

Corporate social responsibility in the public service sector: Towards a sustainability balanced scorecard for local public enterprises

Corporate Social Responsibility; Corporate Citizenship; European Union; Public Services; Public Service Obligation; Sustainability Balanced Scorecard

This article attempts to address the lack of knowledge pertaining to challenges faced by local public enterprises in the field of corporate social responsibility (CSR). On the basis of expert interviews, group discussions and an online survey in five countries of the European Union, this study examines the specific market conditions of local public companies and explores the extent to which they must develop unique methods to assess and integrate CSR. The results include a framework developed for the use of those local public companies that wish to adopt a more strategic and holistic approach to CSR. This framework applies balanced scorecard principles to CSR and includes industry-specific key performance indicators.

I. Local public enterprises and the concept of CSR: An introduction

The concept of corporate social responsibility (CSR) has been developed mainly by and for large, multi-national enterprises (MNEs). In particular, when MNEs take advantage of the new business opportunities created by market liberalization and globalised sourcing, they face increasingly rigorous scrutiny of their labour and environmental practices throughout their global supply chains. These social and market pressures demand new perspectives on business responsibilities, including CSR (Hansen/Schrader 2005; Matten/Crane/Chapple 2003; Schrader 2003). For years, CSR research has been dominated by a focus on private MNEs, even as the topic has moved up in the list of EU priorities. The European Commission defines corporate social responsibility as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (Commission of the European Communities 2001, p. 6) and asserts that “if companies succeed managing change in a socially responsible manner, this will have a positive impact at the macro-economic level” (Commission of the European Communities 2002, p. 3). In turn, CSR contributes to the aims of the Lisbon Agenda, which hopes to make the European Union “the most competitive and dynamic knowledge-based economy in the world” by 2010 (Lisbon European Council 2000).

Yet research on CSR remains relatively scant, particularly on the organisational field and especially in terms of the challenges that public and especially local public enterprises, which are mostly small and medium-sized companies, confront, including questions about their contributi-

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ons to their community's welfare, their execution of sovereign tasks, their cost-covering rather than profit-oriented operations, their ability or freedom to act in regulated industries, and their lack of CSR-related organisational capacities and resources. That is, we still do not know to what extent local public enterprises might build on or exploit knowledge pertaining to MNEs in developing their own corporate responsibility policies. Social responsibility, as practiced by local public enterprises, is an important research topic in its own right and therefore the topic of analysis herein.

II. Importance of public services and motivation to engage in CSR

Although the increasing role of CSR has been acknowledged as a substantial progress in the business agenda of MNE's, the importance of CSR for providers of services of general interest and specifically the relationship between the concepts of public service obligation and CSR is not clear yet. Companies that provide "services of general (economic) interest", such as water supply management, wastewater treatment, energy supply, waste management, construction, social housing, and public transport, have considerable economic power. Those enterprises of general interest owned by state and local authorities represent approximately 16% of the EU's total economy in terms of salaries and final products. The approximately 16,000 companies employ 1.1 million persons and earn turnover of €140 billion (see Table 1). If these local public enterprises were to adopt CSR, their collective impact could be crucial for the potential of CSR to contribute to growth and jobs in Europe (Commission of the European Communities 2006).

	Number of local public companies	Number of employees	Revenues (in millions EUR)
Sweden	1750	55000	16000
Finland	944	N/A	2100
Estonia	224	8900	150
Latvia	669	53142	718
Lithuania	108	N/A	N/A
Danmark	224	N/A	N/A
Belgium	243	27250	1900
United Kingdom	185	N/A	N/A
Germany	3500	530000	82000
Poland	2415	160402	5200
Czech Republic	339	N/A	N/A
Slovakia	239	N/A	N/A
France	1130	65500	13800
Austria	1450	44000	N/A
Slovenia	60	N/A	N/A
Italy	947	152662	16700
Greece	1116	27500	447,6
Spain	770	N/A	N/A

Table 1: Local public enterprises in Europe

Source: Dexia/Fédération française des SEM 2006

However, both the relationship between CSR and public service obligations and the benefits of CSR for public companies are still vague. At first glance, the two concepts seem to have a lot in common: the definition of the European Commission emphasises that CSR covers social as well as environmental issues and that it is not or should not be separated from business strategy and

operations. The definition of Howard R. Bowen (1953, p. 6), usually referred to as the basis of CSR, is even clearer in this regard: “It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.” Another premise of CSR is that business organisations have a responsibility towards various groups in society (internal and external stakeholders, i.e., employees, customers, non-governmental organisations, public authorities etc.) and not just the owners or shareholders (Freeman 1984). For companies in the public sector this is very important as they are founded on the idea of pursuing collective interests (Rousseau 2008). Public service obligations are required to make high-quality services of general interest available to everybody, everywhere, and at affordable prices (Houben 2008). Thus, common elements of public service obligation are social equality, universality, continuity, quality, affordability, user and consumer protection (Houben 2008). For this reason, public service obligations have *per se* an ethical commitment, and public service companies seeking a CSR strategy seem to defend values which are very close to them (Rousseau 2008). In this sense, CSR appears to be a logical continuation or a “modern” version of their original mission.

However, one main difference becomes quickly apparent. CSR is a voluntary concept, insofar as there is no law enforcing it (Rousseau 2008). Furthermore, in the understanding of CSR, the influence of the different stakeholders is dependent on their relevance and the specific balance of power only. In public service obligations, the respect of the general interest is guaranteed by the state and the administrative laws which are enforcing it. It can be concluded that CSR is not the same as public service obligation and that public service obligations are much more constraining than CSR. Thus, CSR could be on the one hand interpreted as a cutback of public service guarantees, but on the other hand could also be seen as a tool to reconcile the objectives of private and public companies.

Looking at the literature on motivation for corporate commitment to CSR, two basic alternative motives can be distinguished, i.e., altruistic versus for-profit rationales (e. g., Fry/Keim/Meiners 1982; Gardberg/Fombrun 2006). Different names for the same idea are moral versus strategic motivation (e. g., Graafland/van de Ven 2006), personal values of individual managers versus commercial imperative (e. g., Hemingway/Maclagan 2004) and intrinsic versus extrinsic motives (e. g., Tang et al. 2008). Within these groups different sub-motivations are possible, e. g., genuine concern, concern for people, social exchange, broad social/cultural reasons as subcategories of the altruistic motivation and economic performance, financial benefits, love of money, competitive advantage, concern for organization, corporate reputation, image enhancement/management, stakeholder pressures, desire to delay or avoid regulatory action, self-handicapping, as subcategories of the for-profit motivation (Idowu/Papasolomou 2007; Lynes/Andrachuk 2008; Tang et al. 2008). However, there has been no research yet on the specific motivations of local public companies providing services of general (economic) interest. The first research question is, therefore, why local public enterprises would be interested in seeking a CSR strategy beyond their administrative obligation: what are the motivations of local public enterprises to commit to CSR and what are the perceived benefits of such an involvement?

III. The (unfulfilled) CSR potential of local public enterprises

Local public enterprises claim to play active roles in the development of local economies and societies, as they perform economic duties that simultaneously produce social added value (Verband kommunaler Unternehmen e. V. 2006). The relationship between such companies and society currently is in flux, because the social and cultural infrastructure cannot be financed by states to the same extent they used to be, which means gaps increasingly emerge. For example, the equipment available to (formerly) state-run educational facilities often does not meet modern standards. Local public enterprises recognize these problems in their municipalities, because of their local proximity and knowledge. Their responsibility to the region and as a public company prompts them to provide assistance in manifold ways, but such CSR projects – even if they are not referred to in these terms by the local public enterprises – generally are poorly implemented in terms of corporate policies and corporate communication, because they have evolved over time as the need arose, without a particular strategic focus. In most cases, CSR engagement and measures are neither systematically integrated into the business strategies nor controlled according to business objectives. The European Commission, in a survey conducted in 2001, finds that the social engagement of European SMEs can “be characterised as local in scope, occasional in nature, and unrelated to business strategy” (Commission of the European Communities 2002, p. 11). The relationship of the public sector to the concept of CSR is ambiguous though. Whereas profit-oriented companies wonder if CSR activities might distract from the company’s main responsibility – reflecting Friedman’s (1970, p. 32) classic claim that “The social responsibility of business is to increase its profits” – public companies may fear criticisms of an unauthorised diversion of public funds that likely makes them hesitate to employ those funds for marketing (i.e., CSR) purposes. Yet in both cases, companies may miss valuable opportunities, since nonmonetary effects of CSR could be the same for both private and public companies: improved corporate image and reputation (King/Mackinnon 2001; Schwaiger 2004), enhanced customer trust and customer retention (Mohr/Webb/Harris 2001; Sen/Bhattacharya 2001), improved stakeholder relationships (Maignan/Ferrell 2004), and better employee motivation and satisfaction (Riordan/Gatewood/Barnes 1997). The second research question is, therefore, if local public enterprises see any potential disadvantages and threats which prevent them from getting involved with CSR activities.

IV. Discerno III: An empirical study

This research project was conducted from November 2008 until May 2010 as part of the European project *Discerno III* launched under the leadership of *CEEP*, the European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest, and co-financed by the European Commission. As *Discerno* stands for the “dissemination of corporate ethics and responsibility through networks of public enterprises”, the overall objective of the project was to promote CSR in enterprises providing public services. The project’s partners were associations representing services of general (economic) interest in six different countries of the European Union (Bulgaria, France, Germany, Italy, Poland and Portugal), all but Bulgaria taking part in the

research project. The objective of the research project was to identify the motivations of providers of services of general interest for a corporate commitment to CSR, the perceived benefits of such a CSR engagement, and the potential disadvantages and threats which prevent providers of services of general interest from getting involved in CSR activities. The authors participated in group discussions with members of the *Discerno* project during ten meetings over the course of eighteen months. Furthermore, a total of six semi-structured expert interviews was conducted with members of companies representing a broad range of public sectors. Each interview lasted approximately one and a half hours and explored the above mentioned research questions. All but one of the interviews were conducted telephonically, tape-recorded and transcribed verbatim. The results of these interviews were analysed by using qualitative content analysis. Based on the results of the previous group discussions and expert interviews as well as an extensive literature review, a standardised online questionnaire was designed in five languages (German, English, Italian, French and Portuguese). The survey took three weeks in March 2010. In total, 303 companies in France (35), Germany (92), Italy (20), Poland (30) and Portugal (126) were addressed either by *CEEP* or the respective *Discerno* project partners. The overall number of companies that responded to the questionnaire was 47 (4 from France, 16 from Germany, 0 from Italy, 5 from Poland, 22 from Portugal), for an effective response rate of 16%. The results are, therefore, not representative, but explorative only.

A factor analysis was performed on a 15-item motivation scale to identify distinct dimensions of motivations for an engagement in CSR activities (see Table 2). The data were checked for sampling adequacy and sphericity using the Kaiser-Meyer-Olkin and Bartlett tests. Principal components analysis was used as the original extraction method. Three factors with eigenvalues of 7.267, 1.851 and 1.539 were identified. Seven items loaded on the first factor, all of them having a relation to external, especially political stakeholders. The first factor was therefore labelled “satisfaction of political stakeholders”. The second factor contained five items, all reflecting the notion of performance and competitive advantage. This factor was labelled “economic performance and efficiency”. Three items indicating credibility aspects loaded on the third factor. This factor was labelled “credibility, image and reputation”. Overall these factors accounted for 71.044% of the total variance.

Items	Satisfaction of political stakeholders	Economic Performance and efficiency	Credibility, image and reputation
It thereby tries to avoid or delay possible regulatory measures	0.846	0.128	0.136
It is the declared intention of the public shareholders	0.833	0.142	0.212
It would like to satisfy political actors	0.780	0.230	0.251
It would like to prevent possible future business problems	0.735	0.206	0.268
It would like to receive a licence to operate	0.671	0.463	0.285
It would like to get acknowledgment from politics	0.656	0.374	-0.197
It is expected from the public	0.649	0.334	
It thereby aims at positive effects on the corporate performance	0.193	0.900	0.194
It would like to increase its competitiveness	0.207	0.848	0.194
In this company Citizen Value comes before Shareholder Value	0.220	0.764	0.181
It thereby expects to reduce the long-term costs	0.446	0.719	0.316
It can better solve social problems than a private company	0.422	0.632	-0.242
It would like to increase its credibility towards the employees			0.883
It would like to improve the customer's image of the company	0.173	0.110	0.807
It feels obliged to help	0.198	0.452	0.584
% of Variance explained	48.445	12.338	10.261

Table 2: CSR motivations of local public enterprises: Results of the factor analysis

However, the effects of a CSR involvement are regarded as rather weak; the highest perceived benefit is the effect on staff (e. g., employee satisfaction; mean=2.86), local public authorities (e. g., public acknowledgement; mean=2.76) and customers (e. g., customer satisfaction; mean=2.71). The lowest effect is perceived on key performance indicators (mean=1.62). Concerning potential disadvantages and threats which prevent local public enterprises from getting involved with CSR, the highest concern is about economic inefficiency of CSR activities (mean=3.68). Further high ranked concerns are limited financial or personnel resources (mean=3.62) and insufficient skills and know-how (mean=3.47).

Based on the findings of the online survey, group discussions and expert interviews, satisfaction of political stakeholders, economic performance and efficiency as well as credibility, image and reputation are likely to be the three main motivating factors. The satisfaction of political stakeholders as one major motive is particularly interesting as the European Commission has pursued an open market policy, since the late 1980s, to increase competition in sectors such as telecommunications, postal services, transportation, electricity, and gas, with the ultimate goal of achieving a fully operational, internal market, boosting growth and job creation, and improving the competitiveness of the European Union in the global economy. Furthermore, the European Commission and the European Court of Justice have extended and intensified the law on public procurement, which should lead to liberalisation and privatisation, especially in sectors such as water supply, wastewater treatment, waste disposal, and public transportation (Commission of the European Communities 2005, 2008). In practice though, public companies have often asserted that services of general (economic) interest cannot be made subject solely to the rules of competition (CEEP 2006, 2007), because the services fulfil people's daily needs and are vital to their well-being. As they meet these social objectives, including social cohesion and economic and social solidarity, public companies consider their "corporate citizenship" as inherent to their very operations (Verband kommunaler Unternehmen e.V. 2006). Based on the empirical survey, it might be inferred that they take their official recognition as a corporate citizen as a "licence to operate" and evidence of their distinction with regard to the rules of competition vis-à-vis public stakeholders.

At the same time, economic factors seem to play a crucial role with regard to both perceived effects and constraints of getting involved with CSR activities. This aspect has even more urgency, as the public sector must prove its efficiency whereas the private sector needs to demonstrate its social compatibility. Even in this sense though, CSR can be part of a formula for the long-term success of local public enterprises. As local public enterprises are close to citizens, they could enjoy especially high emotional benefits. Local public enterprises also can build a unique selling proposition based on their distinctive ethical values which would serve the major motivation, i.e., to improve the customer's image of the company. Thus, a more conscious CSR engagement linked to profound marketing knowledge could help local public enterprises attain much desired, and needed, approval from both government and customers.

V. Management support for CSR implementation: Sustainability balanced scorecard approach

1. The sustainability balanced scorecard framework

The understanding of the motives, interests and concerns of public companies to engage in CSR is not sufficient to turn CSR guidelines into successful action or take appropriate measures. Rather, public firms need additional management tools to support their CSR ambitions systematically. In particular, to ensure that CSR activities follow a holistic approach, match companies' objectives and strategy, and correspond to specific business conditions, the relevant management approach should be able to demonstrate the causal relationships and interdependencies among CSR-related measures and performance indicators.

To address these requirements, we suggest a sustainability balanced scorecard (SBSC) (Bieker 2005; Bieker et al. 2001; Figge et al. 2002, 2003; Hahn/Wagner 2001; Schäfer/Langer 2005), a refinement of Kaplan and Norton's (1996) well-established performance measurement tool. The SBSC focuses on qualitative aspects and attempts to overcome the shortcomings of conventional performance measurement systems by integrating the three pillars of sustainability – economic, environmental, and social performance – into a single, overarching management tool (Figge et al. 2002). The integration of sustainability elements into a conventional balanced scorecard (BSC) enables the company to identify, analyse, and visualise the causal relations of environmental and social measures with the economic success of the firm. A transparent, sustainability-integrating performance measurement system is particularly valuable for public companies, which must prove their economic effectiveness and efficiency. The SBSC is able to determine the particular CSR measures and activities that enhance business value, as well as identify those that are “luxury” initiatives from an economic point of view, which puts them in danger of attracting criticism regarding wastes of public funds.

Following Deming's (1983) plan–do–check–act (PDCA) circle, the SBSC attempts to manage the demands of relevant stakeholders by translating business strategy into action (Bieker 2005). In a top-down process, the relevant goals, performance indicators, targets, and measures must be deduced from the overriding vision and corporate strategy of the firm. In terms of a management

cockpit, the SBSC includes essential performance indicators that represent the four perspectives of the BSC (financial, customer, internal process, and learning and growth), which can be extended to include additional perspectives if necessary (Kaplan/Norton 1996). Moreover, it reveals the important interdependencies between and within the perspectives. Relationships between indicators within a single perspective mainly result from a differentiation between lagging and leading indicators (Kaplan/Norton 1996). Lagging indicators refer to the results pertaining to strategic core issues; leading indicators reflect the enablers of the desired results. That is, lagging indicators are past or present oriented, whereas leading indicators refer to future developments (Bieker 2005). They indicate how the results, as reflected by the lagging indicators, can be achieved.

2. Integration of CSR into SBSC

Research into the SBSC employs different approaches to integrate CSR aspects into the balanced scorecard (Bieker 2005; Figge et al. 2002; Schäfer/Langer 2005). For example, because environmental and social aspects often represent externalities, Figge et al. (2002, p. 9) suggest introducing an additional, non-market perspective that includes “strategically relevant environmental and social aspects which are not integrated in the market mechanism.” They recognize the necessity of this additional perspective when environmental and social aspects outside the market system influence the firm’s success, a scenario that the conventional balanced scorecard cannot address. In addition to this non-market perspective, the specific business conditions and stakeholder structure of local public enterprises may require an additional perspective. According to Kaplan and Norton (1996), critical stakeholders should determine the selection of relevant perspectives (see also Bieker 2005; Schäfer/Langer 2005). Because local public enterprises usually anchor strongly in the development of their local economy and society, which itself depends on public service institutions, including municipalities, a kind of economic triangle emerges among the local public enterprises, its customers, and municipalities. The outstanding role of municipalities as a key stakeholder and influence on the economic success of local public enterprises suggests they should be included in the SBSC.

3. Building a SBSC for local public enterprises

An SBSC’s purpose is to discover and reveal strategy-specific influence patterns through cause-and-effect chains that integrate relevant CSR aspects. The process of generating a SBSC therefore should lead to the value-based management of environmental and social aspects and measures (see Figure 1).

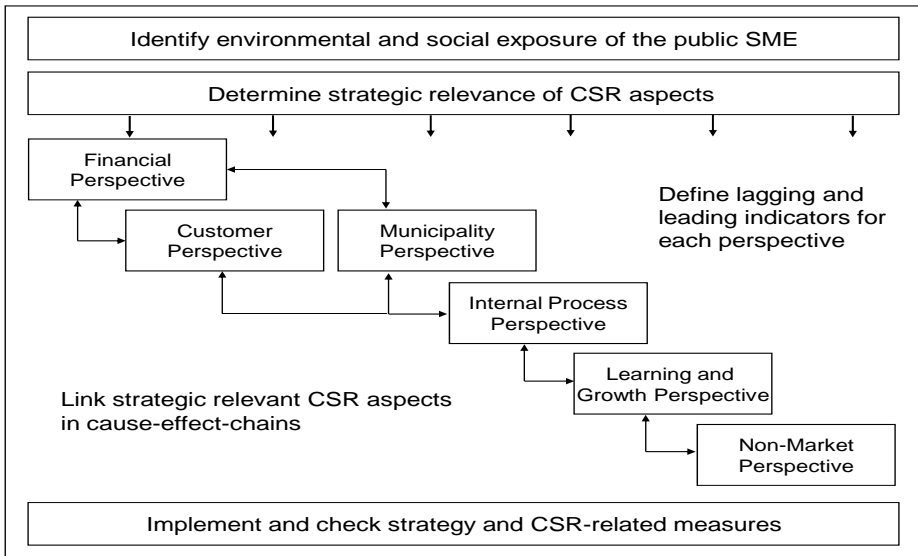


Figure 1: Process of building a SBSC

Source: Adapted from Schaltegger et al. 2007, p. 67

The first step in this process is to identify the pertinent CSR aspects, namely, the environmental and social exposure of the firm (Figge et al. 2002). A generated list of CSR features with potential strategic relevance should include all elements that might affect the company's success and value (e. g., emissions, energy and material efficiency, responsibility for and development of employees, involvement in local development projects). The second step pertains to determining the strategic relevance of all identified aspects with regard to the different perspectives. The strategically most relevant aspects then must be causally linked with long-term success, as indicated by the performance indicators from the financial perspective. This step is critical, because "By going through the perspectives in a cascade-like process starting with the financial perspective [...] the hierarchical and causal linkage of the strategically relevant aspects is guaranteed" (Figge et al. 2002, pp. 16–17). For each perspective, the process also identifies relevant lagging and leading indicators, such that the indicators of the hierarchically lower perspectives explain causally how the objectives and indicators of the superordinate perspectives can be achieved (Hahn/Wagner 2001). The lagging indicators should express strategically relevant key figures (results) that are influenced by environmental or social measures and activities. The leading indicators reflect CSR performance drivers that express how the results pertaining to each perspective might be generated. After determining the strategically relevant CSR aspects and linking them in cause-and-effect chains to economic objectives, performance indicators, and underlying measures, the last step features the implementation and checking of the strategy and CSR-related measures. Using a PDCA circle, this step provides a controlling instrument for local public enterprises by giving them feedback about the effectiveness and efficiency of their CSR implementation.

4. Determining performance indicators for a SBSC

In the following sections, we outline a framework of potential indicators for local public enterprises that represent core issues identified through the *Discerno* project. To create a SBSC, we must link indicators together to reveal the causal relations among the six relevant perspectives for local public enterprises (see Figure 2).

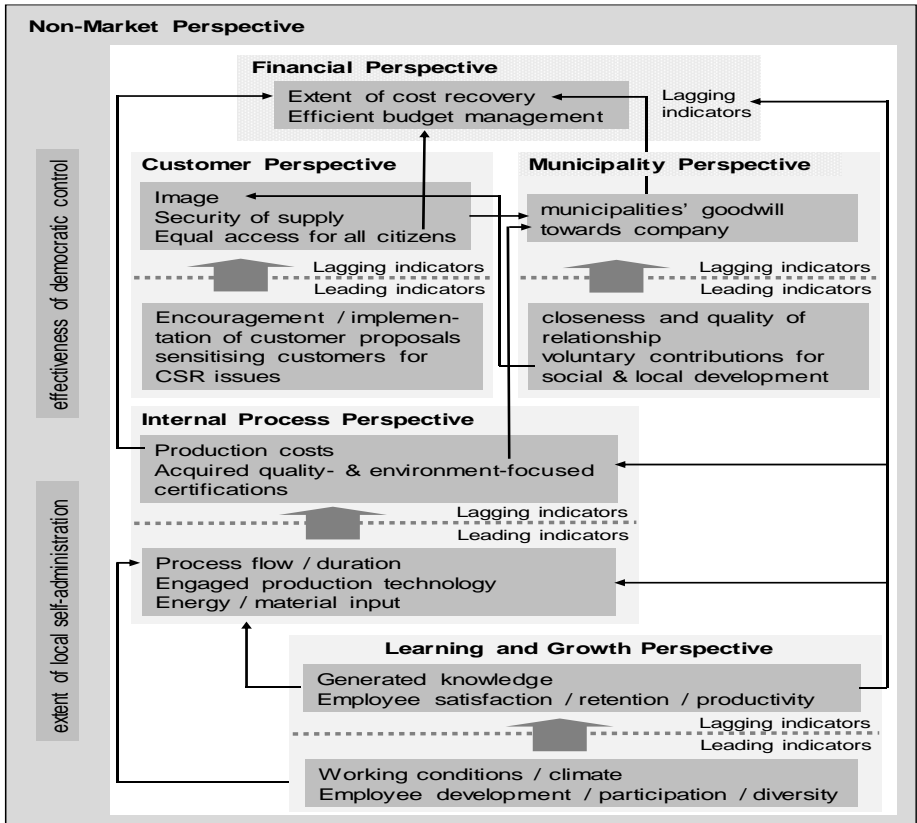


Figure 2: Framework of performance indicators for local public enterprises

Source: Authors' illustration

In conventional BSCs, as well as our specific SBSC, the *financial perspective* provides the starting point and the endpoint of the performance measurement. The included indicators, which are mostly lagging indicators that reflect companies' financial performance, result from the other perspectives. Whereas features such as detailed pricing or tariffs are highly industry specific, one general principle applies across the board to services of general interest and to CSR, namely, the cost recovery principle (Commission of the European Communities 2003). That is, the economic objective of local public enterprises is basically the recovery of (full or incremental) costs rather

than profits. They are obliged to undertake sustainable, economical, and efficient budget management. Leading indicators that represent the future development of costs with regard to sustainable cost management could refer, for instance, to investments in energy-efficient technologies and expected cost savings and return on investment, respectively, related to security of supply and price stability. Therefore, the financial perspective indicates whether the desired economic objectives of the firm have been and will be achieved, but the means to achieve them depend on the other perspectives (Figge et al. 2002).

The *customer perspective* reflects targeted client segments and comprises performance indicators that express the results and drivers of value creation for these segments. Typical lagging indicators include customer satisfaction and market share (Hahn/Wagner 2001). For local public enterprises, they also should reflect the security of supply, universal provision, and equal access for every citizen, which indicate social citizenship and contribute to competitive advantages, represented by the performance indicators of the financial perspective in relation to key competitors. As potential relevant leading indicators – that is, drivers of value creation for the target clients – Kaplan and Norton (1996) propose the categories of product attributes, customer relations, and image. All of these categories relate to CSR aspects: Product characteristics involve both environmental and social issues (e. g., socially responsible pricing), the kind of customer relations express the firms' attitude toward their clients, and the companies' image can be based on social responsibility, as already pointed out in the discussion of motivating factors for CSR engagement from the suppliers' point of view. The *Discerno* project places particular emphasis on customer relationship management, in terms of encouraging customer proposals, analysing and implementing them, improving complaint management, and sensitising customers to environmental and social issues. With regard to the competitiveness of local public enterprises, particularly in liberalised markets, indicators that represent the quality and sustainability of the company's customer relationships are likely to be linked to the long-term financial performance of the firm. Such indicators reflect the customers' commitment to the public service provider and therewith express psychological switching costs which ensure long-term revenues.

The previously discussed economic triangle indicates that the *municipality perspective* should appear at the same level on the cause-and-effect chain. This perspective represents local and regional public decision makers as a stakeholder group of particular importance for local public enterprises as well as the degree of collaboration the firm has realized with them. This performance measure perspective is crucial for the companies' economic success (*financial perspective*) and also influences their image, as a component of the customer perspective. A lagging indicator is the municipalities' goodwill toward the company, expressed, for example, by the granted degree of managerial freedom of decision; the leading indicators mainly entail the closeness and quality of the relationship between the company and the municipality, the awareness of and voluntary contributions by the local public enterprises to solutions to social problems, and projects for local development (e. g., sponsorships, social marketing).

The *internal process perspective* focuses on those processes that are crucial for achieving upstream objectives and are therewith linked to the before described perspectives. Kaplan and Norton (1996) divide these measures into cost-related, time-related, and quality-related indicators of direct connections to economic targets. Environmental and/or social engagement in production and innovation processes can be evaluated according to efficiency and quality. In addition to production

costs (e. g., energy and material efficiency, waste production), appropriate lagging indicators might include the companies' achievement of quality or environmental certifications (e. g., DIN EN ISO 9001:2000, EMAS, SA 8000), which demand process quality and process efficiency. The underlying performance drivers are process characteristics, whether determined by the certificate authorities or in the form of scientific or managerial expertise in process management.

The *learning and growth perspective* describes the infrastructure, especially human resources, that is fundamental for performance and for value creation for customers and municipalities. Generated knowledge about sustainable technologies, processes, and products, measured, for example, by the number of successfully completed vocational trainings, as well as employee satisfaction, motivation, retention, and productivity, offer appropriate lagging indicators for this perspective (Figge et al. 2002). Performance drivers include working conditions and the work climate, the extent of employee development, the degree of employee participation in managerial decision processes, and staff diversity. These indicators can express a successful CSR implementation and reveal companies' strategic potential for achieving sustainable economic success.

Finally, the last perspective refers to strategically relevant CSR aspects that may become effective through mechanisms outside the market system, that is, a "non-market perspective [that] acts as a societal frame or background in which the market activities are embedded" (Figge et al. 2002, p. 22). The most crucial *non-market aspect* for public service companies is the question of local self-administration. For local public enterprises, a non-market perspective could have significant strategic relevance for their (financial) performance when the organisational autonomy for decision making is limited. Such organisational autonomy is always vulnerable; the rules of competition and internal markets apply regardless of ownership (public or private). The EU's internal market and competition law imposes constraints and conditions that increasingly restrict local and regional authorities' ability to self-determine and their freedom of choice with regard to providing and producing public services. At the same time, democratic controls of local public enterprises may lose their effectiveness. In this context, democratic control implies that the management of local public enterprises is subject to public supervision and monitoring through the presence of elected representatives in municipalities or parliamentary committees, who have access to corporate information. This background, in which the market activities of local public enterprises are embedded, affects the very nature of public services, so the extent of local self-administration and the effectiveness of democratic controls provide the key indicators of the non-market perspective and build at least an indirect link to the company's performance within the other five SBSC perspectives.

VI. Conclusion

This article attempts to contribute to a better understanding of local public enterprises' social engagement by both analysing the service providers' motivation, perceived benefits and potential threats to engage in CSR built on an empirical base as well as developing an industry-specific framework for local public enterprises that wish to adopt a more strategic and holistic approach to CSR. The development of new performance measurements, such as SBSC, offers a realistic

way to embed what is often described as a corporate tradition in the strategy and practice of local public enterprises.

The analysis shows that local public enterprises differ from private enterprises; therefore, their CSR activities need to adjust to fall in line with their objectives and strategy, and correspond with their specific business conditions. In addition to the perspectives that appear in a classical BSC, such as financial, customer, internal process, as well as learning and growth perspectives, the SBSC for local public enterprises includes the municipality perspective and the non-market perspective. Furthermore, the SBSC includes an industry-specific list of key performance indicators, such as cost recovery, security of supply, universal provision, equal access, socially responsible pricing, municipalities' goodwill toward the company, the extent of local self-administration, and the effectiveness of democratic controls.

Unlike Kaplan and Norton (1996), who indicate no attempts to disclose information about BSCs publicly (Pava/Krausz 2006), we argue that local public enterprises would be well-advised to publish information about their CSR performance. There is a significant opportunity for the public sector to harness both political and civil enthusiasm for CSR and thereby help raise awareness about the special characteristics of local public enterprises. Promoting transparency and thus credibility in CSR practices also can boost the benefit that local public enterprises create for their image and reputation. The question for local public enterprises differs from that for MNEs. It is not whether to establish codes of conduct in a globalised world that includes production sites in developing countries or whether to include human rights and environmental standard ratings in their annual reports; rather, the main point pertains to the use of CSR to demonstrate the value of public services for the European society.

Zusammenfassung

Zelal Ates und Marion Büttgen; Corporate Social Responsibility von Unternehmen der Daseinsvorsorge: Entwicklung einer Sustainability Balanced Scorecard für kommunale Unternehmen

Soziale Verantwortung; Europäische Union; Leistungen im allgemeinen Interesse; Daseinsvorsorge; Nachhaltigkeit; Nachhaltigkeits-Balanced-Scorecard

Der Beitrag widmet sich den spezifischen Rahmenbedingungen kommunaler Unternehmen im Hinblick auf ein besonderes Engagement im Bereich der Corporate Social Responsibility (CSR). Unter Einsatz von Experteninterviews, Gruppendiskussionen und einer standardisierten Online-Befragung in fünf EU-Staaten werden wesentliche Bestimmungsfaktoren und erwartete Wirkungen eines CSR-Engagements vor dem Hintergrund der spezifischen wirtschaftlichen und politischen Rahmenbedingungen analysiert. Die Erkenntnisse dienen der Entwicklung einer kontextgerechten, strategisch verankerten Balanced Scorecard, die kommunale Unternehmen bei der Implementierung sozial verantwortlicher und gleichzeitig wirtschaftlichkeitsorientierter Management-Prinzipien unterstützen soll.

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