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# CHALLENGES AND INCENTIVES FOR CORPORATE SOCIAL RESPONSIBILITY IN THE PROVISION OF PUBLIC GOODS: AN AGRARIAN DISCOURSE

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Crisis of recent decade had proved many times the interconnectivity and interdependency among all actors, sectors and areas of concern throughout the globalized value chains. Today sustainable development strategies are under reconstruction by global governance bodies together with stakeholders from around the world, concerning the main issue of durable future. Agriculture as main provider of public goods, recently had experienced pressure from public society and entered the debates for an essential review of the underlying support principles, based on multifunctionality, which hardly meet the goals of sustainable development. Recently some evidence appeared that the gap between multifunctionality and sustainability might be closed with help of corporate social responsibility (CSR). The paper aims to disclose the challenges and incentives which accelerated the origination of CSR concept and related discussions in an agrarian discourse through the provision of public goods. Systemic analysis and synthesis of theoretical insights of foreign and local scientific literature and the methods of induction and deduction were applied to investigate the theoretical aspect and characteristics of CSR and public goods in agrarian discourse. Theoretical research results propose that the concept of CSR does provide a basis for further analysis and discussion concerning the role of agriculture as a subject of government support from a broader systems perspective, which means a shift in paradigms, emphasized by movement from the sectoral policy and agricultural support to a more inclusive place-based development.

Keywords: public goods, corporate social responsibility, agriculture, challenges, incentives.

### INTRODUCTION

In recent years governments, business, NGOs and the general public have all begun to testify corporate social responsibility (CSR) worldwide. The increasing amount of observations states that CSR had become a mainstream business activity in the twenty-first century (Carroll, 2015; Kitzmueller, 2012; Nielsen, 2014), taking into account all actors and processes of the globalized value chains. The recent decade crisis had induced Brundtland's Report insights, which emerged in the past century: "the planet was a large world in which human activities and their effects were neatly compartmentalized within nations, within sectors (energy, agriculture, trade), and within broad areas of concern (environment, economics, social)" (Brundtland, 1987). Today the global governance bodies together with stakeholders from nations, governments, business and public society rethink sustainable development strategies and in many cases move towards the integrative place-based approaches with use of CSR implementation programmes, questioning its effectiveness and real impacts rather than catch-wording its necessity. As stated by Archie B. Carroll, one of the gurus of CSR, "businesses of all sizes have now embraced the concept of CSR" (Carroll, 2015). It is not argued any more, whether business companies should invest in the responsible supply of public goods - nowadays many of them reduce negative externalities below the levels required by law. Many NGOs had switched their action profiles from protestation to joint CSR initiatives primarily focusing on actual change (Brüntrup-Seidemann, 2011). The insights of Brutland's Report (1987) and the World Commission on Environment and Development inspired convocation of 1992 Earth Summit, the enactment of Agenda 21, the Rio Declaration and constitution of the Commission on Sustainable Development.

Since the environment was perceived as a public good, a need to manage natural resources in a sustainable and responsible way emerged, therefore farmers occupied a central role in the process. Agriculture was recognized as one of the most important providers of public goods and landscape maker, next to the supplier of food, feed, fibre and fuel. Alongside the positive and negative impacts of agricultural production process had become increasingly important topic of discussion. The

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bottom-up activity of public society had recently entered the process of rural policy as well, questioning the problematic paradox: for the supply of public goods and services, i.e. for meeting the public interest, in the agricultural sector, unlike other sectors, farmers are sponsored from public funds. Recently the demand had increased for an essential review of the underlying support principles and justification of the public value, created by farmers, which are subject to the support (Vidickiene, 2014).

The extent of the problem is evident from the recent research, initiated by the European Commission and the United Nations (Cooper, 2009) and carried out by scholars worldwide (Behling, 2008; Besley, 2007; Codron, 2005; Cooper, 2009; Friedrich, 2012; Genier, 2008; Hartmann, 2011; Hediger, 2009; Heyder, 2008a; Heyder, 2008b; Heyder, 2009; Heyder, 2010; Hübner, 2010; Jasinskas, 2009; Jasinskas, 2010; Kissinger, 2012; Maloni, 2006; Mazur-Wierzbicka, 2015; Mueller, 2014; Slee, 2011; Tallontire, 2005; Uetake, 2015; Vaznonis, 2009). Findings indirectly imply that the rural areas are experiencing value crisis due to the massive deployment and intensity of financial and human resources which over accelerated rural development. Therefore the CSR in the provision of public goods and services become more and more important object of discussion, opening up a new original agrarian discourse into the research of CSR.

The *aim* of this research is to disclose the challenges and incentives which accelerated the origination of corporate social responsibility and related discussions in an agrarian discourse through the provision of public goods.

*Research methods*: systemic analysis and synthesis of theoretical insights of foreign and local scientific literature and the methods of induction and deduction were used to investigate the theoretical aspect and characteristics of corporate social responsibility and public goods in agriculture.

## ATTITUDES TOWARDS THE CONCEPT AND FEATURES OF PUBLIC GOODS IN AGRICULTURE

The term "public goods" is part of the rural policy discourse for over the last two decades. Public goods (clean water, quality of air) associated with agriculture, are not direct objects of farmers' production – these are external operational effects, i.e. externalities, non-commodity products (Vaznonis, 2009) or non-market outputs (Vinciūnienė, 2013), which do not participate in the market. In relation to production or consumption process externalities provides the additional benefit (public "goods") or cause harm (public "bads") for companies or individuals who are neither producers nor consumers of the good (Cooper, 2009; OECD, 2015; Vaznonis, 2009).

Essential features of public goods (or services) are non-rivalrity (using of public good by one person does not decrease amount of consumption to others) and non-excludability (if the good is available to one person, others cannot be excluded from the consumption of it) (Cooper, 2009). Public goods and services gives benefits to society, however, because of these characteristics, the market fails to regulate the balance of their demand and supply, as well as a reward for their production, which farmers face in a form of additional costs while producing public goods (e.g. it is subject to more extensive farming methods leading to reduced production quantities), which market mechanisms do not cover. This is mainly the most common explanation given as a subject when arguing the necessity for making public investments in agriculture.

The broadening context of public goods and its role in the CAP accelerated scientific studies (Cooper, 2009; Hübner, 2010; Hart, 2011; Vinciūnienė, 2013; OECD, 2015). In early 2009, the European Network for Rural Development set up a special thematic working group to research public goods aiming to investigate the role and potential of rural development policy in the delivering of public goods through agriculture. The researches of Institute for European Environmental Policy, European Parliament, OECD organization and other scholars, thematic groups (Cooper, 2009; Hübner, 2010; Hart, 2011; Vinciūnienė, 2013; OECD, 2015) tended to distinguish the list of public goods provided by agricultural sectors. The main findings are presented in Table 1. It can be seen that the lists are very similar and close to each other. The leading attention focused on public goods related to agri-environmental sphere.

Categories of agrarian public goods	Institute for European Environmental Policy (Cooper, 2009)	European Parliament (Hart et al., 2011)	Vinciūnienė and Vitunskienė (2013)	OECD (2015)
Environmental				
Agricultural landscapes	$\checkmark$	✓	✓	✓
Culturally valued landscapes			✓	
Farmland biodiversity	$\checkmark$	✓	✓	✓
Water quality	$\checkmark$	✓	✓	√
Water availability	$\checkmark$	✓	✓	✓
Soil functionality	$\checkmark$	✓	✓	✓
Climate stability-greenhouse gas emissions	$\checkmark$	✓	✓	✓
Climate stability-carbon storage	$\checkmark$	✓	✓	√
Air quality	$\checkmark$	✓	✓	✓
Resilience to flooding	$\checkmark$	✓		✓
Resilience to fire	$\checkmark$	✓		√
Resilience to natural disasters snow damage, landslide				✓
Social				
Food security	$\checkmark$	✓	✓	
Rural vitality	$\checkmark$	$\checkmark$	✓	
Farm animal welfare and health	$\checkmark$	✓	✓	

Table 1. Public goods, related to agriculture

Source: created by authors.

These above mentioned studies highlights the importance of public goods to the public society and provides arguments why it is necessary to integrate environmental considerations as well as social welfare and economic development concerns into policies that affect farming, forestry and rural development, and to provide integrative assessment-based funding in order to meet a demand that is growing due to rising personal income, changing environmental awareness, way of life.

### CORPORATE SOCIAL RESPONSIBILITY AND AGRARIAN DISCOURSE

CSR had been broadly investigated in various scientific and practical discussions globally for at least fifty years (e.g. Bowen, 1953; Carroll, 1979; 1999; Freeman, 1984; Elkington, 1994; Matten, 2008; Crowther, 2004; 2008; 2015, etc.). In its commencing step it was the request for social responsibilities from businessmen (Bowen, 1953). In the last decades amount of evidence increase of how CSR had been examined and discussed in an agrarian sector (Behling, 2008; Tallontire, 2005; Genier, 2008; Heyder, 2008a; 2008b; Vaznonis, 2009; Jasinskas, 2009; Heyder, 2009; Hediger, 2009; Heyder, 2010; Jasinskas, 2010; Kissinger, 2012; Friedrich, 2012; Mueller, 2014; Mazur-Wierzbicka, 2015; Hartmann, 2011; Maloni, 2006). Although CSR entered the agrarian discourse much earlier than it might appear (the question of the conceptions of multifunctionality and sustainability of agriculture became crucial at the beginning of 1990s) and its recent applications in changing CAP of 2014-2020 are gaining the importance. It was even stated in recent debates, that CSR can be used and/or applied in agriculture as a sustainable development tool (Hediger, 2009; Mazur-Wierzbicka, 2015), or even the concept of CSR may be applied to substitute or supplement those of multifunctionality and sustainability in the agrarian sector (Hediger, 2008).

Going back shortly, the concept of CSR in its most common sense is acknowledged as going beyond the law. According to Crowther and Aras (2008), the widest delineation of CSR is related with the connections among global corporation, governments and individual citizens. More regionally, CSR is concerned with the connections among a corporation and the regional society in which it inhabits or functions. CSR can be also defined under Freeman's (1984) stakeholder theory as relation among corporation and its stakeholders (Crowther, 2008). It should be stated here, that there is no – and cannot be – one and only one definition of CSR. It is normally developed according to the context by taking into account one of the previously mentioned approaches. In this context there is a broad sense of using the three-pillar definition of CSR also known as Triple-Bottom-Line approach (Elkington, 1994): CSR is the way to balance social, environmental and economic imperatives, and deal with stakeholders expectations at the same time.

# CHALLENGES AND INCENTIVES FOR CORPORATE SOCIAL RESPONSIBILITY IN AGRARIAN DISCOURSE THROUGH THE PROVISION OF PUBLIC GOODS

CSR in an agrarian discourse was triggered by set of challenges and incentives, which are outlined by number of research throughout the past decade. After the review of relevant scientific literature, recent research was organized into several thematic groups, aiming to describe the existing range of attitudes towards the relationship among CSR, agriculture and provision of public goods (Table 2).

Most relevant research when disclosing the relationship between CSR, agriculture and the provision of public goods are discussed more detail in the following sections.

*Negative externalities and ways to overcome them.* Acknowledgement of the relevance of agricultural externalities' economic regulation pursues positive social and environmental impact for rural regions (Vaznonis, 2009). Author suggests that efficient control of negative externalities of agricultural activities could be created through the externalities' property rights market. However, bureaucratic control of ecological license is complicated in agriculture. The significance of subsidies for agricultural externalities' adjustment emphasize that economically it's more efficient to contribute environmental technologies and ways of socially responsible farming than expend public funds for recreation of decreasing natural resources. Though subsidies connected with production volume ought to be evaded because of their stimulating effect on intensive farming which most often cause negative externalities (Vaznonis, 2009). European agriculture under the CAP will focus on rural development, products of high quality, and sustainability, and the organic sector, which can certainly accomplish its goals to the benefit of smaller-scale farmers (Behling, 2008). Conversion to organic production will strongly encourage CSR from the environmental dimension.

Increase of public awareness concerning the support to agriculture. By questioning the conception issues of multifunctionality and sustainability in agriculture, Hediger (2008) investigates whether the concept of CSR might replace the latter in the agri-food industry. He found, that the final consumers are of dual importance as consumers and tax payers, which connect the issues of governance and stakeholder preoccupations in a structure of increasing profit and sustainable development. The concept of CSR completes the connection between the views of agriculture's multifunctionality and sustainability. It does provide an assumption for further analysis and discussion concerning the role of agriculture as a subject of government support from a broader systems perspective (Vidickiene, 2014), encompassing the social, ecological and economic dimensions of agricultural production and rural development. Hediger states, that he theory of CSR enables to look from the consolidated prospect of the overall agricultural food chain, which includes a switch of paradigm from sectoral policy and agricultural support to a more exhaustive viewpoint of regional development and industrial organisation. This couldn't only request thorough investigation of agriculture's direct importances and effects

upon its natural and socio-economic environment (the issue of multifunctionality), but also calls for an improved understanding of interplays and the role of market power along the entire agricultural food sector (Hediger, 2008).

		provision of public goods

Challenges and	Description	Research
incentives		
Negative externalities created in the process of agricultural activities and search for ways to overcome them	The negative externalities of agriculture could be described over the damaging furtherance of agrarian sector to soil, quality of water and air, bio-diversity, wildlife and semi-natural habitats, landscape of rural area. Natural environment has been gravely damaged by irresponsible behaviour. It is valued socially responsible agricultural activities, which use agricultural resources in economical and rational way and create less negative externalities. Public goods are created in responsible use of agricultural machinery, fertilizers, selecting the right type of farming.	Besley & Ghatak (2007) Behling & Auer (2008) Vaznonis & Startienė (2009)
Increase of public awareness and need to know the purpose, why farmers are supported in different way, than other businesses	The concept of social responsibility related to public expectations and support for agriculture. The public activity entered the process of rural policy decision-making at the turn of the 20th and 21st centuries and demanded an essential review of the underlying support principles and a justification of the public goods created by farmers that are subject to the support. Because of democracy, it could be determined directly or indirectly by public about the payments to agriculture. On the one hand, the argument of agriculture's created public goods is used to justify government support to farmers, and to spend tax money for that purpose.	Hediger (2008) Westhoek & Overmars (2013) Vidickienė & Melnikienė (2014)
Public willingness to use safe products, in the production of which the resources and processes are used rationally and responsibly	Increasing public awareness of ecological consumption. The public expects from processors the environmentally friendly production methods and the reduction of negative side effects. In the context of CSR, agriculture (quality facet or animal welfare questions) and especially the food sector encounters specific challenges, because the food sector directly rely on natural, human and physical resources through the value chain. Likewise the importance of the products quality and safety, fair trade, labour and human rights.	Codron et al. (2005) Tallontire & Greenhalgh (2005) Maloni & Brown (2006) Genier et al., (2008) Heyder & Theuvsen (2010) Jasinskas & Simanavičienė (2009; 2010) Hartman (2011); Friedrich et al. (2012)
Scandals	The high complexity of modern agricultural and food value chains has caused information asymmetries between producers and processors and the wider public. A number of food scandals resulted in growing uncertainty among consumers and a loss of confidence in producers and processors.	Heyder & Theuvsen (2009) Mueller & Theuvsen, (2014)
CAP, sustainable development and instruments to achieve goals	The key issue of CAP in Europe 2020 Strategy is the sustainable development of agriculture which is socially responsible. CSR in agriculture could be applied as a means for sustainable development. It is looking for sustainability and CSR common points.	Hediger & Knickel (2009) Hediger (2010; 2013); Mazur-Wierzbicka, (2015)
Increasing public demand for public goods provided by agriculture	Eurobarometer (2010) survey showed, that 59 % of respondents expect that the CAP and farmers will ensure good quality, healthy and safe agricultural products, 49 % – reasonable food prices, 41 % – the right of farmers' living standards, 41 % – the protection of the environment, 32 % – will implement rural development conservation of the countryside, 25 % – secured food supply in the EU.	Eurobarometer (2010) Vaznonis & Vaznonis (2011)
Impact of agricultural activities on greenhouse gas emissions	Agricultural activities are of a meaningful importance to foster reduction of climate change and diminish pressure on the planet's land and climate. The industrialization of agriculture, intensification of production, changes of land use constituted the main sources of GHG emissions.	Kissinger (2012)

Source: created by authors.

*Public willingness to use safe products.* Maloni and Brown (2006) focused CSR issues in the supply chain and developed an exhaustive framework of supply chain CSR in the industry, taking into the structure of eight categories: animal welfare, biotechnology, community, environment, financial practices, health and safety, labour, and procurement. Each category is supported with subcategory and description of elements, as well as selected sources. The structure employs as an exhaustive means to maintain practitioners and researchers of food industry witch evaluate strategic and operational supply chain CSR practices. Sustainability and responsibility questions also face the labour issues of the farm employers and employees. Hartman (2011) states, that food companies receive public critique in many diverse areas and finds comprehensive CSR framework useful when communicating relevant environmental and social issues in an appropriate manner to internal and external stakeholders. A worldwide dissatisfaction about the industrialization of agricultural production and food processing, growing public pressure on agricultural business to accomplish more sustainable management practices was also found by Codron et al. (2005) and Friedrich et al. (2012). Their studies examined agribusiness companies, which have created a wide awareness about sustainability management and CSR, and realized a multi-facetted spectrum of societal requests they have to meet.

*Scandals*. Heyder and Theuvsen (2009) and Mueller & Theuvsen, (2014) observed that late scandals, information asymmetries about food production have caused high external pressure on firms from the public. When confronted with a diversity of stakeholders, agribusiness may pursue CSR strategies to overcome these barriers. They introduce conceptual frameworks that provide discernments into the determinants of CSR and its effects, in particular, on the legality and reputation, and finally, the performance of enterprises in agribusiness. This contingency-theoretic attitude allows a more thorough analysis of CSR strategies.

*CAP, sustainable development and instruments.* Hediger (2010; 2013) states that the concepts of multifunctionality and CSR share common welfare economic features, despite the totally different origins. He puts the main issues of multifunctional agriculture next to the issues of CSR in the agri-food chain and finds several additional concerns actual to CSR (procurement, including fairness, profit sharing, fair trade; environmental impacts of food processing and transport; food waste; labour and human rights and consumer lifestyle; except cultural heritage) next to the common ones for both. Research findings imply, that the concept of CRS implicates a broader perspective, which allows considering the agri-food chain from primary production to the final consumer and thus completing the link between the concepts of multifunctionality and sustainable development which in turn gives a framework for total value maximization and sustainable development (Hediger, 2009; Hediger, 2013). Recently CSR was examined as a sustainable development tool (Mazur-Wierzbicka, 2015). She states, that farmers should take into account the concept of CSR when running their farms and, according to European public opinion surveys, such kind of practice would be welcomed by European citizens as farmer's contribution to economic, social and environmental sustainable development goals and thus CSR practices would contribute to improving the image of farmers.

Increasing public demand for public goods provided by agriculture. Data from Eurobarometer (2010) survey proves that Europeans expect CSR from farmers when providing good quality, healthy and safe agricultural products as well as other public goods. Vaznonis & Vaznonis (2011) suggest that the development of information society increase possibilities to live and work in rural areas and at the same time access the environmental public goods.

Impact of agricultural activities on greenhouse gas emissions. In the agricultural activities CSR and supply understandings play a significant role in promoting climate change reduction and enforcement on the planet's land and climate. According to Kissinger (2012), the engagement of private sector can also stimulate food security and positively influence the livelihoods of smallholder producers in agricultural sector in developing countries with help of CSR and supply chain obligations. The latter can help improve contributions to reductions of GHG emissions in agriculture. However, a great demand for harmonization between product standards, certification and by commodity roundtables, the demand to maintain criteria of sustainability in agricultural finance and lending activities is observed.

The outlined research for CSR challenges and incentives in agriculture gives evidence that CSR in agrarian discourse may take any of available – broadest, local, stakeholder – approaches. From the broadest meaning, in agrarian discourse CSR would cover relationships throughout the global value chains, taking into account market and non-market inputs, agricultural production processes and market and non-market outputs (externalities), concerning the question of "how?" instead of "in what amounts?". The localized CSR would be grounded on place-based and endogenous rural development approaches (Vidickiene, 2014) and examines the relationship between a farm and the local rural society in which it operates according to multifunctional agriculture, supplemented with CSR social welfare and economic development concerns. Using the stakeholder approach, CSR in agrarian discourse would cover the relationship between the farm and its stakeholders throughout the whole value chain, taking into account environmental, social and economic concerns.

### CONCLUSIONS

Public goods in the rural development policy discourse mean environmental and social goods and services provided by agricultural and forestry sectors, which are also referred as agri-environmental public goods. The question of why the agricultural sector, compared to other industries, receive the exceptional attention and support from the public funds, in most studies is explained using the multifunctional agriculture arguments and is mainly based on the importance of the performed functions to the public. However, there is a missing question of how these goods are created, which is central for closing the gap between the prospects of multifunctional agriculture and sustainability.

Systemic analysis and synthesis of theoretical insights and research of scientific literature throughout the recent decade elucidate, that discussions directly related to corporate social responsibility (CSR) as such in an agrarian discourse had appeared nearly a decade ago, hence, in business it has history for more than half of a century. In agricultural context there is a broad sense of using the three-pillar definition of CSR also known as Triple-Bottom-Line approach and to describe CSR as the way to balance social, environmental and economic imperatives, and deal with expectations of various stakeholders at the same time. Besides, CSR in an agrarian discourse may take any of available – broadest, local, stakeholder – approaches.

The main challenges and incentives for the origination of CSR concept and related discussions in an agrarian discourse through the provision of public goods are mainly related to: a) negative externalities created in the process of agricultural activities and search for ways to overcome them; b) increase of public awareness and need to know the purpose, why farmers are supported in different way, than other businesses; c) public willingness to use safe products, in the production of which the resources and processes are used rationally and responsibly; d) scandals; e) CAP, sustainable development and instruments to achieve goals; f) increasing public demand for public goods provided by agriculture; g) impact of agricultural activities on greenhouse gas emissions.

#### Proceedings of the 7th International Scientific Conference Rural Development 2015

The origination of the concept of CSR and related discussions in an agrarian discourse gives evidence that CSR issues had already arrived to the agribusiness sector and increasingly gain its importance when dealing with the provision of public goods. Currently most often concerned with CSR issues in the supply and food chains, in is already starting to expand to a broader systems perspective. This does provide basis for further research and discussion concerning the role of agriculture in the socially responsible provision of public goods as well as a subject of government support for the sector from a broader perspective. It requires not only the examination of the multifunctionality, but also improved systems-based understanding of relationships and interactions among agricultural stakeholders throughout the local and global value chains, taking into account social welfare and inclusive economic development issues next to the broadly discussed environmental concerns.

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