CSR PROGRESS AT EU-27 AND NATIONAL LEVEL: A PROSPECTIVE DEMATEL-ANALYSIS

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ABSTRACT: *CSR might be considered as driver for multiple changes in the current transformative context. Recent initiatives at EU-27 level aim to improve the regulatory-legislative framework and speed up large-scale adoption of CSR practices for businesses, irrespective of their size, and in particular in the SME sector. The paper aims to identify the main issues facing businesses in adopting improved CSR practices by assessing from a holistic perspective CSR potential at EU-27 and national level on short-, and medium term in relation to climate change challenges while uncertainty and risks are increasing from economic, social and political perspective. A mixed-method approach attempting to emphasize the role of economic, social, environmental factors based on secondary data extracted from Eurobarometer and SME surveys was used for substantiating and attributing DEMATEL scores for main indicators triggering cause-effect relationships relevant for sustainable and resilient CSR.*

KEY WORDS: *CSR, dynamic business model, DEMATEL-methods, value creation.*

JEL CLASSIFICATIONS: *D81, M14, M19.*

1. INTRODUCTION: STATE-OF-PLAY

The EU is still a project and process in development. In it, continental-European institutional-frameworks are continuing to evolve with the time, while also being intertwined with the Anglo-Saxon frameworks, especially as it pertains to business and competitiveness, and how, when and to what extent businesses are also representative of wider economic, social and even cultural concerns. In this context, some differences and gaps might appear, that in final analysis need to be closed, for ensuring competitive advantage and, of course, sustainability and resilience. One such gap is with respect to corporate social responsibility at both institutional-legislative and practical level. This gap, as compared especially with other developed economies, in particular, the USA,

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requires approaches based on current knowledge in the field of CSR, but also innovative approaches in accordance with EU main targets and objectives.

A first step in this direction was the European Union Directive on Corporate Social Responsibility, which strengthened the framework for adoption and practicing CSR at the level of European businesses, irrespective of their size.

The main trigger for the Directive was the need of ensuring sustainability and resilience from community to national and EU level.

The road was rather complex, as CSR became a concept and type of business behavior considered by the EU-wide discourse, including member-states shortly before, but mostly in the 2000s.

However, since then, the concept has acquired a multitude of interpretations and from the initial three major ways it was interpreted and used for, respectively understanding the role of the businesses in society, regulating the businesses at their levels of accountability, and shifting it to the "code" by which this soft power is implemented rather voluntarily by businesses, without the involvement of public authorities, as the final third way (de Schutter, 2008).

This approach was rather minimal and lacking relevant institutional and legislative earmarks that involve public authorities at least the supports for businesses to develop their own policies, actions, strategies and mechanisms for improving positive impacts and avoiding negative impacts from down to top, respectively from community level to their ecosystems at national and EU-level.

The interest in this respect was proven by the Green Paper promoting CSR principles *Promoting a European Framework for Corporate Social Responsibility* (2001), followed by a communication from the Commission (2002) which attempted to suggest the need of extending CSR based on the concepts of *voluntary* and *beyond compliance.*

Both documents, and the subsequent Communication from 2011 emphasized that it intended to aim for the relevant economic, social and environmental overall EU objectives, intertwining them with the goals of competitiveness, improved risk management, cost savings, access to capital, and improving both relationships with customers and the innovation EU environment.

Hence, it became increasingly relevant for the EU's Treaty objectives of sustainable development and competitive social market, at a time when, post-crisis, several main issues became more relevant, as CSR operates in an environment with multiple stakeholders: government, businesses, communities, and societies overall, to mention but a few, while the concerns multiplied given to the leaps in technological progress.

Some of the main issues are related to digitalization and increasing AI intervention which, in turn pressure labor markets in terms of competences, skills and shortages thereof, to which were added the recent concerns and issues brought to the forefront by the Covid-19 pandemic and the outbreak of wars in the immediate proximity of the EU (Ukraine and in the Middle East).

The final step in attempting to make CSR a useful framework and tool for sustainability and resilience was taken with the adoption of the CSR Directive (CSRD) which became applicable as of 5 January 2023.

This development in the institutional-legal framework for CSR adjusted to the European economic and social models, aims to turn corporations/businesses based on their 'soft power' into active actors in steering stakeholders and society in the right direction as regards the achievement of the SDG goals. Therefore, a series of questions emerge, regarding CSR as it is still in its incipient stages at EU and member-states level: (i) how aware are businesses, and in particular SMEs about their soft power? (ii) how willing and interested are SMEs to make use of this power within the EU? (iii) what supports are needed from public authorities to incentivize and stimulate wide CSR adoption by European SMEs?

The directive is enforced at the time when premises are changing with respect to corporate governance dimensions, as over the past 50 years, following developments represent key milestones in corporate governance and CSR:

- *Shift from traditional to conventional*: includes board and management oversight, values and culture, strategies, policies, operations and relationships.
- *Transition from conventional to sustainable*: taking account specifically of managing both environmental and social risks and opportunities.
- *Evolving from regional to global*: businesses involved in improving public institutions, laws and systems at international, national/regional and community level.
- *Current evolution*: ESG (environmental, social and governance) as wide framework for assessing businesses performance on various sustainability and ethical issues.

Therefore, the current Directive is an EU-wide effort to consolidate CSR based on the initiatives and provisions contained in the Green Deal about sustainable corporate governance as part of several action plans and strategies in the fields of circular economy, biodiversity, food industry, chemicals and in the New Industrial Strategy of the EU for European recovery (SWD [2022]42final).

2. THEORETICAL FRAMEWORK

In analyzing European progresses regarding CSR, it should be taken into account that it is still a relatively 'young' initiative, as mentioned above, and 4 main levels are worth investigating, according to the European definition of CSR as how companies meet their responsibility regarding impact on society, community and environment based on their activities and how these affect human rights, workers, rule of low etc.:

- The first level is *the economic approach* which deals with the orientation on profit, as it is no longer the only goal, but still of core interest as trade, investment flows, supply chains and location of subsidiaries, among others depend on both economic and political context for all countries included in these chains.
- The second level, *the social approach*, considers how businesses impact employment/unemployment, wages/incomes, on increasing/decreasing polarization, involvement in actions for improving education, training, on taking account of environmental or other issues of concern for the general public, including here how the respective business is perceived based on their CSR activities and how these relate to the wider community, etc.

- *The institutional approach*: issues of trustworthiness for corporations, confidence in the official economic and social information of governments, the cooperation environment for public-private businesses (outside the framework of PPPs), quality of legislative-regulatory frameworks, and impact on other capacities of businesses, for instance for developing clusters, etc.
- *The political approach*: being able to introduce actual political factors for assessing the overall opportunities, risks, and potential volatile instances due to political developments in the country/countries in which businesses operate**.**

The goal is to outline a potential assessment framework based on the current state-of-play, for developing well-grounded policies, actions, and strategies in ensuring sustainability of businesses and of the goals agreed at the level of societies in which they exist and operate.

The premises for an integrated, holistic perspective for good economic, social and institutional practices and goals, there are 2 basic levels: a) *inbound:* alliances, institutional collaboration, venture capital, acquisitions, customer development, etc.; b) *outbound*: networking, investment, fairs, knowledge clusters, institutional collaboration, partnerships, etc.

Recently, we might add the increased focus on how power shifts emerge, for a more responsible 'soft power projection', of corporations and businesses of all sizes, as to be in agreement with the general objectives of the states, on three dimensions: economic, social, and political.

The sectoral coverage has to pursue, hence covering all sectors of industry and services, from agri-food and textiles, to tourism, hospitality, mining and quarrying, as well as finance and insurances. However, for the purposes of the study, we included only EU-27, EU-15 and EU-13 leaving aside COSME countries.

3. METHODOLOGY

3.1 Substantiating the analysis

The businesses, especially SMEs included in our study were selected based on EU-surveys regarding SMEs and attitudes towards CSR, including some data collected from EU-Barometer. All companies included based on these secondary sources were selected irrespective of size, focusing however on those with up to 250 employees and more, and with different goals like involvement in innovation with positive impact on environmental degradation prevention, to those that still are biased towards maintaining more traditional practices. The purpose was to analyze relevant factors and impacts, including progresses over the period 2000-2022.

Main aims were: (i) assessing relevant elements for sustainability, development and resilience; (ii) developing a tool for businesses and managers to assess as objectively as possible risks and opportunities at regions ', countries ', and community level; (iii) developing in a more advanced stage of our research potential new dynamic business models to mitigate current and future risks given the uncertainty at global and regional level (EU-27 region and proximities).

Initial testing selected method: DEMATEL (Decision-Making Trial and Evaluation Laboratory. *Caveat*: the DEMATEL method is applied roughly in its most basic form, based on using the answers to an own survey circulated among scholars and students who answered in small number, and on the z-scores, used as proxies, given the time restrictions, and conditions not allowing for distributing a questionnaire on a wide scale. The option for this method was based on the reasoning that multi-criterial methods, with higher levels of universal applicability were less used, especially in Romania, save for a couple of papers (Radulescu, 2023; Brezoi, 2018; Baragan, 2020). Another argument is their usefulness for the field of social sciences (sociology, economy, politics) where the levels of uncertainty are often considerable.

3.2.Analysis' stages

The first step was establishing a direct relationships' matrix between and Gabus scale from 0 to 4, where 0= no influence/impact, 1= low influence/impact; 2 = medium influence/impact; 3 = high influence/impact, and 4 = very high influence/impact. The evaluation can be made in pairs, either by a decision factor, or a group of experts for ensuring higher objectivity. Here, the values were attributed by the authors or the paper. The matrix is representative for direct relationships. The elements of the main diagonal are equal to 0. The t_{ij} element is the direct influence factor i on factor j, according to the Fontel and Gabus scale.

The second step is represented by the *normalization of the direct relationships' matrix* by dividing the elements of the direct relationships matrix with the highest value resulting from adding the linear rows.

$$X' = \lambda * T \quad (1)$$

Where: λ = 1/divided by the highest value of summing up each row X
X – Matrix or direct relationships
X' = normalized matrix of direct relationships

The third step was *calculating the matrix of total influence/impact:*

$$T = X'*(I-X')^{*-1} \quad (2)$$

Where: T – total influence/impact matrix (direct or indirect)
X' – standardized matrix of direct relationships
1 – unitary matrix

The element x_{ij} of matrix T indicates the direct and indirect influence/impact of the indicator I on indicator j.

Computing the significance and relationship indicators:

a) Significance indicator: $S_i = \sum_{j=1}^{n} t_{ij} + \sum_{j=1}^{n} t_{ji} \sum_{j=1}^{n} t_{ij} + \sum_{j=1}^{n} t_{ji}$

b) Relationship indicator: $R_i = \sum_{j=1}^{n} t_{ij} + \sum_{j=1}^{n} t_{ji} \sum_{j=1}^{n} t_{ij} + \sum_{j=1}^{n} t_{ji}$

Selected economic indicators: quality of social and business infrastructure services; energy transition; expansion of digital technologies; total factor productivity. Social indicators: access to education, access to health, inequality of income distribution; at-risk of poverty and social exclusion. Institutional indicators: trust in official economic-social information, public-private cooperation; cluster development capacity; regulatory-legislative quality.

4. RESULTS AND DISCUSSION

4.1. Economic indicators:

Direct relationships matrix:

	Quality of social and business infrastructure services	Energy transition	Expansion of digital technologies use	Total factor productivity
Quality of social and business infrastructure services	0	4	4	3
Energy transition	1	0	4	2
Expansion of digital technologies use	4	3	0	1
Total factor productivity	2	3	4	0

Normalized matrix of direct relationships:

	Quality of social and business infrastructure services	Energy transition	Expansion of digital technologies use	Total factor productivity
Quality of social and business infrastructure services	0	0.363636364	0.363636364	0.272727273
Energy transition	0.090909091	0	0.363636364	0.181818182
Expansion of digital technologies use	0.363636364	0.272727273	0	0.090909091
Total factor productivity	0.181818182	0.272727273	0.363636364	0

Total impact/influence matrix:

	Quality of social and business infrastructure services	Energy transition	Expansion of digital technologies use	Total factor productivity
Quality of social and business infrastructure services	0.2149	-0.1901	-0.1322	-0.1736
Energy transition	0.0744	0.1818	-0.2645	-0.124
Expansion of digital technologies use	-0.3223	-0.1157	0.2645	0.0579
Total factor productivity	-0.0248	-0.1074	-0.1983	0.1322

4.2. Social indicators:

- Direct relationships matrix:

	At-risk of poverty or social exclusion	Access to health	Access to education	Inequality in income distribution
At-risk of poverty or social exclusion	0	3	4	2
Access to health	4	0	3	1
Access to education	4	3	0	2
Inequality in income distribution	4	2	3	0

- Normalized matrix of direct relationships:

	At-risk of poverty or social exclusion	Access to health	Access to education	Inequality in income distribution
At-risk of poverty or social exclusion	0	0.272727273	0.363636364	0.181818182
Access to health	0.363636364	0	0.272727273	0.090909091
Access to education	0.363636364	0.272727273	0	0.181818182
Inequality in income distribution	0.363636364	0.181818182	0.272727273	0.181818182

- Total impact/influence matrix:

	At-risk of poverty or social exclusion	Access to health	Access to education	Inequality in income distribution
At-risk of poverty or social exclusion	0	0.272727273	0.363636364	0.181818182
Access to health	0.363636364	0	0.272727273	0.090909091
Access to education	0.363636364	0.272727273	0	0.181818182
Inequality in income distribution	0.363636364	0.181818182	0.272727273	0.181818182

4.3. Institutional indicators:

- Direct relationships matrix:

	Trust in official economic-social information	Public-private cooperation	Cluster development capability	Regulatory-legislative quality
Trust in official economic-social information	0	1	3	2
Public-private cooperation	4	0	3	2
Cluster development capability	4	2	0	3
Regulatory-legislative quality	1	2	2	0

- Normalized direct relationships matrix:

	Trust in official economic-social information	Public-private cooperation	Cluster development capability	Regulatory-legislative quality
Trust in official economic-social information	0	0.111111111	0.333333333	0.222222222
Public-private cooperation	0.444444444	0	0.333333333	0.222222222
Cluster development capability	0.444444444	0.222222222	0	0.333333333
Regulatory-legislative quality	0.111111111	0.222222222	0.222222222	0

- Total impact/influence matrix

	Trust in official economic-social information	Public-private cooperation	Cluster development capability	Regulatory-legislative quality
Trust in official economic-social information	0.2222	0.123	-0.2469	-0.0864
Public-private cooperation	-0.2716	0.1728	-0.1358	-0.0123
Cluster development capability	-0.3086	-0.0988	0.2963	-0.1852
Regulatory-legislative quality	0.0864	-0.1605	-0.1111	0.1481

The raw DEMATEL analysis shows that for economic indicators ***energy transition*** and ***expansion of digital technologies*** are considered to be generating most relevant impacts. Especially for SMEs this means that market-challenges are prevalent for trade, in implementing high-tech (including 'green' solutions), and marketing of products as one of the major risks is the risk of "greenwashing", which some corporations and businesses still practice.

Most relevant social indicators for all sizes and types of businesses are those related to human capital, respectively access to health, and access to education. It might become a considerable issue, as there is an increasing gap between demand and supply of skills and competences.

Recent Eurostat data show that about 75% of employers in EU-27 countries could not find workers with adequate competences in 2023, an increase from 42% in 2018, by 33 pp. Out of all companies, 54% of SMEs reported difficulties in finding workers with required skills and competences.

Therefore, it is a need of strengthening CSRA involvement from bottom to top in supporting actions for education and vocational education and training, in skilling, upskilling and reskilling (Eurobarometer, 2023).

Noteworthy is that, regarding *institutional indicators* is that ***trust in economic and social official information*** complemented by ***the quality of the regulatory-legislative framework.***

These two components contribute to good practices, enhance opportunities for public-private cooperation, beyond the traditional PPPs, and thus generate economic growth, innovative clusters for developing improved climate change prevention solutions, and may also contribute in diminishing the current labor market polarization.

However, according to the surveys we used for our secondary analyses, most SMEs, irrespective of the country, complained about *lacking institutional support,* one major issue being several European governments' failures in developing sound strategies around the main sustainability issues facing SMEs and larger businesses alike.

5. CONCLUSIONS

SMEs and larger businesses shift their business models as to adopt more sustainable models, and based on internal and external assessments, there is evidence of beneficial *spillover effects* from the level of the communities to regional, national and even world level if they employ a combined framework based on holistic approaches considering economic, social, institutional and political factors.

One critical issue is that especially SMEs in Central and Eastern Europe are still behind developments in CSR practices in developed member-states, while their sustainability concerns are less addressed at institutional level, respectively the institutional support is weaker, as the governments don't yet fully internalize the relevance of CSR.

Hence, EU-27 has a distribution of CSR practices which is aligned to the different development speeds – Northern member-states have CSR corresponding to sustainable growth, Western Europe (Germany, Austria, France) are conditioned by strong governmental presence combined with participation of stakeholders and

voluntary initiatives, while Southern countries have uneven approaches to CSR, all in all providing for 'soft' policies in encouraging CSR. In Central and Eastern Europe, as mentioned above, CSR is not fully internalized, and institutional support needs to be enhanced further.

Another relevant issue identified during the present research is that ***geopolitical know-how*** and a corresponding analysis framework become a necessity in identifying vulnerabilities, uncertainties, and risks for sustainability goals. A new 'trade-off' emerges between the geoeconomic and geopolitical interests of corporations and businesses. Hence, the new mix for accountability, sustainability and resilience is "geoeconomics + geopolitics" as the paradigm shifted to 'technology and trade', suggesting that the new 'geopolitical manager' is emergent and a requirement of the current stage at global and European level.

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