

5 The CSR Experience in Cyprus

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5.1 Introduction

5.1.1 The Cypriot Theoretical Framework¹

Cypriot companies have begun in recent years to take CSR more seriously² and to realise that CSR is not simply helping out disadvantaged groups and the government when they needed to build a bridge or a park, but forming strategic plans, appointing an employee in charge of CSR and proving that they are ethical. Two Charters were set up, one following a European project and the other being an initiative of the Cyprus Chamber of Commerce and Industry. The former, the European Road Safety Charter was signed by 82 companies and the latter, the Climate Change signed by 56 companies.

As far as the legislative and regulatory framework is concerned the Cyprus Chamber of Commerce and Industry has created a **platform for Corporate Responsibility**. This platform, which is in constant evolution, promotes, supports and enhances the interest of businesses in Cyprus to integrate in their strategy effective corporate responsibility activities. The aim is to improve economic performance, enhance their ability to manage risk and maximise their positive impact on society and the environment.

The Cyprus Chamber of Commerce and Industry has further proceeded to the development of a tool that can help companies measure their emission reductions. The signing of 56 Cypriot businesses, including larger firms in Cyprus, of the Charter on Climate Change is a very important first step towards sustainable development and achieving the targets for reducing greenhouse gas emissions.

5.1.2 CSR in the Public Sector-Socially Responsible Supply Chain

Corporate Social Responsibility does not concern only the private sector, but the public sector as well, which should behave in turn as a responsible social partner through professional and responsible management of relations with stakeholders.

Several initiatives have already been undertaken by the Public Sector, either at an ad hoc basis in view of the crisis, or more permanent ones.

Such measures include the **“In-company/On the job training programme”**. Under this programme, companies receive grants from the Human Resource Development Authority for training and personnel costs, so as to avoid dismissing their employees due to the reduced turnover, but rather to utilise the idle time for staff training purposes. The programme is focused on manufacturing, retail and hospitality services industry.

In addition, the public sector promotes measures of a more permanent nature such as **Schemes Providing Incentives for Hiring Disadvantaged Individuals and Individuals with Disabilities**: The aim of this scheme is the full time employment of disadvantaged individuals in the private sector and Local Authorities, by providing incentives.

Furthermore the Department of Labour Relations is currently implementing a Project co-financed by the European Social Fund, which aims at **reducing the gender pay gap between men and women**. The project consists of a broad mix of measures, and includes specialised training programmes for inspectors, with the purpose of establishing an effective inspection mechanism for the enforcement of equal pay legislation, the establishment of a Gender Equality Certification Body, as well as measures for eliminating occupational and sector-based segregation which include interventions in education issues. The Gender Equality Certification Body's mission is to evaluate enterprises and grants certificates of compliance. The project also includes campaigns for raising awareness on equal pay, training programmes for trade unions and employers associations, and also the development of manuals, guides, self-assessment tools, codes of practice and job evaluation tools for managers and human resource professionals.

The Department of Labour Inspection promotes CSR in the sector of **Occupational Safety and Health**. Within the framework of increasing the social impact of accident prevention at the workplace, the Department of Labour Inspection has implemented or is in the process of implementing the following policies:

- Promotion of a scheme regarding cash grants to construction companies so as to improve work conditions in the construction industry.
- Promotion of a project regarding the training of 2000 stakeholders in the sectors of construction, mining and dock works, with the aim to increase awareness and decrease the rate of work accidents.
- Operation of a scheme regarding the training of workers who are newcomers to the labour market, so as to inculcate an accidents-prevention culture amongst them.
- Project Grants for the Integration of Arrangements for Flexible Employment

¹ This section draws largely from Mrs Bakalouris speech on the 15th of April at the Regional Responsible Med meeting held in Nicosia 14-15 April 2011.

² Some companies started contributing towards CSR from 1950s but did not know it was called CSR. Most started to do so post 2000

Furthermore, the Government has introduced the concept of **Green Public Procurement**, which aims to include environmental considerations in the procurement of supplies, services and works by contracting authorities to ensure continuous progress in environmental performance, reducing the environmental impact and maintaining economic viability.

In the context of the promotion of CSR and in accordance to the **European System Management and Control-EMAS**, the government continues the provision of grants for the Introduction of an Environmental Management System, which is based on the **voluntary participation** of organisations in an EU Eco-Management and Audit Scheme. The aim is to improve the **environmental performance of organisations** in all sectors through the preparation and implementation of environmental management system, the periodic evaluation of these systems, the training and active participation of the employees, the consumers and other stakeholders. Under the sponsorship, the cost of consultancy services is also covered for establishing the EMAS system and for the verification and validation of the system.

Moreover, the Government continues the promotion of the ecological scheme **ECOLABEL**. The aim of ECOLABEL is to promote products which have reduced environmental impact, rather than other products in the same category, and provide consumers with accurate and scientifically verified information and advice regarding products.

Moreover, in accordance to the recent **Securities Commission Regulation** and on a **Comply or Explain** basis, listed companies not applying the Code should give sufficient explanation in the annual financial reports of the reasons for not doing so. The aim of the Cyprus Stock Exchange is to further promote the concept of Corporate Social Responsibility and Socially Responsible Investments through the listed companies.

CSR Public Sector-Awareness

In order to raise awareness and promote workers' rights and practices that are brought forward through the CSR, as from 2007, the Ministry of Labour and Social Insurance, in collaboration with the Federation of Employers and Industrialists, established the **award for business**. It is granted on a bi-annual basis to enterprises that promote environmental protection and sustainable development Bakalouris (2011)

5.1.3 Other Research in Cyprus

Two academic studies on CSR (Doukakis et al. 2005 and Krambia-Kapardis, 2007) were carried out and there was also an additional study by the Chamber of Commerce http://www.csr-cci.org.cy/index.php?option=com_content&view=article&id=32&Itemid=56.

As stated by Doukakis et al. (2005) 95% of businesses that responded to the survey were contributing towards CSR and 82% of those believed that there is a direct connection between profit and CSR (p. 271). Most respondents expressed the view that CSR in Cyprus began during 1981-1990, even though they did not think it was CSR at the time. The emphasis of CSR in Cyprus appeared to be towards the employees (35%), consumers (26%) and community (10%), environment (6%), investors (5%), suppliers (4%) and other (14%). Like other European companies however, the Cypriot companies contributing towards CSR lack strategic planning and do not measure the benefits derived from CSR.

5.2 Methodology

In reference to Companies (SMEs) in Cyprus that are active on CSR, the following research questions are to be answered:

1. What are the objectives in the implementation of the companies of their CSR actions and policies?
2. What motivates the companies to contribute towards CSR?
3. Are there any supports for the companies in implementing CSR policies?
4. Are there any links between CSR and competitiveness?
5. Are there any evaluation tools used in the implementation?
6. What are the barriers and the enablers of CSR policies and actions?
7. What are the lessons learned by the companies?

Once the State of Art and State of Practice was completed by each partner, a questionnaire was developed to be used on companies and organisations. The research team had the questionnaire pilot tested and then distributed to 20 organisations and 3 public institutions. In order for the research team in Cyprus to identify which SMEs would be interested to participate, the assistance of Cyprus Chamber of Commerce (CCC) was sought. The Chamber emailed all the companies in their database asking them for their response by providing their details if they wanted to participate in the study. A total of 23 companies responded. Some of those were excluded because they were not SMEs and smaller ones were excluded because they did not contribute towards CSR but wanted to find out what this tool is all about. The research team decided to carry out a qualitative study as well in order to identify good practices from SMEs and non SMEs. The reason this was also done is because no other study thus far has reported good CSR practices in Cyprus and the opportunity was provided with this project to do so.

The questionnaire was emailed to each SME and institution and an interview on a one on one basis was carried out at the premises of the participant/interviewee. The participant/interviewee had a copy of the questionnaire in front of him/her during the interview. The interviewer completed the questionnaire and also obtained additional material on good practices. The data was then uploaded on the sphinx online system for analysis. Given that all participants are fluent in English the questionnaire was not translated into Greek.

5.3 Survey Findings

5.3.1 Demographics

The 20 companies that took part in the survey were from the service industry (6), wholesale and trade (3), Agriculture and forestry (2), manufacturing (2), accommodation and food service (2), information and communication (2), financial and insurance activities (1), education (1), construction (1). For the 14 companies there is a person responsible for CSR and that person is in Marketing, Human Resources, Management, or Ownership position. For the majority (17) CSR is integrated in the company's strategy.

In the MED area, for 76.9% of the interviewed SMEs there is a person in charge of CSR. It also means that nearly a quarter of the SMEs have no one taking care of monitoring and evaluating the CSR projects. When there is someone in charge of CSR, it is significant to notice that for 23.7% of the companies interviewed, the person in charge of CSR has no defined position. When there is someone - well defined in the organisation chart - in particular in charge of CSR, it is either the owner (for 22.1% of the interviewed SMEs) or the General Manager (for 18.3% of the interviewed SMEs). The denomination of "person in charge of CSR" exists for only 13% of the interviewed SMEs. In 9.9% of the companies the person in charge is the HR, in 7.6% the person in charge of the sustainable development and in 5.3% the person in charge of Communication (CCIMP, 2011, p. 44). Research findings for the companies (#20) and institutions (#3) that responded to the questionnaire.

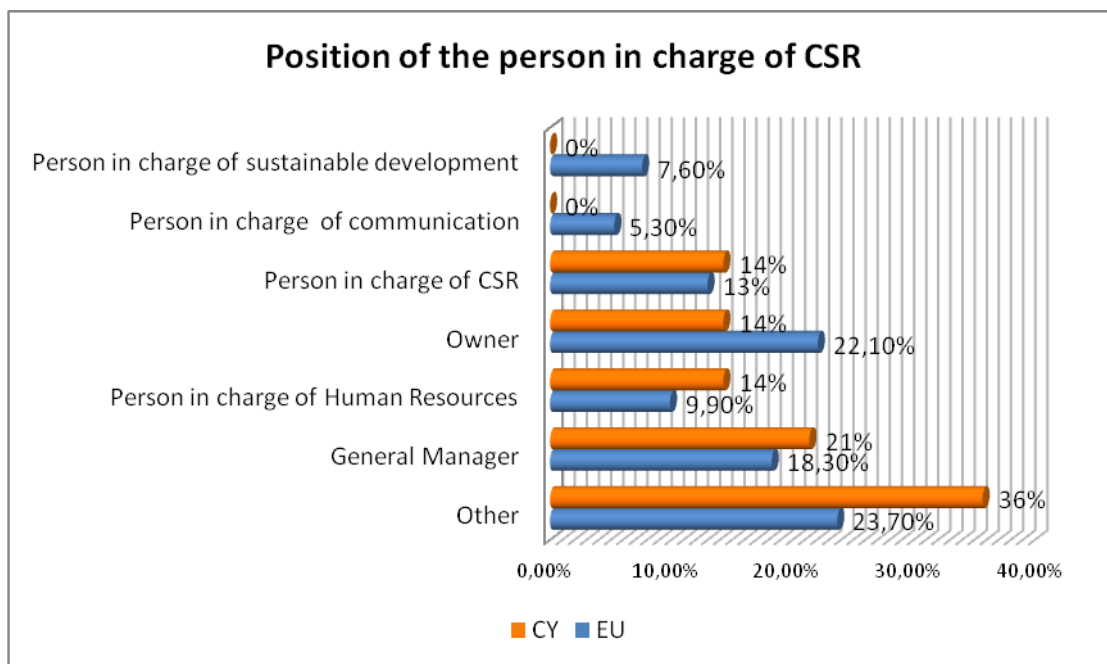


Figure 5.1 Position of the person in charge of CSR³

5.3.2 What are the objectives in the implementation of the CSR actions and policies?

The main objectives in implementing CSR actions for the companies are to: (a) bring value to the image of the company, (b) improve social relationships in the company, (c) to limit the impact on the environment, (d) to gain market share, (e) to improve skills and productivity of the employees, (f) to improve the intensity and quality of relationships with their stakeholders. (See Figure 5.2)

For the institutions the objectives are centred on economic performances, improvement to the environment and opportunities to support the youth.

³ In this chapter EU refers to the findings of the current regional program for the Mediterranean region

Most important objectives regarding CSR policy in Cyprus

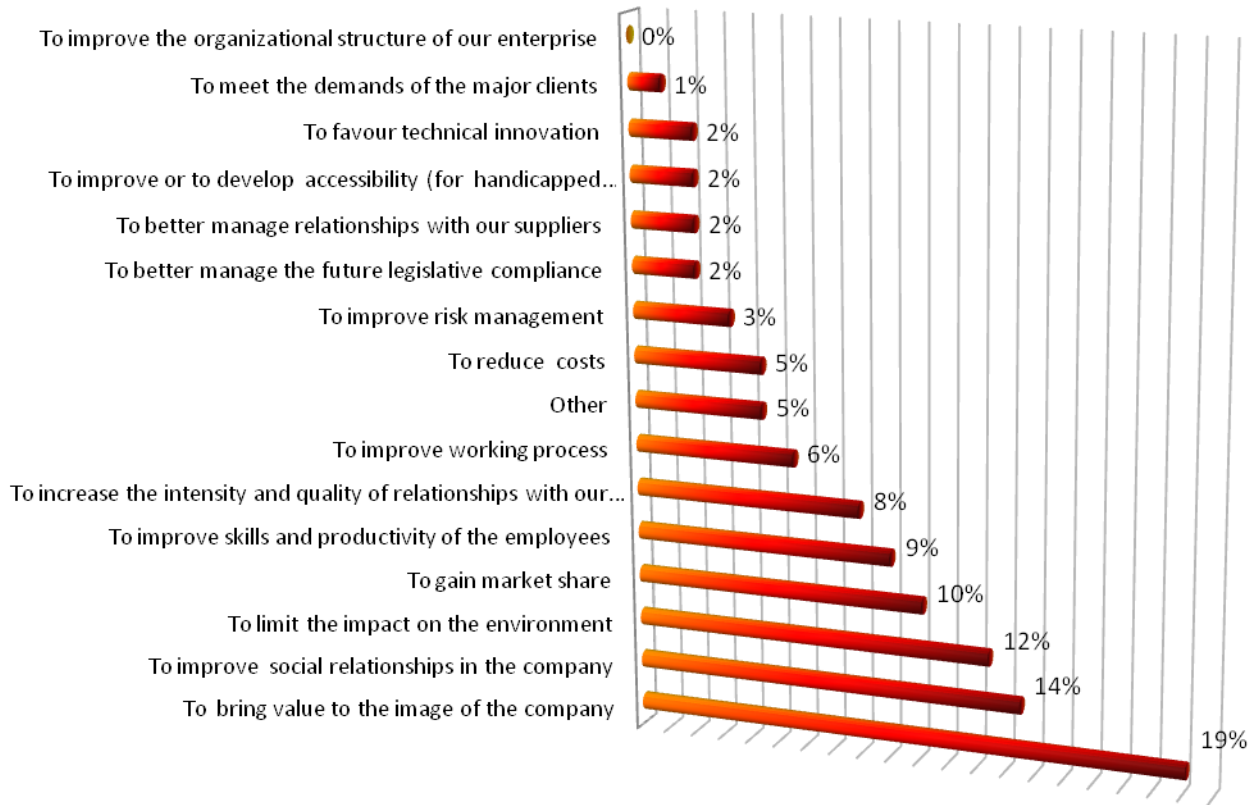


Figure 5.2. Most important objectives of company CSR policy

The companies tend to place a lot of emphasis in community related CSR, secondly on workplace CSR, environment and the least in the marketplace. This is in line with the Doukakis et al. survey 2005, indicating that the CSR idea has not changed much in six years' time. (See Figure 5.3).

For the institutions the most important category is the market place.

This is further reinforced because they place their CSR actions and policies in initiatives that favour the local communities, equal opportunities, and training activities. (See Figure 5. 4)

The institutions placed their CSR actions and policies on creating and endorsing partnerships.

CSR Policy Categories in Cyprus

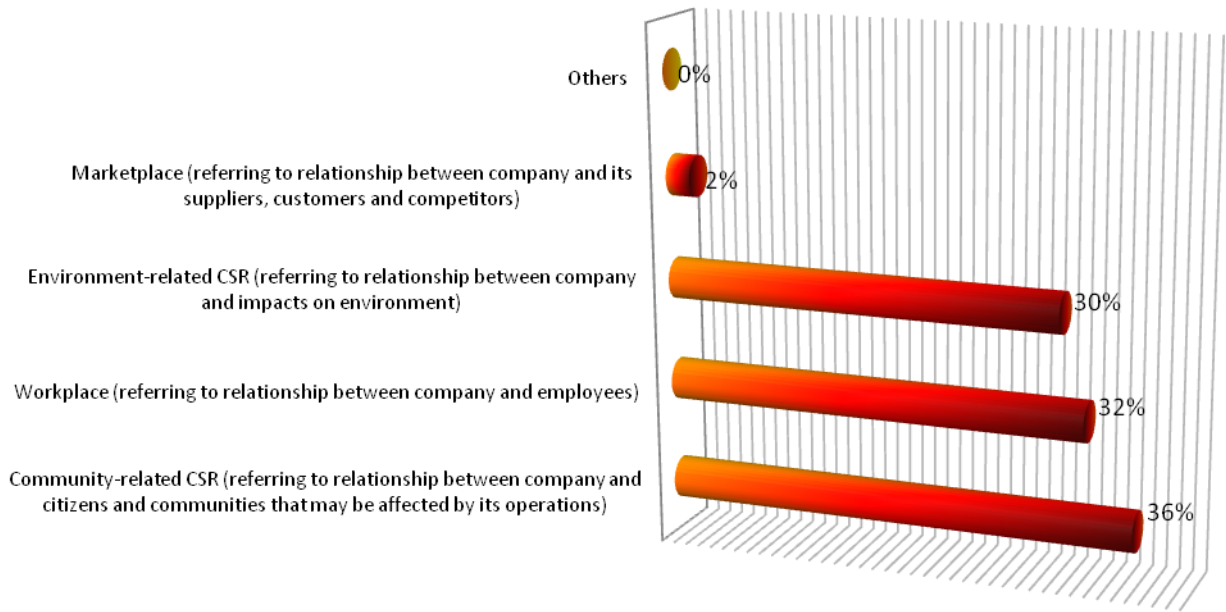


Figure 5.3 CSR Policy categories

CSR Actions in Cyprus

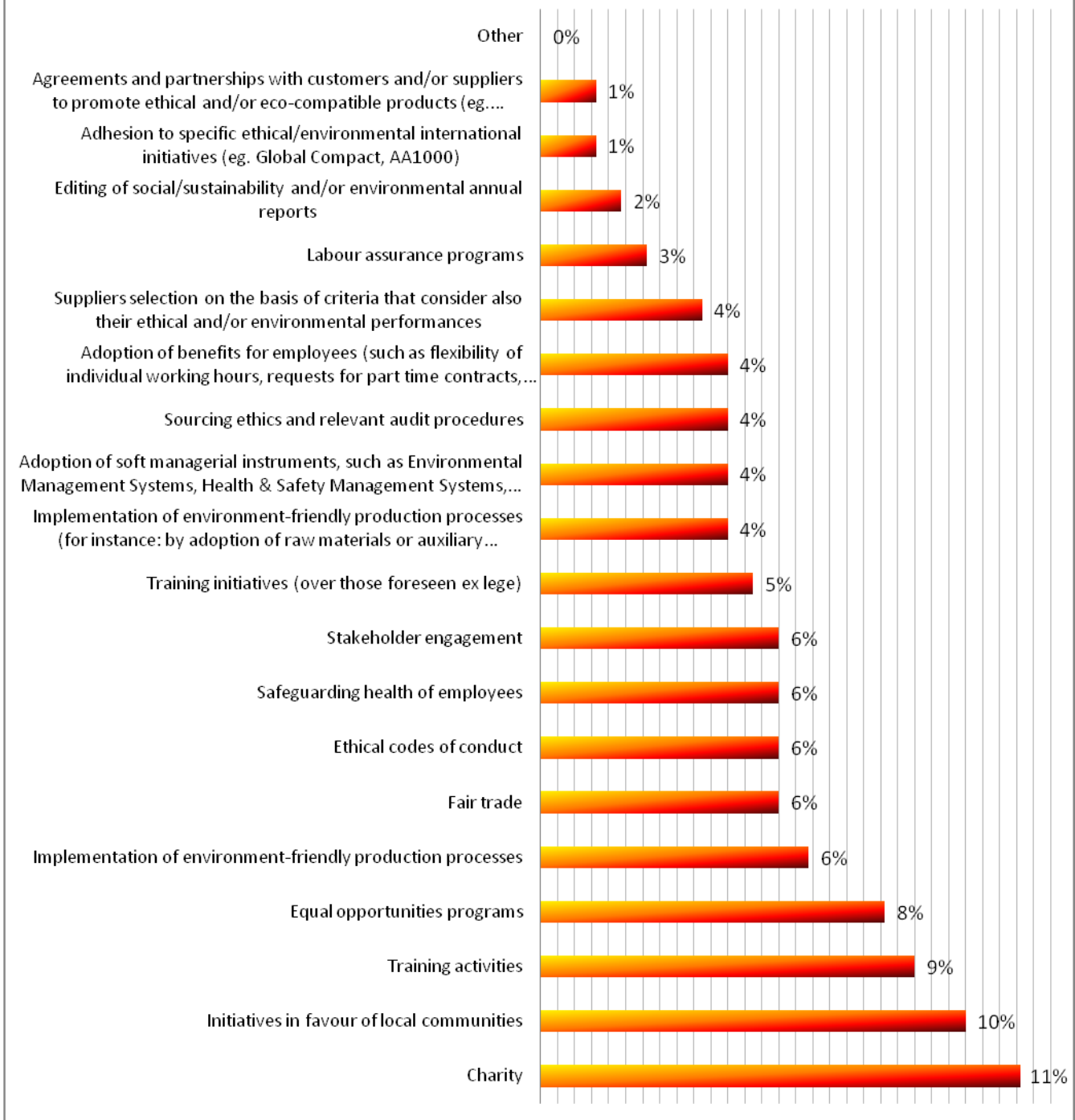


Figure 5.4 CSR actions and policies

5.3.3 What motivates the companies to contribute towards CSR?

The Cypriot companies appear to be motivated primarily by internal rather than external incentives. The internal motivations of major influence are the Directors, the Board and of course the owner, whilst the external incentives are mainly the national authority, and suppliers. This is consistent with the fact that CSR policies are community driven rather than market driven. In the other Med countries most of the companies implement CSR due to internal motivations (CCIMP, 2011: pg. 42) and when companies implement CSR projects for internal motivations, the involved stakeholder is for 26.2% of them a member of the Board such as the President or the proprietor for 18.7% is the owner, 15.8% are members of the board, 11.6% are employees, 6.0% are unspecified, 6.0% for the shareholders, 4.8% communication department, 4% person in charge of environment, 2.3% person in charge of safety, 1.7% person in charge of production, and 0.6% are the

health managers. Additionally, in the MED area **there is no significant answer for the external stakeholders**, which means that there was no specific external stakeholder mentioned that is specifically significant all over the Mediterranean countries. If the community seems very important in the Attica region and in Cyprus, in other regions the impression is rather diffuse (CCIMP, 2011: 43).

In Cyprus the institutions are motivated by their own strategic goals and funding. In addition stakeholders and pressure groups for one of them appear to have a major role in motivating a local authority to be active in CSR. In the MED area More than 4 out of 5 interviewed organisations answer at least once (out of many possible choices) that they drive a CSR policy because they want to. The organisations' motivation for driving a CSR policy belongs to their own strategy (86.10%), pressures from other stakeholders are only quoted by 5.6% of them and 13.9 % due to European initiative (CCIMP, 2011: 94).

5.3.4 Is there any support for the companies in implementing CSR policies?

Cypriot companies are provided with limited support for the implementation of CSR policy. For those that were supported, the assistance was mainly from a research department or expert or an associated company. The assistance provided was not financial. Those that were assisted by public organisations it appears that local authorities had a major role to play. Again this is consistent with earlier findings since Cypriot companies tend to focus on the community needs. In the MED area more than half of the SMEs do not receive any help/ support to conduct their CSR projects and if they do, this support comes from public organisations (46%). The association of companies, such as clusters or trade associations are the least support MED SMEs turn to: only 9% of them receive support from this kind of stakeholder (CCIMP, 2011: 46-47).

5.3.5 Are there any links between CSR and competitiveness?

The Cypriot companies appear to contribute most in initiatives in favour of local communities, charities, ethical codes of conduct and equal opportunity in this order.

| | Very strong contributions | Least contributions |
|--|--|---|
| Labour Contribution Policy | Increase in commitment, loyalty, motivation, morale Increase in productivity | Participation in R&D projects Entrance in new markets |
| Health contribution Policy | Increase in commitment, loyalty, motivation, morale Modification of internal values | Participation in R&D projects Entrance in new markets |
| Training contribution policy | Improvement of product quality Increase in productivity | Anticipation of new regulations Participation on R&D projects Strengthening of community ties |
| Equal contribution policy | Increase in productivity Improvement of image | Entrance in new markets Participation on R&D projects |
| Adoption of Environmental Management Systems | Improvement of image Anticipation of new regulations | Entrance in new markets Improved response to tender requirements |
| Environmental friendly production process | Improvement of image Anticipation of new regulations | Entrance in new markets Participation on R&D projects |
| Ethical codes of conduct | Improvement of image Modification of internal values | Participation on R&D projects Entrance in new markets |
| Sourcing ethics | Modification of internal values Increase of commitment loyalty, motivation, morale | Participation in R&D projects Entrance in new markets |
| Environmental protection | Improvement of image Modification of internal values | Entrance in new markets Participation on R&D projects |
| Charity contribution | Better recognition by society Improvement of image | Increase in innovation Participation in R&D projects |
| Initiatives in favour of local communities | Improvement of image Better recognition by society | Increase in innovation Participation on R&D projects |
| Fair Trade | Modification of internal values Improvement of image | Increase in innovation Participation in R&D projects |
| Supplier contribution policy | Improvement of the image Modification of internal values | Entrance in new markets Increase in innovation |
| Benefit contribution policy | Increase of commitment loyalty, motivation, morale Increase of productivity | Entrance in new markets Participation on R&D projects |
| Agreements and partnerships with customers and/or suppliers to promote ethical and/or eco-compatible products | Improvement of the image Modification of internal values | Entrance in new markets Increase in innovation |
| Editing of social/sustainability and/or environmental annual reports | Improvement of the image Better recognition by society | Entrance in new markets Increase in innovation |
| Adhesion to specific ethical/ environmental international initiatives | Improvement of the image Modification of internal values | Entrance in new markets Participation on R&D projects |

Table 5.1 CSR and Competitiveness Links in Cyprus

The following graphs show how each specific CSR action contributes to the competitiveness dimensions of the company. The charts compare results from Cyprus' SMEs in relation to the other MED SMEs that participated in the project.

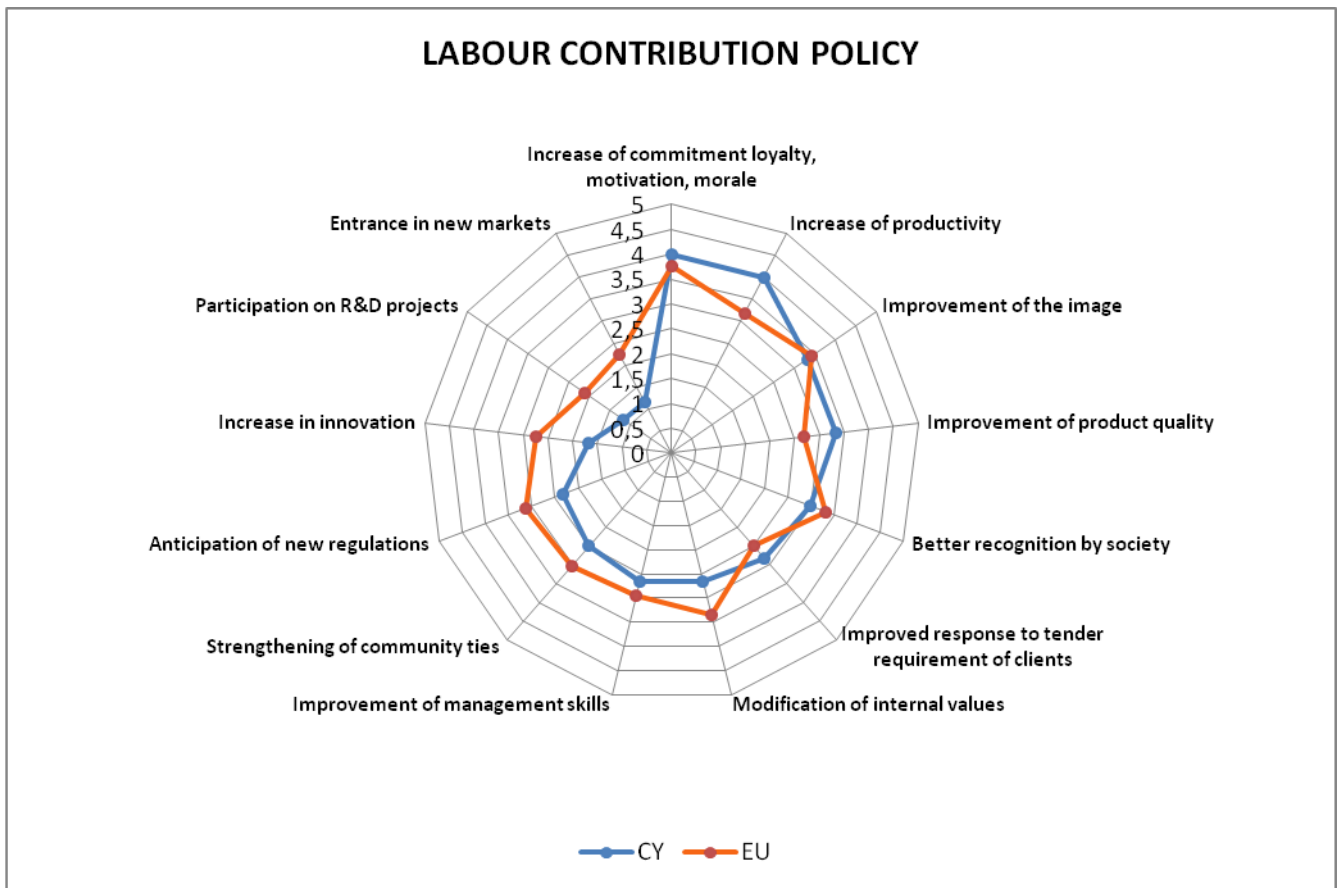


Figure 5.5 Labour Contribution policy

CSR 'Labour Contribution Policy' actions by the SMEs contribute on average to the global competitiveness of the company for a factor 3.01/5 in the MED Area while in Cyprus it contributes on average 2.67/5. Competitiveness dimensions to which this action contributes the most in MED area are:

- Increase of commitment loyalty, motivation, morale (3.75);
- Improvement of the image (3.43); and
- Modification of internal values (3.35).
- In Cyprus the dimensions that contribute the most are:
- Increase of commitment loyalty, motivation, morale (4.00);
- Increase of productivity (4.00);
- Improvement of the image (3.33); and
- Improvement of product quality (3.33).
- Competitiveness dimensions to which this action contributes the least in the MED Area are:
- Participation on R&D projects (2.13);
- Entrance in new markets (2.24);
- Improved response to tender requirement of clients (2.49).
- Competitiveness dimensions to which this action contributes the least in the Cyprus are:
- Entrance in new markets (1.17);
- Participation on R&D projects (1.17);
- Increase in innovation (1.67).

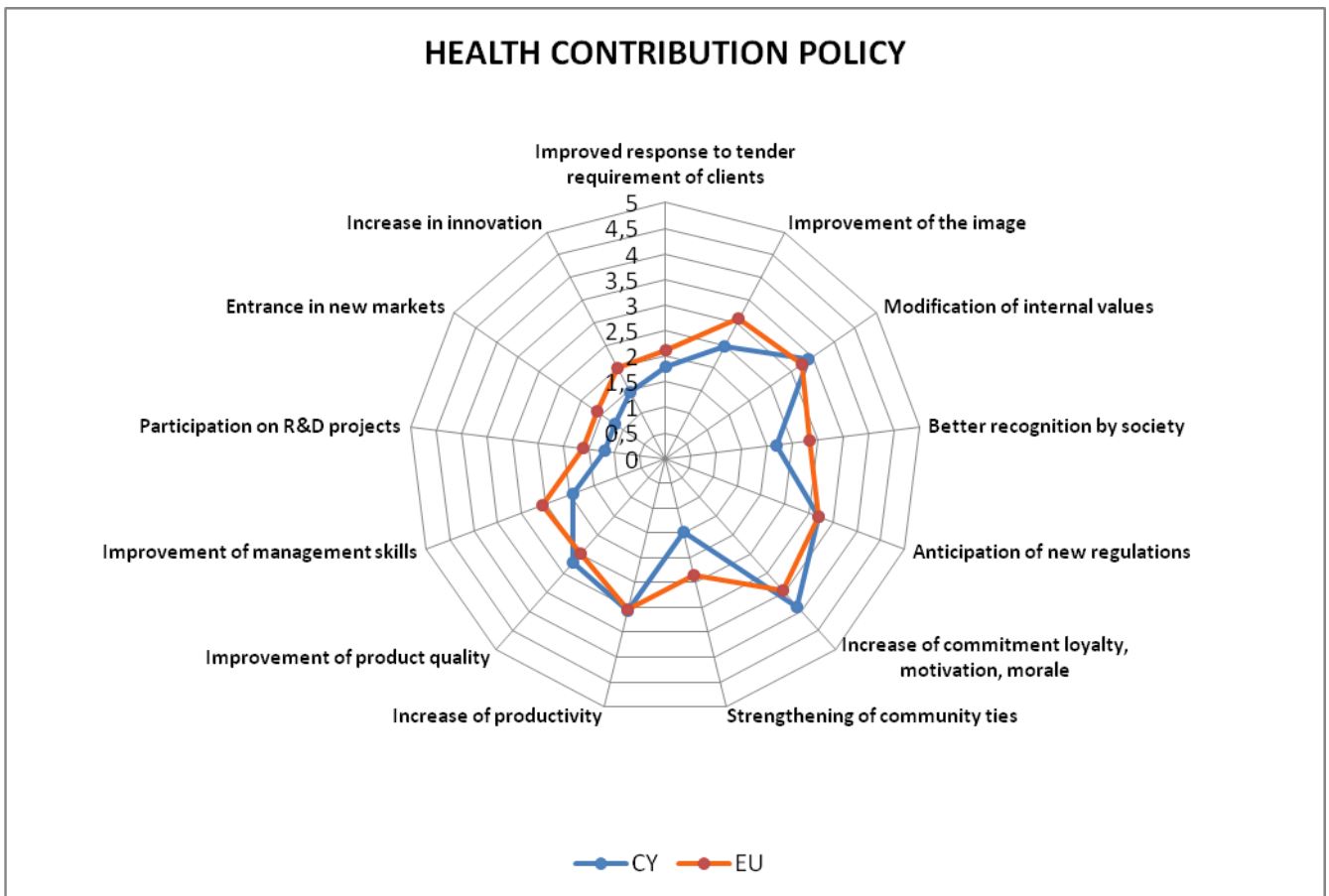


Figure 5.6. Health contribution policy

CSR 'Health Contribution Policy' actions by the SMEs contribute on average to the global competitiveness of the company for a factor 2.63/5 in the MED Area while in Cyprus it contributes on average 2.31/5. Competitiveness dimensions to which this action contributes the most in MED area are:

- Increase of commitment loyalty, motivation, morale (3.46);
- Modification of internal values (3.24); and
- Anticipation of new regulations (3.19).

In Cyprus the dimensions that contribute the most are:

- Increase of commitment loyalty, motivation, morale (4.00);
- Modification of internal values (3.4); and
- Anticipation of new regulations (3.2).
- Competitiveness dimensions to which this action contributes the least in the MED Area are:
- Participation on R&D projects (1.62);
- Entrance in new markets (1.62);
- Increase in innovation (2.00).

Competitiveness dimensions to which this action contributes the least in the Cyprus are:

- Entrance in new markets (1.2);
- Participation on R&D projects (1.2);
- Increase in innovation (1.4); and
- Strengthening of community ties (1.4).

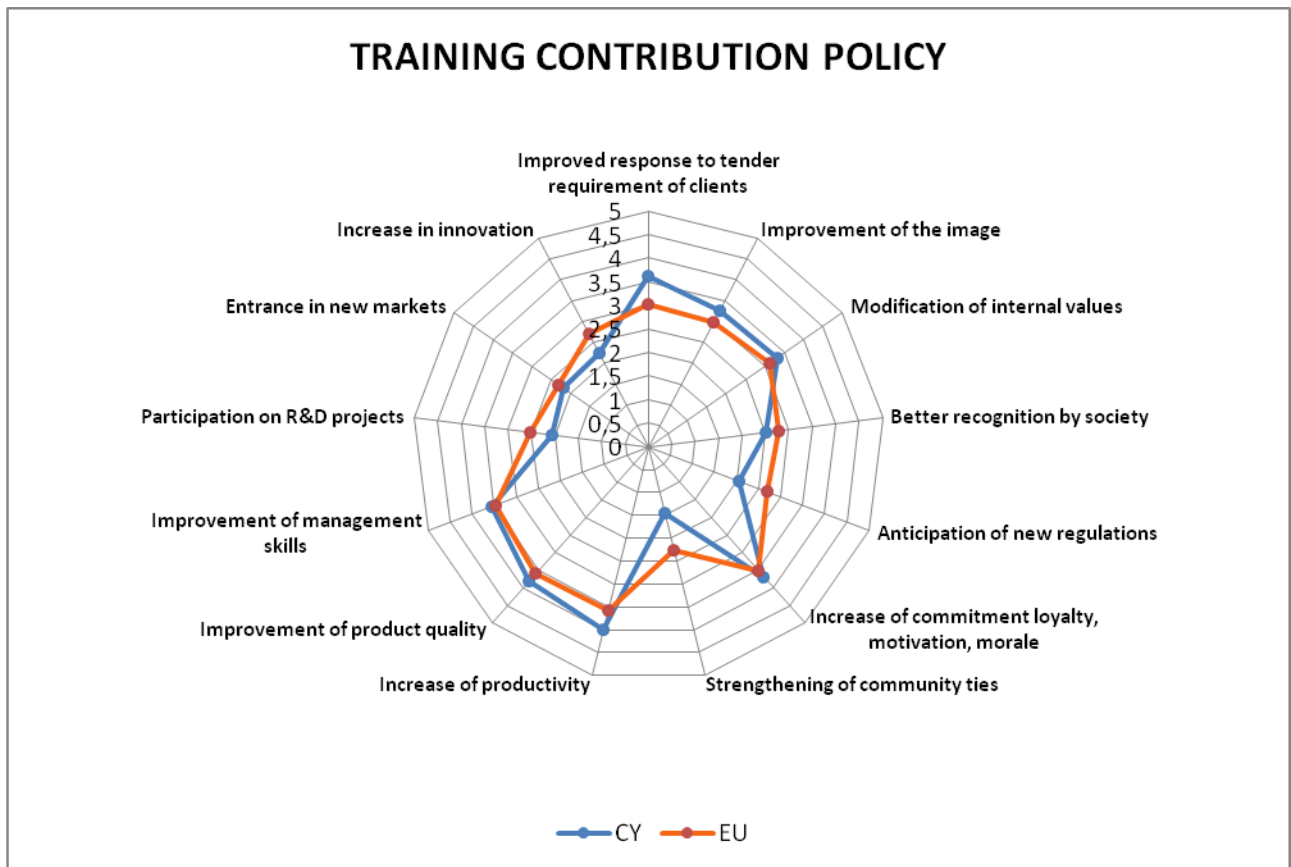


Figure 5.7 Training Contribution Policy

CSR 'Training Contribution Policy' actions by the SMEs contribute on average to the global competitiveness of the company for a factor 3.00/5 in the MED Area while in Cyprus it contributes on average 2.9/5. Competitiveness dimensions to which this action contributes the most in MED area are:

- Improvement of product quality (3.60);
- Increase of productivity (3.57); and
- Increase of commitment loyalty, motivation, morale (3.51).

In Cyprus the dimensions that contribute the most are:

- Increase of productivity (4.00);
- Improvement of product quality (3.81); and
- Increase of commitment loyalty, motivation, morale (3.69).

Competitiveness dimensions to which this action contributes the least in the MED Area are:

- Strengthening of community ties (2.25);
- Entrance in new markets (2.31);
- Participation on R&D projects (2.52).

Competitiveness dimensions to which this action contributes the least in the Cyprus are:

- Anticipation of new regulations (2.06);
- Participation on R&D projects (2.06); and
- Strengthening of community ties (1.44).

EQUAL CONTRIBUTION POLICY

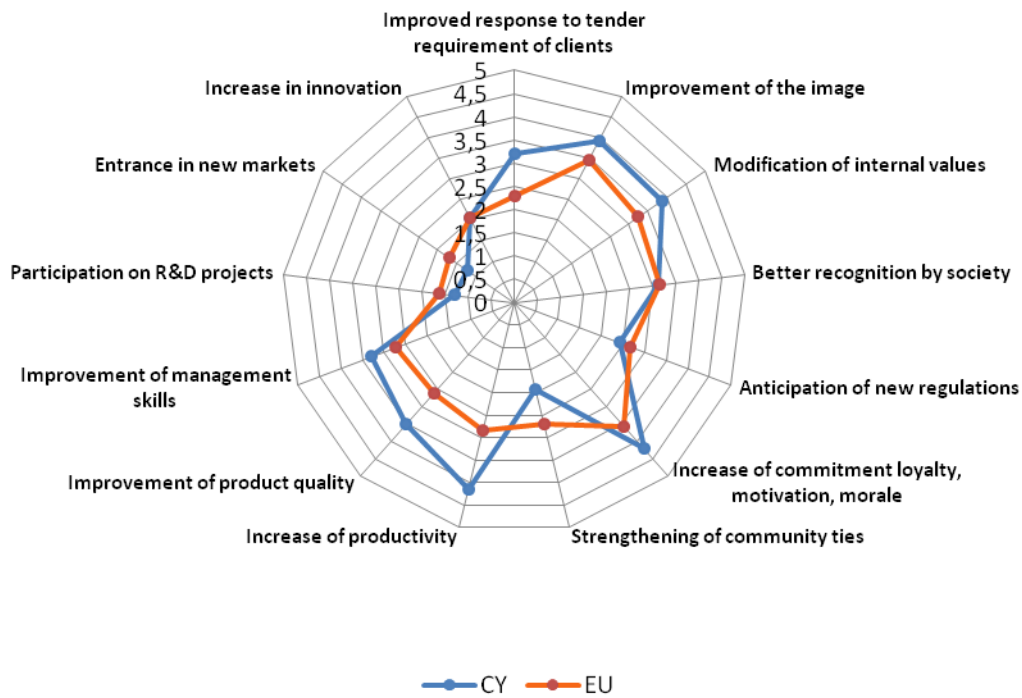


Figure 5.8 Equal Contribution Policy

CSR 'Equal Contribution Policy' actions by the SMEs contribute on average to the global competitiveness of the company for a factor 2.72/5 in the MED Area while in Cyprus it contributes on average 2.94/5. Competitiveness dimensions to which this action contributes the most in MED area are:

- Increase of commitment loyalty, motivation, morale (3.57);
- Improvement of the image (3.47); and
- Modification of internal values (3.24).
- In Cyprus the dimensions that contribute the most are:
- Increase of commitment loyalty, motivation, morale (4.21);
- Increase of productivity (4.14); and
- Improvement of the image (3.93).

Competitiveness dimensions to which this action contributes the least in the MED Area are:

- Participation on R&D projects (1.63);
- Entrance in new markets (1.69); and
- Increase in innovation (2.05).

Competitiveness dimensions to which this action contributes the least in the Cyprus are:

- Entrance in new markets (1.21);
- Participation on R&D projects (1.29); and
- Strengthening of community ties (1.93).

Adoption of environmental management systems contribution policies

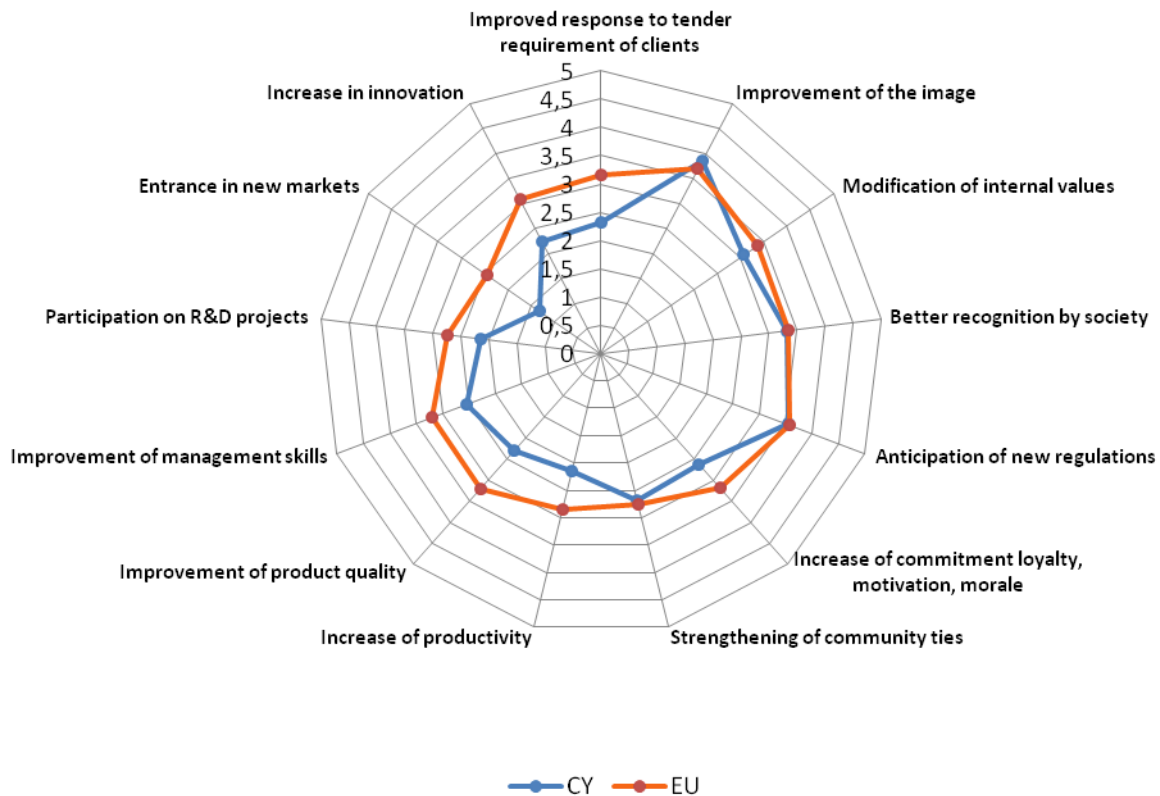


Figure 5.9 Adoption of environmental MGMT systems, standards and regulations

CSR 'Adoption of environmental MGMT systems, standards and regulations' actions by the SMEs contribute on average to the global competitiveness of the company for a factor 3.14/5 in the MED Area while in Cyprus it contributes on average 2.62/5. Competitiveness dimensions to which this action contributes the most in MED area are:

- Improvement of the image (3.70);
- Anticipation of new regulations (3.58); and
- Modification of internal values (3.24).

In Cyprus the dimensions that contribute the most are:

- Improvement of the image (3.85);
- Anticipation of new regulations (3.54); and
- Better recognition by society (3.31).

Competitiveness dimensions to which this action contributes the least in the MED Area are:

- Entrance in new markets (2.44);
- Participation on R&D projects (2.73);
- Strengthening of community ties (2.76).

Competitiveness dimensions to which this action contributes the least in the Cyprus are:

- Entrance in new markets (1.31);
- Participation on R&D projects (2.15); and
- Increase of productivity (2.15).

Environmentally friendly production processes contribution policy

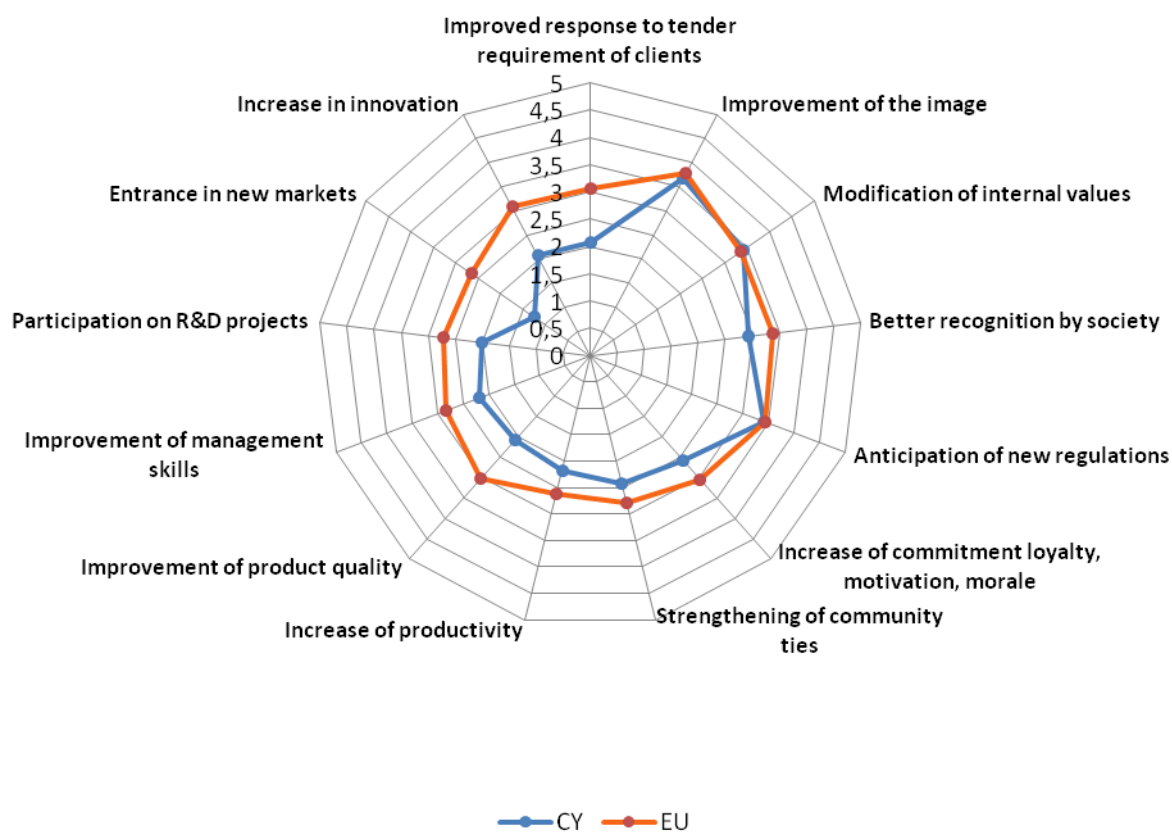


Figure 5.10. Environmentally friendly production processes contribution policy

CSR 'Environmentally friendly production processes' actions by the SMEs contribute on average to the global competitiveness of the company for a factor 3.07/5 in the MED Area while in Cyprus it contributes on average 2.48/5. Competitiveness dimensions to which this action contributes the most in MED area are:

- Improvement of the image (3.78);
- Anticipation of new regulations (3.43); and
- Better recognition by society (3.37).

In Cyprus the dimensions that contribute the most are:

- Improvement of the image (3.67);
- Modification of internal values (3.42); and
- Anticipation of new regulations (3.42).

Competitiveness dimensions to which this action contributes the least in the MED Area are:

- Increase of productivity (2.62);
- Entrance in new markets (2.65); and
- Participation on R&D projects (2.72).

Competitiveness dimensions to which this action contributes the least in the Cyprus are:

- Entrance in new markets (1.25);
- Participation on R&D projects (2.00); and
- Increase of innovation (2.08).

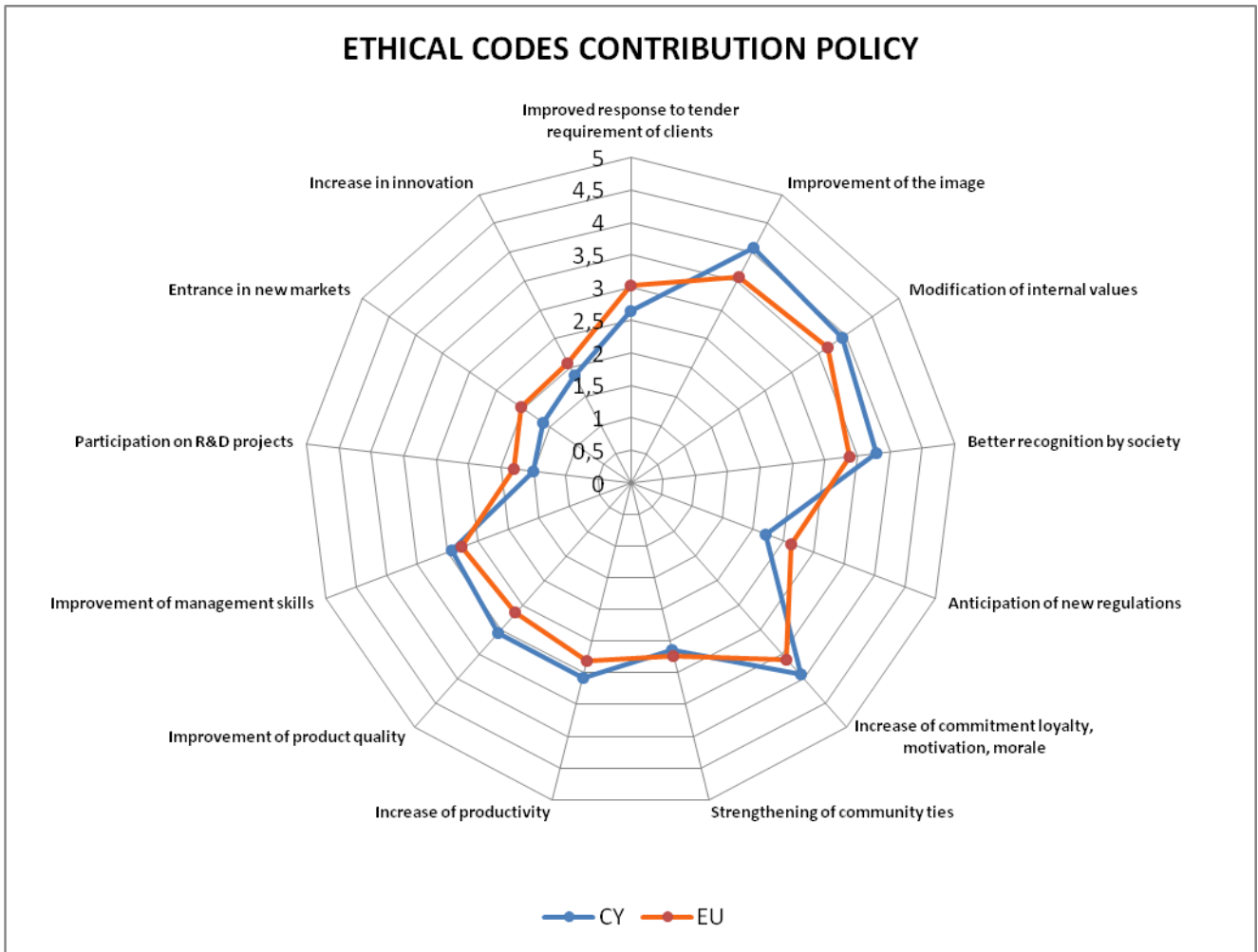


Figure 5.11. Ethical codes contribution policy

CSR 'Ethical codes contribution policy' actions by the SMEs contribute on average to the global competitiveness of the company for a factor 2.89/5 in the MED Area while in Cyprus it contributes on average 2.87/5. Competitiveness dimensions to which this action contributes the most in MED area are:

- Modification of internal values (3.66);
- Increase of commitment loyalty, motivation, morale (3.61); and
- Improvement of the image (3.57).

In Cyprus the dimensions that contribute the most are:

- Improvement of the image (4.07);
- Modification of internal values (3.93); and
- Increase of commitment loyalty, motivation, morale (3.93).

Competitiveness dimensions to which this action contributes the least in the MED Area are:

- Participation on R&D projects (1.81).
- Entrance in new markets (2.04); and
- Increase in innovation (2.07).

Competitiveness dimensions to which this action contributes the least in the Cyprus are:

- Participation on R&D projects (1.5); and
- Entrance in new markets (1.64);
- Increase of innovation (1.86).

SOURCING ETHICS CONTRIBUTION POLICY

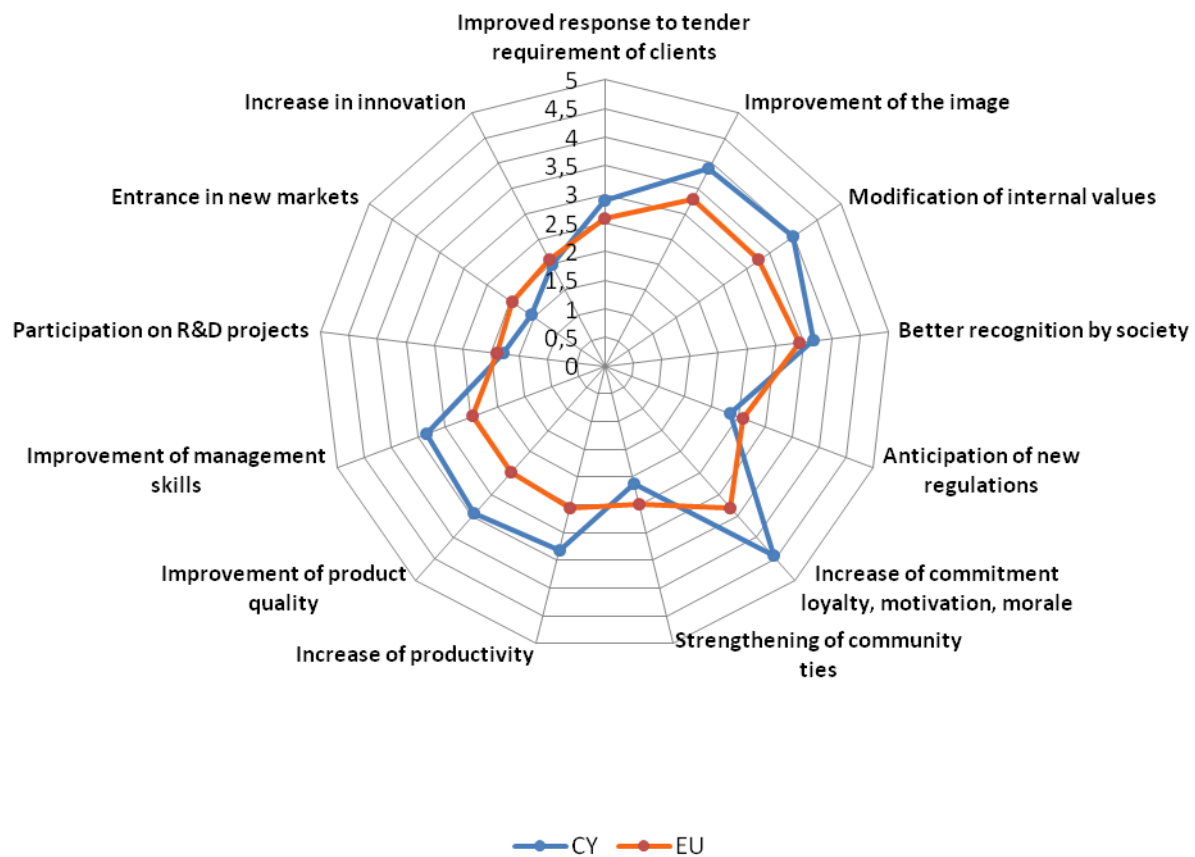


Figure 5.12 Sourcing ethics contribution policy

CSR 'Sourcing ethics contribution policy' actions by the SMEs contribute on average to the global competitiveness of the company for a factor 2.68/5 in the MED Area while in Cyprus it contributes on average 2.98/5. Competitiveness dimensions to which this action contributes the most in MED area are:

- Better recognition by society (3.43);
- Increase of commitment loyalty, motivation, morale (3.31); and
- Improvement of the image (3.30).

In Cyprus the dimensions that contribute the most are:

- Increase of commitment loyalty, motivation, morale (4.44);
- Modification of internal values (4.00); and
- Improvement of the image (3.89).

Competitiveness dimensions to which this action contributes the least in the MED Area are:

- Participation on R&D projects (1.91).
- Entrance in new markets (1.97); and
- Increase in innovation (2.09).

Competitiveness dimensions to which this action contributes the least in the Cyprus are:

- Entrance in new markets (1.56);
- Participation on R&D projects (1.78); and
- Increase of innovation (2.00).

ENVIROMENTAL PROTECTION CONTRIBUTION POLICY

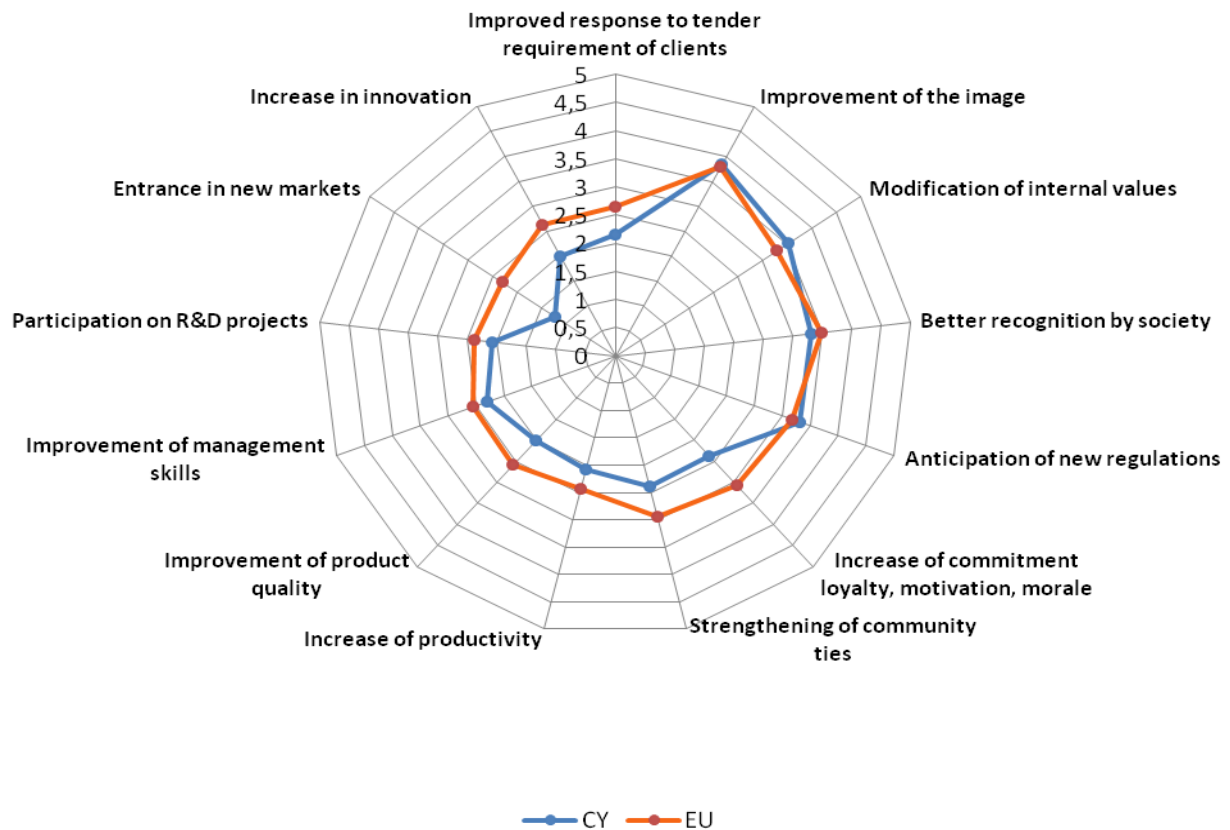


Figure 5.13. Environmental protection contribution policy

CSR 'Environmental protection contribution policy' actions by the SMEs contribute on average to the global competitiveness of the company for a factor 2.89/5 in the MED Area while in Cyprus it contributes on average 2.51/5. Competitiveness dimensions to which this action contributes the most in MED area are:

- Improvement of the image (3.80);
- Better recognition by society (3.49); and
- Modification of internal values (3.29).

In Cyprus the dimensions that contribute the most are:

- Improvement of the image (3.85).
- Modification of internal values (3.54); and
- Better recognition by society (3.31).

Competitiveness dimensions to which this action contributes the least in the MED Area are:

- Entrance in new markets (2.31);
- Participation on R&D projects (2.39); and
- Increase in productivity (2.43).

Competitiveness dimensions to which this action contributes the least in the Cyprus are:

- Entrance in new markets (2.31);
- Participation on R&D projects (2.39); and
- Increase of productivity (2.43).

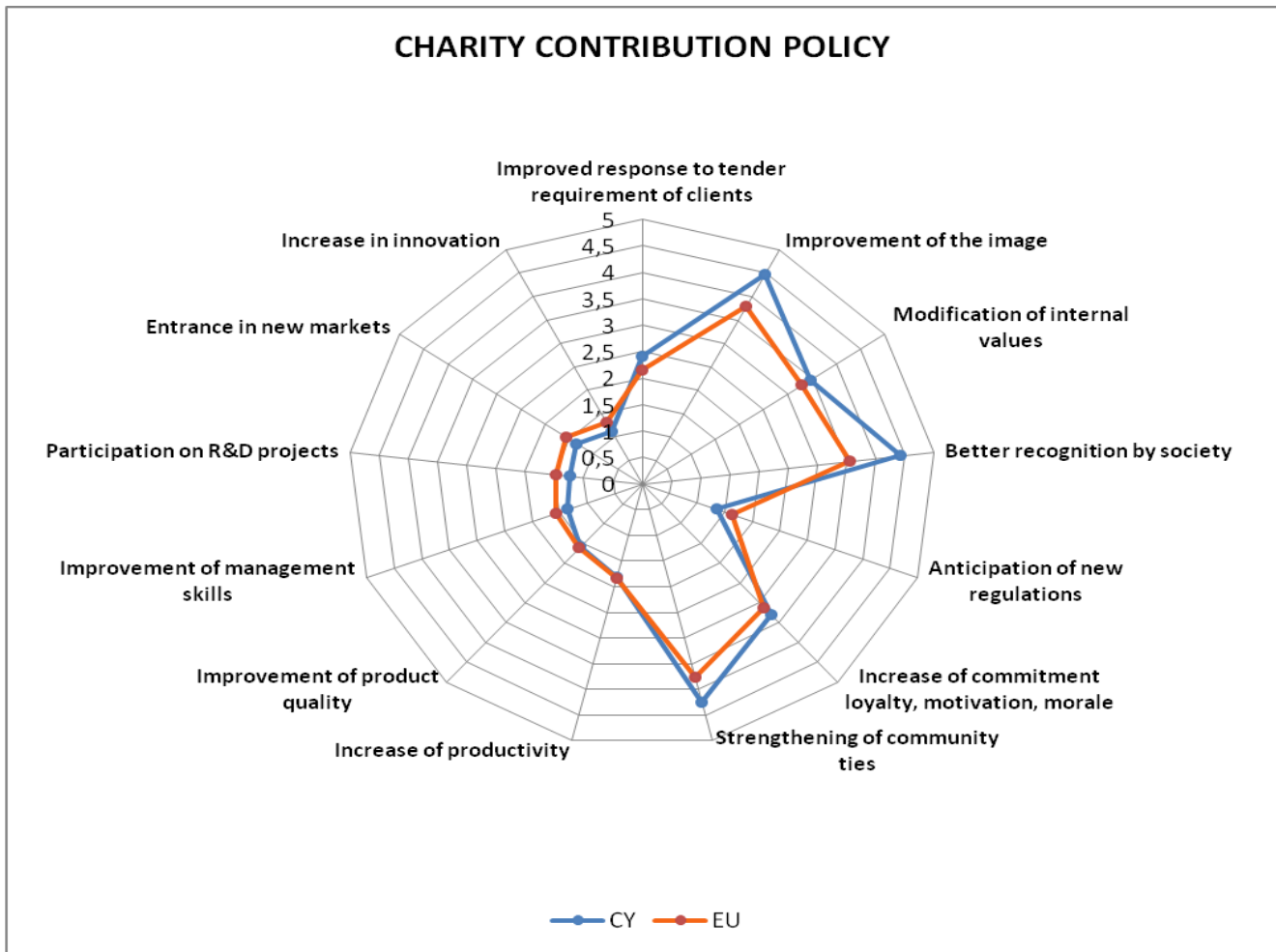


Figure 5.14 Charity contribution policy

CSR 'Charity contribution policy' actions by the SMEs contribute on average to the global competitiveness of the company for a factor 2.50/5 in the MED Area while in Cyprus it contributes on average 2.47/5. Competitiveness dimensions to which this action contributes the most in MED area are:

- Improvement of the image (3.79);
- Strengthening of communities ties (3.76); and
- Better recognition by society (3.49).

In Cyprus the dimensions that contribute the most are:

- Improvement of the image (4.47).
- Better recognition by society (4.41); and
- Strengthening of community ties (3.54).

Competitiveness dimensions to which this action contributes the least in the MED Area are:

- Increase in innovation (1.32);
- Participation on R&D projects (1.48); and
- Entrance in new markets (1.57).

Competitiveness dimensions to which this action contributes the least in the Cyprus are:

- Increase in innovation (1.12);
- Participation on R&D projects (1.24); and
- Entrance in new markets (1.35).

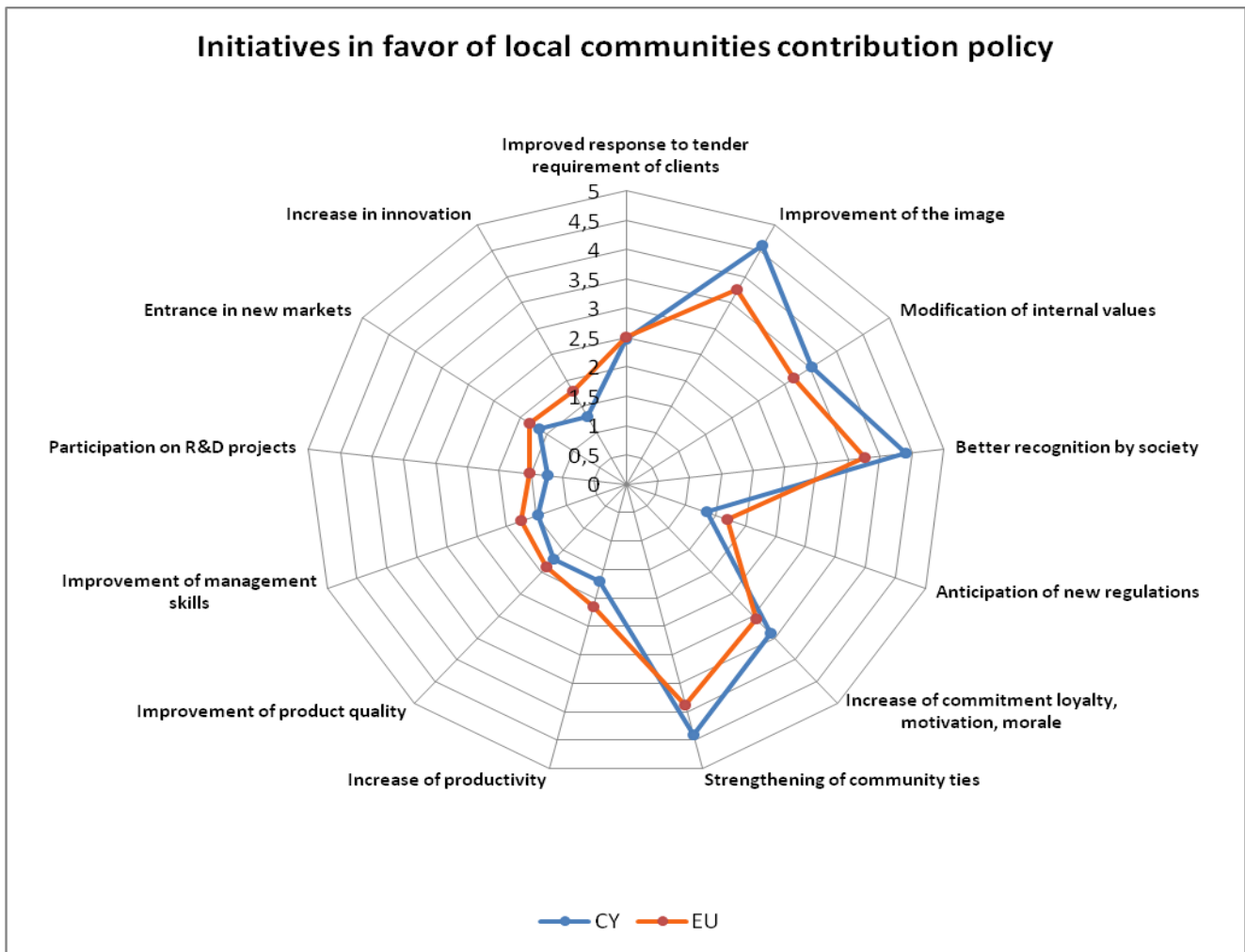


Figure 5.15 Initiatives in favor of local communities

CSR 'Initiatives in favour of local communities' contribution policy' actions by the SMEs contribute on average to the global competitiveness of the company for a factor 2.64/5 in the MED Area while in Cyprus it contributes on average 2.56/5. Competitiveness dimensions to which this action contributes the most in MED area are:

- Strengthening of communities ties (3.89);
- Improvement of the image (3.75); and
- Better recognition by society (3.75).

In Cyprus the dimensions that contribute the most are:

- Improvement of the image (4.59).
- Better recognition by society (4.41); and
- Strengthening of community ties (4.41).

Competitiveness dimensions to which this action contributes the least in the MED Area are:

- Participation on R&D projects (1.51);
- Anticipation of new regulations (1.69); and
- Improvement of management skills (1.75).

Competitiveness dimensions to which this action contributes the least in the Cyprus are:

- Participation on R&D projects (1.24);
- Increase in innovation (1.29); and
- Anticipation of new regulations (1.35).

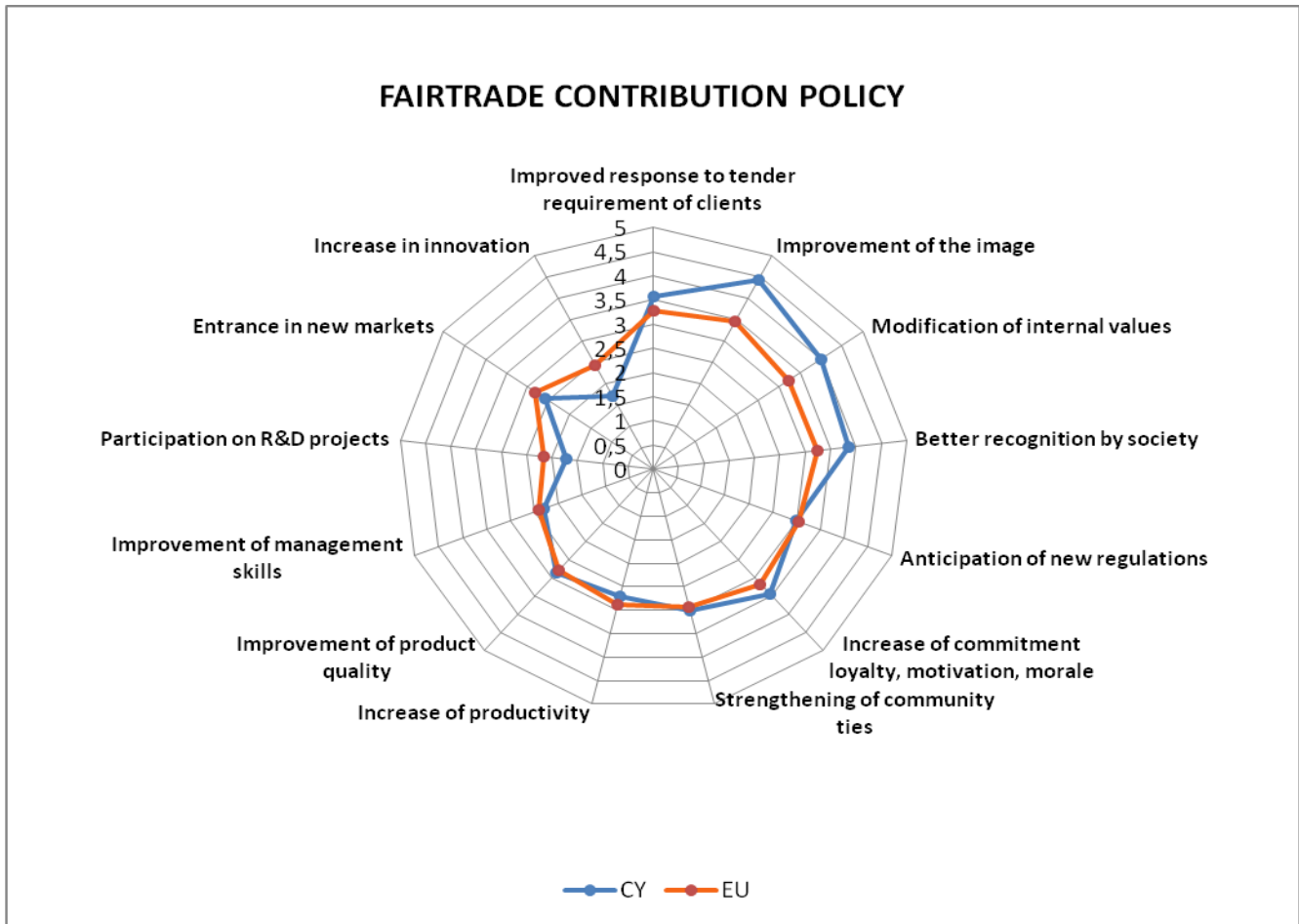


Figure 5.16 Fair trade contribution policy

CSR 'Fair trade contribution policy' actions by the SMEs contribute on average to the global competitiveness of the company for a factor 2.93/5 in the MED Area while in Cyprus it contributes on average 3.01/5. Competitiveness dimensions to which this action contributes the most in MED area are:

- Improvement of the image (3.44);
- Improved response to tender requirement of clients (3.27); and
- Modification of internal values (3.23).

In Cyprus the dimensions that contribute the most are:

- Improvement of the image (4.43).
- Modification of internal values (4.00); and
- Better recognition by society (3.86).

Competitiveness dimensions to which this action contributes the least in the MED Area are:

- Participation on R&D projects (2.16);
- Improvement of management skills (2.39); and
- Increase in innovation (2.44).

Competitiveness dimensions to which this action contributes the least in the Cyprus are:

- Increase in innovation (1.71);
- Participation on R&D projects (1.71); and
- Improvement of management skills (2.29).

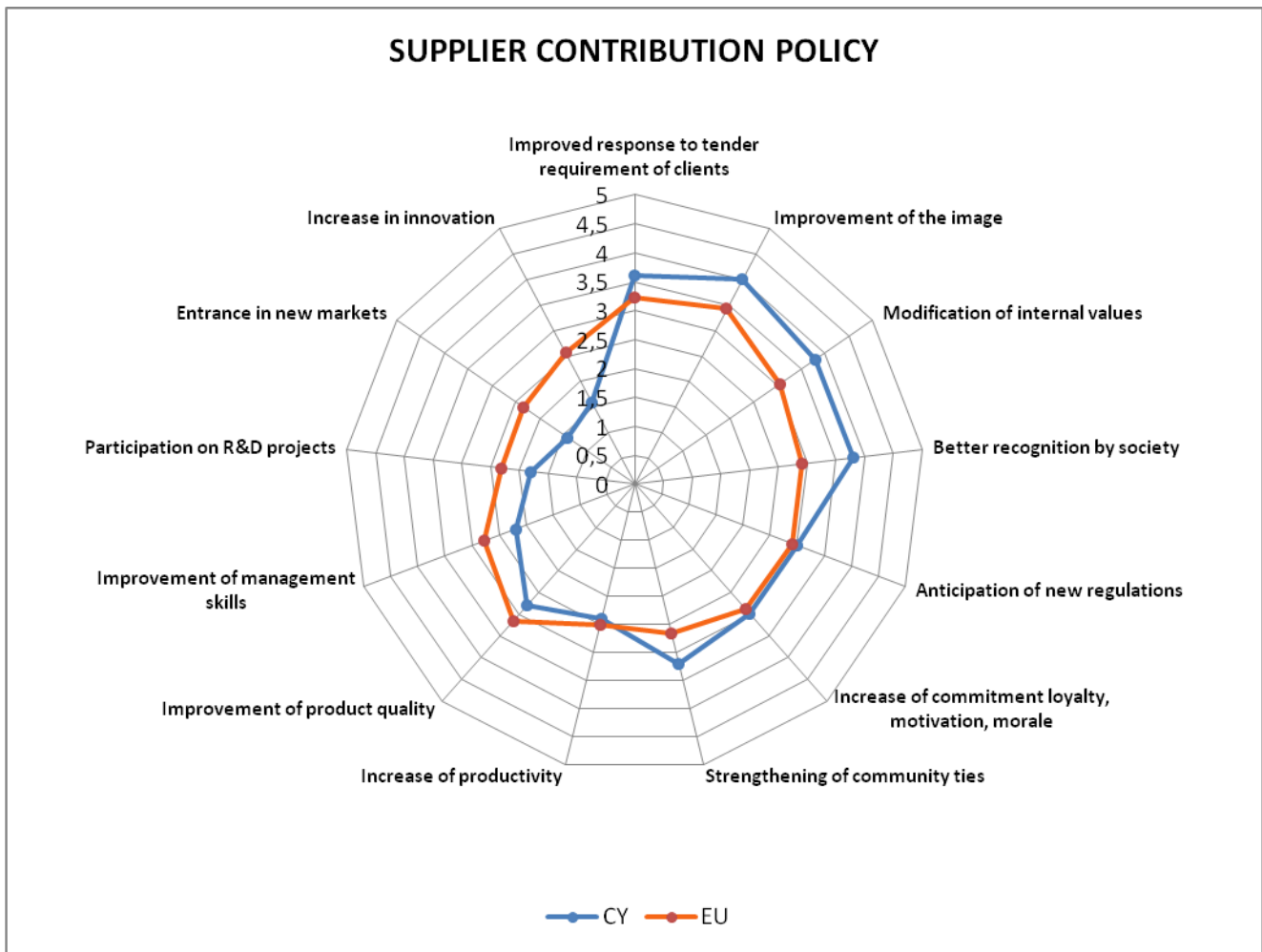


Figure 5.17 Suppliers selection contribution policy

CSR 'Suppliers selection contribution policy' actions by the SMEs contribute on average to the global competitiveness of the company for a factor 2.85/5 in the MED Area while in Cyprus it contributes on average 2.82/5. Competitiveness dimensions to which this action contributes the most in MED area are:

- Improvement of the image (3.42);
- Improved response to tender requirement of clients (3.23); and
- Improvement of product quality (3.16).

In Cyprus the dimensions that contribute the most are:

- Improvement of the image (4.00).
- Modification of internal values (3.80); and
- Better recognition by society (3.80).

Competitiveness dimensions to which this action contributes the least in the MED Area are:

- Participation on R&D projects (2.32);
- Entrance in new markets (2.34); and
- Increase in productivity (2.50).

Competitiveness dimensions to which this action contributes the least in the Cyprus are:

- Entrance in new markets (1.40);
- Increase in innovation (1.60); and
- Participation on R&D projects (1.80).

Adoption of benefits for employee's contribution policy

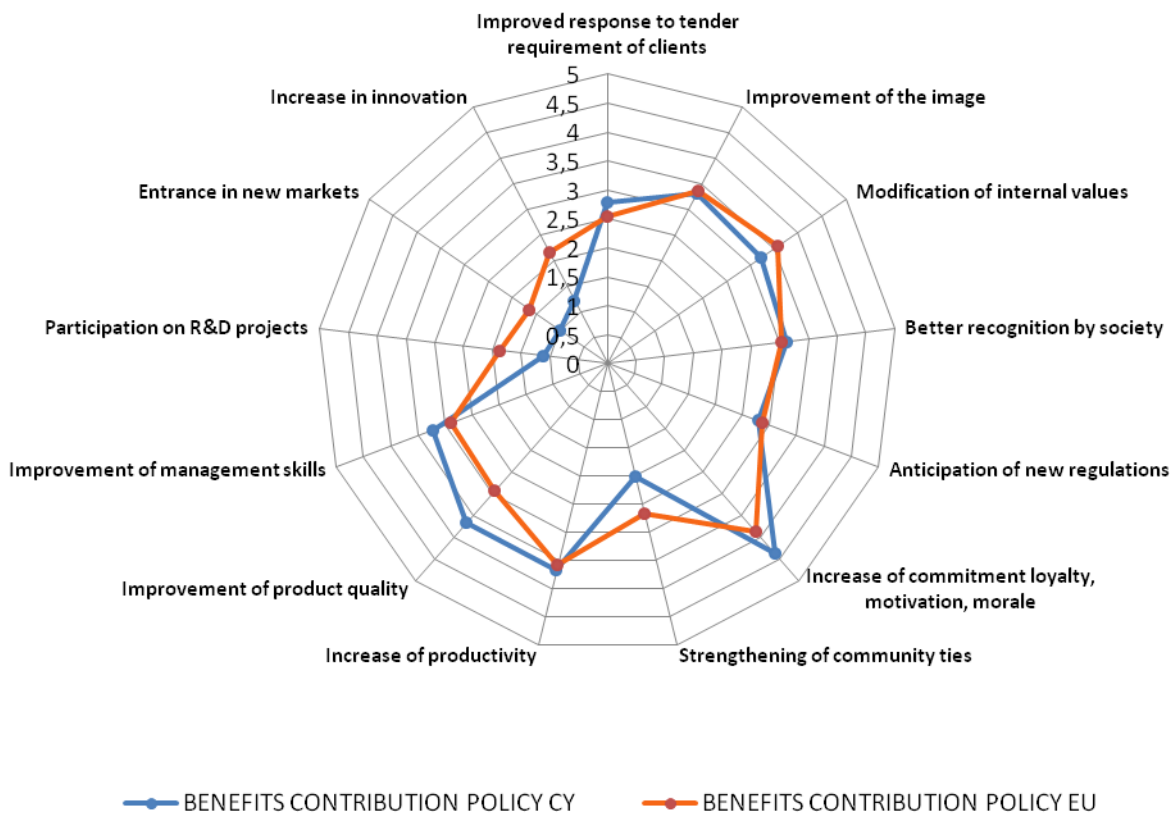


Figure 5.18 Adoption of benefits for employee's contribution policy

CSR 'Adoption of benefits for employee's contribution policy' actions by the SMEs contribute on average to the global competitiveness of the company for a factor 2.85/5 in the MED Area while in Cyprus it contributes on average 2.72/5. Competitiveness dimensions to which this action contributes the most in MED area are:

- Increase of commitment loyalty, motivation, morale (3.87);
- Increase of productivity (3.59); and
- Modification of internal values (3.58).

In Cyprus the dimensions that contribute the most are:

- Increase of commitment loyalty, motivation, morale (4.38);
- Increase of productivity (3.67); and
- Improvement of product quality (3.67).

Competitiveness dimensions to which this action contributes the least in the MED Area are:

- Entrance in new markets (1.64);
- Participation on R&D projects (1.88); and
- Increase in innovation (2.17).

Competitiveness dimensions to which this action contributes the least in the Cyprus are:

- Entrance in new markets (1.00);
- Participation on R&D projects (1.11); and
- Increase in innovation (1.22).

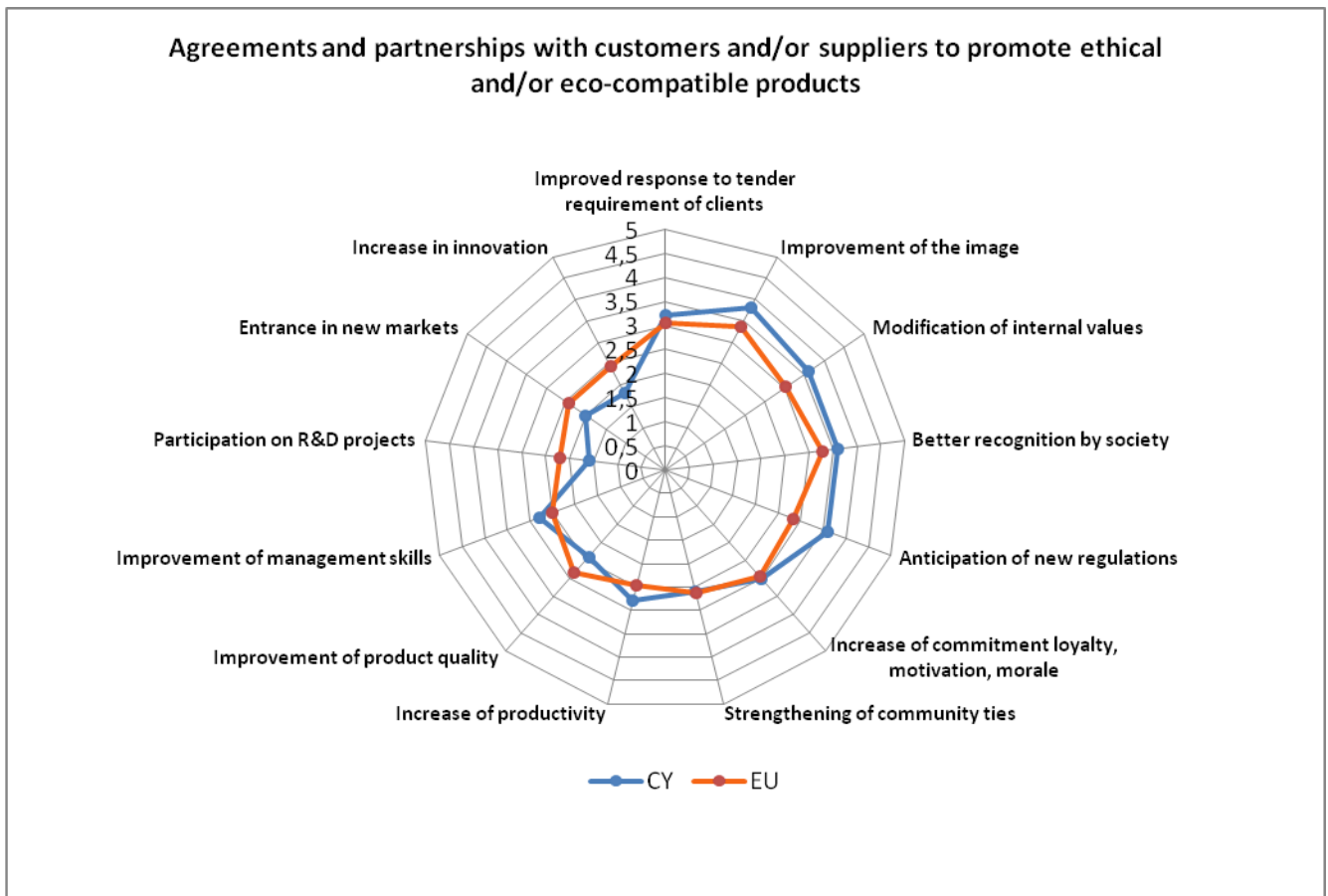


Figure 5.19 Agreements and partnerships with customers and/or suppliers to promote ethical and/or eco-compatible products

CSR 'Agreements and partnerships with customers and/or suppliers to promote ethical and/or eco-compatible products' actions by the SMEs contribute on average to the global competitiveness of the company for a factor 2.79/5 in the MED Area while in Cyprus it contributes on average 2.83/5. Competitiveness dimensions to which this action contributes the most in MED area are:

- Improvement of the image (3.37);
- Better recognition by society (3.29); and
- Improved response to tender requirement of clients (3.06).

In Cyprus the dimensions that contribute the most are:

- Improvement of the image (3.80);
- Modification of internal values (3.60); and
- Better recognition by society (3.60).

Competitiveness dimensions to which this action contributes the least in the MED Area are:

- Participation on R&D projects (2.19);
- Increase in innovation (2.43); and
- Entrance in new markets (2.43).

Competitiveness dimensions to which this action contributes the least in the Cyprus are:

- Entrance in new markets (1.60);
- Increase in innovation (1.80); and
- Entrance in new markets (2.00).

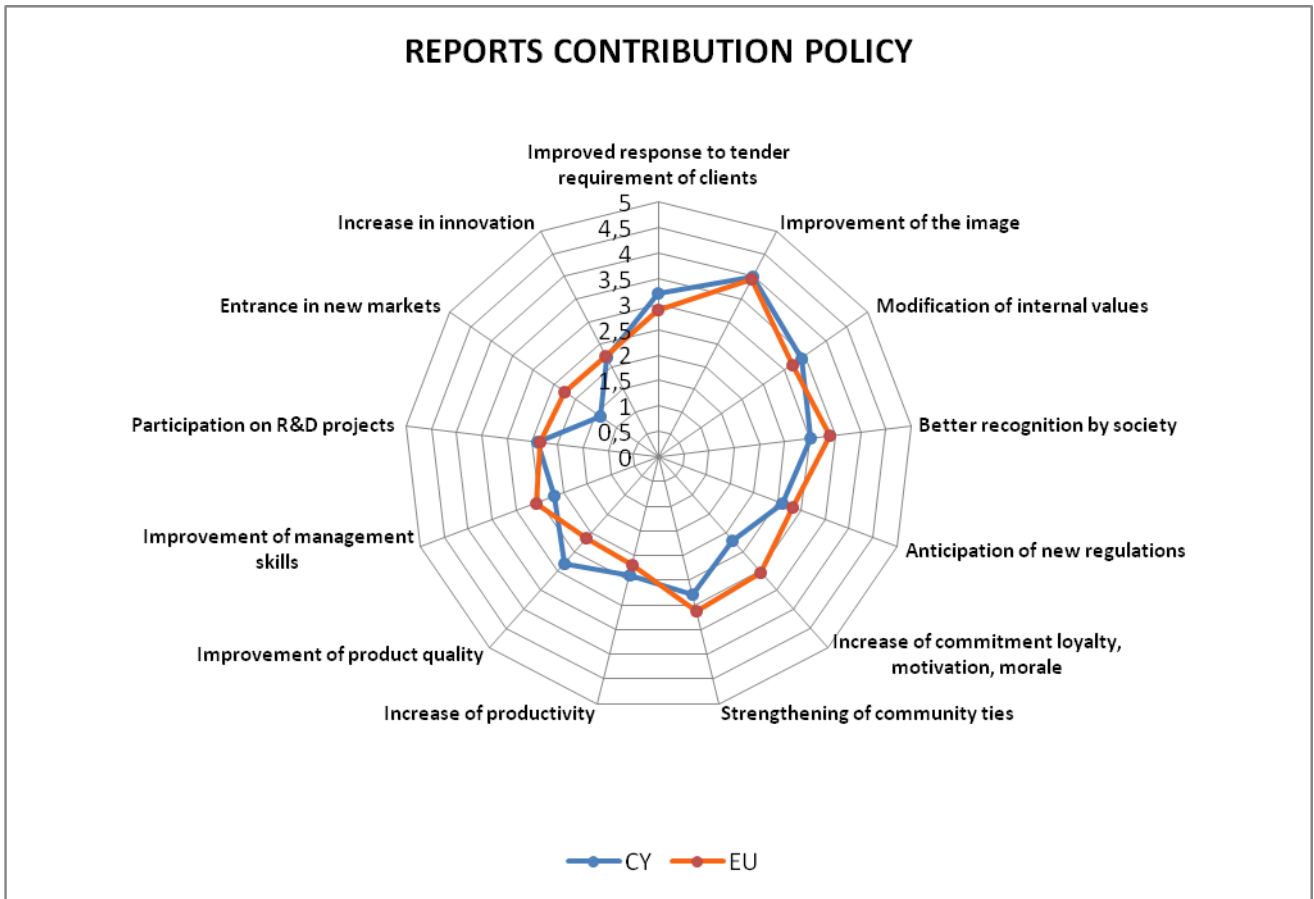


Figure 5.20 Editing of social/sustainability and/or environmental annual reports

CSR 'Editing of social/sustainability and/or environmental annual reports' actions by the SMEs contribute on average to the global competitiveness of the company for a factor 2.81/5 in the MED Area while in Cyprus it contributes on average 2.66/5. Competitiveness dimensions to which this action contributes the most in MED area are:

- Improvement of the image (3.95);
- Better recognition by society (3.40); and
- Modification of internal values (3.19).

In Cyprus the dimensions that contribute the most are:

- Improvement of the image (4.00);
- Modification of internal values (3.40); and
- Improved response to tender requirement of clients (3.20).

Competitiveness dimensions to which this action contributes the least in the MED Area are:

- Improvement of product quality (2.13);
- Increase of productivity (2.19); and
- Increase in innovation (2.23).

Competitiveness dimensions to which this action contributes the least in the Cyprus are:

- Entrance in new markets (1.40);
- Increase in innovation (2.20); and
- Improvement of management skills (2.20).

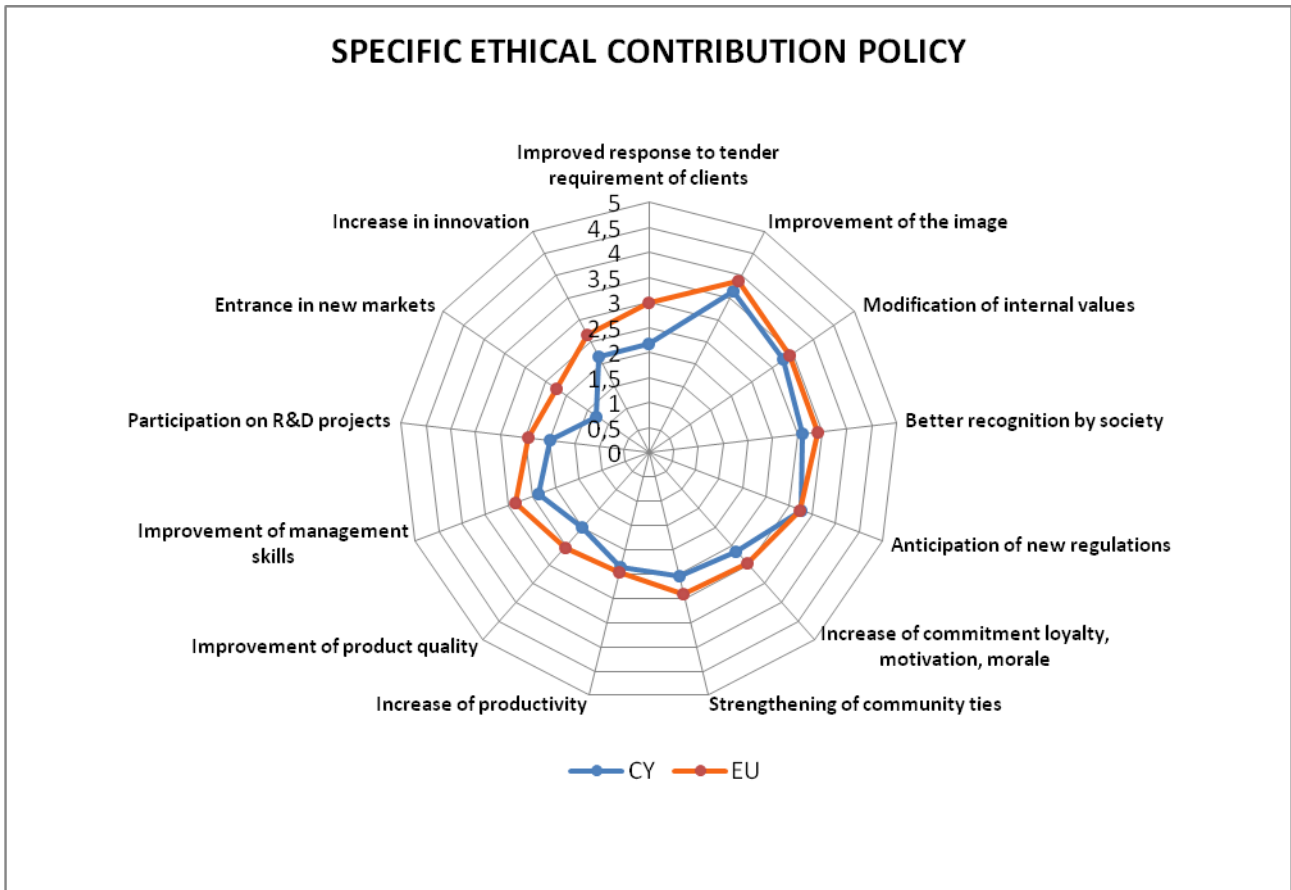


Figure 5.21 Adhesion to specific ethical/environmental international initiatives

CSR 'Adhesion to specific ethical/environmental international initiatives' actions by the SMEs contribute on average to the global competitiveness of the company for a factor 2.93/5 in the MED Area, while in Cyprus it contributes on average 2.52/5. Competitiveness dimensions to which this action contributes the most in MED area are:

- Improvement of the image (3.87);
- Modification of internal values (3.42); and
- Better recognition by society (3.40).

In Cyprus the dimensions that contribute the most are:

- Improvement of the image (3.64);
- Modification of internal values (3.27); and
- Anticipation of new regulations (3.27).

Competitiveness dimensions to which this action contributes the least in the MED Area are:

- Entrance in new markets (2.25);
- Participation on R&D projects (2.43); and
- Increase of productivity (2.45).

Competitiveness dimensions to which this action contributes the least in the Cyprus are:

- Entrance in new markets (1.27);
- Participation on R&D projects (2.00); and
- Improvement of product quality (2.00).

5.3.6 Are there any evaluation tools used in the implementation?

The majority of the respondents do evaluate their CSR policies (see Figure 5.22). The performance measure used relates to brand reputation, product quality, market position, and cost savings (see Figure 5.23). To evaluate their CSR policies they use questionnaires, mainly qualitative

performance measures. The evaluation process is predominately internal. Those who use external evaluation procession use an evaluation agency. In the MED countries studied, most SMEs evaluate their CSR policy (58%) and among those who evaluate their policy do it with soft managerial tools. 39% of the interviewed SMEs do not do any evaluation (CCIMP, 2011: 49).

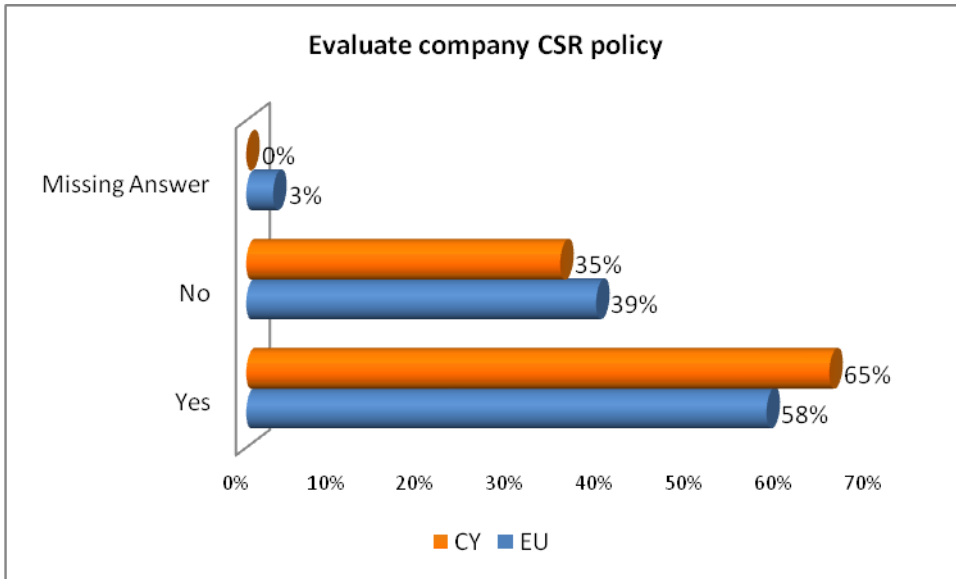


Figure 5.22 Evaluate company CSR policy

The following diagram shows findings from Cyprus’s data.

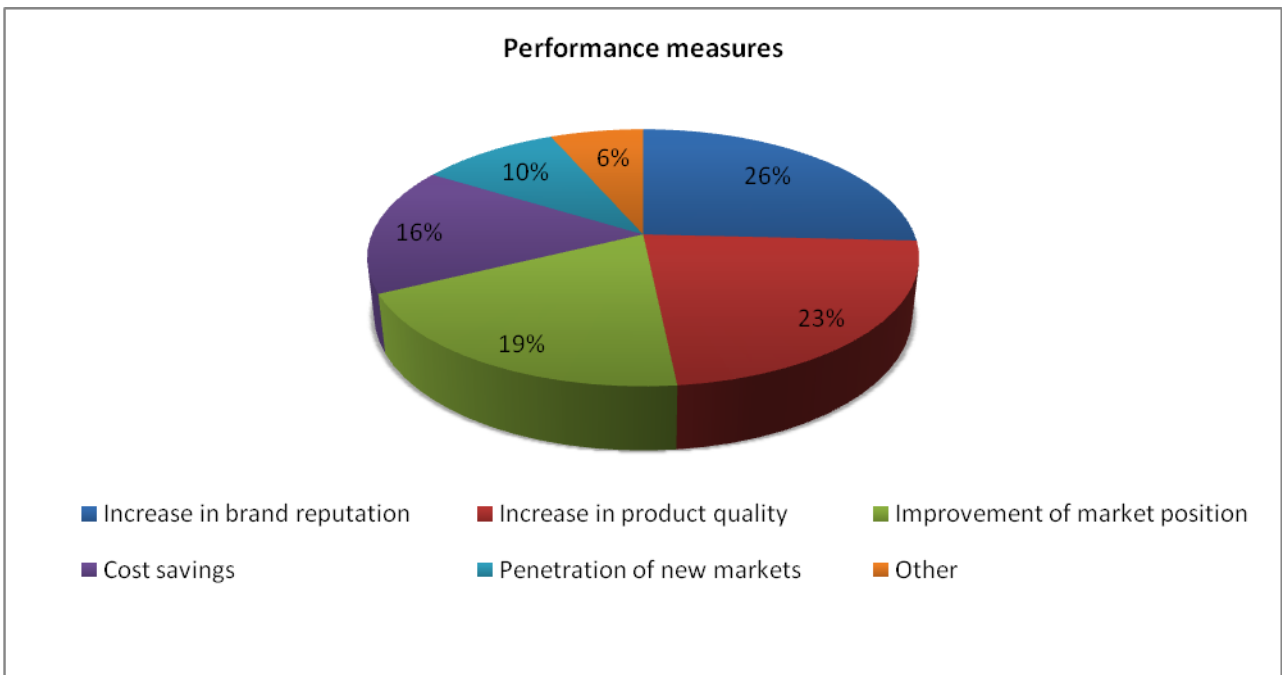


Figure 5.23 Performance measures

The majority of the Cypriot respondents do not use any guide, website or book to help them start CSR. For those who do use tools, the tools used to assist in intensifying their CSR development are: EU manuals on road safety, GRI, AA1000, ISO 26000, EMAS or guidelines to set up the Head Office.

MED SMEs that evaluate the impact of their CSR policy usually choose their tool of evaluation according to their habits and the means at their disposal. 28% prepare a CSR annual report, 19% score board, 17% through questionnaire, and 36% use other tools for evaluation (CCIMP, 2011: 50).

The tools that could be used to intensify CSR are:

- A CSR forum
- A Forum or a local panel for CSR
- A better management tool for CSR
- A software measuring and monitoring performance.
- A tool that could measure the effectiveness of CSR actions.
- A tool that evaluates the effectiveness of CSR actions
- A tool that measures the effectiveness of CSR practices
- A tool that would measure the effectiveness of CSR practices
- CSR handbooks, consultation or a person in charge of CSR
- Personnel training tool for CSR
- Seminars on CSR
- Training Programmes, Seminars, a Cypriot forum for the promotion of CSR
- The institutions did not use any tools in evaluating their CSR actions.

5.3.7 What are the barriers and the enablers of CSR policies and actions?

The barriers encountered (Figure 5.24) by the respondents were mainly lack of expertise, and lack of financial resources. In addition, the government bureaucracy appeared to be a major barrier for the Cypriot companies. For the MED SMEs the main barriers for implementing CSR are 39.5% the lack of expertise, 37.8% the lack of financial resources, 21.5% lack of staff, and 23.8% are other unspecified barriers (CCIMP, 2011: 91).

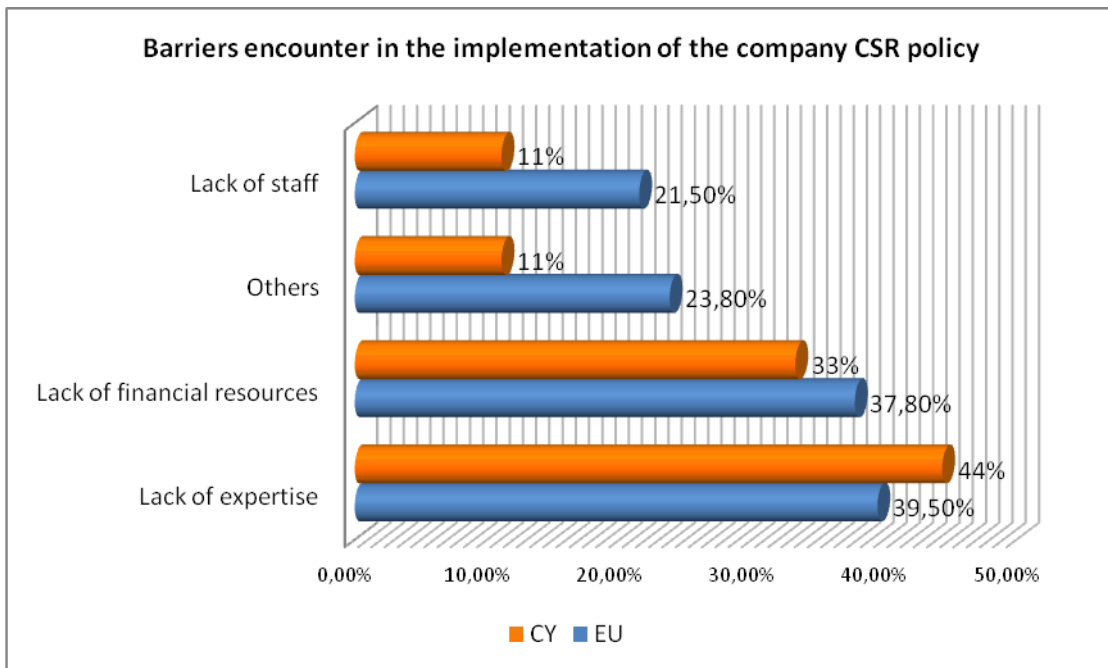


Figure 5.24 Barriers and the enablers of CSR policies and actions

The enablers appeared to be the Board, the owner’s ideology and the local authorities.

Barriers were faced by some institutions from opposing interests, public opinion, financial crisis and internal politics. Enablers were the vision and planning of the organisation, the interests by SMEs to invest in CSR and assist the local authority to do so and the well versed employees.

5.3.8 What are the lessons learned by the companies?

The lessons learned from the implementation of CSR are:

- Any contribution to CSR programmes is always beneficial
- By implementing CSR you gain awareness satisfaction, appreciation and value
- CSR actions are appreciated.
- CSR increases the brand value of the bank. It also bring better recognition by society
- CSR programmes get a positive response from the public
- Commitment from Top Management is crucial
- It gives great satisfaction
- It helps to get feedback from their Associates and the Society: Having a CSR strategy is necessary.
- It is a good Public Relations tool.

- It is always deeply appreciated.
- It is always helpful to be involved in such activities
- It is never enough
- It is something that can be easily implemented
- The company learned to communicate with young people
- There is not yet enough interest in CSR
- You have to communicate your policy

In addition to the quantitative study, a qualitative study was carried out to identify good practices that perhaps other companies can replicate or get ideas from. Before identifying these good practices, the report will provide a brief overview of the various tools being used in Cyprus relating to CSR.

5.4 Tools used in Cyprus

A number of tools in assessing issues relating to CSR are currently in use predominately by the Cyprus Chamber of Commerce. These tools are:

5.4.1 PROGRESS ESG Risks Assessment Tool

The purpose of the PROGRESS ESG Risks Assessment Tool is to enable Greek and Cypriot asset owners or investment managers to undertake a basic assessment of company's environmental, social and governance (ESG) practices, and to thereby enable them to consider these extra-financial factors as part of investment decisions. The PROGRESS ESG Risks Assessment Tool is primarily designed for evaluating the quality of management of ESG-related risks within publicly listed companies.

- The PROGRESS ESG Risks Assessment Tool analyses companies ESG management approaches and performance across 6 different domains: Governance and Transparency
- Environment
- Sector Sustainability
- Human, Health and Safety Management
- Supply Chain Management
- Community Engagement

Application of the tool results in an overall performance rating, as well as a performance rating for each of the 6 areas. Ratings range from A (excellent), to D (poor).

Tool: <http://www.csrservices.gr/demo/>

Methodology: <http://www.csr-ccci.org.cy/images/stories/ProgressESGToolGuidelinesV1.pdf>

5.4.2 Measuring Responsible Business Practices: Making Socially Responsible Investment Decisions

This tool is entirely interview-based, so fund managers speak directly with the companies in which they are planning to invest.

- 28 questions across the SRI framework, using AccountAbility's global responsible competitiveness framework.
- The tool is designed to be applied using only publicly available information, but can just as easily be applied in an interview format.
- Fund managers are given responsibility to decide their own benchmarking standards.
- Methodology results in overall score for the company at the end of the process.

The final score indicates the level of the company's sustainability performance.

Tool: <http://www.csr-ccci.org.cy/images/stories/ESGProgressToolV2AA.xls>

Methodology: <http://www.csr-ccci.org.cy/images/stories/MethodologyGuideAA.pdf>

5.4.3 Calculating the carbon footprint of an organisation

Calculating the carbon footprint of an organisation can be the first step in a programme to reduce emissions. A 'carbon footprint' measures the total greenhouse gas emissions caused directly and indirectly by a person, organisation, event or product.

The footprint considers all six of the Kyoto Protocol greenhouse gases: Carbon dioxide (CO₂), Methane (CH₄), Nitrous oxide (N₂O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs) and Sulphur hexafluoride (SF₆).

A carbon footprint is measured in tonnes of carbon dioxide equivalent (tCO₂e). The carbon dioxide equivalent (CO₂e) allows the different greenhouse gases to be compared on a like-for-like basis relative to one unit of CO₂. CO₂e is calculated by multiplying the emissions of each of the six greenhouse gases by its 100 year global warming potential (GWP).

The basic carbon footprint indicator provides a rough estimate of an organisation's carbon emissions based on company's energy bill and sector. The carbon footprint calculator gives a more detailed assessment of an organisation's carbon footprint.

Tool: <http://www.csr-cci.org.cy/images/stories/documents/annual%20reporting%20form%20co2%20emissions.doc>

5.4.4 Responsible Med Tool

One of the aims of the “Responsible MED” programme was the development and pilot testing of a tool, the use of which helps SMEs in drawing useful information regarding the impact of the implementation of CSR activities on their competitiveness. It also has a paramount role in the outcomes of the whole project since it includes the reactions of the companies that used on-line the tool either in a workshop organised by the Cyprus University of Technology on April 12th, 2012 or in one to one interviews to present the CSR tool. Seven companies attended the workshop and the Responsible Med team in Cyprus visited five additional companies on their premises, where the tool was presented and explained to them. The participating companies were also asked to complete a tool evaluation questionnaire (tool validation instrument), on the usefulness, easiness to use and acceptance of the CSR maturity level, ex-ante and ex-post assessment of the tool and their overall views on it.

The analysis of the evaluation questionnaires showed that the tool fulfils its scope and more specifically it:

- a) Provides useful support in evaluating performance in reference to CSR.
- b) Is easy to use, although slight improvements might give added value to it and increase its acceptance in the future (see limitations).
- c) Can earn the acceptance of the future users.

Moreover, one can see that through the tool, for the first time, SMEs have a platform that allows them to measure and check the economic impact of their CSR approach on their competitiveness. Additionally, SMEs now have a complete method to evaluate their CSR performance in terms of added value for them and their stakeholders and also to identify potential areas of improvement.

The effort put by both the Responsible MED partners and the respondents was worthwhile, as the tool covers a gap in the evaluation of CSR actions. It will be at the disposal of all SMEs especially to those that are members of a wider value chain and will enable them to evaluate their own level of CSR maturity and at the same time will provide information on actual CSR solutions.

5.5 Best Practices in Cyprus for workplace, environment, community and market

5.5.1 Workplace

Papaellinas Group of Companies shows great sensitivity towards family issues. In addition to all other benefits, the company continues to support the institution of family through its decision to extend maternity leave to six months, whereas the law requires only 18 weeks, allowing working mothers to spend more time with their newborns before returning to their workplace after they have given birth. In the same framework, the decision to provide all members of staff with flexible working hours in order to ensure a better balance between work and family life is also very important. Further, the company decided to provide free supply of all pharmaceuticals prescribed by physicians to all members of staff facing childbearing problems. In addition, all members of staff receive for every child an 80 euro coupon each month for the purchase of any baby products until the child reaches the age of two and a half. Papaellinas Group of Companies continues to demonstrate its sensitivity towards the institution of family by providing a free car safety seat worth 155 euro for every newborn child born with an employee parent. This benefit combined with specific seminars aims to support the endeavours of the Group to develop road consciousness among all employees. Papaellinas Group of Companies shows outstanding support towards the institution of family, in the framework of the importance given to education, by granting special pecuniary prizes to all children of colleagues who have *an excellent school performance* in any grade of secondary education, both private and public. Students who excel in Junior high school and at least one parent is an employee, receive a monetary gift of €500, whereas senior high school students who excel at school receive when in the 1st and 2nd grade €700, and when in the 3rd grade the amount of €1000.

5.5.2 Environment

Voici La Mode Group of Companies has set up the Green Logistics unit: The Company collects all packaging materials, photocopier paper, cartons and hangers from all their stores and offices to their Distribution Centre and then forwards them for recycling. A Recycling Point at the Acropolis Store was established in 2008 where customers bring paper, plastic, glass and hangers. All pack nylons from their airfreight are reused in dust bins in their Distribution Centre and stock rooms. The Company has signed an agreement with ANIMALIA for processing food waste to produce bio fuels. They are also members of WEEE Electrocyclosis that undertakes on their behalf the collection of electric and electronic waste. The Marks & Spencer Eco-Bag is available at all stores.

5.5.3 Community

By hiring an independent researcher, **Remedica Ltd** has come to realise that patients with multiple sclerosis in Cyprus do not have the proper support, nor is there enough awareness on the issue. Remedica as a pharmaceutical company does not produce any products on multiple sclerosis, therefore it decided to actively support these people through financial aid and volunteering. Starting in 2010 the company is financially supporting the Cyprus Multiple Sclerosis Association. In addition, the company has created a volunteer group out of its employees that helps to create awareness on the issue. They do that by creating information kiosks and handing information leaflets in major cities in Cyprus. In addition, the company participated in the Cyprus International Fair where they provided space to the association to promote its cause. Lastly, they held an event in the Presidential Palace where they raised money and created awareness on the subject.

5.5.4 Market

PwC is striving to offer the value that its clients are looking for, a value based on the knowledge drawn from 169.000 experts in 158 countries and based on experience adapted to local needs. PwC Cyprus focuses on two main areas: Assurance & Advisory Services and Tax & Legal Services. In PwC, CSR is an inherent part of the core business. The Corporate Social Responsibility strategy of PwC comes to life through a multidimensional CSR Programme that aims at addressing the social, financial and environmental requirements that respond to the society's real needs. The CSR activities of the firm are divided under five pillars; volunteering, giving, corporate community leadership, environment and providing pro-bono services. PwC Cyprus supports and promotes the idea of Volunteering and supports the community through donations and sponsorships. Moreover, focus is placed on Corporate Community Leadership by sharing knowledge, experiences and skills as well as by carrying out surveys. PwC is concerned about the environment's well being and motivates its people to adopt eco-friendly behaviour. Last but not least, the firm is involved in the provision of pro bono services where needed. People in PwC are enthusiastically getting involved not only in local projects, but also in initiatives driven globally by the Global Communities of PwC, understanding how they can positively make a difference.

5.6 Conclusion

In this chapter the author demonstrates the state of practice of CSR actions in Cyprus. More specifically the enablers, barriers and motivators for CSR contributions in Cyprus are illustrated. Furthermore, any initiatives taken by regulators/stakeholders are listed so as to provide the reader a general overview of the CSR activities in Cyprus. It is reinforced that CSR actions in Cyprus are centred on the community and the workplace since the society is characterised as a society that centres on the family and the community. A lot more work remains to be done and the task of convincing SMEs to contribute to CSR will become even more difficult as the financial crisis sets in. CSR ought to be part of the DNA and the culture of the company and the society and ought not to be for marketing purposes alone.

5.7 References

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