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► **To cite this version:**

Sylvie Faucheux, Isabelle Nicolăi. From sustainable development to corporate social responsibility: an application to European aluminium sector. *International Journal of Sustainable Development*, 2003, 6 (2), pp.155-169. 10.1504/IJSD.2003.004211 . hal-01799257

**HAL Id: hal-01799257**

**<https://hal.science/hal-01799257v1>**

Submitted on 24 May 2018

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## **FROM SUSTAINABLE DEVELOPMENT TO CORPORATE SOCIAL RESPONSIBILITY : AN APPLICATION TO EUROPEAN ALUMINIUM SECTOR**

**SYLVIE FAUCHEUX, ISABELLE NICOLAÏ**

### **Abstract:**

*This paper discusses the stakes, opportunities and methods appropriate for developing a strategy of corporate social responsibility within the aluminium industry companies in Europe, drawing on institutional and documentary analysis as well as results from empirical work testing participatory procedures for development of corporate social responsibility strategies and performance indicators carried out at three industrial sites in France. Section one presents arguments justifying to develop a pro-active strategy of CSR for European aluminium enterprises. Section two outlines the distinct models of social responsibility that might be adopted by European aluminium companies as a function of differences in institutional, geographical and other contextual variables. Empirical findings from the work on pilot sites in France reinforce our recommendations based on institutional and theoretical considerations that the 'extended stakeholder participation' model is an appropriate one for European aluminium companies to follow. The participatory approach unites 'top-down' and 'bottom-up' styles of management, and provides flexibility for innovation in response to emerging problems and new challenges.*

**Key Words:** Aluminium, Corporate social responsibility, Participation, Environmental quality, Focus groups, Indicators, Stakeholders, Sustainable development.

### **Introduction**

The decade of the 1990s has been marked by a new societal demand for the contributions of the business sector to wider social goals. We have witnessed changes in values and social expectations including growth of consumer and share-holder militancy, strengthening of local and international citizens' action groups, reduction in national control over resources, and a recognition that the costs and benefits linked to a globalized economy are inequitably divided and modification of the nature and growth of risks. The time has come for companies to define their sustainable development strategies or what is also described as corporate social responsibility (CSR). For example<sup>1</sup>, the WBCSD (1999) defines Corporate Social Responsibility as *"the ethical behaviour of a company towards society. In particular, this means management acting responsibly in its relationships with other stakeholders who have a legitimate interest in the business — not just the shareholders"*. Such a strategy, concretised in the notion of "triple bottom line", implies the integration and simultaneous treatment of the economic, ecological and social dimensions linked to the activities of the company<sup>2</sup>.

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<sup>1</sup> We could equally cite many other definitions, such as those of the OECD (2000) or the European Commission (2001).

<sup>2</sup> This is the perspective proposed in 2002 by the UNEP, WBCSD and WRI. These evolutions have been pushed in Johannesburg as seen in the point 17.a of the plan of implementation of the World Summit on Sustainable Development : *"Encourage industry to improve social and environmental performance through voluntary initiatives, including environmental management systems, codes of conduct, certification and public reporting on environmental and social issues..."*.

The purpose of this paper is to discuss the stakes, opportunities and methods appropriate for developing a strategy of corporate social responsibility within the aluminium industry companies in Europe. Results from a research conducted for the European Aluminium Association are mobilised (Faucheux & alii, 2002). These results are based, not only on an academic work, but also on an empirical work centered both on regular cycles of feedback with representatives of the main European aluminium industries and on three pilot case studies in France<sup>3</sup>. The three case studies were selected on the basis of several criteria of diversity, notably : a range of different occupations within the aluminium sector ; factories and operating units belonging to industry groups with a range of different histories and traditions ; companies of different sizes ; companies and operating units located in widely different regions of France ; companies having a variety of different social and environmental preoccupations. For each site, not only interviews and informal conversations with management have been made regularly, but almost, three focus groups have been held with three main categories of stakeholders : the 'internal' stakeholders (employees) ; the 'external' stakeholders as traditionally identified (suppliers, customers, banks, insurance companies...) ; the 'broader external' stakeholders (NGOs, associations, other companies, local authorities). During this process about 70 stakeholders of the European aluminium industry have been able to give and exchange their views.

**Section One** presents the arguments justifying to develop a pro-active strategy of CSR for European aluminium enterprises. **Section Two** outlines the distinct models of social responsibility that might be adopted by European aluminium companies as a function of differences in institutional, geographical and other contextual variables.

## 1 Why to develop a strategy of CSR ?

Deliberate strategies for CSR can enhance the long term value of the firm, assuring meanwhile the development of markets opportunities for sustainable products and services and reducing risks and associated costs of sustainability (RFF, 2002).

### 1.1. Social responsibilities as a motor for technological innovation

A variety of recent technological foresight exercises suggest that up to half of the world economic production in the first half of the 21st century will engage technologies whose motivations will be, at least in part, the attempted mastery of environmental risks as a component in a wider vision of a sustainable development policy put in place by governments and companies (Faucheux & Hue, 2001 ; Grupp & Reiss, 1997 ; IPTS, 1999 ; EC, 2002).

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<sup>3</sup> These were : (i) the Pechiney plant at Saint Jean de Maurienne (Savoie) specialised in production of machine wire, slabs and ingots ; (ii) the Alcoa Europe plant at Merxheim (Alsace), specialised in production of coil coated sheets, multi-coats composite aluminium panels for building & construction systems ; and (iii) the Corepa SNC, CFF Recycling plant at Bruyères sur Oise (Ile de France) specialised in sorting and processing of scrap aluminium.

Many companies now envisage the adoption of a strategy of social responsibility or sustainable development as a competitive advantage (Faucheux & alii, 1998). They are discovering that well-formulated strategies in this area can lead to a certain number of advantages by stimulating technological innovation<sup>4</sup>.

The case of the Pechiney plant at St Jean de Maurienne in France illustrates this perfectly. Up until the 1980s, the fluoride emissions due to its activities were very high, leading to extensive damage in the valley, notably the dying away of the forests and of the vegetation in general, and "fluorosis" disease in cattle. To solve this problem, the Pechiney research laboratories have initiated a major technological innovation : the G series (electrolysis vats of 280000 amps which produce 2170 kilos per day per unit), set up in the plant in 1986. This technology will permit the definitive phasing out of the highly polluting A series which, at the present time, is still widely in use, for example in half the production units in the US. This innovation makes the St Jean de Maurienne plant a technological showpiece and enables it to sell its know-how in the whole world. It remains thus a market leader and this keeps open some prospects for growth in the future capacity of this plant at a time when it was expected by many to close. Furthermore, the problem of fluoride emissions has almost been solved in the Valley.

Technological innovation does more than simply promote environmental efficiency, because the technical part of innovation is always accompanied by institutional and organisational modifications. Countries such as the Netherlands and Germany now formulate their R&D politics as concerted responses to sustainable development imperatives (Weterings & alii, 1997). In this perspective, technological innovation as well as organisational one represent a central dimension of corporate social responsibility.

## 1.2. Improved profitability and reduction in running costs

Several academic studies have shown the existence of a positive correlation between the practices of socially responsible companies and improved profitability<sup>5</sup> (Faucheux & alii, 2002). A socially responsible firm tends to be more profitable because its ability to resolve successfully ecological or social problems contributes to effective quality management overall.

Some measures of social responsibility taken by a company, orientated towards the preservation of the environment, can considerably reduce running costs by doing away with

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<sup>4</sup> Well-known as the "win-win strategy" (Porter & van der Linde, 1995).

<sup>5</sup> Studies, such as those proposed by *Business and Society Review* (1999), or *Industry Week* (15/01/2001) indicate that companies which publicly commit themselves to their sustainable development principles have an added value or are more profitable.

waste and inefficiency or by improving productivity<sup>6</sup>. Most of the internal and external stakeholders encountered at our pilot sites, affirm the pertinence of these considerations for the enterprises where they work or with which they are associated. They particularly outline the necessity and the possibilities to engage program on energy saving and waste recycling, for example in developing kinds of eco-industrial park in relationship with other local industries or residential activities creating in the same time further sources of revenues (Erkman, 1994).

Companies perceived as being strongly committed to sustainable development find it more and more easy to recruit employees, in particular in restricted job markets. They also have a tendency to keep them longer. As a result, there is a reduction in the turnover, recruitment<sup>7</sup> and associated training costs. The World Resources Institute (WRI) and the Initiative for Social Innovation through Business (ISIB), a programme of the Aspen Institute, collaborated on a study showing how companies can discover sources of competitive advantage from improved motivation and therefore a higher productivity on the part of their employees thanks to real declared policies of sustainable development<sup>8</sup>.

Most of the internal stakeholders met in the aluminium pilot studies on which we have worked share this type of diagnosis. A lot of employees, particularly the youngest executives explained, for example in Merxheim's plant of Alcoa, that the good reputation on safety and social dialogue of this plant has been the main reasons why they applied to come. Besides, some employees in CFF have declared to suffer to have a bad reputation of "scrap merchants" and it is very difficult to recruit and to keep young engineer and technician because of this image of polluters they have whereas they take part in recycling. The indirect costs of such a reputation can be high because of difficulties to keep or to attract good and qualified employees. More generally the impacts on productivity can be important.

### 1.3. The pressure of social demand

It has become commonplace to speak of "reputation capital", or in other words, the estimated capitalizable value of the reputation of an organization. Many studies<sup>9</sup> indicate, in this context, a large and growing market for products and services of companies seen to be

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<sup>6</sup> For example, numerous initiatives aiming at the reduction of greenhouse gas emissions also raise energy efficiency and reduce servicing costs. Recycling operations do away with waste removal costs and generate income via the sale of recycled matter (Haake, 2001).

<sup>7</sup> According to a study published in 2000 by Cone/Toper Executive Study (Roper Starch Worldwide and Cone Inc), 76% of Americans would choose a company which has a policy and objectives of sustainable development if they had to choose. These conclusions are confirmed by Riordian & alii (1997).

<sup>8</sup> Two papers that have been written on this point are: "Grey Pinstripes with Green Ties : MBA Programs where the Environment Matters" (1998) and "Beyond Grey Pinstripes: Preparing MBAs for Social and Environmental Stewardship" (1999) (from studies carried out by WRI and ISIB).

<sup>9</sup> We can quote as examples, studies carried out by Corporate Citizen Watch Survey (2001, Hill & Knowlton/Harris Interactive) and by Environics Ltd., in collaboration with the Prince of Wales Business Leaders Forum and the Conference Board entitled the Millenium Pool (2000).

socially responsible (Willmott and Flatters, 1999). In Canada, a CROP survey financed in 1998 by Ideation Conferences of Toronto has revealed that if they had the choice between two products at the same price, almost one third of Canadians would choose the product of a company concerned about human rights.

There is even an increasing capacity and sophistication among militant groups to target companies which they perceive as being socially irresponsible, through actions such as public demonstrations, shareholder resolutions, and even attacks on the companies' websites leading to wide boycott movements.<sup>10</sup>

The communication of information through social and environmental assessments including, in particular indicators, has a direct positive impact on the image of the companies with respect to their customers and their shareholders, as the multiplication of multinationals initiatives in this direction testifies<sup>11</sup>. This is also the opinion of a number of stakeholders we met on the pilot sites of our aluminium case-studies. For example, the Maurienne district has had a particular context, which for a long time has had industrial pollution attached to it : fluoride smoke destroying the forests, uncontrolled emissions. Even if it is all in the past, there was still recently a natural tendency to accuse Pechiney and to not take into account the progress achieved. This is why the company management decided, from 1998, to broaden the dialogue through the regular public communication of indicators on fluorine emissions and through open days to allow to the village residents to visit the plant. The rumour-mongering has decreased and the dialogue is now possible between citizens, local NGOs and the plant direction.

Companies within the European aluminium sector have clearly perceived this challenge for a wider social dimension of performance and responsibility, for example, the stance of the German aluminium industry :

*"Is corporate citizenship now going to be the follow-up to lean management and shareholder value? The signals coming from the World Economic Forum in Davos or the Global Reporting Initiative indicate that the social dimension of how a company does business is becoming an unavoidable consideration when it comes to the discussion about sustainable development" (GDA, 2001, p. 5).*

#### 1.4. Trends in European Legislative and Institutional Change

The multiplication of new principles at the heart of our societies' governance systems (national, international and multinational) promoting policies of sustainable development

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<sup>10</sup> Since the end of the 1990s, the world has witnessed the explosion of a protest movement against companies accused of "social irresponsibility". Consumers, share-holders, NGO activists or various associations make up the protesters. Some examples are: Boycott of Daishowa, a logging concession in Canada, by a Toronto NGO Friends of the Lubicon ; Sudanese activities of the Canadian oil company Talisman Energy (—30% of stockmarket value in 5 months) ; Lapeyre attacked by Greenpeace in France for tropical wood-use ; Nike's involvement in child labour ; Triumph's involvement in its Myanmar business operation.

<sup>11</sup> See on this point the work realised by CSR Europe (2000).

(e.g., extended producer responsibility and the precautionary principle in addition to the established polluter pays principle) implies a transfer of responsibility onto the companies (Ashford, 2002). In this perspective, the social responsibility of a company henceforth concerns the whole supply chain. Numerous companies in the aluminium sector are discovering that they are responsible, not only for their own performance in matters of social responsibility, but also for that of companies further up or further down the supply chain, which means their suppliers as well as their customers — and even the customers of their customers.

The principle of Precaution has recently been established, in a number of policy or judicial contexts, as a legal norm for orienting and justifying decisions (e.g. "actions or choices that, by precaution, avoid a possible severe and irreversible damage are to be considered as justified — or even mandatory — even in the absence of conclusive evidence or 'proof' that severe and irreversible damage will occur"). Closely linked with this principle, is the concept of liability for causing an identifiable risk or damage through not having acted with sufficient precaution. Hence, the principle of precaution is one example of changes to the regulatory environment that push towards increased responsibility/liability of decision makers whose actions are, at the time or retrospectively, seen to lead to later damage<sup>12</sup>.

The precautionary principle also has a bearing on the communication of risk information. European legislation has, in the course of the last twenty years, evolved from the principle according to which the public has "the right to be informed" (for example, Directive 82/501/EEC) of the environmental and health risks towards the principle of the "right to participate" in the decisions involving such risks (for example, Directive 96/82/EC and the proposal submitted to the council's decision COM/98/O344 concerning the Aarhus convention) (De Marchi & alii., 2000). For French companies for example, this tendency is translated in the obligation<sup>13</sup> for companies quoted on the Stock Exchange to indicate in their annual report "*the way in which they take into consideration the environmental and social consequences of their activity*" as from 2003.

The judicial and institutional managers call for increased dialogue between all the stakeholders involved and linked to the company activities. In this view, corporate social responsibility necessitates the opening up of companies to new forms of social dialogue as a basis for many of their strategies and decisions. This requirement has been expressed at many levels of business and public administration, including very high levels of coordination (WBCSD, 1999 ; OECD, 2000, 2001 ; EC, 2001). It is also very pertinent for the European Aluminium Industry :

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<sup>12</sup> Furthermore, for example in France, a recent appeal court ruling established a principle of obtaining a 'safe outcome' as a complement to the precautionary principle, in the context of health dangers associated with asbestos (Judgement delivered on 27/02/ 2002 by the French Supreme Court of Appeal).

<sup>13</sup> This law known as "law NRE" and its application decree published on Feb 20<sup>th</sup> 2002 are reinforced by the proposition made in the same way by the "Commission des Operations de Bourse", COB, Paris.



*"The year 2000 marked the conclusion of the three-year campaign 'Aluminium for Future Generations', whose main objectives was to enhance the dialogue between the aluminium industry and interested stakeholders in Europe (...). Government officials, parliamentarians and non-governmental organisations were involved in the debate on the role of aluminium in everyday life and in sustainable development (...) On the one hand, this approach elicited a growing awareness among stakeholders that the aluminium industry is a reliable and responsible partner, as well as helping the industry to position itself for the years to come" (EAA, 2000, pp.27)*

Through these examples and others, we observe a progressive change in the prevailing instruments of sustainable development regulation. Moving away from instruments of direct regulation, there has been an increased application of "economic instruments" (taxes, permits and other incentive/penalty structures), and currently we are witnessing the emergence of a third generation of regulatory instruments (voluntary negotiated commitments, technological agreements, Clean Development Mechanism, Joint Implementation) which can be described as "participative". It appears in many cases that those of the third generation attract the greatest approval, particularly in the countries of Northern Europe (and the US) and with the industrialists (EEA, 1997). This perspective is also broadly shared by European aluminium industry as we can judge by this quotation :

*"The experience in an increasing number of countries show that instruments such as voluntary agreements between authorities and the aluminium industry have worked effectively and successfully. The aluminium industry supports this approach".(EAA, 2000)*

### **1.5. The European aluminium industry in the process of socially responsible investment**

"Ethical investment" is not a new practice. An early wave of "ethical funding" began in the 1920s, based on criteria of exclusion of what is contrary to religious morality or public health. In the 1980s, a new generation of funds linked to the notion of social responsibility appeared. Investors have generalised or diversified their approach, notably by including criteria relating to problematical issues as diverse as the development of the poorest countries, and the social and environmental behaviour of companies.

Similarly, investors have seen in shareholder activism a powerful means to direct the action of companies through the presentation and voting on and acceptance of resolutions in general assemblies. Many investors use the process of share-holder resolution to exert pressure on companies in order to change their policies and increase their transparency over a large range of socially responsible principles, including environmental responsibility, workplace policies, community involvement, human rights practices, ethical decision-making and company governance. The "socially responsible" shareholders consider more and more the company in



its global context. One sign of the broadened spectrum of concerns being required under the corporate responsibility heading is the emergence of a large number of new financial indexes<sup>14</sup>. A diversity of indices seeks, indeed, to address the social responsibility of companies as part of their performance rating. Evaluation of a company with reference to Corporate Social Responsibility principles and operational policy objectives furnishes a "benchmark" that permits investors to compare companies and show their concerns and preferences on social responsibility matters.

It seems obvious, after what precedes, that corporate social responsibility is not necessarily an obstacle in terms of financial profitability ; on the contrary it seems sometimes to be a significant opportunity. However, the question can be asked whether all companies can hope to derive the same benefits from this new growth. More particularly, what are the prospects that investment in matters of social responsibility of a company in the aluminium sector will create a significant "added value" — that is, a dividend such as the yield of a brand name shoe manufacturer for whom image plays an important role ? The reply seems to be "yes" if we judge, for example, according to the Dow Jones Sustainability Index which includes 14 companies in the category of "basic industries" in which Norsk Hydro and Alcoa are placed alongside BP and Shell. Norsk Hydro has been situated for the fourth year running in the top half of these companies, and is currently placed in a high position for this index. At present, Norsk Hydro and Alcoa are the two aluminium sector companies operating in Europe that are quoted in an index of this type. Alcan is on the waiting list for the Dow Jones Sustainability index. Companies which are privileged by these types of procedures are without doubt those being able to make performance documents available that, including social and environmental indicators, convey clearly the performance goals, the choice of indicators and their justifications (notably with reference to concerns of stakeholders within and outside the company).

It is important, in this context, that the social and environmental performance indicators chosen by the European aluminium industry can be assimilated and readily exploited by stockmarket listing agencies<sup>15</sup>.

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<sup>14</sup> We can quote for various examples, the Dow Jones Sustainability Group Index (launched in 1999), the range of FTSE4Good indexes created in Great Britain in July 2001, or the ASPI (Arese Sustainable Performance Index) Eurozone index created in July 2001 to promote social responsibility and sustainable development as well as the best practices in Europe.

<sup>15</sup> This is partly why EAA has launched two projects aimed at developing sustainable development indicators for the European Aluminium Industry : the first, "Towards a Sustainable Industry", developed by the Wuppertal Institut in Germany, the second "Social Dimension of Sustainable Development within Enterprises of the Aluminium Industry: Challenges, Methods, Indicators and Applications", developed by the C3ED, France and discussed partly in this paper (to see also Faucheux & alii, 2003)

## 2. Which 'Model' of Corporate Social Responsibility for the European aluminium industry ?

Before setting about the implementation of strategies for meeting their social responsibilities, and before choosing methods, indicators and reporting frameworks that will permit evaluation of CSR performance, it is necessary to be clear about the notions of social responsibility being employed. In fact, several concepts of corporate social responsibility coexist in the contemporary business world, and each concept or 'model' has different organisational requirements with distinct implications for different stakeholder groups. We can highlight significant differences between principles of responsibility typically emphasized by companies operating in France (grounded in French and Southern European traditions), compared to those typically put forward by Anglo-Saxon company management. Mid-way between these two extremes, and in some ways a historical compromise between the two, lies the vision displayed by the European Commission and adopted by some countries in Northern Europe.

### 2.1. Priority focus on company-workforce relations : the traditional French model

The French vision involves a sharp demarcation whereby the company has first and foremost, duties towards its employees and customers, with the responsibility for meeting wider social objectives depending on the public domain and therefore the State<sup>16</sup>. The employers consider, for example, that after paying both the professional tax and also the employers' heavy costs, companies should not be obliged on top of that to intervene in the "societal" area (for example via corporate sponsorship). This larger domain should, on the contrary, be looked after by the state in the broad sense. This view (whether expressed by the public at large, company bosses, or employees) is generally more pronounced in the big cities and the greater Paris area on account of the greater anonymity, as opposed to the rural areas. In the latter, companies are considered more as key actors in local or regional life. A wider "societal" involvement is expected from them, but at the appropriate local or district scale.

In the European aluminium sector, it seems generally accepted that the 'social dimension' refers to the types of roles played by a company within society and, more particularly, to the types of relationships established between different groups within society. One interpretation of the social dimension is therefore in terms of the management of the conflictual relations between the different categories of actors making up society. This perspective is sometimes considered to be a French specificity, with the focus on the State, the business community and institutionalised workers' movements. However, it may apply in many ways to the whole spectrum of Southern European (Mediterranean) societies, including civil society. There is no

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<sup>16</sup> A survey done on 1030 people by the French survey research institute SOFRES suggests that the French people in general estimate that companies have, first of all, duties to their customers and their employees and should oblige themselves to respect the norms of good conduct rather than get involved in actions of a more general interest (Sofres (2001), "Les Français et l'entreprise responsable", TOP COM 2001, January).

doubt, anyway, that the great bulk of focus group participants on all three sites gave high priority to this question of managing the relations between different strands of society, at local as well as national and inter-national levels.

In this perspective, social responsibility is achieved in the context of a company-worker negotiation mediated by the State, through ensuring good employment conditions and, by extension, the economic welfare base of the local community providing the workforce.

These observations have significance for interpreting French company and administrative activity aiming at standardization of social and environmental indicators as well as reporting systems for companies (concretized in 2002 in the French law on "New Economic Regulations"). These activities are linked to, and indeed pushed by, on-going reflections on the international level. As such, they are not reflected in the rules on reporting which the Global Reporting Initiative (GRI)<sup>17</sup> proposes to promote (GRI, 2000 ; 2002). The representative of Anglo-Saxon countries and many Northern European countries focus on supposedly universal "rights" issues such as unequal opportunity or discrimination on the basis of gender, race or ethnic minority status (e.g. cultural diversity of employees must be promoted) extending these perspectives to principles of respect for human and children's rights in developing countries. However, representatives of the French business world place emphasis on the problems surrounding industrial relations and working conditions, and express some reserves about questions of "positive discrimination" in favour of underprivileged categories (these are even in contradiction with the French labour laws) and about company 'patronage' of wider social causes.

This French (or maybe more largely Latin) particularity has strong consequences for the structuring of stakeholder relations, which are typically conceived in terms of binary conflicts (employer-employee, company/NGO, etc...) mediated by the state. In our aluminium case studies, we have seen that this is indeed the model that traditionally has prevailed — notably for the site at St Jean de Maurienne and inside the Corepa SNC (subsidiary of CFF Recycling at Bruyère sur Oise). For some, this is an outdated model that European companies of aluminium operating in France should now like to move beyond. In other cases the traditional model is still upheld.

## 2.2. The corporate sector as a (partial) substitute for the State: an Anglo-Saxon tendency

The Anglo-Saxon countries (notably the USA, Canada, Australia, New Zealand and Great Britain) have a seemingly broader approach than the French model, in the sense that they

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<sup>17</sup> GRI is an organization created in 1997 bringing together companies, investors, NGOs, etc. Its activity is partly coordinated through the framework of the United Nations Environment Programme. The GRI is the most advanced system of reference for CSR indicators. In its present stage, its reporting framework proposes a very detailed range of CSR indicators (about 150) but does not really take into account the cultural specificities.

include within the notion of corporate social responsibility a range of concerns that are treated by public policy in France (e.g., municipal policy, construction and rehabilitation of housing for low income families, urban renewal, road infrastructures, hospitals, schools, etc.). For example, an emphasis on formal contractual arrangements and commercial principles of management, can mean that less attention is given to the "informal", cultural and social particularities of different production sites from region to region or from country to country. However, in another sense this might be seen as a narrowing of scope, to the extent that the public policy domain comes to be modelled more and more on "market" lines.

This approach concords with some notions of economic "liberalisation", the idea is that the business sector negotiates and exercises agreements about its social responsibilities directly with "civil society", with the State playing a relatively passive role.

In this perspective, the 'social dimension' of company social responsibility can be interpreted as the role of company management and business leaders as a partial substitute for the State in a vision of economic liberalisation. For our focus group participants in aluminium enterprises, this is considered to be a typically Anglo-Saxon perspective that they do not adhere to. Most of the stakeholders expressed mistrust of the forms of patronage and charitable works associated with the Anglo-saxon business world. They were more comfortable with notions of a reciprocal social partnership ('partenariat social') involving companies and local authorities, in which all relevant stakeholders to be involved in the elaboration of criteria, work programmes, project selection and implementation of activities of societal interest. They reject as lacking credibility and against intuitive notions of social responsibility, decisions about financing or sponsorship of programmes in civil society coming uniquely from the management of a corporation. For the same sort of reason they do not consider direct company investments in developing countries as part of the 'social dimension' of responsibility — unless there is a real partnership at local levels between communities of the countries concerned (e.g. exchange activities based on "twinning" of towns, cooperation agreements between municipalities, etc.).

In this general perspective of private sector-public authority partnerships at a local scale, a number of more or less classical domains are mentioned as priorities — for example, action against social and economic exclusion, support for youth centres, conference events for the general public, support to educational institutions (primary, secondary and tertiary levels), cultural activities and local quality of life projects, education and water supply projects in South countries, and so on.

### 2.3. Social responsibility shared & agreed upon by "stakeholders" together : the European trend

This approach consists of finding a balance and complementarity of reciprocal social responsibilities of the company, the State and its citizens. The government (that is, the State

and more especially its local territorial manifestations) appears as an indispensable actor in this vision of social responsibility with the business community and civil society. But this is not to say that the existing situation is satisfactory. A large number of our focus group participants convey the feeling of an absence of effective dialogue with the governmental authorities, for example on matters of indicators, statutory reports and programmes for future activities in the domains of regional sustainable development, environmental policies and social responsibility. The fault for lack of responsiveness is attributed to the governmental authorities.

The forms of corporate responsibility and practices are defined in a 'social partnership' engaging all major stakeholder categories including business, citizens as workers and as consumers, the State and subsidiary territorial authorities, and civil society at large (encompassing, but not restricted to, activist NGOs and community associations).

Looking across the different countries of the European Union, one is aware of a great complexity of interactions between companies, public agencies and civil society in its different manifestations. In this context, companies are aware of the importance of "checks and balances". For example, many actors including companies in the aluminium sector express wariness about having too much responsibility for social policy delegated to the corporate sector (particularly if this involves multinationals). These companies adhere to a political perspective according to which, participation between the various stakeholders making up the economic and social system is the key to social responsibility.

Norsk Hydro (a Norway producer of aluminium), for example, supports social responsibility principles while recommending dialogue with all the stakeholders for choice of objectives and implementation :

*"Our role creates obligations, but at the same time we have to delimit and share responsibility in relation to the authorities and civil society, not take over their proper responsibility. National states and supranational bodies will for the foreseeable future have a leading role in relation to social development, human rights and conflict resolution. Corporate social responsibility work supplements these vital functions, its does not replace them" (Lunheim, 2001).*

From this point of view, there are limits to both of the traditional forms of "governance", on the one hand the strong paternalistic welfare state, on the other hand the liberal state. The European Commission being called upon to meet this challenge of finding new forms of governance that go beyond this old dichotomy (to see White Paper on European Governance of July 2001). Our research suggests that this 'model' of social responsibility would seem to be the most promising for European companies in the aluminium sector. In addition to conforming to certain European trends in governance reform, other reasons can be invoked :

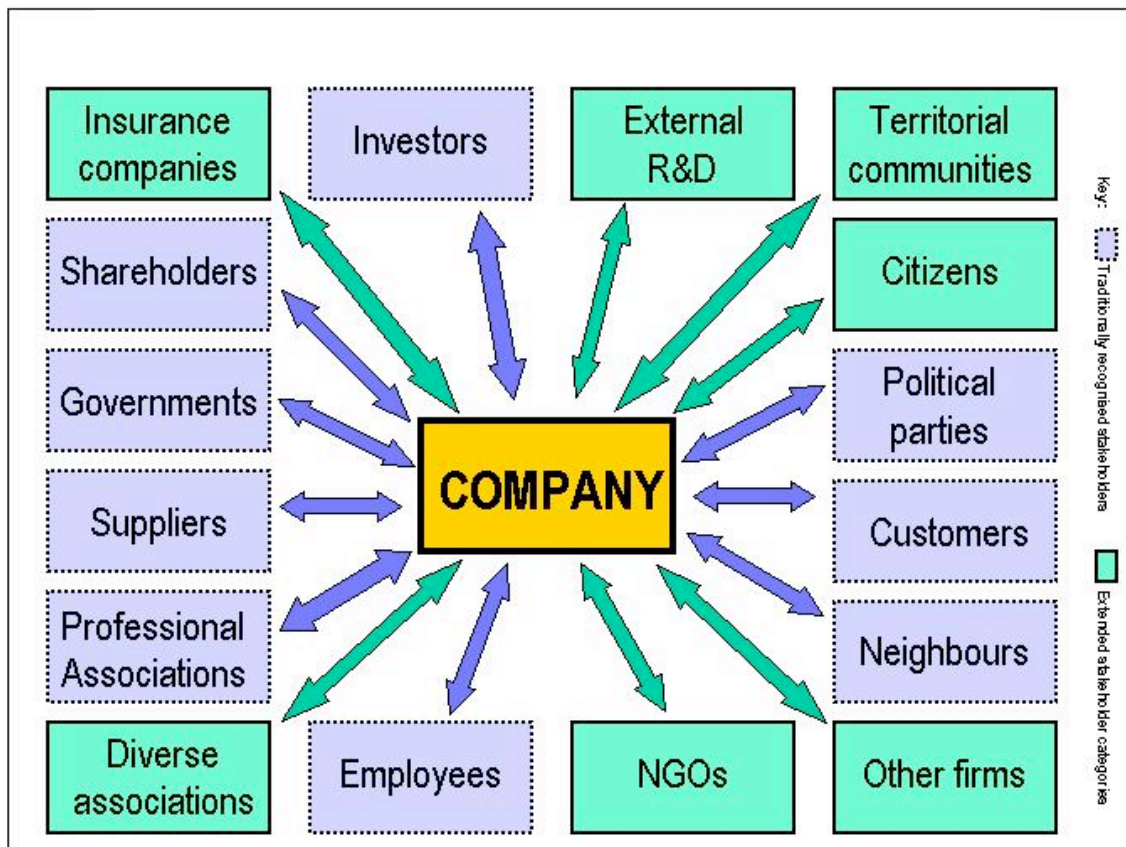
- Many of the products from companies in the aluminium sector are 'intermediate' products and, on account of this, not very well-known to the public. Developing a "participation

with all the stakeholders" necessarily means making the companies known, thus bringing them closer to the consumer and even more so to the citizen.

- The aluminium companies, in the past, have been confronted with serious environmental problems, in response to which they have often invested heavily, to reach sometimes excellent results — but without this being known, meaning that they are still continuing to be (unfairly) accused. By adhering to such a conception and practice of social responsibility, they can hope to acquire a better (and justified) reputation.
- These companies are often embroiled in difficult and conflictual industrial relations, on account of a past record of very difficult working conditions. Discussion can be undertaken issues of common interest, thus opening up more "societal" principles for stakeholder dialogues, and this can, in turn, facilitate progress in more tense and difficult fields.
- Many of these companies also have a difficult past due to their activities in South (developing) countries, notably where they were exploiting mines (and still are, in the case of many of them). Here too, adhering to a participative type of social responsibility, can only be positive for sustainability in a social partnership perspective.

This means that European aluminium companies must face new stakeholders. The European Commission in its *Green Paper on Corporate Social Responsibility* sets out that "*corporate social responsibility essentially means that companies should decide on their own initiative to contribute to the improvement of society and improving the environment*". This responsibility is expressed through the employees and more generally, by all the external stakeholders who are involved in the company but who can in their turn influence its success. The Figure 1 above portrays schematically a 'broad stakeholder model' for CSR strategies.

**Figure 1 : Extended Stakeholder Model for CSR Strategies**



Our case study experiences, although not representative of the full variety of conditions in the European aluminium sector, furnish numerous illustrations that can be taken in support of this multi-stakeholder social responsibility model, concerning both internal and external stakeholders. Indeed, the majority of stakeholders consulted through the focus groups, expressed themselves in favour a broad inclusive process of consultation for setting social responsibility goals, strategies and performance measures. This suggests that they favour the third 'model' of corporate social responsibility, that we have labelled 'multi-stakeholder partnership for CSR'.

## Conclusion

The European aluminium industry is very aware with the necessity to implement strategies of social responsibility. The social acceptability of such a strategy has more probability to be enhanced if the European aluminium industry adopts a model of social responsibility shared and agreed upon by all the stakeholders together. The view that the case studies stakeholders convey, is of corporate social responsibility as a scheme built on four pillars : economic opportunity, social development, environmental safeguards and effective transparent and participative management systems.



Speaking generally, all stakeholders insist that major improvements of participation and communication are highly desirable. This seems to be a robust departure point for any strategy aimed at meeting social responsibilities at site, company and sectoral levels. There is not a 'French exception' in this respect. Even those who are deeply locked into to internal conflict dynamics, declare their desire to contribute to a wider and more constructive model of stakeholder participation.

As such, these empirical findings reinforce our recommendation that the 'extended stakeholder participation' model is an appropriate one for European aluminium companies to follow. This model is dynamic in character. It proposes a participatory form of governance that leaves much room for both 'top-down' and 'bottom-up' styles of management, and for innovation in response to emerging problems and new challenges. An aluminium sector company that does nothing else than apply rules or procedures of corporate social responsibility (such as indicators) decided at head office level or norms proposed by international agencies, may encounter difficulties in putting into operation any set of measures. These difficulties may arise, on the one hand, from lack of understanding by local stakeholders (notably employees and the local communities), and, on the other hand, from inadequacy or inappropriateness of standardised procedures in the given situation.

## Thanks & Acknowledgements

Our thanks to all the stakeholders, including company management, employees and members of the local communities, and to the European Aluminium Association (EAA) who funded the research whose results are reported here, through the EAA's "Aluminium for Future Generations" programme The European Aluminium Association (see the EAA website : <http://www.eaa.net>), in the framework of this programme (launched in 1998), has funded two major projects aimed at developing sustainable development indicators for the European Aluminium Industry. These are :

(1) "Towards a Sustainable Industry", developed by the Wuppertal Institute for Climate, Environment and Energy in Germany, was aimed at defining environmental, economical and social indicators for a "sustainable aluminium industry". Extensive interviews were conducted throughout Europe in order to collect views on aluminium-related issues from a wide cross-section of the industry and stakeholders .

(2) "The Social Dimension of Sustainable Development within Enterprises of the Aluminium Industry : Challenges, methods, Indicators and Applications", carried out by the Centre d'Economie et d'Ethique pour l'Environnement et le Développement of the Université de Versailles St-Quentin-en-Yvelines..

Both projects were concluded in early 2002, and have yielded results that are the basis for ongoing work on indicator development and social responsibility reporting by the EAA, its members and associates. The main objectives of the "Social Dimension" project, from which basis this paper is written, were to carry out an international comparative analysis of companies' most pertinent experiences in integrating the social dimension of sustainable development; to propose indicators for the social responsibility aspects of company performance that are appropriate for the aluminium industry, and to propose stakeholder participation methods that are appropriate to help achieve these goals.

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