to respond spontaneously to societal changes and requirements. Such quick actions are often misinterpreted as a more philanthropic and less business-oriented approach of these enterprises to CSR. As the findings for German SMEs suggest, this is not the case. CSR activities of SMEs generally are related to their business strategy. CSR in general and Corporate Citizenship in particular is in most cases not seen as an optional attachment to business core activities or philanthropy, but as an important part of the management philosophy and the business strategy of the involved enterprises. These findings lead to the conclusion that not only large enterprises but also SMEs develop their CC policies out of their broad firm strategy. If specific knowledge is needed, many SMEs co-operate with partners such as NGOs to put a CSR initiative into practice. Also when critical contacts to the target groups are missing, enterprises tend to work together with social partners. The research proves that Social Capital is the major precondition to get involved in CSR related to external stakeholder groups.

Hindering conditions

Just as Social Capital is identified as a crucial precondition, the lack of Social Capital can be considered as a major barrier for firms to get involved in CSR. Organisations and institutions of civil society play an important role not only in promoting CSR, but also to enable SMEs to get active in this field. Still not all semi-public organisations welcome SMEs as partners. Too often enterprises are considered to be competitors. The CSR awareness of such organisations must respond to the expectations of the firms. Hindering conditions also lie in legal regulations. To enable and activate SMEs to become responsible enterprises and even corporate citizens a cutback of regulations is required.

⁶⁴ <http://www.visavis-agentur.de>



3.3 Impact of SMEs' CSR activities

Since the CSR activities of companies are not systematically covered by public statistics, the impact of these policies cannot be amounted. Estimations only give a first impression on the CSR scenario. The IfM Bonn made an appraisal on the costs SMEs for voluntary community investments. According to this study, SMEs with less than 99 employees spend on average 0.11 to 0.12 % of their annual turnover on sponsoring, donations and Corporate Citizenship.⁶⁵ Larger enterprises only come up with 0.05 to 0.07 percent of their turnover. According to their achievement potential, SMEs are willing to invest more than large enterprises in their societal relations. Information on other CSR issues had not yet been estimated. This is why the total values created through CSR still remain unexamined.

Far more important than a precise assessment of the costs and values is the strategic impact of CSR. New research of IfM Bonn was able to prove for Germany that not only large enterprises but also SMEs practice CSR on a strategic basis. The results of a representative study on German SMEs give insight into the business performance of these enterprises, and thereby also reflecting their community involvement.⁶⁶ The findings suggest that also SME exploit the opportunities provided by CSR. The study shows that these activities actively support a business strategy focussed on innovation, integration and co-operation. The analysis confirms that CSR in most of the cases opens the enterprises new opportunities for improving their business performance.

3.4 Good Practice Company Case Studies

The following collection of case studies gives insight into CSR business practices in all areas and towards all the main stakeholder groups.

Table 3: Overview over the German good practice cases

German Case Studies:	Pillars of sustainable development:
1: Die Möbelmacher GmbH	Workplace, Community, Environment, Marketplace
2: PARAVAN GmbH	Workplace, Community
3: LR Gebäudereinigung GmbH	Workplace, Community, Environment
4: Bad & Heizung Kreuz GmbH	Workplace, Community, Environment
5: Leo – Der Bäcker & Konditor e.V.	Workplace, Community

⁶⁵ Maaß/Clemens 2002, p. 113.

⁶⁶ New data deriving from a survey carried out by the Institute for SME research in Bonn (IfM Bonn) provide a detailed picture on the management priorities of SMEs in Germany, including Corporate Citizenship practices. This survey covered a statistically representative sample of 1,150 SMEs with an annual turnover of at least 100.000 Euro. This database is used in the estimation of a logistic regression model explaining the entry propensities into Corporate Citizenship. The results indicate that patterns of CC-involvement in general reflect the patterns of corporate interests. In essence, the findings show a clear link between the CC-approach and the personnel management strategy of the enterprises: CC-active SMEs invest significantly more often than others in employee development. The knowledge transfer and the learning experiences (e.g. social skills) gained by CC-involvements support this human-capital-oriented policy. Also employee participation is practiced in these SMEs significantly more often than in other enterprises not committed to CC. This business practice corresponds to a policy of an active social integration of the firms into the local community. Furthermore the findings indicate, that a commitment to sustainable production methods is especially observed among CC-active SMEs. This shows that CC is often integrated into a broader CSR-strategy. The research also considered business owners' network relations and inter-firm co-operations. The results suggest that the access to such forms of co-operations is a significant variable in predicting the firms' participation in Corporate Citizenship. This proves the decisive role of social capital for the development of CC-initiatives (Maaß 2006).



3.4.1 Case Study 1: Die Möbelmacher GmbH

General information on the company

Die Möbelmacher GmbH⁶⁷ was founded in 1988 by Herwig Danzer and Gunther Münzenberg. The company is located in Kirchensittenbach, a small town of approximately 2,000 inhabitants in Franconia, a region in the German Federal State of Bavaria. The firm Die Möbelmacher (The Furniture-makers) produces interior facilities for private homes and is thereby specialised on kitchen furnishings. With its 13 employees working on a full-time schedule the enterprise can be considered to be of small size. Mr. Danzer is responsible for the procurement management and for sales promotion, whereas Mr. Münzenberg co-ordinates the production and administration.

Table 4: Data on Die Möbelmacher GmbH

Legal status:	Private limited company (GmbH)
Turnover:	1,100,000 Euro (2005)
Workforce:	13 full time, 3 part time, 4 trainees (2006)

In 1997, Die Möbelmacher moved into a newly constructed building located at the verge of the hometown. Built largely out of natural materials, the new building reveals the firms commitment to green production and environmentally kind products. The building combines the workshop, the office and the selling floor under one roof. The show room is wired up as a fully furnished residential house, providing the customers an overview over the range of the firms' products. The owners and managers developed further strategies to make the business concept accessible to its customers: One strategy is to arrange cost free cookery courses for the customers in the show room. By doing so, the customers get an impression of the firms' kitchen concepts, which are mostly developed and patented by the firm. By attending these courses, the customers additionally learn about health-conscious diets. In order to reach a vast audience of (potential) customers, such cooking shows are broadcasted on a local television programme. As a result of these innovative sales strategies and constant investments into new techniques and own research on new products, Die Möbelmacher achieved significant increases in turnover over the past years.

Motivations to carry out CSR and origin of the specific activity

The firm operates in a highly competitive market dominated by large companies. This is why the company recognises its market opportunity in product differentiation. Responding to customer needs, manufacturing a wide range of high quality products and following sustainable production methods are the main factors that provide this firm a particular market niche. Being committed to sustainable production methods and thereby providing its customers with environmentally sound goods is the main sales argument of Die Möbelmacher. CSR became thereby a fundamental part of the firm's business strategy.

Characteristics of the CSR practice in the company

Sustainable business practices require a responsible business strategy. The strategy of Die Möbelmacher is to integrate social and environmental concerns into the business concept of the firm. This affects in the first place the organisation of the production, including the component sourcing, the supply chain management, the control of the manufacturing methods of the suppliers and the enterprises' own production circles. To boost local production economies, Mr. Danzer started a regional initiative to get other local manufacturers also involved into sustainable production methods. The company selects its suppliers through their commitment to local production systems. The firm manufactures only locally grown materials. To assure regional economic circuits the enterprise initiated and participates in various co-operations with other

⁶⁷ <http://www.die-moebelmacher.de>



firms, the local forest management and even universities. Sustainability determines the complete supply chain management. As a result, once a year regional producers come together for a 'Day of the Region' ("Tag der Regionen") to exchange experiences and inform others about their own sustainable business approach.

The firms' environmental marketing concept is based on self-evaluation of the own production circle beginning from customer needs, through own development, design, manufacturing and even recycling. Die Möbelmacher chose technologies that reduce pollution to a minimum. In order to control these processes, the firm applies a total quality management system (EFQM - European Foundation for Quality Management). External quality audits undertaken by independent bodies and the customers themselves assure a total quality policy.

The company's commitment to sustainability is also reflected in the firms' personnel strategy. Encouraging individual responsibility is a key component of the business strategy of the firm. The owners and managers let their staff participate in the decision-making processes. Performance appraisal talks are being held regularly with the employees, and an employee suggestion system has been installed, that includes staff attitude surveys undertaken by external consultants. Transparency and mutual responsibility is combined with a participatory management style. The management of Die Möbelmacher constantly invests in personal and personnel development, sending the staff to external courses and providing internal education programmes. This pays off in many ways: the firm is recognised as an attractive workplace for highly skilled employees. CSR helps the firm to attract high potentials.

And, last but not least, the special sensitivity of the firm for its societal environment is another motivation for various voluntary initiatives for the benefit of the local community. The company sponsors e.g. local cultural events. Mr. Danzer also supports personally the Slow-City-Initiative of Hersbruck, the first town outside of Italy adapting this concept. Furthermore Mr. Danzer gives speeches on sustainable production methods and QMS to convince other business leaders of the benefits of CSR.

Mr. Danzer and Mr. Münzenberg are aware that their investments into sustainable business practices need to be recognised by the public in general and the consumers in particular in order to be rewarded. This is why they have started to publish information on their CSR performance. Along with press releases the firm provides a 'Triple bottom line' report on its economic, social and environmental business practice.

Impact of the CSR activities

After a difficult economic period in the two years after the turn of the century, Die Möbelmacher managed successfully the turn around by innovating and re-shaping their goods and services. The new strategic alignment was orientated entirely on sustainability and value-oriented leadership. Excellence in quality and investments into new technology had been the motor of the successful positioning in the market. Growing customer satisfaction and growing sales and profits proof this new success of Die Möbelmacher. The firm managed to keep its employees and expand its markets, which lead to a constantly growing turnover ever since. CSR became a major quality factor and provided new market opportunities to the firm, explained Mr. Danzer.

The firms' own CSR approach has significantly contributed to the business success that had been achieved since the implementation of this strategy. Between 2002 and 2005 both the turnover and the profits after tax had been raised significantly. This firm approach has proven feasible in many ways: The idea of bringing suppliers and even customers together for a 'day of the region' has now become a nationwide project, undertaken by a great variety of different firms from many sectors. Die Möbelmacher won various sustainability awards. The firm even got appointed as an official accredit of the Bavarian state government on ecological affairs. According to Mr. Danzer, these awards contributed significantly spreading the firms' philosophy of supporting regional economic circuits.



Future issues

One project of the firm for the nearby future is to develop concepts for allergy-friendly furniture. This project will be financed by the LEADER+ Programme of the European Commission. Furthermore, Die Möbelmacher plans to convert its vehicle fleet from gasoline to bio-diesel and even to sun-diesel (made out of ecological waste) in the more distant future.

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3.4.2 Case Study 2: PARAVAN GmbH**General information on the company**

PARAVAN GmbH⁶⁸ is a family owned enterprise founded in 1989 by Roland Arnold. The firm is specialised in the field of disabled vehicle technology, manufacturing innovative digital steering and control elements for handicapped vehicles of all types. Customers can let their cars or vans be converted into handicap-suitable vehicles by PARAVAN. Located in the Swabian Alb, a rural area known for its beautiful landscapes in the German federal state of Baden-Württemberg, the firm counts a total number of 60 staff members. Most employees (55) work at the head office in Pfronstetten, and others (4 employees) in the second sales office located in the city of Heidelberg.

Table 5: Data on PARAVAN GmbH

Legal status:	Private limited company (GmbH)
Turnover:	8,000,000 Euro (2005)
Workforce:	60 full time, 13 part time, 11 trainees (2006)

The company is the market leader in its industry in Europe. PARAVAN achieved this position by constantly investing into own R&D, into further education of the staff and into their customer relations. The company has developed and patented most of its products. Other products are being manufactured under the licence of other firms from all over the world. For acquiring necessary medical know-how the firm joined a co-operation with the University of Tübingen. PARAVAN also relies on good ties and the exchange of information with its target group in order to attain its innovation goals and to produce goods geared to market requirements. Great efforts are made to achieve proximity to the customers. The aim of the company is to learn more about the individual needs of the customers. They can visit a permanent exhibition of various vehicle and handicap aids. The clients also have access to the workshop: They are allowed to attend the working processes to follow every step required to complete the production of the vehicle. This open-firm policy does not only allow clients to gain information on the company and its performance; it also facilitates the reciprocal exchange of information between both market partners: the firm and its clients. Furthermore, the firm provides driving assessments and driving safety training lessons free of charge. And the firm has disposed a restaurant area with a large bar, a sun terrace and a conference room with access to the Internet. Both clients and employees have access to this area, providing opportunities for informal meetings.

⁶⁸ <http://www.paravan.de>



Motivations to carry out CSR and origin of the specific activity

PARAVAN practises a responsible business strategy focussing on good relations to its customers, its employees and its neighbours in civil society. Due to its societal commitment, PARAVAN recruited and employed 5 disabled persons. The production of individual and high quality products requires from the work force a personal identification with the company and a conscious feeling of responsibility for the society. The pillars of the firm's success are absolute loyalty to customers, friendliness, courteousness and fairness in their business activities. This is reflected in the CSR strategy of the firm. The firm's philosophy had been put down on a guidance paper appointing principles for mutual behaviour within the firm and towards its external stakeholders. PARAVAN treats its employees as internal customers whose needs have to be satisfied. The company's ideal based on fairness and responsibility is not only clearly formulated in the business philosophy, but also a reality practiced on a daily basis: providing weekly information for the employees and investing in training and workshops prove this policy. Also business responsibilities are transferred to the production teams. This policy of participation is based on a holistic CSR approach.

Characteristics of the CSR practice in the company

A first pillar of the CSR-strategy of PARAVAN is a customer oriented policy that is focused on transparency and fairness. The introduction of a quality management system according to applicable standards was an important step for PARAVAN to strengthen the relations to its customers and to grow in the market niche. PARAVAN can provide TÜV certificates conducted in accordance with the latest EEC guidelines for all technical aspects of their products. Reliability, quality and safety are the primary concerns of the firm's management. All car conversions of PARAVAN are TÜV-certified according to DIN EN ISO 9001:2000 with regard to the following aspects: development, production and assembly of specialty vehicle conversions, painting of vehicle parts.

What the civil society is concerned, the firm proves its commitment through sponsoring various associations for handicapped persons and self-aid groups.⁶⁹ Furthermore, the firm is working together with a local radio station (Radio-4-Handicap) for the disabled. In addition, PARAVAN provides schools with training material on disabilities. And the firm invests in its community relations: Recently, the firm donated money for renewing a playground in a nearby community. PARAVAN also supported the local advanced technical college with necessary equipment. But the societal involvement of the firm is not confined on material aids or financial contributions. Mr. Arnold himself together with employees are dedicating parts of their working time to social causes. Mr. Arnold is honorary president of the handicapped association mentioned above. Together with his engineering manager, Mr. Giesler, he supports an awareness campaign financed by the European Commission, giving advice on how to further the mobility of disabled persons.

One initiative of PARAVAN shall be pointed out to underline the firm's special CSR efforts on its employee relations: Since public day nurseries are rare in the rural area where PARAVAN is located, and most of the employees have to travel longer distances to reach their workplace, PARAVAN has founded an own "children's lounge" on the site of the company. While spending time in this lounge, the children are being supervised by their parents and other employees. The lounge had been initiated and run by the wife of the founder. Integrating work and private life is also supported by a liberal working time regulation. "We are just like a large family", explains Mr. Arnold. He further underlines that "the basis of our relationship is trust". Working together with children strengthens the social skills of the workers and encourages them to responsible behaviour.

⁶⁹ PARAVAN provides financial aid and material donations to the a development association for handicapped persons (Förderverein "Kunsterbunt" e.V., "Behinderten-Ratgeber" e.V.)



Impact of the CSR activities

By implementing a CSR strategy PARAVAN successfully achieved lasting effects on their corporate relations. Promoting a good work/life balance and improving working conditions lead to a better staff morale. Highly motivated staff is considered to be a crucial asset in a business depended on the skills and the creativity of the employees. Also the social dialogue lead to a higher reputation of the firm in the region, effecting stakeholder relations in general and raising awareness among potential customers.

PARAVAN successfully integrated innovative market development strategies, responsible leadership, corporate culture and commitment to society. The decisive factors for success include the companies' corporate culture and leadership. As a result the employees devote their efforts to their own personal and the company's success. The company is in excellent economic condition. PARAVAN is a growing firm expending its work force and increasing its profits and exports. Whereas the main part of the customers are recruited on the domestic market, already every third car is now exported to a total of 22 countries.

The business strategy of the firm and the CSR policy were honoured by numerous awards. PARAVAN won The Skilled Crafts Award 2005 originated from the Carl Bertelsmann Award 2003, whose objective was to find answers to the most urgent socio-political challenges: securing the present and future of companies faced with difficult socio-political and economic circumstances. The prize was endowed with EUR 25,000. Furthermore, PARAVAN GmbH was honoured as a finalist at the "Entrepreneur of the Year" award ceremony in 2005. PARAVAN was awarded the RehaCare 2005 International award for its innovative products.

Future issues

PARAVAN plan to invest into new employees, enlarging the production facilities and new products and services. The firm will continue to invest in CSR to strengthen its employee relations. Furthermore PARAVAN undertakes efforts to reduce its impacts on the natural environment. Within a short time the company will put a new heating system run with biogas into operation.

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3.4.3 Case Study 3: LR Gebäudereinigung

General information on the company

LR Gebäudereinigung⁷⁰ is based in Barnstorf (Federal State of Lower Saxony), a small town of approximately 6,000 inhabitants in the hinterland of the city of Bremen. Edifical-cleaning is the main emphasis of business activities of this owner-led firm. The company is an employer of 98 staff members on a full time basis, 156 employees on a part time basis and another 306 exclusively marginal employed jobholders. Since the number of full-time employees is relevant for classifying enterprises, LR Gebäudereinigung can be regarded as of medium size. The high number of part-timers is typical for this business, since low job requirements attract in the first place applicants seeking for irregular work contracts.

⁷⁰ <http://www.lr-gebaeudereinigung.de>



Table 6: Data on LR Gebäudereinigung GmbH

Legal status:	Private limited company (GmbH)
Turnover:	4,500,000 Euro (2005)
Workforce:	98 full time, 156 part time, 7 trainees (2006)

LR Gebäudereinigung is operating in a highly competitive market. This situation influences the operation of this firm, its decision-making and market policy. The company attributes its profits not only to its compatible prices, but to a greater extent to the quality product it produces. The current success, gaining market share and improving the bottom line, owes the firm to a re-organisation undertaken in 2002. The main objective of this change process was to improve the firm's customer relations. This included the implementation of computer-aided resource planning tools and the use of quality management systems DIN ISO EN 9001:2000. In 2004, the firm was certified to this standard. The certified QMS reduced liability risks and insurance cost significantly. Another aim of the re-organisation process was to invest in the skills of the personnel and in marketing tools. The firm also invested in new employees to support the sales promotion strategy. Another success factor was the restructuring the firm's organisation into profit centres. Holding the revenues and expenses separate stimulated responsible behaviour among the working force and the units significantly, which at the long run led to an improvement in the business performance of the firm as a whole. To improve its services, LR Gebäudereinigung initiated a research project with the Technical University of Clausthal-Zellerfeld to create new solutions and information systems.

Motivations to carry out CSR and origin of the specific activity

Responsible business behaviour is a key concern of LR Gebäudereinigung. "Our market success depends highly on accountability and integrity", explains Mr. Hinsenhofen, the principal of the firm. "Clients need to trust their cleaning personnel when leaving them in their office after work. This is why learning how to build up trust becomes a key issues for our market success". Since good and trustful customer relations are considered of high importance, LR Gebäudereinigung follows an overall sustainable business strategy and integrates CSR into its personnel policy.

Characteristics of the CSR practice in the company

LR Gebäudereinigung follows an integrated CSR approach focussing both on its internal and external stakeholders. The firm's commitment to responsible business led to several initiatives aimed on workplace issues. For its foreign employees LR Gebäudereinigung provides cost-free German classes to improve their language skills. The firm also promotes a good work-life balance through flexible working hours. Another initiative might be considered to be especially remarkable, since it aims both on stimulating creativity and improving responsible behaviour. This initiative is a workshop held annually for trainees on environmental issues. The trainees can create an own concept for environmental protection in the context of their workplace. Through this measure the young employees develop creativity and get inspired to improve and ensure their responsible behaviour at work. Good ideas had been considered by the management and became standards of the firm's environmental policy.

Besides encouraging the workforce to get involved in environmental issues, the broad firm strategy is committed to sustainability. The DIN ISO 14001 certification was obtained to improve its environmental performance. In addition, LR Gebäudereinigung complies with the standard "Öko Clean 100" and thereby follows the given principles of environmentally sound cleaning processes. For additional know-how and information transfers with other enterprises of the same branch the company became member of a German initiative for environmental



management concerns "B.A.U.M." (abbreviation for "Bundesdeutscher Arbeitskreis für Umweltbewusstes Management").⁷¹

LR Gebäudereinigung goes with its CSR strategy beyond workplace and environmental issues: the firm undertakes various activities to support the society as a whole. The company encourages its staff members to get involved in honorary activities for the benefit of the local community, temporarily releasing employees from work to fulfil such tasks. Also the owner himself, Mr. Hinsenhofen, dedicates parts of his work time to societal causes, e.g. by participating in the local business forum ("Unternehmensforum Barnstorf"). One project, launched by Mr. Hinsenhofen and accomplished by him and part of the working staff, deserves special attention: a charity performance in Sri Lanka to help the local population building up their homes after the devastations of the tsunami in 2004. Mr. Hinsenhofen together with some of his employees volunteered in social projects in Sri Lanka, helping the local people rebuilding their homes. Through this initiative, a total number of 6 nursery schools were rebuilt, providing approx. 80 children a new place to stay and learn. For each school two nurses were employed. Their salaries and specific training programmes had been financed by LR Gebäudereinigung. With the financial support of this enterprise a vocational training centre was built, providing unemployed young women and men new future perspectives. Furthermore, LR Gebäudereinigung donated money for a total number of 600 collecting tanks for fresh water (1,000 litre each) to better the hygienic situation for those people directly affected by the tsunami.

Impact of the CSR activities

With its various involvement in favour of the society LR Gebäudereinigung managed to improve customer loyalty. "A good reputation is always the best argument for sales", explains Mr. Hinsenhofen. This led to direct benefits through increased sales and a stronger company image. The owner also observes an enhanced motivation of the employees. Volunteering programmes lead to a better understanding among the staff members and higher loyalty to the firm. Staff participation also brought up innovative ideas and stimulated creativity. The firm also raised awareness on environmental issues among the employees through its policy.

Future issues

Mr. Hinsenhofen is inclined to continue his sustainable firm policy integrating CSR even further into the broad firm strategy. In 2007, the company plans to participate in the „Easy Credit Programme“ providing the first 100 small consumer loans for women to found their own new business in those regions of Sri Lanka that had been hit by the tsunami in 2004. Mr. Hinsenhofen also plans new initiatives to further the personal responsibility of his employees. To improve the business performance in general, he plans to implement the Balanced Score Card and a continuous improvement process (CIP)⁷² according to ISO 9001.

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⁷¹ http://www.baumev.de/baumev/home/baum_portraits/BAUM_Portrait_en.pdf

⁷² Witt/Witt 2006.



3.4.4 Case Study 4: Bad & Heizung Kreuz GmbH

General information on the company

Bad & Heizung Kreuz GmbH⁷³ is with its total number of 14 employees the smallest enterprise in this collection of German CSR Good Practice cases. The firm, founded by Joachim Kreuz in 1987, is situated in Schallstadt, a small town in the outskirts of the city of Freiburg (Federal State of Baden-Württemberg) near the border to France and Switzerland. The management strategy of Bad & Heizung Kreuz focuses on three business fields: selling and installing sanitary facilities, radiators and power installations run by solar or geological heat and routine maintenance of technical devices.

Table 7: Data on Bad & Heizung Kreuz GmbH

Legal status:	Private limited company (GmbH)
Turnover:	1,982,000 Euro (2005)
Workforce:	11 full time, 3 part time, 6 trainees (2006)

Bad & Heizung Kreuz carved itself a successful business niche. In order to achieve its market position, the firm enlarged its customer base and improved its marketing performance successfully by joining a co-operation with other firms of the same branch located in various regions in Germany. The co-operation partners founded an own business, the Bad & Heizung concept AG, that functions like an umbrella organisation while the members stay legally independent. The main function of this conjoint business is to provide services and achieve synergies by pooling resources. Through this “win-win-partnership” a marketing concept was developed which facilitated geographical expansion and enabled the company to attract also international customers to survive in the market niche. Bad & Heizung Kreuz furthermore has joined a co-operation with local research institutes⁷⁴. In succession of this co-operation, Bad & Heizung Kreuz professionalised its business processes and improved its innovation skills. This alliance enabled the company to systemise its operational sequences through ISO 9001 certification. Also a new central-heating boiler was developed conjointly with the co-operation partners.

Motivations to carry out CSR and origin of the specific activity

“Environmental protection and business success can be mutually achieved, but it demands courage and the will for self-limitation” explains Mr. Kreuz. His company only offers products that are kind to the environment (e.g. no oil heating-systems). Bad & Heizung Kreuz follows a holistic approach to CSR. The company embraces the full range of CSR fields all at once, reflecting the goal of sustainability in the areas marketplace, workplace, community and environment. Consequently the company integrated CSR into the overall business strategy. Bad & Heizung Kreuz proofs with its CSR performance that even small firms are capable to provide the resources needed for such a triple bottom line approach. The core aim of the firm is to find business solutions to support its goal to providing environmentally sound products. This effects the organisation of the entire production chain, the innovation processes and the policies of employee education of the company. Also awareness raising in the local community and among customers is considered to be a part of this CSR policy.

⁷³ <http://www.kreuz-gmbh.de>

⁷⁴ University of Cooperative Education Stuttgart [Berufsakademie Stuttgart], Steinbeis-Transfer-Zentrum Gewerbeakademie Offenburg.



Characteristics of the CSR practice in the company

Sustainability is a key issue of the CSR strategy of Bad & Heizung Kreuz. The entire value creation process of the firm is oriented on the responsible use of natural resources and environmental protection, including the choice of the production methods, the suppliers, the own research and development efforts, distribution and recycling policies. The holistic approach of the company to CSR is geared on its market relations, on the internal relations to its workforce as well as to its societal stakeholder relations. A management system was developed to shape the company's environmental policy, to organise and control environmentally sound production processes. Environmentally sound production includes fuelling the firm's own vehicles with biodiesel, heating the workshop and the office with solar energy, using solar energy and rejecting technologies that cause environmental pollution. Bad & Heizung Kreuz also came up with better services: among them Bad & Heizung Kreuz provides a data information system that allows the firm to login life via internet into the central-heating room of its clients to handle technical problems efficiently and promptly. The firm also stores information on the clients and the purchased products by taking digital pictures of the installations. This allows the company to recall information promptly in case of technical faults.

Apart from marketplace issues Bad & Heizung Kreuz is active in various ways to support its local community. The company sponsors the local soccer club, which is a more marketing driven activity. But Bad & Heizung Kreuz goes beyond that: Mr. Kreuz is actively involved in the local centre for environmental issues, a private foundation, and gives speeches on various occasions to inform the public on regenerative energy sources and techniques. Mr. Kreuz also takes part in a planning commission to develop educational standards in the local academy of commerce. In addition to his own activities, Mr. Kreuz actively supports his employees in their honorary involvement for the local community.

The third pillar of the CSR strategy of Bad & Heizung Kreuz is a responsible personnel strategy. "Supporting self-confidence and employee participation are key components of our business success", says Mr. Kreuz, reflecting his business strategy. Innovation and creativity requires a good climate among employees. To ensure this, the enterprise undertakes various activities: Constant communication with the employees, an efficient system of knowledge-management, teamwork, delegation of responsibility and supporting life-long learning are measures characterising the personnel policy of the company. Bad & Heizung Kreuz furthermore provides employee benefits by additional contributions to retirement pensions and capital-forming payments.

One initiative can be pointed out to make the holistic CSR approach to CSR of Bad & Heizung Kreuz especially apparent: The enterprise invites young applicants with learning problems to participate in the firm's trainee programme. The aim of the firm is to actively support slow learning youngsters to develop their studying abilities and to build up job skills. Initiated by the aid organisation Caritas, the company successfully accompanied a total of 6 trainees to become a plumber. Since three of the trainees come from immigrant families, this CSR programme can be considered a part of the diversity policy of the firm. Two of the trainees later on found a job in the company.

Impact of the CSR activities

Being asked about the business benefits of the CSR involvement, Mr. Kreuz mentioned in the first place the positive effects on the employees and their willingness to constantly invest in their human capital. The company has a long-term interest in fostering the staff to improve their skills. This way the firm is able to innovate and expand into new markets and products. At the end, this helped to increase the profitability of the company significantly. CSR also led to a better employee morale and also improved customer loyalty.

Bad & Heizung Kreuz was awarded for its environmental performance several times: In 2002, the company received the Heribert-Sp ath-prize. With this mention the German Confederation of Chambers of Skilled Crafts [Zentralverbandes des Deutschen Handwerks] awarded the com-



pany for its exceptional effort in educating their trainees and thereby achieving extra qualifications in environmental techniques. The trainees passed their examinations with grades higher than average. Furthermore, the company won in the year 2000 the environmental award, offered by the department of the environment of the Federal State of Baden-Wuerttemberg (Umweltpreis) due to its efforts for regenerative energies and the environment firm philosophy. In addition, the company won in 2000 the EUROSOLAR solar-energy award [EUROSOLAR, the European Association for Renewable Energies].

Future issues

Mr. Kreuz will continue his CSR policy in the future. He additionally plans to go to schools giving speeches to raise awareness on environmental issues upon children. To improve the business processes he plans to establish an internet-based tool to supervise construction projects from the office.

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3.4.5 Case Study 5: LEO – Der Bäcker & Konditor e.K.

General information on the company

LEO – Der Bäcker & Konditor e.K.⁷⁵ started as a family bakery in 1977 and became a medium sized enterprise producing pastries and selling them to hotels, hospitals and directly to consumers in firm owned shops. The company is located in the city of Aachen (Federal State of North Rhine-Westphalia) nearby the Belgian and Dutch border. The firm which is owned and run by the founder and his family has been rapidly growing in the past. The number of employees from LEO amounted to 210 in present days.

Table 8: Data on LEO – Der Bäcker & Konditor e.K.

Legal status:	Private limited company (GmbH)
Turnover:	ca. 20,000,000 Euro (2005)
Workforce:	180 full time, 18 part time, 12 trainees (2006)

LEO expended recently into the Netherlands opening a shop in the town of Maastricht (Dutch province of South-Limburg). Competitive pricing and high quality are the main selling arguments of the firm. By constantly improving the quality of the products, LEO achieved a solid market position and realised a growing market share in the past years. This is remarkable, since the company operates in a highly competitive market field. The company established self-service shops and invested into the computer skills of its employees lately. But the main success factors of the company were the development of innovative marketing strategies, the improvement of the business process by using new information technologies and the access to co-operations with partners from the Netherlands. Over the last years, the company has made considerable investments in educating their staff (approx. 100,000 Euro between 2003 and 2005).

⁷⁵ <http://www.leo-der-baecker.de>

Motivations to carry out CSR and origin of the specific activity

Stakeholder relations are considered to be of highest importance for the future success of the company. Since the company is operating on the local market, any societal involvement is related to people that are actual or potential stakeholders of the company. As much as societal problems affect the business of the firm, the company's support for the local community strengthens its stakeholder relations. This is why community involvement is LEO's prime mover to get involved in CSR.

Characteristics of the CSR practice in the company

LEO's commitment to CSR is characterised by voluntary involvement for the benefit of the local community. The company had supported several initiatives in the past years and still continues to societal causes: LEO for example provides pastries free of charge for people in need. The company donates money for the local blood donation service, the local sports club 'Neptun' and sponsors various cultural and societal events, among them the theatre 'DasDA'. But for LEO responsible entrepreneurship in the society is not only about in-kind donations: The company regards CSR as a community investment. One example illustrates this philosophy: the special efforts of the company to make the down town area of the city of Aachen more attractive for visitors, shoppers and the local population. The central business districts of large cities in Germany have to compete increasingly with new built shopping malls mostly located in the suburbs. A group of entrepreneurs with own businesses located in the city of Aachen formed an initiative to make the down town area for its citizen more attractive. Being convinced that communities cannot be developed from the top down, but rather by participation of its citizen, Mr. Schumacher, head of LEO company, joined this initiative. The initiative started as an informal group of individuals with the same interest. Their aim was to develop own ideas and speak in one voice when introducing these concepts to the public. The initiators transformed this interest group later on into a foundation called 'MAC – Markets and Initiative Group of Aachen' [Märkte und Aktionskreis Aachen]. The aim was to support the local authorities in their work on developing the city's potentials. The work of this foundation is not about lobbyism, even though a commercial interest is one important driver for the participants. The community involvement of this initiative follows a more grass roots democratic approach to community policies: participation from the bottom up is the main issue of this initiative. The entrepreneurs of this initiative are willing to introduce their competence, which is to develop concepts and to organise, into the policy making processes of the city's administration. MAC e.g. supported to city officials in their preparations for the FEI World Equestrian Games 2006.

Besides the community involvement, Mr. Schumacher holds honorary functions in various associations: He is member of the board of the local chamber of crafts and a consulting expert for the publicly supported capital investment bank of the federal state of North Rhine-Westphalia [Bürgerschaftsbank Nordrhein-Westfalen]. As the head of the company, Mr. Schumacher actively encourages the employees to charity in their community. Employees with the most creative concepts are allowed to get involved in social causes free of charge also during their work time.

Besides community concerns also workplace issues are key elements of the CSR business approach of the company. LEO had invested significantly to improving its working conditions and modernising the working environment. Promoting a good work-life balance through flexible working hours, supporting diversity among the workforce, caring for the health of the employees by offering in-house medical service are hallmarks of a good CSR practice of LEO. Employees are encouraged to make suggestions for improvements in the CSR-performance of the company. The firm also has a demographic policy: LEO actively supports its 80 employees who are 40 years and older. These efforts are considered to be one issue of the diversity policy of the firm.



Impact of the CSR activities

External and internal participation characterises the CSR approach of LEO – Der Bäcker & Konditor e.K. LEO is a good example of a company combining responsible workplace and marketplace practices at the local level. Local embeddedness is the main link between the business strategy and the CSR policy of the company. Together with its co-operation partners, the company developed concepts to improve the local site-related factors of the businesses. Networking with other business leaders had become a critical success factor of the company in the long run. Further initiatives already had been developed out of this first project. The network approach to CSR was a competitive advantage creating not only good contacts with city officials, but also improving its customer relations. The CSR policy also developed a positive impact on staff morale.

Future issues

Mr. Schumacher, the owner and manager of the company, plans to go on with his CSR policy. He recognises that the potential success factors of LEO lie in an offensive marketing strategy, successful innovation and personnel strategy and in its societal involvement. The scope for development is well demonstrated by the fact that the number of employees of this company is growing.

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4 Conclusions

The good practice cases presented before demonstrate a clear link between business benefits and benefits for society. They show that small and medium sized enterprises are able to develop strategies that allow them to match their larger counterparts in their professional CC-/CSR-strategy policies. This is often doubted since many SMEs carry out CSR-activities more on an ad hoc basis. The enterprises presented above do not follow a philanthropic approach but a business-oriented approach to CSR. New findings of IfM Bonn suggest that SMEs mostly understand well how to relate their CSR involvement into their business strategy.

Implementing CSR into the broad business strategy implies a commitment of the company to being a responsible business partner and taking part in a constant dialogue with the external and internal stakeholders. The dialogue with external stakeholders leads to a better understanding of the problems of the community in which the firm is operating. Information is crucial for companies that are willing to pro-actively respond to these problems and thereby to secure the basis for business making in the local area. Also an internal stakeholder dialogue seems to be of great concern when implementing a CSR strategy. Only if the employees go conform with the firm's CSR policy, the positive effects on human capital (e.g. social skills, know-how transfer) and social capital (e.g. mutual trust) can be achieved.

The findings lead to the conclusion, that CSR and profit growth are not conflicting goals for SMEs in Germany. On the contrary: Success factors at company level are manifold:

- Customer appreciation and loyalty, reputation, access to new customers.
- Employee loyalty, job satisfaction, employee motivation, attracting better skills workers.
- Higher product efficiency, increased sales, innovation.
- Stronger relations to other stakeholders, better mutual understanding among the workforce.

Also societal impacts shall be mentioned:

- Fair pricing, better products.
- Good working and learning conditions.
- Ethical production, renewable raw materials.
- Efficient und sustainable use of natural resources, less emissions.

The importance of the CSR topic in Germany will rise. Even during the work on this report, new publications on the subject of CSR were released and enterprises had been awarded for their good CSR performance. But there are also factors hindering the widespread of CSR business practices. The biggest barrier is the term `CSR` itself. One problem is to introduce the English term `CSR` into the habitual language use of German businessmen and businesswomen. A good translation has not yet been found. Terms like `participatory leadership` or `democratic leadership` would be easier to introduce. Also the reference to `responsibility` is often misunderstood. Can the firm policy of leaders who do not follow explicitly a CSR strategy automatically to be considered irresponsible? This of course isn't the case. CSR is about assuming responsibility in fields where they do not have to feel obliged to undertake actions. The term CSR is not self-explanatory. And since most of the entrepreneurs do not invest the time to fully reflect what is behind CSR, the key idea of CSR is often not understood. This is why the concept needs to be better introduced to the public. Presenting good practice cases is a first and important step. The publication `Responsible entrepreneurship – A collection of good practice cases among small and medium-sized enterprises across Europe (ISBN 92-894-5472-5), that was released by the European Commission, had a great response in Germany as far as requests to the IfM Bonn are concerned. But further initiatives and articles in business papers explaining the concept are necessary.



If a CSR-strategy is mainly geared on external stakeholders, the involvement depends in most of the cases on the political conditions in the local area. In the case of activities in the field of Corporate Citizenship (CC) the local administration has to leave room for private initiatives in the public field. These legal administrations have to adapt to the new firm role becoming a corporate citizen. Besides that, the acceptance among the German population for CSR is high. If private citizens – and among them enterprises – are given the chance to be more active on their own behalf in the local community, there will be a growing involvement in the future.

To further CSR initiatives among SMEs in Germany, intermediaries need to be contacted and included in the strategy. Business and public advisors should be informed about the business case as well as the social case of CSR. Also universities are information channel for raising the awareness on CSR issues among students. The chambers of commerce and sector-based organisations should be informed and tools to mainstream CSR should be provided.



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