Policy position paper: Recommendations

D4.2.b

DESIGN-MTS: *DEfining Social responsibility Interventions for Grounded Networking in Machine Tool Sector*

Project title	DEfining Social responsibility Interventions for Grounded Networking in Machine Tool Sector
Project acronym	DESIGN-MTS
Contract No	333720
Call identifier	41/G/ENT/CIP/12/E/N02S001
Start of project	1 July 2013
Duration	18 months

Deliverable no	**D4.2.b**
Deliverable name	**Position Paper / Recommendations**
Work package	4: Networking activity and elaboration of policy recommendations (Task 4.2)
Authors	Nicholas Andreou
Task leader	CEI
Dissemination[1]	PU
Due date of deliverable	31 December 2014
Revision	23 December 2014 (revised and updated final version)

---

[1]   **PU**= Public; **CO=** Confidential, only for members of the consortium (including the Commission Services)

Policy Recommendations

The following recommendations are based on a number of insights that have been developed throughout the DESIGN MTS project. In particular they draw on the Existing Situation Analysis, European best practices, Sector-wide Joint set of Commitments and Networking Strategy Deliverables. These insights include:

1. That the European Machine Tools Sector (MTS) is a heavily SME dominated sector with approximately 80% of businesses in this category
2. As such the sector is largely resource constrained, with priority being given to immediate concerns (such as sourcing of business) over corporate social responsibility and sustainability activities
3. Larger organisations within the value chain have demonstrated examples of best practice in CSR and serve as leading role models for actors across the value chain
4. A high proportion of business to business relationships leads to a highly market driven sector with an emphasis on supply chain drivers

Based on these insights, the recommendations focussed on the need to raise awareness and understanding and capacity building. The recommendations have been developed in line with the European Commission's strategy for developing corporate social responsibility (CSR) and are compatible with the implementation plan set out in the Renewed EU strategy 2011-2014 for Corporate Social Responsibility[2].

The recommendations are meant to serve as goal-based guidelines. Their implementation and operationalization will vary dependent on the context. The aim of these recommendations is to stimulate the institutional and contextual environment that facilitates adoption of CSR within MTS enterprises.

On the basis of this, we recommend:

1. **National level support to**
   1.1. Social partners' initiatives that target awareness raising and sharing of best practice including:
      1.1.1. Continued promotion of best practice examples of integrated CSR management in the MTS
      1.1.2. Organizing of expert seminars
      1.1.3. Development of assessment tools and promotion of voluntary disclosure of performance
      1.1.4. Establishment of programs for sharing organizational practices across the sector
      1.1.5. Facilitating the transfer of innovations across organisations, sectors and regions

---

[2] http://ec.europa.eu/enterprise/policies/sustainable-business/files/csr/new-csr/act_en.pdf

1.2. <u>Training institutions</u> promoting awareness and competence through:

    1.2.1. Capacity building (e.g. implementation focused training, annual seminars)

    1.2.2. Curricula development (e.g. integration of CSR principles within technical/engineering and management training)

2. European level support to Multi-stakeholder platform through promoting

2.1. A sector specific award programme (based on the European CSR Awards Scheme)

2.2. Monitoring capacity

2.3. Increased collaboration with European sector association of customers to enhance capacity (bi-annual joint workshop)

2.4. Customer drivers for CSR (e.g. subsidising responsibly produced products and services, or raising awareness to customers of the importance of products and services originating from responsible organizations)

2.5. The sharing of best practices at the policy level through increased communication

2.6. The integration of existing CSR institutions and policies (e.g. ISO 26000, UNGC, OECD Guidelines, etc.) in new and emerging policies

The above recommendations refer to stakeholders most directly involved in the promotion of CSR within MTS, however we encourage collaboration with all relevant stakeholders including: governments and local authorities; enforcement, inspection, and auditing bodies; unions and employee representatives; businesses and trade associations; charities and NGOs; research and training institutions.

Background

The rationale for these recommendations was driven by the pursuit of the following five goals:

1. Improve Awareness and Understanding

Awareness here refers to the core understanding of CSR:

1. What is it? (An approach to doing business)
2. The different areas it encompasses? (People, environment, governance, etc.)
3. Its importance to stakeholders:
    a. Individuals (e.g. health and wellbeing and sustainability of the planet)
    b. Organizations (e.g. driver for innovation and productivity)
    c. Governments (e.g. improves national innovation, lowers illness and injury in the population, and improves national labour force and economy)

The analysis conducted as part of the DESIGN MTS project revealed that although there are good examples of CSR communication in the sector by large companies, awareness and understanding exhibited by SMEs was lower. Therefore the proposed recommendations mainly address this need at a basic and fundamental level.

2. Develop Practical Competence

Awareness, and understanding as described above, are necessary, yet are not the only ingredients necessary for developing competences in the sector as a whole. In particular, there is a need to improve practical and experience based skills of how to implement CSR principles in existing business operations.

3. Improve Internal and External Communication of CSR Management

Improving communication is an important activity for a number of reasons related to developing CSR, as it:

1. Fosters transparency helping to build stakeholder trust in businesses
2. Helps to cultivate awareness and understanding throughout the value chain
3. Promotes best practice through an institutional mimicking pressure
4. Establishes internal and external benchmarks for which the organization is accountable for improving against, leading to continuous improvement

4. Create Incentives for CSR Adoption and Engagement

In an ever more competitive economic environment as well as shortening of business cycles, incentives are required to ensure that responsible business

practices are adopted and maintained. This is especially relevant in the MTS, as it is a business to business sector which is largely shaped by market forces. Furthermore, with 80% of the sector composed of SMEs, who are traditionally more resource constrained, incentives are needed to promote CSR practices.

In particular both short term and long term incentives are required in order to both offset the initial cost of change but also to ensure that organizations are adopting these practices for the long haul rather than short term gain. As CSR has been documented to have a number of long-term gains (reduced costs, increased innovation, higher quality workforce etc.) the recommendations focus in particular on short-term incentives.

5. **Align policy approaches towards CSR and sustainability**

An aligned approach refers to developing policies aligned with existing institutions. In practice this ensures that policies at regional, national, and local level target the same goal and do not counteract one another. This will also reduce the scope for 'dodging' of rules based on strategic selection of operating locations. Analysing other approaches would also offer an opportunity to develop policies based on previous successes.