“Eureka! – Finally we have another Anglo-Saxon term for something so self-evident: ‘Corporate social responsibility’ is the magic word that means nothing but the fact that corporations must also take into account the public good (something that, by the way, the wise architects of the Austrian Stock Corporations Act formulated decades ago with enduring validity).”

Herbert Krecji, former Secretary General of the Austrian Federation of Industrialists and member of the board of directors in various Austrian corporations, (in: Gewinn 12/02: 180, December 4, 2002; translation by the author)

5 CSR in Austria

For many reasons, Austria is an excellent and unique setting to study the career of CSR – or, more precisely, and in Matten and Moon’s (2008) terms: of explicit CSR – in greater detail. The quote at the beginning of this chapter points out several elements that characterize this uniqueness. First and foremost, and as a common feature of the majority of continental European countries and their governance system, social responsibility of business is per se nothing new. On the contrary: The implicit notion of CSR has been firmly anchored in such an institutional framework – an indigenous, taken-for-granted idea that had already existed (e.g., European Management Forum, 1973; Steinmann, 1973; see also Ulrich & Fluri, 1975; Ulrich, 1986, among others) before it was “discovered” as a strategic instrument and rhetorical tool. What certainly is new is the fact that corporations have started to pick up the explicit vocabulary of CSR in their corporate communication over the last decade; in doing so, they aim to manage legitimacy and maintain their license to operate by demonstrating sound management practices vis-à-vis various stakeholders.

Such a deeply ingrained understanding also expresses the consensus of powerful societal actors and is materialized in various ways from legal regulation to informal means of political decision making (see below for more details). For instance, and as early as 1965, the Aktiengesetz (Austrian Stock Corporation Act) stipulated that the management of corporations must act, above all, in the best interest of the corporation itself. At the same time, it must also take into account the interests of key stakeholders; the law explicitly mentions shareholders and employees as well as the public interest. Another characteristic and key feature of this specific empirical context is the strong corporatist tradition in Austria that has been manifested in a range of informal forms and practices of political decision

121 § 70 (1) – the guiding principle for the executive board – reads as follows (translation by the author): “The executive board shall have sole responsibility for managing the corporation in a way that best serves the corporation’s interest and thereby shall endeavor to take into account the interests of the shareholders and the employees as well as the public interest.”
making: Austria has consistently been portrayed as the “country of corporatism” (Traxler, 1998) – as an icon of corporatist and stakeholder governance in post-war Europe (on the Austrian context, see also Meyer & Höllerer, 2009, 2010).

On the following pages, I will systematically explore these and other characteristics describing the continental European context and the Austrian empirical setting in particular. Moreover, I will portray the Austrian CSR arena and its key actors. Toward the end of the chapter, I will present first empirical data in order to illustrate the genre of annual reports in Austria; I will also briefly discuss social disclosure practices in Austrian corporations’ annual reports.

5.1 Cultural conditions

5.1.1 A continental European model of corporate governance

Much scholarly work has highlighted the cultural embeddedness and sociopolitical aspects of governance models (see, for instance, Fligstein, 1990; Hollingsworth & Boyer, 1997; Whitley, 1999; Hall & Soskice, 2001; Aguilera & Jackson, 2003; Aguilera & Cuervo-Cazurra, 2004; Schneper & Guillén, 2004; Fiss, 2008). The differences between the governance models prevailing in the Anglo-American context and those in continental European countries have especially been discussed at length in literature (see Djelic, 1998, among others). In comparative research across cultural borders, two theoretical frameworks in particular deserve attention: the varieties of capitalism approach (e.g., Hall & Soskice, 2001) and the (national) business systems perspective (e.g., Whitley, 1999). While the first approach identifies two ideal types of economies (i.e., liberal market economies versus coordinated market economies), the latter refers to business systems as the “distinctive patterns of economic organization that vary in their degree and mode of authoritative coordination of economic activities, and in the organization of, and interconnections between, owners, managers, experts, and other employees” (Whitley, 1999: 33). As Fiss (2008: 401) points out, the business systems perspective offers “an intriguing framework for those who aim to study corporate governance through an institutional lens” (see also Djelic & Quack, 2003; Djelic & Sahlin-Andersson, 2006; for a detailed discussion of linkages with organizational institutionalism see, for instance, Tempel & Walgenbach, 2007).

Following Matten and Moon (2008: 407), I argue that national differences in CSR issues – i.e., “ways in which corporations express and pursue their social responsibilities” – can be explained by historically grown institutional frameworks that shape business systems. I will employ the dimensions used by Matten and Moon (2008) – they themselves borrow from Whitley (1999) – to outline the Austrian case. I will especially stress specifics relevant for CSR, but also contrast the more general continental European model with the Anglo-American one to illustrate the empirical context of my study.
5.1.2 Institutional framework in Austria

In general, four key features characterize the historically grown institutional framework for business organizations within any country: the political system, the financial system, the education and labor system, and the cultural system. These features inform national business systems, especially in terms of the nature of the firm, the organization of market processes, and the coordination and control system (Whitley, 1999; see also Matten & Moon, 2008).

5.1.2.1 Political system

The political system in Europe, compared to that of Anglo-American nations, has historically been characterized by a relatively powerful state and by governments engaged in economic and social activity throughout various policy fields (Matten & Moon, 2008). Very much in line with the European welfare state tradition, many welfare services in Austria are provided or at least financed by the state, consequently resulting in a rather high tax and contribution ratio. At the core of Austria’s social model rests a nationalized insurance system for health, unemployment benefits, and pensions, as well as for other social commodities.

Numerous topics now regarded as part of the CSR agenda have been anchored in Austrian governmental policies for a considerable period of time. As in other European countries, environmental issues stimulated an at times – especially during the 1970s and 1980s – highly emotional political debate\textsuperscript{122} that also gave rise to the establishment of the Austrian Green Party in 1986.\textsuperscript{123} Deviating from other European countries, the Austrian federal government – at that time composed of a grand coalition of social democrats and conservatives – explicitly proclaimed the so-called öko-soziale Marktwirtschaft (eco-social market economy)\textsuperscript{124} as an essential part of its political program at the beginning of the 1990s.

\textsuperscript{122} For instance, a negative plebiscite prevented the first Austrian nuclear power plant from going on line in 1978. In 1984/1985, severe clashes between police and protesters (the junior elite from literally all political parties were among the demonstrators) prevented the construction of a hydropower plant on the Danube river and led to the creation of the Donau-Auen National Park; the areal preserves the last remaining major wetlands environment in Central Europe.

\textsuperscript{123} The Austrian Green Party was formed by merging of two individual parties each founded in 1982. Although to date not part of any federal government but represented in the Austrian Parliament since 1986, the Austrian Green Party has been part of various local governments at state/Länder and municipal level, and has thus participated in setting the political agenda.

\textsuperscript{124} The term öko-soziale Marktwirtschaft was coined by the Austrian conservative politician and later Austrian Vice-Chancellor Josef Riegler in the late 1980s (see, for instance, Riegler, 1990). Based on a strong and innovative market economy, it is a holistic model that aims at balancing free market economy and strives for social fairness as well as the sustainable use and protection of natural resources.
As Meyer and Höllerer (2009, 2010) expound in great detail, it is important to acknowledge the very close link between economic and political elites that can be attributed to the corporatist tradition characterizing Austria after WWII. The construct of the Sozialpartnerschaft (social partnership) has been built upon a tacit and informal agreement between the government, major employers’ associations, and various employee interest groups, and has dominated the socioeconomic environment to an extent that Austria is generally top-ranking in empirical studies on corporatism (e.g., Lehmbuch & Schmitter, 1982; Molina & Rhodes, 2002; see also Schmitter & Lehmbuch, 1979). This type of policy-making is not based as much on pluralistic interest groups’ efforts to lobby and/or pressure the government as it is on actually integrating these groups into the policy-making process (Meyer & Höllerer, 2009). Until 2003, and for a period of several decades, no social or economic law in Austria had been passed by the Austrian Parliament without consulting the social partners in advance. Their predominant strategy of regulating conflicts by way of institutionalized bargaining and compromise – secluded from the public – resulted in social peace and the post-war Austrian “economic miracle”. In turn, democratic legitimacy deficits resulting from the secrecy and informality of political decision making and a politicization of the economy were the price to pay (Meyer & Höllerer, 2009, 2010).

At the end of the 1990s, several traditional Austrian institutions began to erode: Pelinka (1998) calls it the “end of subsocieties” and a “farewell to corporatism”. Among other things, the influence of the social partnership was thought to have come to an end, not least due to the increasing importance of international financial markets and the fact that, for the first time since the 1960s, the Social Democratic Party of Austria was not part of the federal government between 2000 and 2007. However, and as several political observers and the media noted in 2008, the aftermath of corporate malfeasance and the financial crisis – which once again changed the global role of the state within the economic system – together with a newly elected federal government was fertile ground for a resurgence of the traditional corporatist system in Austria (see also Meyer & Höllerer, 2010).

5.1.2.2 Financial system

Another important criterion in describing business systems is the configuration of the financial system, especially the role of the capital market. In North America, a high degree of transparency and accountability toward investors is due to the fact that the stock market is the central financial source for corporations (Whitley, 1999); widely spread shareholdings are common (Gourevitch & Shinn, 2007). In 125 Using the Hicks-Kenworthy index as a measure of corporatism, Austria (0.96) – in a near-tie with Sweden (0.97) – and the United States (0.02) represent the extreme values (Gourevitch & Shinn, 2007: 154).
European corporations, however, shareholding can generally be characterized as relatively less dispersed and tending toward a considerable concentration of ownership (see also Barca & Becht, 2002; Gourevitch & Shinn, 2007): A small network of fairly large shareholders – i.e., mutually interlocking owners with banks and insurance companies playing a major role – strive for long-term preservation of influence and power (Matten & Moon, 2008). Also, in the continental European model, groups of stakeholders other than shareholders play an equally important role in corporate governance (see above). Nevertheless, several studies\(^\text{126}\) have documented recent shifts toward a more shareholder-focused orientation (e.g., Fiss & Zajac, 2004, 2006; Sanders & Tuschke, 2007; Meyer & Höllerer, 2010).

Meyer (2004; see also Meyer & Höllerer, 2009, 2010) notes that in Austria an external market for corporate control – manifested through hostile takeovers or takeover attempts – has been practically non-existent. Apart from the growing importance of institutional investors, a distinct shareholder movement is still in its infancy today.\(^\text{127}\) The corporate landscape of post-war Austria has been dominated by formerly nationalized industries and, more recently, subsidiaries of foreign multinational corporations. It is further characterized by long-established industrialist families and a high degree of small and medium-sized enterprises, often referred to as the “backbone” of Austrian economy. In their study on the separation of ownership and control in Austria, Gugler, Kalss, Stomper, and Zechner (2002: 58; see also Gourevitch & Shinn, 2007) conclude that, “by European standards, Austria seems to be the country with the highest concentration of ownership and voting power. State ownership and control dominates among large firms, while families prevail as majority owners of small firms. Banks and foreign investors play a significant role as owners and holders of voting blocks in all size-classes.”

An analysis of ownership data reveals that in 2000, for instance, 86.5% of Austrian publicly-traded corporations showed considerable blockholdings (i.e., more than 25.0% of shares held by an individual investor). Moreover, for 27.4% of publicly-traded corporations, Meyer and Höllerer (2010) measure significant influence of the public sector (i.e., direct or indirect blockholdings by governmental entities). Market capitalization, on the other hand, is comparatively low: In 2000, over 50 European stocks on the Dow Jones STOXX each had a market capitalization greater than that of the entire Austrian stock market (European Central Bank, 2002). At the Vienna Stock Exchange, with an average of 102 domestic corporations listed between 1990 and 2005, the top five corporations accounted for 42.2%
of market capitalization in 2000. Likewise, the equity segment displays rather low liquidity with the top five corporations generating 52.3% of stock exchange turnover (Meyer & Höllerer, 2010). The structure of the pensions system – according to Gourevitch and Shinn (2007), Austria is among those countries with the lowest private pension assets in relation to GDP –, a tradition of debt financing rather than venture capital, and a strong preference for conservative forms of private savings add to the overall modest role and activity of the capital market in Austria (Meyer & Höllerer, 2009, 2010).

Furthermore, the specific legal tradition of a nation strongly influences the governance model in place as well as the activity on and of the capital market (see La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1998; Aguilera & Jackson, 2003). Austria’s civil law tradition is typically considered to lag behind common law countries with regard to financial investor protection and to provide a less favorable environment for shareholders and the capital market in general (Meyer & Höllerer, 2010).128 This is also reflected in the comparatively small number of stock corporations: In 2001, only 1,096 corporations of this legal type (equaling 0.5% of all business organizations) employed 15.6% of the Austrian workforce compared to, for instance, 21.6% companies with limited liability and 64.6% with sole proprietorship (Statistik Austria, 2001; for an overview of legal forms according to Austrian law, see Gugler et al., 2002).

5.1.2.3 Education and labor system

There are substantial differences between national contexts in terms of regulation and qualification of human resources at the post-secondary education level: Europe is characterized by publicly led training and active labor market policies, whereas corporations in the United States have developed distinct strategies of their own (Matten & Moon, 2008).

In Austria, with the social democrats being in power for most of the time since WWII (either alone or as part of a coalition), labor issues were given highest priority in almost every government program with the explicit objective of full employment. The Arbeitsmarktservice (Austrian Public Employment Service), an agency under public law since 1994 and formerly known as the Labor Market Administration Authority affiliated with the Austrian Federal Ministry of Employment, Health, and Social Affairs, has assumed its role as the leading provider of all labor-related services – including financial assistance – in close cooperation with labor union and employers’ associations. Labor market policies have also been

128 In this context, it is important to note that minority shareholder protection in Austria is among the lowest of all Western countries. Gourevitch and Shinn (2007: 48) indicate a minority shareholder protection index of 30.0 for Austria compared to 97.0 for the United States.
highly influential vis-à-vis decision making processes in corporations, especially in those organizations with significant public sector influence.

As outlined above, a number of European countries, and Austria in particular, are characterized by relatively integrated, nationwide, and hierarchical structures of both business and labor interest in a corporatist tradition (Molina & Rhodes, 2002). High levels of union membership – the Österreichischer Gewerkschaftsbund (Austrian Trade Union Federation), although nonpartisan, is a social democratic-dominated association subdivided into nine smaller affiliated trade unions – and employers organized in business associations and federations, together with the highly influential and taken-for-granted construct of social partnership, resulted in the negotiation of labor-related issues at national rather than at corporate level (Lehmbruch & Schmitter, 1982; Molina & Rhodes, 2002; see also Matten & Moon, 2008). Strikes – also during collective bargaining – have been fairly uncommon in Austria. Hence, the Austrian model is appropriately referred to by the catchphrase of a “class struggle on the green table” (Meyer & Höllerer, 2010).

5.1.2.4 Cultural system

Anglo-American and continental European cultural systems have, as Matten and Moon (2008: 408, quoting various sources) summarize,

“[…] generated very different broad assumptions about society, business, and government. Compared to Europeans, Americans are regarded as having a relative capacity for participation […] , a relative capacity of business people for philanthropy […] , relative skepticism about big government […] , and relative confidence about the moral worth of capitalism. Thus, there is a much stronger American ethic of stewardship and ‘giving back’ to society […] . This contrasts with the greater European cultural reliance on representative organizations, be they political parties, unions, employers’ associations, or churches, and the state.”

In general, these findings hold true for the Austrian context as well: Leaving aside conventional stereotypes, a distinct identity in terms of professional and status groups, firm ties with the political base and thus a clear political identity, a traditionally strong Catholic Church, and universal trust in a powerful state and other authorities have been central characteristics of the nation. On the other hand, dichotomies (i.e., building on an American versus European debate)\textsuperscript{129} can never capture all details of post-war society in Austria: Over several decades, it was primarily the economic elite, with industrialist families playing a crucial role, that felt responsible for the socioeconomic architecture of the nation – “an idea that […] frequently comes with a flavor of patriarchy or with the fragrance of Christian ethics” (Meyer & Höllerer, 2009: 11). Such a paternalistic perspective involves the

\textsuperscript{129} For critical remarks on the “American/European debate about corporate governance”, see Donaldson (2008).
balancing of different stakeholders’ claims and interests not only to navigate the corporation through troubled waters, but due to the conviction, claim, and also obligation to know better what is good for stakeholders – perhaps better than the stakeholders themselves – and society as a whole (Meyer & Höllerer, 2009). It is in this regard that an implicit understanding of social responsibility, firmly anchored as “good Austrian entrepreneurship with responsibility”, has left its imprint in public discourse and in Austrian society. It was also among the most vividly recalled accounts against shareholder value when this new management concept went ashore in Austria (see, for details, Meyer & Höllerer, 2010).

5.1.2.5 Nature of the firm

The broader institutional framework also influences structural features of corporations. Matten and Moon (2008; see also Whitley, 1999), in this respect, refer to the degree to which private hierarchies control economic processes, the level of discretion owners grant corporate managers in running business operations, and the organizational capabilities available with which to respond to changing demands.

As Meyer and Höllerer (2009, 2010) point out, a key aspect that expresses underlying logics and makes cultural differences visible is the dominant image, or metaphor, of what a corporation is and ought to do (see also Fiss & Zajac, 2004; Weber, 2005, among others). Similarly, Jensen (2001: 8) states that “at the heart of the current global corporate governance debate is a remarkable division of opinion about the fundamental purpose of the corporation”. While the Anglo-American model typically goes hand in hand with a contractarian view of the corporation as a “nexus of contracts” designed to maximize the investors’ return (e.g., Jensen & Meckling, 1976; see also Davis, 2005), the mainstream continental European perspective evokes quite different imagery. Here, the corporation is regarded as a social entity with interests of its own (often interpreted as its continued existence or survival) that must be protected and thus rank highest in a hierarchy of interests (Meyer & Höllerer, 2009, 2010).

In Austria, this perspective is also codified in the Austrian Stock Corporations Act. In the guiding principle for the executive board (for the exact wording, see footnote 121), the law stresses interests of the corporation itself alongside those of...
shareholders, employees, and the general public. As Meyer and Höllerer (2009, 2010) discuss in greater depth, the various comments on this codification, originally drafted in the 1950s, provide an interesting insight into the debate at the time: While it was, for instance, undisputed that the public interest had to be taken into account, it was seen as problematic to make management explicitly its agent; a contested passage that allowed for the dissolution of a corporation by act of state authority in case the corporation acted against the public interest was dropped during this debate (Kalss et al., 2003).

It is also worth noting that corporate governance varies across countries, especially with regard to the board system. Austria, like Germany, is an example of a corporate governance system in which the control of managing directors (i.e., the executive board) lies in the hands of a separate supervisory board (two-tier system) – as opposed to the Anglo-American system where such control is an additional task of the board itself (one-tier system; for a detailed discussion see Hopt, Kanda, Roe, Wymeersch, & Prigge, 1998; du Plessis, McConvill, & Bagaric, 2005; Mäntysaar, 2005, among others). In addition, in Austria, employees have substantial rights of co-determination that grant their representatives seats and voting rights on the supervisory board, as well as a voice in far-reaching areas of corporate decision making.

In terms of ownership, continental European countries have a “large amount of direct ownership or alliance ownership, most notably through networks of banks, insurance companies, or even governmental actors” and public entities, whereas the Anglo-American model has been “more reliant on market-based forms of contract-based ownership” (Matten & Moon, 2008: 408, with reference to Coffee, 2001). For Austria, financial markets under significant state control (practically all large banks were controlled by public bodies or the social partners until the mid-1990s) as well as the crucial importance of nationalized industries (with large-scale privatization starting only in the early 1990s and the state remaining a core owner in many of these corporations) have been characteristic features of the socioeconomic landscape for decades. For a substantial number of (publicly-traded) corporations, the literal meaning of the synonymously used term “public corporation” perfectly mirrors – as Meyer and Höllerer (2009: 10) put it – their role in Austria: “owned by a public entity”. As a result, Austria has been witnessing a high level of public engagement, investment, and influence in private sector industry, resulting in corporations having a range of embedded relations with a relatively wide set and variety of societal actors.

5.1.2.6 Organization of market processes

Matten and Moon (2008: 408-409; see also Whitley, 1999) emphasize the way economic relations between actors are organized and coordinated as a “decisive feature” of business systems, with markets and alliances representing the two
Extreme positions: “Characteristic features include the extent of long-term cooperation between firms within sectors, the role of intermediaries in establishing market transactions, the role and influence of business associations, the role of personal relations, and trust in establishing market transactions.”

While in North America greater prominence has been given to market self-organization, the continental European system tends to be characterized more by organized markets, either reflecting a mediation of labor and capital or strong governmental leadership (Matten & Moon, 2008). In Austria, at political and legislative level, the system of social partnership has been of outstanding influence and, with its strategy of negotiation and coordination between central interest groups, has clearly dominated the socioeconomic environment (see remarks above). Consumer protection (i.e., legal regulation that safeguards the interests of consumers and is designed to ensure fair competition and a free flow of truthful information in the marketplace) also has a fairly long tradition in Austria. Together with topics such as product stewardship or liability for production and products, it touches on core CSR and sustainability issues. Alongside various NGOs, consumer protection131 in Austria has been administered at federal governmental level for many years.

5.1.2.7 Coordination and control system

Business systems may also differ in the way in which individual corporations are governed (Whitley, 1999; see also Whitley, 1992; Whitley & Kristensen, 1996; Barca & Becht, 2002; Gourevitch & Shinn, 2007), including the degree of integration and interdependency of economic processes, and especially employer-employee relations (e.g., the degree of delegation, level of employee discretion with regard to duty fulfillment, and the degree of trust governing relationships). As Matten and Moon (2008) note, employee representation and participation in continental Europe (and thus in Austria as well) are covered by dense employment regulation and protection covering a significant number of issues which, in an Anglo-American context, would be part of explicit CSR.

To recapitulate, and following Gourevitch and Shinn (2007: 51), it becomes clear that corporate governance patterns vary substantially due to a host of other socioeconomic features within specific contexts (see the remarks above), exhibiting what Milgrom and Roberts (1992) call institutional complementarity – “a logic of fit that

131 This policy field is currently assigned to the Austrian Federal Ministry of Labor, Social Affairs, and Consumer Protection. Interestingly, the current minister is the former head of the Austrian Trade Union Federation, with his “counterpart” in the Austrian Federal Ministry of Economy, Family, and Youth being the former Secretary General of the Austrian Economic League and Deputy Secretary General of the Austrian Economic Chamber. Again, this is just another example of the regained importance of traditional social partnership in Austria.
causes each to contribute to the other”. Measuring institutional complementarity for different countries leads to a dichotomous result (see also Hall & Soskice, 2001): Generally speaking, a liberal, outsider- and market-oriented capitalism of Anglo-American provenance that gives priority to shareholders, and the coordinated, insider- and relationship-oriented continental European variant that favors a stakeholder-oriented view of the corporation are juxtaposed (Meyer & Höllerer, 2009, 2010). In this respect, Austria provides an excellent case: In Gourevitch and Shinn’s (2007: 53) comparative study, for instance, the United States (1.0) and Austria (0.0) represent the extreme ends of a coordination index that measures institutional complementarity among 20 countries.

5.1.3 The Austrian CSR arena: Activities and key actors involved

Austria has a long tradition of broad stakeholder involvement in sociopolitical decision making as well as a comparatively high level of public awareness in environmental concerns (see remarks above). Explicit activities and policies aiming at the institutionalization of issues of CSR and sustainability can be traced back to the late 1990s and early 2000s (see also Strigl, 2005) and for the most part mirror wider European trends and/or global initiatives. The configuration of the “CSR arena” in Austria is built on three main pillars, each with rather different worldviews, interests, and motives to engage with the issue: (a) the world of business (i.e., especially employers’ and business associations); (b) labor associations and various actors of civil society; and (c) governmental organizations. In addition, each of these groups makes use of a broad range of consultants, think tanks, and/or academic experts: A rather diverse industry of CSR consultancies and public relations agencies in this field has been established over the past ten to fifteen years.

Hence, the public debate on CSR is – not too surprisingly – “a paradigmatic example of political discourse” (Mark-Ungericht & Weiskopf, 2007: 285). I will comment on the three main perspectives of how actors in the field observe and interpret the issue of social responsibility – and how they construe the pressures on corporations in this respect – in more detail in the following paragraphs.132

5.1.3.1 The world of business

A first and major event with regard to CSR in Austria was the foundation of the CSR Austria Initiative in 2002: As one of the main instruments of Austrian CSR policy, it was founded by the Österreichische Industriellenvereinigung (Federation of

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132 For an overview – and for authors representing divergent perspectives in Austria –, see a volume edited by Köppl & Neureiter (2004), among others.
Austrian Industries) and the Austrian Federal Ministry of Economic Affairs and Labor. Other key business players and large employers’ associations like the Wirtschaftskammer Österreich (Austrian Federal Economic Chamber) joined in early 2003. The initiative is characterized by Strigl (2005: 125) as a “concerted action to promote CSR in Austria” as well as the most important “private sector contribution to the Austrian Sustainability Strategy and, at a European level, a major Austrian contribution to the Lisbon Strategy”. Between 2003 and 2005, it operated with the main purpose of proactively addressing the issue of CSR and fostering dialog between business, politics, and society at large.

After a relaunch and rebranding in mid-2005, the association respACT austria continued with the same portfolio of activities. In 2007, the organization merged with the Austrian Business Council for Sustainable Development (ABCSD, established in the mid-1990s) and – as the leading CSR platform in Austria – has since operated under the title respACT – austrian business council for sustainable development. The organization is predominantly financed by membership fees (i.e., from business organizations) as well as by support from the Federation of Austrian Industries, the Austrian Federal Economic Chamber, the Austrian Federal Ministry of Economy, Family and Youth, the Austrian Federal Ministry of Labor, Social Affairs and Consumer Protection, and the Austrian Federal Ministry for Agriculture, Forestry, Environment and Water Management (respACT, 2010).

The initial objectives of CSR Austria/respACT were to initiate a broader discussion on CSR and to create a common understanding of the concept’s meaning and benefits, as well as to identify feasible CSR models for Austrian corporations by screening international initiatives (Strigl, 2005). Further progress made during my observation period includes the development of the “CSR Austria Guiding Vision” and, mostly in collaboration with various partner institutions, several tools of implementation: These include, among others, guidelines for sustainability reporting, the TRIGOS prize for excellence in CSR (awarded since 2004), the Austrian Business Academy for Sustainable Development that provides practical-oriented qualification programs for the private business sector, and – led by the Austrian Standards Institute – the Austrian CSR guidelines (“Guidance for the Implementation of Corporate Social Responsibility”) issued in 2004.

Some specifics of the business perspective on CSR might be worth mentioning in more detail (see also Mark-Ungericht & Weiskopf, 2007 for critical remarks). First, one of the most important aspects is – similar to the EU Green Paper – an emphasis on the voluntary character of CSR; every tendency to move beyond soft law regulation is fiercely opposed. From the perspective of business, the idea of CSR can only fully unfold within a voluntary rationale, simultaneously enabled and constrained by a proper legal framework. For instance, Leitl (2004) stresses that CSR must not be misunderstood as a substitute for existing (or new) social and

133 Note that at that point in time, a single ministry/minister assumed responsibility for both policy fields (i.e., economic affairs and labor interests).
environmental regulation. Second, another main concern is about creating competitive advantage, both for individual corporations and for Austria as a business location. By proactively addressing CSR topics and reporting on their CSR activities, business organizations aim to build trust with various audiences, thereby creating a win-win situation for all parties involved. Third, and closely related, CSR is depicted as an important tool of stakeholder management to enhance a corporation’s reputation and image — and thus, indirectly, its legitimacy. In sum, as Mark-Ungericht and Weiskopf (2007) note, these activities from the world of business might also represent a reaction to first tentative attempts to regulate corporate activities; moreover, they criticize that the business associations’ perspective masks the more international dimension of CSR (which is, however, due to the fact that the overwhelming majority of Austrian corporations are small and medium-sized enterprises not engaging in large-scale international business), and that the CSR initiatives might imply too much rhetoric and only little relevance for core business.

5.1.3.2 Labor associations and civil society

In late 2003 — soon after CSR Austria had been launched by employers’ associations with the support of the then conservative government —, a broad coalition of labor associations, NGOs, and other civil society actors published a position paper entitled *Die gesellschaftliche Verantwortung von Unternehmen (CSR) aus zivilgesellschaftlicher Perspektive* (CSR from a civil society perspective) (see also Strigl, 2005; Mark-Ungericht & Weiskopf, 2007). This declaration was signed by Amnesty International, AGEZ (an umbrella organization for 29 Austrian NGOs dedicated to social and developmental activities), the Austrian Federal Chamber of Labor (which already opposed corporate self-regulation in previous statements), ÖKOBÜRO (a coordinating body for various Austrian environmental organizations including, among others, Greenpeace Austria, WWF Austria, and GLOBAL 2000), as well as the Austrian Trade Union Federation. The position paper was intended as a reaction to, and critical reflection on, the CSR Austria Initiative. It especially demanded the inclusion of labor associations in the discussion process; the addressing of ecological, social, and human rights issues detached from economic considerations; the introduction of binding social and ecological minimum standards on a global scale; and the involvement of employee interest groups and civil society actors during the development, implementation, and monitoring of specific CSR measures. Additional points brought forward by civil society actors encompassed a focus on core business as the central area of CSR, on corporations’ responsibility for the global supply chain, on increased transparency, and on the possibility of sanctions in case of deviance from socially accepted CSR standards.

134 Christoph Leitl is the President of the Austrian Federal Economic Chamber and President of the Association of European Chambers of Commerce and Industry.
In recent years, while pressure from consumer associations has remained surprisingly moderate, a variety of civil society actors has been very active in the field of CSR. The Netzwerk Soziale Verantwortung (NeSoVe, Austrian Network Social Responsibility) – building on the alliance of NGOs and organizations representing labor interests that also issued the above-mentioned position paper – has established itself as a major adversary of respACT. Initially designed as an information and communication platform, it interprets its role as representing a wider stakeholder and civil society perspective, serving as a watchdog in cases of corporate malfeasance, and promoting legal standards in areas relevant for CSR (NeSoVe, 2010). Religious organizations – traditional and fairly legitimate speakers on social issues – are also present in the debate, although clearly in a subordinate role: Projekt Sozialwort (the social mission statement of the Ecumenical Council of Churches in Austria) is an initiative of the 14 Christian churches in Austria that speak out on issues of social concern, honoring their responsibility toward society at large (Sozialwort, 2010).

5.1.3.3 Governmental organizations

Governmental organizations – Strigl (2005) lists five Austrian federal ministries – have been actively involved in developments in the CSR arena. However, due to various interlocks and the institution of social partnership, but also due to various changes in the administrative responsibility for policy fields, the specific interests are not always clear and partially intermingled. Especially in the more recent past, the field has seen a high degree of consolidation. Very active players, like the Austrian Federal Ministry of Labor, Social Affairs, and Consumer Protection, are collaborating with various other actors in the field and are, for instance, currently supporting organizations from both “camps” like respACT and Netzwerk Soziale Verantwortung. Beyond the previously mentioned activities, this ministry has also been involved in issues of work-life balance (e.g., family and career audits, women- and family-friendly employer awards) and various issues of social security (see also Austrian Federal Ministry of Labor, Social Affairs, and Consumer Protection, 2010). Also the Austrian Federal Ministry of Economy, Family, and Youth is among the most important players in the arena and supportive of numerous initiatives, albeit traditionally with a bias toward business-related activities (see also Austrian Federal Ministry of Economy, Family, and Youth, 2010).

At the same time it is important to note that expertise and voice in one key dimension of CSR – sustainability – has long been claimed not so much by the world of business or labor organizations, but in particular by the Austrian Federal Ministry for Agriculture, Forestry, Environment, and Water Management (also

135 As was mentioned above, this policy field has been widely administrated at the federal government level, but it has also been embraced by the Austrian Federal Chamber of Labor.

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branded as Lebensministerium – in English: “Ministry of Life”). It oversaw the “Austrian Strategy for Sustainable Development” (2002) and has supported a broad number of initiatives devoted to sustainable development (see also Austrian Federal Ministry for Agriculture, Forestry, Environment, and Water Management, 2010).

Still other ministries like the Austrian Federal Ministry of Transport, Innovation, and Technology have been active in and supportive of projects like the “Austrian Program on Technologies for Sustainable Development” (initiating and supporting trend-setting R&D projects as well as implementing pilot projects) and the establishment of specific Austrian guidelines on sustainability reporting (Strigl, 2005). With regard to issues of good corporate governance, the Austrian Federal Ministry of Finance, among others, supported the Austrian Working Group for Corporate Governance. The organization, composed of representatives of the Austrian Institute of Certified Public Accountants, the Austrian Association for Financial Analysis and Asset Management (ÖVFA), the Vienna Stock Exchange, and various other actors, drafted the Austrian Code of Corporate Governance (2002) that covers both the international standards (e.g., OECD, 2004) as well as the most important provisions of the Austrian Commercial Code (see also Österreichischer Arbeitskreis für Corporate Governance, 2002).

5.2 Social disclosure in Austrian corporations’ annual reports

5.2.1 Genre characteristics

Annual reports are, with regard to their basic structure, more or less standardized documents that comprehensively depict individual organizations’ business activities throughout the previous financial year. Originally directed toward shareholders and potential investors with the goal of reporting on financial performance, they now cover a variety of topics and address a much broader – and more diffuse – audience (see chapter on methodology for more). All Austrian Aktiengesellschaften (stock corporations) must prepare and publish annual reports – with annual accounts and other mandatory information being filed in the Firmenbuch (Austrian Commercial Register). Corporations listed on the Vienna Stock Exchange are, in addition and according to the Börsegesetz (Austrian Stock Exchange Act), required to report more frequently – e.g., biannually and quarterly – and must make their annual reports available to all stakeholders interested.

At the core of an annual report lies the Jahresabschluss (annual accounts), i.e., the financial statement; this document encompasses, among others, the Bilanz (balance sheet), the Gewinn- und Verlustrechnung (income statement), a cash flow statement, Erläuterungen (notes) on these sections as well as on accounting policies, and a Prüfvermerk (auditor’s certificate). Typically, the remainder of the annual report – usually at the front – includes forewords from both the CEO and the chairman of the supervisory board, a mission statement and general presentation of the corpo-
ration, the legally required Lagebericht (review of operations), a statement of compliance with corporate governance standards, some social and environmental disclosure, and a range of other topics that might vary greatly among individual corporations and industries.

Annual reports fulfill a purpose both as a controlling instrument (for executive and supervisory boards) and as an important public relations tool. The need to manage legitimacy has been one of the biggest considerations for a substantial change of the genre during the last decades – especially for large corporations exposed to a broader audience. Originally characterized as documents dominated by numbers, annual reports have turned into colorful and high-gloss publications with novel formats (in terms of both discourse and layout). As Preston, Wright, and Young (1996) point out, visualization and imagery are also central elements of modern annual reports. In crafting these documents, executive management and communication experts from inside the organization receive support from professions like public relations agencies and graphic designers. Most annual reports within my sample, however, state the names of the responsible organizational members, as well as external assistants involved in creating the respective document, in the publishing information.136

In order to deepen the understanding of the development of the genre over time I analyzed for selected years some formal-descriptive variables137 that might serve as a backdrop for further interpretation of social disclosure: Extent (i.e., total number of pages), percentage devoted to annual accounts (i.e., the share of an annual report devoted to balance sheet, income statement, cash flow statement, notes, and auditor’s certificate), use of visual elements and imagery, and – as a proxy for professional layout and design – layout consistency. Table 11 shows a distinct development and trend over the years: For 2005, with the total number of pages on average almost 2.5 times higher than in 1990, I observe a decrease of the relative space devoted to annual accounts (i.e., to numbers) since the mid-1990s, and with it a clear increase of verbal text.138 For both the use of visual elements and for layout consistency I measure a continuous rise over the years, pointing at an increasingly professional design of this genre.

136 Major public relations agencies are also considered relevant in the regression model of my study (see chapter on methodology).
137 Note that these are not mentioned in the chapter on methodology, but in the footnotes below.
138 Due to new legal regulations in the early 1990s, the first row in Table 11 is comparable only to a limited degree (especially in terms of relative importance of annual accounts).
5.2.2 Reporting on CSR issues: A recent phenomenon

In the international context, reporting on corporate social performance has been debated for several decades (for an overview see Owen & O’Dwyer, 2008). While it more or less fell off the corporate agenda during the 1980s, corporations have increasingly paid attention to this topic within their annual reporting practices since the 1990s (Gray, 2001); especially after 2000, social disclosure became an essential part of corporate reporting and thus likewise of annual reports (KPMG International, 2008; Owen & O’Dwyer, 2008). Alongside a wealth of literature, a substantial body of guidelines and schemes for reporting on social performance has been developed (e.g., the Global Reporting Initiative, or AccountAbility’s AA1000 framework), yet hardly any compulsory regulation has been established to date (Villiers, 2006).

In Austria, explicit social disclosure is definitely a rather recent phenomenon and restricted to a small number of corporations (Denkstatt, 2004). Before 2000, it had been addressed infrequently – and even when it was, it was viewed as more of a natural process and as occurring only in passing, with corporations gradually learning to deal with the terminology of CSR throughout the 1990s (Strigl, 2005). The absence of detailed regulation has consequently left leeway for corporations to

<table>
<thead>
<tr>
<th>Year</th>
<th>Total number of pages (average)</th>
<th>Percentage devoted to annual accounts (average)</th>
<th>Use of visual elements (average)</th>
<th>Layout consistency (average)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>39.59</td>
<td>41.12%</td>
<td>1.71</td>
<td>2.34</td>
</tr>
<tr>
<td>1995</td>
<td>58.49</td>
<td>48.32%</td>
<td>1.84</td>
<td>2.53</td>
</tr>
<tr>
<td>2000</td>
<td>70.57</td>
<td>46.88%</td>
<td>2.01</td>
<td>2.64</td>
</tr>
<tr>
<td>2005</td>
<td>97.23</td>
<td>45.04%</td>
<td>2.16</td>
<td>2.67</td>
</tr>
<tr>
<td>Overall</td>
<td>63.56</td>
<td>46.52%</td>
<td>1.91</td>
<td>2.55</td>
</tr>
</tbody>
</table>

Table 11: Selected formal-descriptive variables for annual reports

139 For the use of visual elements, I examined the relative degree to which corporations employ visual elements (e.g., pictures, images, figures, diagrams, but also colors) in their annual reports in order to support the communication of messages (e.g., through the symbolic power of visual metaphors and the latent dimension of visual elements). The scale was structured as follows: 0 = no use of visual elements; 1 = scarce/infrequent use; 2 = high quantity of visual elements with low symbolic power, or low quantity of visual elements with high symbolic power; 3 = high quantity of visual elements with high symbolic power.

140 For layout consistency, I examined typeface, consistency of color use, coherence of text superstructure, and integration of figures and tables. The scale was structured as follows: 0 = hardly consistent; 1 = low to medium; 2 = medium to high; 3 = high to very high.
deliberately pick issues from the CSR agenda and voluntarily disclose selected information to the public. However, and mainly following changes in EU regulation, the Unternehmensgesetzbuch (UGB, Austrian Commercial Code) has been recently modified with regard to annual reporting requirements (see also AFRAC Austrian Financial Reporting and Auditing Committee, 2006, 2009). According to § 243 UGB, large corporations are obliged to present essential non-financial indicators in their review of operations. These indicators are not further specified in detail but must depict information on environmental as well as on employee issues, and must be evaluated in relation to (future) financial performance. The regulation, however, only became effective at the very end of my observation period (in 2005): While this legal change – due to its vagueness – did not impact on reporting too much in 2005, Austrian corporations have increasingly begun to adjust their reporting behavior to international standards like the Global Reporting Initiative (GRI) in the last years.

Stand-alone annual CSR or sustainability reports only recently emerged as an additional and interesting sub-genre. Their content is, generally speaking, inspired by the TBL approach of reporting on economic, environmental, and social performance – although ties between these three pillars remain loose, and integration into management information systems remains fragmentary. Like more extensive social disclosure in mandatory parts of annual financial reports, the emergence of stand-alone CSR reports has been supported by key actors in the Austrian arena promoting a vision of “modern entrepreneurship” (Österreichisches Institut für nachhaltige Entwicklung, 2003). The main motives for publishing such a stand-alone report are, according to Denkstatt (2004), to position the focal corporation as a CSR leader and pioneer, respond to the increasing demand for social disclosure from (international) financial markets, communicate with internal and external stakeholders, and use such reports as a management tool.

141 As Brom and colleagues highlight in their current study (Institut für Ökologische Wirtschaftsforschung, 2008), the European Commission had hitherto postulated CSR primarily as voluntary action (see also, for instance, European Commission, 2001). In this respect, the recent changes in regulation also represent a highly notable change in EU policy. 142 Note that, due to sampling reasons, these reports are not covered in my research.