



SMEs shift engine: The path to a sustainable management

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Abstract

Importance of SMEs in the economy

The world is composed, for the most part, of micro, small and medium enterprises. In Europe alone, they account for 99% of the companies.

“Europe’s 23 million small and medium- sized enterprises (SMEs) are the lifeblood of Europe’s economy, accounting for over 98% of businesses. They have provided two thirds of the total private employment and around 80% of new jobs created over the past five years.” (European Commission, 2011)

Spain, with similar figures is a reflection of the European situation.

SMEs have a positive effect on economic growth, in the world they are the main contributor to GDP and employment generation. Therefore, they are undoubtedly the most important basis for the generation of a change towards sustainability.

Lack of CSR engagement

Nevertheless, the reality is that their main concern is the daily survival, leaving aside the ability to think in a long-term perspective. Given this situation, most SMEs are not able to consider and/or implement any kind of Corporate Social Responsibility (CSR) policies.

Even though there is a large quantity of manuals, guides, laws and other tools to implement CSR within the company, they are mainly focused on/aimed at big corporations and are not adjustable to the characteristics of SMEs.

SMEs have limited staff, a non-fixed internal structure, a lack of CSR knowledge, time and resources. Whilst the existing models are for the most part not flexible and tend to exclude SMEs because of costs, length and accessibility.

Our proposal: the SME Shift Engine

Hence, we have identified the main needs of the Spanish SMEs, which are: awareness, understanding of CSR jargon, availability of information, easy-to-implement ideas and suitable tools (to their size and sector).

Taking into account the above mentioned ideas and in order to respond to these needs, we came up with an innovative and useful model to increase SME awareness of the importance of a CRS strategy and to help them to implement it. This model is based on the five capitals from SIGMA -Natural, Human, Social, Financial and Manufacture- plus an extra one, which is Governance, because we think it is a very relevant issue to take into account. However, we decided to change some of the names of the capitals to make them more understandable. Its main features are: to be holistic, pedagogic, free, customized and visual. Its usefulness relies on the idea of self-assessment: the companies evaluate themselves, their current situation and areas of opportunity through certain questions.

The platform is innovative due to its dynamism; it provides a forum where SMEs can interact and share CSR experiences among each other. It is also updatable because it serves as a comparative basis of their CSR actions over time. Moreover, it allows the constant updating of external information (links, regulations, tools and trends).

The use of the model contributes to enhance the added-value of CSR for SMEs by bringing recognition from stakeholders, cost-reduction, new market opportunities and anticipation to comply with future EU regulations.

Index

1. Introduction	6
1.1. Our motivation	6
1.2. Context	8
1.3. The challenge	9
1.4. The aim of the project.....	10
1.5. Development phases	12
2. What literature says	14
2.1. SMEs definition	14
2.2. Facts and Figures of Spanish SMEs	15
2.3. The story behind CSR.....	16
2.4. CSR Trends.....	20
2.5. Why and How SMEs use CSR	24
2.6. Disassembling CSR: 6 capitals step by step	29
2.6.1. The link among the 6 capitals: Stakeholders engagement	46
2.7. Current CSR models: the need to be critical	47
3. Looking for the needs	50
3.1. Limitations	52
3.2. Findings	53
3.2.1. Online Survey	53
3.2.2. Macedonia	55
3.2.3 Entremares	60
3.3. What people understand by CSR	68
3.4. What people suggest for the model.....	69
4. The Model	70
4.1. The pieces of the model.....	73
5. Conclusion	79
Bibliografía	81
Annex	87

1. Introduction

1.1. Our motivation

Each one of us had a specific motivation for doing this project. We all knew more or less what we wanted to accomplish and all of us were specifically interested in looking into SMEs and more concrete, into getting to know their motivations for implementing CSR practices. As an introduction each one of us wrote a small paragraph about our personal motivations for working with SMEs and why we think is important to integrate CSR practices in these kind of enterprises.

“SMEs and especially micro-enterprises make up more than 99, 5% of the companies in Portugal. The same happens in most Portuguese speaking countries.

In Portugal, recent companies (with less than five years) generated 46% of new jobs in Portugal between 2007 and 2011. Business start-ups (in the first year of life) already constitute 6.5% of the businesses and are responsible for 18% of new jobs created in the same period. (Gonçalo Rebelo Pinto, 2004:p.11)

They represent an opportunity against unemployment, social exclusion, better local natural resources management and innovation.

They tend to develop local and internal economies. Although some of them may have the capacity to export or internationalized themselves.

Small and micro enterprises, when based on local production (especially those on agriculture or regional handicraft), can be more resilient to external factors.

Spain shares with Portugal a large existence of small and micro enterprises.

The use of micro-credits in developing countries has been a common practice among those working on bilateral cooperation aid and developing projects. These micro-credits are commonly used on the establishment of small-micro enterprises. Accepting this, it is important to assure that they are sustainable by not only taking into account the economic factor, but also incorporating an environmental and social sound perspective.

Using the Spanish reality to explore and come up with some conclusions related to better environmental, social entrepreneurial policies represent an opportunity to develop a

model, where small targets are set in order to contribute to the maintenance of balanced and integrated three pillars that make up the concept of sustainable development.”

Pedro Vicente

“Over the years I have been immersed in SMEs, both in my work and my parents jobs and generally, because of the places I usually go to. Just as it happens in Spain, in my country (Mexico) most of the existing companies (around 99%) are MSMEs. With that in mind, it is clear that MSMEs are the engine of economic growth as they generate much of the GDP and have the largest labor force. And it is precisely this idea, that makes me believe they are also the best engine of change towards a more sustainable economy. Create awareness about social responsibility and show how with small actions it is possible to start with the much needed change in my country but also in the rest of the world, is what moves me and motivates me to create an innovative CSR model that is real, simple and useful for business people like my dad, my boss or the owner of the corner shop, to contribute to a better future of the society and at the same time enhance the value of their business.”

Mónica Ducoing

“Since the beginning of my career I have always been interested in CSR and the way to make it more effective. We are surrounded by companies that claim they have great CSR and sustainability programs; they make huge reports telling its stakeholders how amazing they are, but in reality many of those companies do not have sustainability and CSR embedded in the core of the business and in the end they just do superficial charity work. Some of the biggest multinational companies in the world are doing a good job incorporating CSR into the strategy of the business, although in many cases they say that in order to do so, they have to spend a lot of money and many of them do not see it as a long-term investment.

CSR is still a relatively new concept that has a lot of uncertainty in terms of the financial return it would bring to the companies. This is the reason why many companies do not see the benefit of doing it, even though stakeholders are asking for it.

SMEs account for a very big percentage of many countries' economies and many of them are sustainable and responsible without even thinking about it. However there are many others that do not even know about CSR or think that it is a very expensive procedure to implement and they simply do not have the money or the human capital to do it.

With this project we want to show SMEs that implementing CSR policies does not have to be expensive, it can be done in a very simple way just by changing some behaviors inside the company as well as outside.”

Juliana Mejía

“In my opinion, CSR should be the basis of each business, CSR should be common sense and to be part of the way to do business. I see only profits with a company who is socially and environmentally responsible. Moreover, CSR is not only social project for community but creates values outside and inside of a company. I really think that a good environment in a workplace will benefit the employers and employees due to their increase of productivity and commitment for the job. In our society and our way to do business, I am convinced that where we could make a real change will be in SMEs.

Through this project, I would like to identify drivers that could motivate people who don't implement or don't see the utility of a social part and environmental behavior. My own sensitivity is closer to the social although we cannot leave the environmental measures.

There are a lot of information, data or examples related to the CSR in SMEs but I would like to go further and to dialogue with SMEs to know their reality and to understand their needs.

We also identify that there is a lack of a model that gives easy tools to understand and to lead SMEs to implement CSR programs or at least to implement some aspects. I would like to provide a model with cheap or free ideas that could help SMEs to take care of themselves and their environment.”

Stéphanie Barrial

1.2 Context

For purpose of this paper, considering the terminology used in the literature, we will use the term SMEs to refer to micro, small and medium enterprises from now on.

SMEs are very important all over the world. In most of the economies the job creation and income distribution comes from SMEs.

In a study made by the EIM Business & Policy Research (2011) they mentioned that in 2010 there were more than 20.8 million companies, excluding financial institutions, in the European Union. From all of those enterprises around 99% were SMEs and inside that category, around 92% of them were micro enterprises.

According to EIM Business & Policy Research (2011): “About 67% of the employment in the non-financial business economy is provided by SMEs. Micro enterprises contribute about 30%, small enterprises about 20% and medium-sized enterprises about 17%. Apart from the impact of SMEs on the welfare in the EU, SMEs also have a positive effect on economic growth.”

It is clear that SMEs have a very big impact in the economic situation of every country, in some more than others. In Spain, the situation is very similar to the one in the European Union. There are around 3 million SMEs, which accounts for a 99% of all the total Spanish companies.

Analyzing all of those figures we realize that it is crucial for SMEs to implement good CSR practices, because in the end they are the ones having a bigger impact in society, much more than big multinational companies. Many of them are already doing great things regarding the environment and the social dimension and also getting very good profits. However in many of the cases they do not know that all of their practices fall into the category of CSR. In some other cases SMEs don't even know what CSR means or if they do, they think that is something very expensive that only big companies can implement.

1.3 The challenge

SMEs [...] are frequently seen as a problem within the CSR debate, because of their failure to become engaged with it. An alternative interpretation is that, so far, it is the CSR debate that is the problem, because of its failure to engage SMEs. (Jenkins, 2009)

During our CSR classes, we have studied a quantity of models, manuals and standards to help companies to implement CSR policies and to be audited to get a certification. This material is increasing, as well as the awareness of social and environmental issues. However, it seems that it exists a lack of information circulating among SMEs. There is a lack of training and the information is not easy to get. The other difficulty is where to find this information and to whom they need to ask for support. In Spain, several organizations are working on CSR issues, however we have some doubts how far the information is spread to SMEs. In some autonomous Communities - the Basque Country and Catalonia -, the

institutional support is high and they have implemented programs to inform about this issue.

Nowadays, CSR is still thought for big companies, which have financial and human resources. CEOs from these companies tend to be more aware and trained on these questions. They are able to integrate CSR in the business strategy and to share it inside of the company and as well as outside. We realize that all models and standards are directed to these companies with the result that it is complex to understand the concepts. Moreover, the cost of these materials and the services from expert or the auditing process is high.

The speech of CSR is thought for businessmen with their own reality. These models cannot be implemented by SMEs because of the lack of time, knowledge and resources. According to the 2011 Forética Report, “between 2008 and 2010, 1 in 3 companies abandoned CSR, with the dropout rate 6 times higher among small firms than among medium and large firms (18% vs. 3%). (...) The reality is that Spanish SMEs are currently dedicated 100% to survive” (Forética, 2011). In general SMEs, which integrate CSR in its strategy, do it firstly from common sense and then they see the benefits.

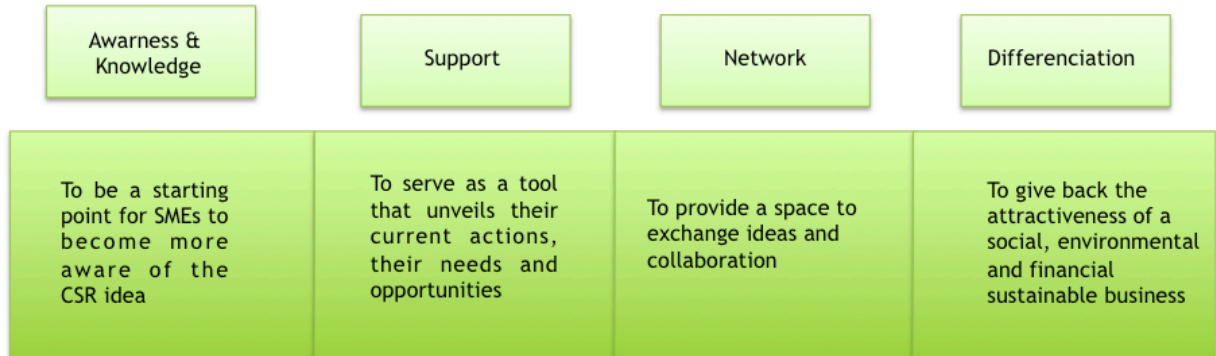
Therefore, the existing models are mainly not flexible and tend to exclude SMEs by the cost, by the length and by the accessibility. Furthermore, the use of the CSR concept as green washing by big companies has damaged the idea and now it seems it is only a question of reputation rather than a change in the way of doing business.

In conclusion the questions raised by our thoughts are: what do SMEs need? What are the drivers for the SMEs that have implement CSR policies? Do we need to change CSR´s name, to start from the bottom and to explain with the common sense? And of course, how to show the benefits of CSR?

1.4 The aim of the project

The objective of the project is to translate the answers to the above questions into a model, which should be user friendly, scalable, pedagogic and visual, among other characteristics, to facilitate the dissemination of the idea of a sustainable business.

The add-value of the project is:



We will start from the bottom and try to understand what are the needs of SMEs. It is important to be sure since the beginning that companies understand what is behind CSR before asking them to do big changes. The model has the aim to help SMEs to do their self-diagnostic of where they are, where they want to go and how to do in a sustainable way.

Concretely, the model will be based on the 5 capitals used by SIGMA (financial, human, social, natural and manufacture) plus the governance capital, since we consider it to be an issue that every business should take care about. Each capital will be accompanied by questions to facilitate SMEs to understand the different issues. In addition, general suggestions of directions to adopt will be added with links to other sites.

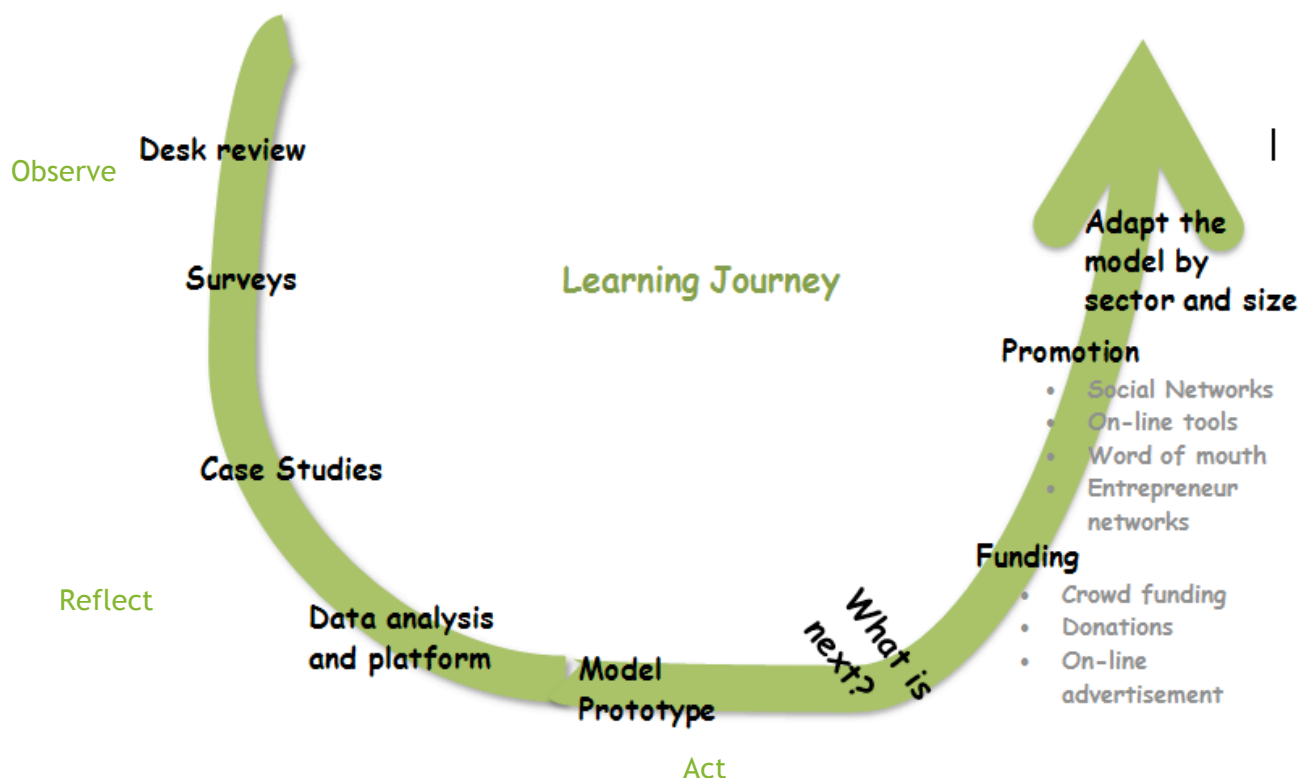
Our goal is to create a flexible and mouldable model to facilitate its application on a large scale. We believe that having a very strict platform with a “ what you could do” approach in lieu of “ what you must do” is essential to maintain companies able to be creative, thus innovative, which we consider vital for a better society. Accomplish a scale focused on sharing CSR ideas, where SME’s can learn from each other creating better business strategies to achieve sustainability.

To conclude, we have realized that through our interviews the reality is different between sectors, which is why the model should also be divided by sector. However, we have decided to elaborate the model without sectorial approach to facilitate the scalability.

1.5 Development phases

The journey started when, based on our personal interests and the CSR topics learned, we chose to target SMEs to develop this project. Then we created a fishbone¹ analysis that reflects the drivers for implementing CSR, and served as a basis for the development of the questionnaires.

To carry out this project and taking into account the need and desire to have a bottom-up approach for understanding the real needs of the SMEs, we chose a methodology that would allow the direct rapprochement with the target companies. The path is described according to the U Theory that is based on the proposal by Otto Scharmer. It describes a “U-shaped journey” that starts with a phase of observing in which one fully immerses in the situation. Then, a phase for reflecting in which the knowledge acquired is assimilated and something emerges. Finally an acting phase, in which a prototype is created.



¹ To view the complete diagram, go to annex 1 p.87.

First part of the journey: Observe

1. Desk review

A documentary research was carried out covering the situation of SMEs in Spain, the concept of CSR and its evolution and the guidelines, standards and tools already on the market. Particular attention was paid to how these companies are currently implementing CSR. To enrich this information, we conducted interviews with six experts in each of the capitals chosen to be part of the model: human, social, natural, financial, manufacture and governance.

2. Surveys

Based on this theoretical background, and the fishbone analysis, two questionnaires were developed. Information was obtained from an online survey² addressed to the owners or managers of SMEs.

3. Case studies

We decided to make a sensing journey because we believe that practical experience contributes more than just getting information from the literature. We conducted depth interviews and visited two Spanish SMEs: Entremares and Macedonia.

Second part of the journey: Reflect

4. Data analysis

From the results obtained, both in the interviews and surveys, we conducted an in depth analysis to extrapolate the concepts and ideas that make up the model. Finally, we thought about the unique features of the model, and based on this, designed a template.

Third part: Act

5. Platform design

First, each of us created a draft and then we picked the most relevant ideas from each of them. Finally, we went through the process of prototyping the SME Shift Engine, its elements, content and layout that we briefly explain here and will show in the project presentation day.

² To view the full questionnaire, go to annex 2.

2. What literature says

2.1 SMEs definition

The term SME stands for Small and Medium-sized Enterprises.

The European Commission defines a SME as enterprises which employ less than 250 persons and which have either an annual balance sheet not exceeding 43 million euros, or an annual turnover of maximum 50 million euros.

Small enterprises are defined as companies, which employ fewer than 50 persons and have an annual turnover of maximum 10 million euros.

Micro enterprises are defined as companies that employ less than 10 persons and whose annual balance sheet or annual turnover does not exceed 2 million euros.

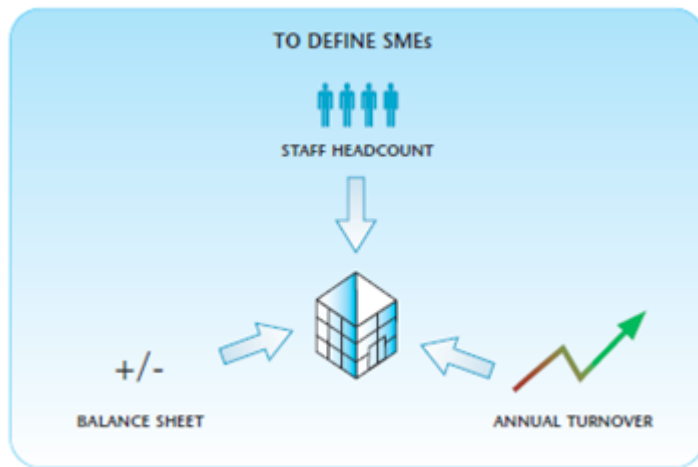
Type of company	#of employees	Turnover
Medium-sized	< 250	≤ € 50 m
Small	< 50	≤ € 10 m
Micro	< 10	≤ € 2 m

It is important for an SME to follow and respect strictly the staff headcount threshold; however an SME may choose to meet either the balance sheet or the turnover ceiling. (European Commission, 2005)

The staff headcount is the initial criteria for determining in which category the SME falls, including full-time, part-time and seasonal employees.

The annual turnover is calculated by determining the income of the company during a whole year from its sales and services. Turnover should not include the taxes.

The annual balance sheet refers to the total values of the company's main assets in that year.



Graphic 1, European Commission, 2005

2.2 Facts and figures of Spanish SMEs

According to the Directorio Central de Empresas (DIRCE), in the year 2011 there were 3.246.986 companies in Spain. Of those companies, 3.243.285 are SMEs, which accounts for 99% of the total Spanish companies.

Due to the crisis, between the year 2010 and 2011, an average of 40.388 SMEs disappeared in Spain; this accounts for a reduction of 1.23% in comparison with the year 2009.

The majority of the Spanish SMEs are within the services sector, this account for 78.1% of the companies. The main characteristic of the Spanish SME is its contribution to employment generation, accounting for almost 60% of the total workforce in Spain. Within this group of SMEs, the small and micro enterprises are the ones employing more people, representing around 41.6% of the total employment.

More than 97% of the Spanish SMEs earn less than 2 million euros per year. Only 2% fall into the category of earning between 2 and 10 million and around 0.4% earn between 10 and 50 million per year. (Ministerio de Industria, Energía y Turismo, 2012)

2.3 The story behind CSR

Corporate Social Responsibility (CSR) is a topic that has become relevant to companies and society in general over the last two decades. However there is not a single definition of the term, each author who writes about it has his own definition, CSR often means different things to different people. Archie B. Carroll (1999) in his article *Corporate Social Responsibility: Evolution of a Definitional Construct* makes an interesting journey through the different definitions from different authors of CSR since the beginning of 1950 till the end of the 20th century.

According to Carroll (1999) it is relevant to start looking at the history of the concept of CSR from the literature of 1950 onwards, going into the 60's and 70's and finally getting to a more recent definition. As he mentioned in his article:

“The goal is to trace the evolution of CSR as a concept, or definitional construct, and come to appreciate what it has meant in the past and still means today. Such a quest is essential to provide a solid foundation for further research on the topic.” (Carroll, 1999, p.269)

In the 50's the term used in the literature of the time was Social Responsibility (SR) instead of CSR. According to Carroll (1999) this could be because the age of the modern corporations' dominance and importance in the business world had not been noted yet. Also at that time women were not mentioned in the writings about business; it does not mean they were not inside the corporations but the term used in the literature was always “businessman”.

At that moment in the early 50s Howard R. Bowen (1953) wrote about the importance of the largest businesses as centers of power whose actions had a very big impact in the lives of citizens at many points. Based on that assumption he started to think about the responsibilities that a businessman should assume towards society.

According to Bowen (1953 cited in Carroll, 1999, p.270) the definition of the social responsibility of a businessman *“refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”*

In this early definition of social responsibility is interesting to see how the decisions made in the corporations should somehow be aligned with the values and the needs of the society and that businessmen have further responsibilities than just providing financial stability and profits to the company. At that moment in time there were no mentions of the importance of the environment or the employees, but it is a very good start for all businessmen to see that social responsibility was a reality. Bowen marked the start of the social responsibility discussion in the business world according to Carroll (1999).

In the decade of the 60s there was a much more accurate attempt to formalize the definition of CSR. One author who Carroll mentions in his article who, according to him, was one of the writers at that time who better defined CSR is Keith Davis. He defines CSR as ***“businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest”*** (1960 cited in Carroll 1999, p. 271)

Davis (1960) argued that many socially responsible businesses decisions can be justified by long term gains. This meaning that being socially responsible will actually pay back the initial investment. According to Carroll (1999), Davis became very well known for his statement about the relationship between business power and social responsibility.

During the 70s there was an author named Harold Johnson who gave a few interesting definitions of the term CSR and then analyzed each one of them posting also critics. According to Johnson (1971 cited in Carroll, 1999, p. 274) the four definitions of CSR are:

1. “A socially responsible firm is one whose managerial staff balances a multiplicity of interests. Instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation.”
2. “Social responsibility states that businesses carry out social programs to add profits to their organization.”
3. “A socially responsible entrepreneur or manager is one who has a utility function of the second type, such that he is interested not only in his own well-being but also in that of the other members of the enterprise and that of his fellow citizens.”
4. “The goals of the enterprise, like those of the consumer, are ranked in order of importance and that targets are assessed for each goal. These target levels are shaped by a variety of factors, but the most important are the firms past experience

with these goals and the past performance of similar business enterprises; individuals and organizations generally want to do at least as well as others in similar circumstances.”

The four definitions may appear to be different and contradictory at times, but according to the author essentially they are complementing each other and at the end they reflect a view of one reality. (Caroll, 1999)

It is very interesting to see in the early 70s the idea of caring and engaging with some of the stakeholders of the company. However it is still very clear that profits are the main driver of a company, but there are other goals apart from the money that companies should be worrying about.

In the late 70s Caroll (1979) proposed a CSR definition which includes a much more complete range of responsibilities from businesses to society in general. He argued that all of the other definitions given, lacked of content about going beyond making profits and obeying the law. He gave a different definition: “*The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time.*” (Caroll, 1979, cited in Caroll, 1999, p.283)

During the decade of the 80s there was less discussion about the definition of CSR and more about the concept itself. There were some academics and writers who talked about changing the name CSR for terms such as Corporate Social Responsiveness, Public Policy, Business Ethics, among many others. (Caroll, 1999)

However the name stayed and the definitions kept changing depending on the author. In 1984 Peter Drucker wrote about the idea that profit and responsibility were not exclusive, but he took it a step further by stating that businesses were looking to transform their social responsibilities into business opportunities. (Caroll, 1999) Taken into account what has been mentioned before, Drucker’s definition of CSR was “*the proper ‘social responsibility’ of business is to tame the dragon, that is to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human*

competence, into well-paid jobs, and into wealth” (Drucker, 1984, cited in Carroll, 1999, p.286)

This was a concept that many authors later agreed on. Although there has been an attempt to prove that a profitable company, that also has a good CSR practice, is profitable because of that reason, but it has not been entirely proven, it is hard to know exactly if it is because of that.

According to Carroll (1999, p. 288) *“As a general statement, it should be observed that very few unique contributions to the definition of CSR occurred in the 1990s. More than anything else, the CSR concept served as the base point, building block, or point-of-departure for other related concepts and themes, many of which embraced CSR-thinking and were quite compatible with it.”*

Some examples of these above mentioned concepts are the stakeholder theory, corporate citizenship and business ethics theory among others. It is important to state that during the 90s there were very few attempts to define CSR, writers were more focused on the new concepts which articulated very well with the CSR one but had some different centre themes. (Carroll, 1999)

Since the beginning of this century there has been a new term that is being used especially in the socially responsible investment field when referring to sustainable practices in a business, it is ESG (environmental, social, governance). It can be starting to replace the traditional idea of CSR and making it broader and clearer. As mentioned before ESG is still a relatively new term and is being used mainly by big companies in regards to their sustainability reports in order to attract capital. (Hogarth and Reeves, n.d.)

All of the definitions mentioned before are very interesting and similar to each other, however many SMEs do not understand any of that language or have not even try to do it. The big companies are the ones using this type of definitions, because in many cases they have experienced people on that specific area.

The terminology used must be appropriate for SMEs to understand. Sometime the term CSR is confusing for most of the owners or managers of this kind of enterprises. It is important

to find some alternative terms in order to communicate with SMEs. Sometimes the term “responsible entrepreneur” is a good and more understandable alternative. (European Commission- Directorate General for Enterprise and Industry, n.d.)

The most important thing is that SMEs understand the concept and realize that it is important to work for a profit but respecting the environment and the people of the community as well as the workers and all of the other stakeholders. The name CSR can change but the essence of what it is the important message that we want to transmit to the SMEs.

2.4 CSR trends

There are different approaches to what have been the new CSR trends. We can talk about how widespread the concept is nowadays in the business sector, although not always well understood or we can question the CSR actual model and ask for a new more efficient and real one that goes beyond the company itself and is extended to the whole supply chain.

The reality is that CSR is in ongoing development to provide better solutions to what should be the business response to a more sustainable global demand.

We briefly give an overview of the main trends:

CSR is becoming a worldwide practice

CSR practices are already being part of companies form and operating in developing countries.

Some countries such as China and South Africa have been developing specific regulations that make reporting a requisite by law. (Environmental Leader, 2013)

If reporting regulations adoption means making the company’s disclosure their behavior in order to be transparent, more and more companies will be including sustainability programs in their agenda. In fact, the adoption of such mandatory reporting regulations made companies develop sustainable development and employee training programs, implement more ethical practices with results such as a decrease in bribery and corruption, as well as managerial credibility increase. This gives better chances to companies to acquire permits to operate and expand their business. (Ioannis Ioannou, 2012)

Not surprisingly, some of the most sustainable companies listed in different sustainability indexes and more developed CSR programs are from the developing world. (Down Jones Sustainability Indices, 2012.)

This makes us conclude that CSR policies are moving from a western dominance to a global scale.

Being this an important aspect, if we take into account that small and medium entrepreneurs from Europe are moving to operate in countries in the so-called developing world.

An increase of CSR policies in companies

Although most big companies had incorporated CSR policies within their core business, it remains on the periphery for many organizations; especially those that are of small or medium size. These companies tend to have lower visibility, as well as local impact, which makes them less aware of the need for CSR policies and how they might face a competitive disadvantage if they are not able to adapt to more ethical demands by their consumers.

Also, most of these companies tend to believe that best CSR policies are expensive to implement and only affordable to bigger companies and that what they do has a minimum impact in the global problems. They also tend to copy good practices from big companies, instead of coming up with their own solutions, losing the opportunity to show how creative and innovative they can be. They forget the saying “Thinking globally, acting locally”, lacking the opportunity to have local positive impacts and push forward a whole supply chain to better sustainable practices.

Notwithstanding, SMEs can present better results when applying CSR policies. The proximity to the surrounding environment and workers’ day-to-day reality provide them a deeper knowledge of the community’ concerns and how to tackle them.

Some of the most innovative approaches to local problems and better use of natural resources come from these companies. They also tend, as we saw it, to have a positive impact in other local businesses, making the positive “invisible hand” impact really work. Education, company’s owners, directive’s consciousness and trust in their own capacities to make positive impacts seem to be the most important motivations to make these enterprises use CSR policies within them.

Integrated Reporting

CSR alone is becoming questionable in large companies and organizations that help them to create sustainability reports.

It is possible to overview new ways of reporting that include financial and non-financial aspects.

This must be pushed forward by not only the mentioned-above organizations who offer guidance to make a proper sustainable report, but also from political bodies and their regulations. (Global Report Initiative, 2012)

The E.U Commission purpose to make sustainability reporting mandatory to larger companies has been already set. (Euractiv, 2013) Although small companies are excluded from that regulation, we believe that as soon as they start implementing it, the impact of further regulations will be mitigated.

The need of thinking a different CSR

According to Wayne Visser in his book “The age of responsibility: CSR 2.0 and the new DNA of Business”, it is necessary to shift from the old fashion CSR model to a better and more real one, CSR 2.0.

The new model is a call for a more transparent and with real results tool that can be applied by any company through practices that are not based in a list of certification standards, but real effective commitments and not mere green washing.

CSR 2.0 is based in macro shifts, as well as micro-shifts; as shown in the tables below.

CSR 2.0-macro shifts

CSR 1.0 (old model)	CSR 2.0 (purposed model)
Philanthropic	Collaborative
Risk-based	Reward-based
Image-driven	Performance-driven
Specialized	Integrated

Standardized	Diversified
Marginal	Scalable
Western	Global

(Visser, 2011: p.148)

CSR 2.0- micro shifts

CSR 1.0 (old model)	CSR 2.0 (purposed model)
CSR premium	Base of the pyramid
Charity projects	Social enterprise
CSR Indexes	CSR ratings
CSR departments	CSR incentives
Product Liability	Choice editing
Ethical consumerism	Service agreements
CSR reporting cycles	CSR data streams
Stakeholder groups	Social networks
Process standards	Performance standards

(Visser, 2011: p.149)

The first one is focused in the base of the pyramid, social enterprises creation instead of charity, CSR ratings and incentives, choice editing, service agreements, CSR data streams, social networks and performance standards. The second is based in a more collaborative, integrated, diversified, and performance-driven in a global and scalable context.

Also, new principles are incorporated and old ones developed further and deeper. These principles are based on the capacity to boost creativity inside the company, because as new social and environmental problems rise, new challenges will be demanded, making CSR codes and standards encouraging a tick-box approach completely inefficient and limitative. The scalability effect, which uses truly responsible cases and makes them able

to be copied, readapted and developed. The responsiveness, which requires better, deeper and truly committed stakeholder engagement and the possibility to question whether the company is part or the cause of the problem. The capacity to combine international norms with the local context, avoiding double standards if moving abroad or even within the country (region-to-region). And finally, a real commitment to mitigate resource consumption impacts or waste disposal by adopting better designing and reuse of water and materials, as well as better energy efficiency. (Visser, 2011: p.151)

2.5 Why and how SMEs use CSR?

The current context of economic crisis has highlighted a situation never before perceived in the history of corporations and States: everyone is equally vulnerable. Economic, cultural, technological, social and environmental connectivity that exists today and the number of problems emerging around the world have brought humanity to a shared critical point, which has been more evident since the 2008 crisis, but it came long before and certainly will continue to manifest in the future. It is possible that various nations, and thus their business, have stayed out of this situation, however the risk is constant and growing.

Without going over it, since it is not the central theme for this document, it is possible to say that the major challenges the crisis brought about are now a major motivation for the implementation of corporate social responsibility in the business world. And they are, especially in the micro and small enterprises since these are the most vulnerable to a changing and fragile economic environment, where supply chains are breaking, where large investments and subsidies are being reduced, and where the power of consumption has dramatically decreased.

We can then say that a prime motivation for these companies is the **business itself**, the desire to gain financial or intangible benefits. "Maximizing the creation of shared value for their owners / shareholders and for their other stakeholders and society at large". (Knopf, 2013) This either by the increase in the benefit of the company, or as a result of decreased costs or savings through material and human resources efficiency measures.

At the same time, as part of the operation of a business, it is essential to **comply with the law** applicable to different countries, regions, industries, communities and so on. The

incorporation of CSR is certainly a successful strategy for achieving this goal, as it requires at least compliance with the law and because this contributes to the rapprochement with authorities, power groups, key industry players and others that maximize the operation of a business within the legal framework.

Also, from a strategic point of view CSR results in, the opportunity to "**identifying, preventing and mitigating their possible adverse impacts**". (Knopf, 2013) The above will have a positive impact on the economic side by taking into account and mitigating risks, but also on the reputation side when contributing to a better image of the company towards its various stakeholders. With a results-oriented approach, CSR is an important source for problem solving.

In this sense, another existing motivation is the desire to **meet the requirements and demands of the different stakeholders**. The reasons for this vary, but it is possible to say that given the variety of persons, groups and entities with whom a company maintains ties "to fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders". (Knopf, 2013)

Considering customers, innovation in production processes and final products are a means to attract new customers, generate high levels of satisfaction and therefore **loyalty** of existing ones and potential **market expansion**. Also, always CSR will be a competitive advantage over similar businesses that compete daily in the complex saturated markets.

In the labor market, to be in a better position as an employer to **attract the best talent** and promote greater internal motivation among employees to generate **low staff turnover** and stimulate knowledge and creativity thus conceiving innovative ideas. In addition, talent development and training of the company through the exchange of ideas and enhancement of skills and competences, in the course of engagement with local communities and other stakeholders in the sector.

In the economic/ financial sphere, the need to **comply with the new criteria for investment and loans** from either banks or private investors, who increasingly view

business sustainability and social and environmental implications of a particular company. Proof of this, is the increased popularity and growth in recent years of Social Responsible Investment. According to Forbes magazine, “Over the last two years, SRI investing has grown by more than 22% to \$3.74 trillion in total managed assets, suggesting that investors are investing with their heart, as well as their head. In fact, about \$1 of every \$9 under professional management in the U.S. can be classified as an SRI investment.” (Chamberlain. 2013)

In terms of reputation, above mentioned, is important to emphasize that although the positive stimulus has more and better benefits, there is also a negative pulse. Generated mainly by the visibility given by the media, information technology and especially social networks, image and reputation of any company are highly vulnerable in the current context. The **reduction of risks** and generating a **good image**, credibility and trust are also the result of the correct application of CSR.

As for the forecast of future scenarios, CSR certainly plays an important role in enabling to **anticipate future legislation**, the demands of the changing and growing companies and the challenges posed by economic changes and climate change.

Finally, and perhaps having more importance than all the above reasons, there is **motivation**. Guided by ethics and personal sensitivity of entrepreneurs, many micro and small enterprises are integrating CSR simply because it is the right way to do business. There is no doubt that because of the wide variety of professional profiles, some will have more marked interest towards any of the fields of action of CSR, but this is already an approach that enables the development of strategic and integrated CSR.

Adding value to the company

In line with the above mentioned reasons, it is extremely important to consider that SMEs enjoy unique features that give them an advantage over larger companies, thus granting them market competitiveness and ability to cope with the economic, social and environmental context.

Three special features are distinguished in the document Guide Social Responsibility for SMEs. (Roser, 2005)

First, they are characterized by a trait of proximity, with the community in which they operate, with workers and other social agents that enable their progress

On the other hand the agility, in the sense of lightweight structures receptive to changes and that allow more direct and effective communication.

Third, the leverage effect feature to make sense of direction, which allows to best detect niche markets and invest more in innovation, relative to their level of income and expenses compared to large companies.

Additionally, the ease to create credibility, since it is intimately linked to the credibility of the company's owners, managers and employees so it lies mainly in their personal behavior.

Given these advantages and the multiple stimuli, one may observe that especially for SMEs, CSR "is not a short-cut to business success, but an investment that can pay off in the longer term." (Crets, 2012) Through the adoption of sustainable practices and integration in various business processes companies have the opportunity to take advantage of these benefits.

Also because, as described above, SMEs contribute to a large portion of world GDP and most of the existing jobs, representing the main economic and labor force in most countries worldwide. In Europe, "the figures are well known, but are nevertheless worth repeating: there are some 23 million SMEs in the European Union, providing around 75 million jobs and accounting for 99% of all enterprises. They contribute up to 80% of employment in some industrial sectors, such as textiles, construction or furniture. They are a major source of entrepreneurial skills and innovation, and they contribute to economic and social cohesion." (European Commission - Directorate General for Enterprise and Industry)

Furthermore, assuming the importance of SMEs, the European Commission recognizes in the document "A Renewed EU strategy 2011-14 for Corporate Social Responsibility", the particular characteristics of these companies, especially their limited resources, agrees to avoid unnecessary administrative burdens and to include in Socially Responsible Public

Procurement (SRPP), "positive action by public authorities to help under-represented businesses, such as SMEs, to gain access to the public procurement market". (European Commission, 2011)

Nowadays the concept of social capital, understood as "networks together with shared norms, values and understandings that facilitate cooperation among groups" according to the OECD, has taken on greater importance. CSR contributes significantly to create this social capital within the company and strengthen its ties with the various groups with whom it has contact and create stronger cooperation networks that add value to the business.

How SMEs use CSR

Although it is true that currently thousands of SMEs use CSR, we must begin by acknowledging that unlike large companies that usually are based on international standards, public policies, certifications etc. for the creation, implementation and measurement of CSR strategies and actions, SMEs do it for the most in an intuitive and informal way. That is, there is actually no planning and sometimes no awareness to perform these actions.

Even more "the most popular instrument for organizing CSR used by SMEs is to let one member of the management team or board (where it exists) be answerable to ethical questions, and they are less inclined to use formal instruments (such as codes of conduct) to foster ethical behavior within the organization" (Jenkins. 2009)

This means a very favorable point, since it indicates that the adoption of sustainability criteria and its application in the business, far from being difficult to implement, are highly compatible with this type of business.

However, the other side of the coin confronts them to an undeniable reality, "many SMEs have a poor level of formalization and professionalization before even considering a formal strategy". (MacGregor, 2011) The formalization and integration of CSR to core business, is then also a major challenge that must be addressed later or in parallel to the creation of a business strategy and plan. Additionally, the intuitive and informal application results in

the inexistence of mechanisms for managing, measuring and reporting on progress or setbacks that allow data comparability and future planning.

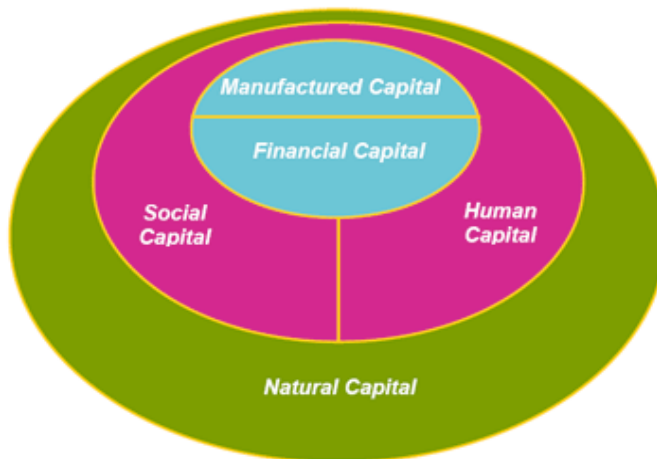
A vast majority of companies implementing CSR measures or actions do it based on business codes or codes of conduct of large organizations for whom they work. On the other hand, there are hundreds of industry-based organizations such as chambers of commerce, sector-based or trade associations, entrepreneurial incubators among others, that have been able to identify those aspects most relevant to a particular sector and thus to encourage small actions coordinated among its members.

It is very common among SMEs, to have only one or two measures rather than a comprehensive CSR plan. Thus many of them focus their efforts on a single topic or a single interest group. Over time these are extended to new initiatives or to the complexification of themselves. At the same time we can say that this adoption has been much slower in comparison with large enterprises, given the pressures they are facing to survive, limited staff available to create, implement and measure initiatives and budget constraints.

2.6 Disassembling CSR: 6 capitals step by step

Our group has decided to base the model in the five capitals elaborated by *The Forum for the Future* with the idea of “The holistic management of five different types of capital that reflect an organization’s overall impact and wealth (in the broadest sense)” (SIGMA, 2009).

The triple bottom line of sustainability is environment, society and economy, and therefore we think that the five capitals go further and explain better the interconnection between all of them. We decided to elaborate our model on the basis of this idea because it would be more complete. As well as this idea lets us to divide the model in five parts in which will have suggestions of actions.



Graphic 2, Forum for the Future, 1999

The Forum for the Future has elaborated the five capitals to facilitate the understanding of sustainability to the companies. This model gives a clear vision of the issues with a business language through economic concept of wealth creation. Every company will use in its process the five capitals because each capital is related to the process of production.

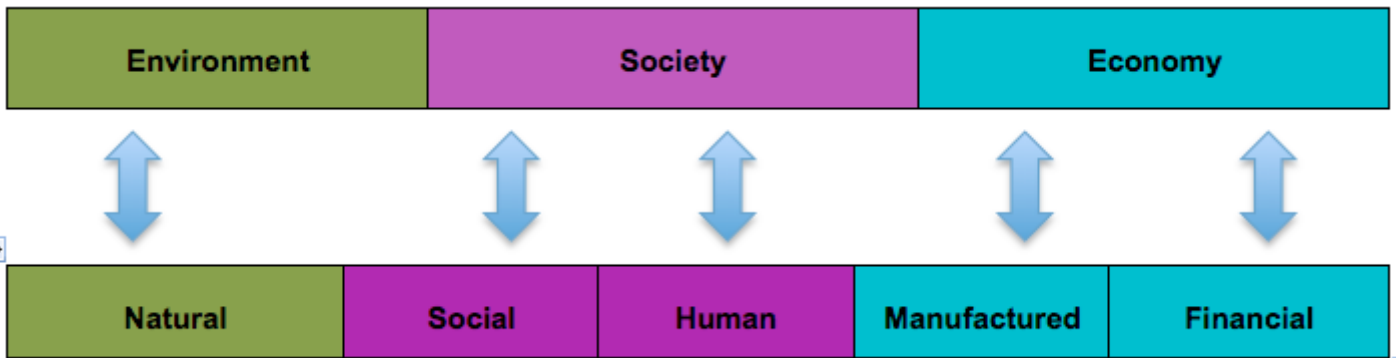
The first one is the *natural capital* referred to environmental or ecological capital. It is the natural resources and processes needed by organizations to produce their products or deliver their services. It could be raw material or the energy using during the process.

The second one is *human capital*, which incorporates the health, the knowledge, the skills, the intellectual outputs and the motivation. Without people a company will not work, this capital is fundamental. Furthermore, this concept of human capital is not new, different authors talk about this concept in the 60's and even before. It is directly related to human resources and its strategy. It is interesting how the Forum for the Future also explains this aspect as joy, passion, empathy and spirituality.

The third one is the social capital as a value added to the activities and economic outputs of an organization. It is related to the local and in general community and the stakeholders. The examples given are families, communities, trade unions, schools, networks, communication channels and voluntary, which are linked with values and trust.

Finally, the manufactured and financial capitals are listed. The first one refers to material goods and infrastructure (building or technologies) owned, leased or controlled for the production of the product or service. The second one refers to financial assets.

Therefore, we decided to emphasize the interconnection of all these aspects, which define clearly the needs of a company and how it could act directly to improve their internal and external situation



John Scade’s class, 2013

Moreover, we believe, according to our CSR course, each capital has a connection with the triple bottom line. Of course natural capital as natural resources has a direct link with environment but social capital should also think on environment through the potential impacts positive or negative. The other example is manufactured capital, which could have impacts in society and in the economy.

The SWOT analysis could be a good tool to analyze the 5 capitals and to help the organizations to choose what are the most relevant for their material issues. In addition, we identified that a sixth capital should be added as *governance capital*. Governance is an important part in the business when investors are involved or more transparency required.

Hereafter the six capitals to be used for the model are developed in detail, based on the definition of Forum for the Future, but focusing on the particularities that have a direct connection with SMEs

Natural Capital

“Natural capital, along with built, human and social capital, is an important component of the wealth of a nation. Ecosystem services are essential to human well-being and sustainable development. The value of ecosystem services in both monetary and non-monetary terms must be recognised in decision making.”(Watson, n.d.)

Natural capital is related to the stock of ecosystems in a country, region, locality that provides services or goods to the society. Thus, each country has different endowments in natural resources (i.e.: arable land, forest, biodiversity, minerals and water).

This does not mean that a country or a community is richer. Natural factors do not explain the whole story. Commodity production can be a vital source of income in the short term, but will not fuel development in the long term-it is important to create added values in these products through innovative processes. (McGee, 2009:p.522)

However, from the perspective of small enterprises, natural factors may lead to create small business. The question is how to boost the positive effects while exploring them and how to manage them efficiently and in a sustainable fashion.

All the businesses, directly or indirectly are linked to the availability and good use of natural capital. This means that natural capital must be considered a material issue. The risks associated with the impacts on natural resources, ecosystem destruction or lack of environmental policies in the companies is getting as important as never.

Some of the risks associated with the natural capital have been analyzed and were well mentioned by some reports released by different environmental organizations or in partnerships between them and the private sector.

One of these reports: “Is natural Capital a material issue?” from ACCA, Flora and Fauna International and KPMG mention some of these risks; susceptible to affect not only corporations, which operates in large scales, but also small enterprises.(James Bonner, 2012)

According to the same report, these risks can be divided among: operational, regulatory and legal, reputational, market and products and financing.

We believe that due to a lack of financial resources, small enterprises would be worse affected in maintaining their business. For example, if a small enterprise that depends on the selling of specific products made of natural ingredients, which are dependent of bee pollination, is vulnerable to the price increase of the raw material due to a declining crop yield.

This is an operational issue, that although indirectly affects the company, may be possible to mitigate if the company requires some environmental standards/measures to those who produce the raw materials.

Depending on the sector, companies should have an environmental assurance. In fact, having civil responsibility insurance must be the minimum requirement because this takes into account hazardous materials and health and safety issues.

Adapting the company to a better natural capital management may seem hard due to high costs of some environmental schemes. However, we believe that new technologies can be of great help. Through internet SMEs can find and have a notion of the requirements that make up some of the most widely used environmental schemes. They can adapt them to their own reality without any cost (i.e.: The British standard for environmental management system is very easy and comprehensive to read). Also, in terms of managing their stock, some programs as simple as Microsoft Office Excel and Access can be a good tool to achieve the purpose of better stock management.

One other good practice is that small companies should do some searching about the environmental impact of some of their products or if they are somehow certified. In fact, nowadays, most big retailer supermarkets provide cheap products, especially tea, cocoa and coffee that are certified by International organizations (i.e.: Rainforest Alliance), being more a question of brand selection than a price limitation. Also, companies should start seeking for local products and advertise to their customers that they are supporting local production and, if it is the case, helping preserving local eco-systems (i.e.: the black-

pig ham consumption and its positive impacts in maintaining the Mediterranean cork tree woods).

Not less important, SMEs should see as an advantage their size and use it as an effective communication channel to share the environmental values and objectives within and outside the organization. This can be done in a simple and almost cost free way: brochures, local radio stations, meetings with suppliers and employees and internet channels such as Facebook, websites or any other type of social network. (Benavente, 2013)

It is easier to conclude that the voluntary and good practice steps that a small enterprise takes mean that is standing on the front of possible future regulations. Meaning that it will be better prepared to adapt or even already adapted, mitigate possible future high costs, thus extending the possibility of the company survival.

Notwithstanding, incorporating good environmental practices conveys to possible sales growth through new markets access. In fact, some studies demonstrate the consumer willing to acquire more sustainable products and natural products. Also, some countries already demand certified products if the intention is to sell them within their borders (i.e.: forest producers foresee their wood easier to sell in a trend of new certified wood demand). (As árvores também se abatem, 2013)

This is especially important in our specific context -characterized by the move of new emerging economic players in an open market- to make the European situation and especially Spain and its small enterprises able to compete with cheaper products that have lower environmental standards.

Waging in certified products and good environmental practices means in our comprehension that companies increase their probability of surviving in this new demanding globalized market.

Human Capital

Everybody must be judged on his performance, not on his looks or his manners or his personality or who he knows or is related to. (Townsend, n.d.)

Human capital is the quality of the working population, resulting of knowledge, skills, education and training. Enhancing human resources go far beyond positive impacts in companies. It affects the society as a whole, providing better national economy performance through more dynamism as a result of entrepreneurial spirit and social benefits, including better greater participation and democratization in local issues, as well improving the life of minorities and discriminated groups. (McGee, 2009:p.522)

SMEs can have an important role in society to ensure human rights are respected and improve society in general. As most companies in Spain are SMEs, especially family-run, this is crucial.

Also, it is expected worldwide, but especially in the context of the European Union, that all companies, independently of their size, take into account the respect of human rights within their business daily basis.

This can seem especially hard for those companies that claim being busy, focused on making money (most times to maintain their ongoing business survival) and see further human resource investment as a cost with a poor return. (Perez, 2013)

If it is true that human resources capital investment are not always profitable in a short-term, the majority of cases show that it helps creating a resilient business, with a good reputation in society and good impacts on employees productivity. (Commission, 2011)

Also, although the legal framework in the European Union regards the basic human rights compliance, this should not be enough. Some practices, even considered legal, may reveal violation of basic human rights or disrespectful to any human being.

We believe that setting a good base of human rights respect and applying good human resource practices in SMEs companies would be helpful. Based in the ideas of the E.U “Guide to human rights for small and medium-sized enterprises” and additional good

practices advised from our interview and own opinion, it is possible to create a suitable human resource practice guide that shift the actual reality to a better one.

The first step to do so is making an analysis of human rights risks. It is impossible to start further achievements if legal compliance is not being complied at all. Checking if the company is respecting what the E.U and national legislation says is essential.

After this step, then, a company can publicly commit to human rights and that you expect the same from those who make business with them. (Commission, 2011:p.7)

Our advice is that a SMEs company should take advantage from its size and use it as a suitable channel to share the values and objectives of an organization with the employees (and suppliers if it is the case).

This is not that expensive, actually, it is more about walking the talk that the company decided to establish. It is more about good communication: meetings with a real committed owner or top manager, where the new setting values are shared, recreation activities or things as simple as papers on the wall. However, the best communication tool is the behavior, if you do not treat them well it is hard to think that they will understand any type of the company's values. (Perez, 2013)

The best way to check if the communication is being well targeted and identify any potential human rights risks is to create a complaint system open to employees and external persons.

One of the best practices mentioned by the EU guide is the one done by the Danish SMEs Danimex Communication. They decided to create an anonymous letterbox in which employees can make their proposals and criticisms. This is important if we consider the environment of closer relationships that characterizes SMEs.

Also, it is necessary to take into account human capital issues for a company can be as diverse as right to family life, non-discrimination, safe and healthy work environment, to organize and participate in collective bargaining. The following step to set is to take action in any case of disrespect of the company's values and in case of identifying potential risks. We think that one of the best solutions is to include human rights performance incentives and sanctions for staff members (i.e. bonuses for production lines supervisors' dependent on the reduction of work injuries). (Commission, 2011:p.9)

Nevertheless, SMEs should not only be concerned by the way they manage their own human resources within the company, but also start with the recruitment process. It is essential that any kind of discrimination does not take place during the recruitment process.

First of all, it is essential to have in mind that candidates are there for the work. So, all questions and judgments should be entirely focused in their abilities to perform the work. Race, age, sexual orientation, religion and disabilities are not essential issues, except if interfere directly with the capacity to perform the task. (Commission, 2011: p.12)

Something that is essential in our view and few companies do it, although it is free of any cost and does not require too much time, is to tell a candidate that he was not accepted. It is a way to show that you respect the person for spending their time applying to your job offer. Also, it is a smart way to create a good image of your company among society (the ex-candidate can spread a bad image about your company), but also the possibility to save a future client or the respect of a future entrepreneur that can compete with you in the market.

As simple as it is, sending an email, maybe a standard one, saying that the application was not accepted, but that you will maintain their CV for future applications can be the solution.

Last but not least, it is important to set certain human rights standards in case of dealing with suppliers. Basic rights such as no-child labor, right to a safe and healthy work environment, right to leisure and free time, living wages, freedom from cruel and any degradation form of human treatment are essential.

The solution may be by the possibility to check in person due to proximity of the supplier business to yours or require certain certifications to your suppliers. (Commission, 2011:p.15) Another option is to comply with standards such as the [SA8000](#) certification. It is based on conventions of the ILO, the UN, national law and corporate codes to measure social compliance. It sets out structures and procedures that companies must follow in order to comply with the standard.

Social capital

In some areas of CSR, SMEs are better positioned than larger corporations to implement CSR initiatives due to their existing ties to their communities. (Schmidt, 2012, p.3)

Organizations are based on social relationships and interaction to achieve their objectives inside of their structure as well as outside. Internally the social capital is referred as share values, trust, communications, which enable people to work cohesively. Externally, it is related to the society as a whole. Organizations rely on wider socio/political structures to strengthen a stable society in which to operate, as well as they have direct positive or negative impacts on their communities. Therefore companies have advantages to take into account where they operate to reduce risks and increase opportunities of well-managed business.

In spite of SMEs' "obstacles" such as lack of human or financial resources, they could find in the social capital a way to have positive impacts on their business as well as on their environment. For instance, SMEs could start and focus on their own workforce who is the most important stakeholder. (Stott, 04 June 2013) Another idea to enhance social capital is complying with the law and providing rights such as medical care, maternity leave or good working atmosphere. SMEs may not forget that workers are members of the community so they also could have a direct impact on their groups, positively or negatively.

Related to law, SMEs could minimize their negative social impacts by implementing legal regulating norms or complying with the local, regional or international law. Or they could ensure taxes payments and support social infrastructures, as well as contributing to a transparent and fair governance system. (Forum of the Future, 1990) If a company really involves its stakeholders from inside as well as from outside, negative impacts would be reduced by anticipating the risk and increasing opportunities.

Finally according to Leda Stott, communities can value from a SME an income generation with the result of a stable economic situation in the community in which they operate. And for a SME, they could value the asset of closeness to the community. (Stott, 04 June 2013)

In terms of collaboration, SMEs need to learn from one another and take the advantage from it; make links to strengthen the social dialogue and focus in the workers and their communities. (Stott, 04 June 2013)

Manufactured Capital

“It is important to an organisation’s sustainability because its efficient use allows an organisation to be flexible and innovative and increases the speed at which it delivers.”
(MERAPE, 2013)

According to Forum of the Future (1990) the definition of Manufactured Capital is constituted by all the material goods or fixed assets including lease assets, which contribute to the production process of the company but do not become part of its output. The main examples are the company’s buildings, machinery used to produce, transport networks, waste disposal systems, etc. Also technologies such as IT or engineering are considered to be part of the Manufactured Capital of a company because they enable and facilitate the whole production processes.

Manufactured Capital is key to a sustainable organization because of two main reasons:

- The efficient use of this capital gives the organization more flexibility and enables it to be more innovative and increase the speed in which its products or services reach the market.
- Technology can be used in a more efficient way, reducing resource use to obtain a more sustainable production.

A company can enhance manufactured capital by using zero- waste and zero-emissions production systems as well as using infrastructure and technology much more efficient in terms of resource used in the production process. Also the company should always maximize the use of human innovation and skills to come up with effective solutions to become more sustainable in the long term. (Forum of the Future, 1990)

In order for these process to be successful there has to be a full commitment from the management area, because they are the ones who make sure that all of these actions get implemented. The CEO or owner has to come up with ideas of how to make it easy for the employees to understand where the company wants to go and make them want to engage in the process. Examples of these could be to have discussions with employees, have some kind of contest or provide incentives. All of that could be much more effective than just giving them a lot of written procedures and rules. (Anset, 2013)

SMEs have a great advantage for becoming more sustainable because of their size. They can be much more flexible than a big multinational company, which means they can adapt their processes and infrastructure quickly and at a lower cost.

Keeping track of the supply chain can be a challenge for many SMEs because it requires time and people to do it right. There are some platforms on the Internet where companies, especially SMEs can access and research about their suppliers. However many of them do not know these platforms exist and the ones who do know cannot afford to pay the memberships or do not have the team to carry out the research. To tackle the lack of awareness about these kinds of resources for SMEs, Chambers of Commerce could play a very important role as disseminators of the information. Also social media is a very effective tool to communicate these kinds of platforms. (Anset, 2013)

According to Sean Anset (2013) “SMEs find it really hard to enhance efficiency and sustainability because they do not have the information about the resources that are available or do not report on their actions.”

Another important issue that SMEs have to tackle regarding the engagement with its supply chain are the limitations of time and personnel. They should have at least a good questionnaire to send their suppliers and if it’s possible some sort of code or standard to engage with them.

“Building a relationship is difficult, but SMEs can sometimes do it better than big companies. Owners can easily explain why this is important for the company and that they want to create a direct relationship (long-term trusting relationship) based on

transparency. SMEs have an advantage over companies with even more money.” (Anset, 2013)

There are some certification processes and standards, which can help the companies to become more sustainable and more efficient within each of the value chain activities and also regarding infrastructure of the factories and the offices.

In the case of building efficiency there is the [LEED certification](#), which aims to reduce water and energy consumptions as well as to promote the use of more sustainable materials for the construction to reduce waste and ultimately save money for the company. (USGBC, 2013)

To address the issues of environmental management, there is the [ISO 14001](#) standard. It provides tools for companies to identify and be able to control their environmental impact and improve their environmental performance in the long term.

Another good option for companies is to implement the [ISO 9001](#) that sets out the criteria for a quality management system. This certification can be very useful for SMEs to organize their processes, which can lead to reduce waste and energy use, also enhance employees' use of time.

These certifications can be very effective if the company is really committed to work constantly to improve their performance; they represent a cost for the company in the short term but an investment in the long term. Many SMEs could benefit a lot from these kinds of certifications, because is not only a way to organize the production processes but also a way to have a positive impact on the environment and save money.

Financial capital

Great companies create wealth and increase opportunity. They make systematic efforts to spread economic opportunity as widely as possible, not only to their owners but also in the workplace, along the supply chain, and in local communities. (Jackson, 2004)

It refers to the assets held by an organization physical or immaterial in the form of shares, bonds and banknotes (Forum for the future, 1990). It is undoubtedly one of the most important capitals mostly because it is the primary measure of performance of a company. Furthermore, it is also a reflection of the rest of the capitals and a condition for sustainability. As Forética well reflects, “The first responsibility of a company is to be profitable and economically sustainable. Otherwise would be doomed to bankruptcy and that would be a waste of economic resources, economic and moral damage to people (employees and their families), unmet demand (which can be especially harmful for customers using the product for their own production, etc.). That is, the company responsible is eminently profitable.” (Lemonche, 2011)

Given the characteristics and limitations of the SMEs, most of them look for finance sources “depending on the stage of their life. A startup may have access to venture capital funds, public schemes or business angels. Those who have more years operating, turn to bank loans more often”. (De la Mata, 2013) Some other are starting to use new practices such as crowdfunding, defined as “the practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet”. (Oxford Dictionaries)

Because of this situation, it is important to speak first about transparency and accountability and therefore it will be essential for SMEs to have an effective system for managing risk and corporate governance issues. Within it, ensure that financial measures (balance sheets and P&L account or other management systems) reflect the value of all other capitals. Likewise, cutting the costs or increasing sales are key small actions that company might take to optimize financial performance. “Think about efficiency in the different areas. Reduce costs in a responsible way both socially and environmentally, but most of all be creative. The key is to be different.” (De la Mata, 2013)

On the other hand, a key issue is to ensure the fair distribution of the wealth created. Inwardly providing living wages for employees and a fair return for shareholders.

Outwards, internalizing environmental and social costs and assigning an economic value to them, by assessing the impacts of the organization's activities, products and services. It is important to demonstrate an active approach in managing sustainability issues (key business factors that relate to the human, social, environmental, governance and

manufacture capitals) in order to improve access to financial capital from any of the chosen sources.

However, the reality of existing financial institutions and their relationship with SMEs is recognized. “Banks, in general, don't even ask about sustainability issues. Some public programs do. Funds in general, have specific interests, so some of them may care more about social enterprises. Business Angels are usually segmented by industry depending on their interests and funds do not target very small SMEs.” (De la Mata, 2013)

Acknowledging this situation, some of the key elements to take into consideration in order to enhance the financial capital are fair pricing of the products and services provided by the organization, responsible funding by including, when possible, economic, social, environmental and governance dimensions when searching for sources of finance, and above of all respect the law. Furthermore, because the increasing request of society for more transparency, it is essential that organizations publish their financial statement through their website. Preferably “make it in a different and easy way, providing very clear data”. (De la Mata, 2013)

When it comes to suppliers, SMEs have an active role in achieving supply chains that are increasingly sustainable. The first consideration should be the supply of raw materials, products and services from local suppliers with the intention of strengthening ties with the local community and thus be catalyst for better economic, social and environmental conditions. As far as possible, the use of criteria is to select socially responsible products and companies for procurement and purchasing. Understanding the difficulty of doing this, it is advisable to search for suppliers by certain local, regional or national standards or certifications, or in a more optimal scenario promote social responsibility throughout the value chain, through the codes of conduct and diverse policies.

Within the business relationship, paying suppliers without delay and assuring a fair payment to enable suppliers to fulfill their own responsibilities and supporting the establishment of business alliances to encourage the exchange of good practices.

Governance

Companies today are under intense pressure to rebuild public trust and be competitive in a global economy. To do this, they must act with greater accountability, transparency and integrity, while remaining profitable and innovative. (Jackson, I. 2004)

For the simplicity of the organizational structures of SMEs, is difficult to talk about corporate governance as such and the practice of good governance. However, there are two imperative principles to be applied.

The first one, transparency as the commitment to disclose data and information that is relevant to stakeholders, especially investors, and clearly shows the business operations and the various impacts, risks and contributions. Then, accountability, understood as the acknowledgement and assumption of responsibility for being transparent about their actions, decisions, policies and impacts.

Daily practice of these values across all the company, through management leadership will be essential for creating a corporate culture that uses the core values of social responsibility when making business decisions. Part of the success of its internalization in the business but especially in those who comprise it, will be that they are expressed and materialized through their mission, vision and values. As stated by Anna Bajo, “in the end it should be reflected in the day to day of the business, going from global to small actions that reflect the rationale. You need to make a match between what the company wants, and generally is reflected in the organizational pillars, and what stakeholders want, which is then transferred to the objectives, policies, projects and then daily actions”. (Bajo, 2013)

Moreover, as complement and result of these two principles is possible to talk about business ethics comprehended as moral rules prevailing in the business management, the organizational structure of the company, its relations with the various persons, businesses and the community and the purchase and sale of products and services. “Especially in SMEs, relationships with the stakeholders are so close that it becomes necessary to be

ethical. Ethics speak much more of the people who work there that are ultimately those that transmit confidence”. (Bajo, 2013)

It is possible then to understand the need for a code of ethics or code of conduct that reflects in a clear and simple way the ethical principles of the company, provides guidance and aligns the behavior within the organization. First, as a sign of commitment for compliance but also as a tool for approaching, engaging and complying with the needs of stakeholders, starting with staff and shareholders, but not limited to them. “In SMEs it may not be a written code, but just a verbal one and is usually oriented outwards to answer “who I am, what I do”, and help increase transparency, transmit how the company acts, and provide a reflection of reality”. (Bajo, 2013)

Other benefits for managing business ethics rely on risk prevention and avoidance of penalties, especially on issues related to law compliance, the motivation of employees thus obtaining more retentions and better productivity, and an increasing leadership across the market strengthening their image and gaining a competitive advantage.

The responsible for managing business ethics, should be the directive team as they have a broader vision of the organization. However it is always necessary to have the commitment of the whole team in order to be aligned.

Some elements that may be included as part of a code of ethics or as policies include broad and transversal issues such as, data protection considering privacy, and records retention; anti-bribery, corruption and fraud measures that apply across all the organization and with all the stakeholders; as well as conflict of interest avoidance.

Then, specific measures may be considered for each of the publics. In the case of employees, the acceptable use of IT resources including intellectual property; security and fair treatment allowing the possibility and tools for whistle blowing and health and family related issues. For shareholders, the overall consideration should be over risk management and legal compliance, in order to ensure the fulfillment of their needs and the feasibility of long-term business. Regarding suppliers, promote and as far as possible ensure standards for a responsible procurement that avoids supply chain issues such as child labor, and dreadful working conditions. As for consumers or clients, be transparent and accurate with

product and services information, quality and safety; carry out truthful marketing and promotional activities. (Forum for the future, 1990)

2.6.1 The link among the 6 capitals: Stakeholder engagement

In this project, stakeholders are also considered as an essential part because SMEs have a closer relationship to each stakeholder with the aim to have a deep dialogue with them. Stakeholders are defined in our project as a group of people, community or organization that have impacts on the company or are influenced by it. They could be employees, investors, civil society, media, local communities, suppliers or clients.

The definition of CSR by the Institute Ethos, viewed in John Scade's class (2013), is very relevant in order to understand the purpose of stakeholder engagement:

“It's the capacity for a company to: listen, attend, comprehend, and satisfy the legitimate expectations of different players that contribute to its development.”

As the work of a company has impacts on all its stakeholders through its core business and its externalities, it needs to be accountable to the affected people. Therefore, SMEs have an advantage for their size on building a relationship based on trust. This process helps a company to position itself and knowing its materiality to anticipate risks. Theories and manuals exist to explain the stakeholder engagement and how to involve them, however SMEs will not read this type of manual due to lack of time and knowledge, as well as the price of them. For these reasons, it is important to explain in an easy and quick way why stakeholders' engagement is essential for SMEs and what benefit could bring to them.

According to John Scade's class (2013), the process could be explained in five steps:

1. The identification of stakeholders
2. The definition of the influence
3. Their perceptions and expectations
4. The elaboration of an action planning
5. The implementation

2.7 Current CSR models: the need to be critical

While it is true that in the last decade hundreds of guides and models have emerged from governments, business associations, chambers of commerce, civil society organizations etc. for the implementation of CSR in SMEs, most of them are being used by low percentages of companies. One example is that,

“In France there are four quite well established CSR tools for SMEs: Performance Globale, Bilan Sociétale, the French version of the SME-Key, and SD21000, a sustainable development standard produced by the French Association for Standardisation (Association Française de Normalisation - AFNOR). It is estimated that a total of about 1000 SMEs use these tools, out of about 2.4 million SMEs in France. This is not to suggest that French SMEs are more or less responsible than SMEs in other countries. However it does illustrate the fact the vast majority of SMEs do not use formal and sophisticated CSR tools, even when they are available.” (European Commission, Directorate General for Enterprise and Industry, n.d.)

There are also a large number of documents and standards available, used mainly by large companies. Among them, we can highlight:

- Global Reporting Initiative (GRI): one of the world's most used standards for sustainability reporting on ESG indicator.
- United Nations Global Compact: principle-based framework focused in the areas of human rights, labour, environment and anti-corruption
- AA1000 Assurance Standard: sustainability assurance standard focused on the credibility and quality of sustainability performance and reporting.
- SA8000 standard: social certification standards centered on decent workplaces.
- ISO 26000: guidelines for social responsibility
- ISO 14001: guidelines and certification that address the issues of environmental management
- ISO 9001: criteria and certification for a quality management systems.

Recognizing the value of these documents in facilitating the process of adoption of social, economic, environmental and governance standards, it is undeniable that they have had little use for the micro, small and medium enterprises.

Firstly because they assume a basic knowledge, at least, of the terminology used in the field for corporate responsibility and the various themes within it, starting with the understanding itself of the term CSR.

Then, because as comprehensive guides and in some cases even certifications, they require a considerable investment of time and human resources for its implementation, which in most cases SMEs do not have. And not leave out the fact that several of them also incur a high economic cost not accessible for businesses.

Moreover, most of the standards and guidelines are designed to and developed by people working in large companies. There is a misalignment of themes and priorities between the key indicators presented in the documents and actual needs and possibilities SMEs.

The available models for SMEs

According to the investigation, we identified two self-assessment surveys available for Spanish SMEs: [CSR Auto diagnostic for SMEs](#) of the Association of Communication Directors (DirCom), and [SR SMEs Self Diagnosis](#) form ALARES Foundation and MEKit in collaboration with the Ministry of Labour and Immigration of Spain, and Forética's guide focused on SMEs: 30 reglas de oro de la RSE para la Pyme.

Recognizing the utility of all for the diagnosis of SMEs with similar objectives to those presented in this project, we identified a series of flaws that symbolize a barrier in implementation and scalability between companies.

The document CSR Auto diagnostic for SMEs "is organized based on five variables or key aspects to be managed, with loads weighted according to their relevance to a strategically CSR management, aligned with reputational value generation". (Asociación de Directivos de Comunicación. n.d.) To grant value to the different variables is a mistake as it distorts from a first moment the global nature of the CSR concept and limits companies to assess and implement actions according to their real needs and characteristics. This eliminates

the possibility of self-weighting, according to the activity of the company, its industry and the compromises that are willing to commit.

Also, because of the way it is designed, the document is static and although it to view the status of the organization at a point in time it is difficult to visualize areas of opportunity and progress through it.

The assessment is based on a numerical scale, which from our point of view pre-judges, the user, being a major barrier to its use.

The online document SR SMEs Self Diagnosis was created as a research project among Spanish SMEs for presenting "the study RS IN SPANISH SMEs, based on self-test data of the participating organizations in RS SME diagnostic process" (Fundación Alares, n.d.). It is evident that the greatest barrier is time restriction, therefore limiting the number of companies that were able to access it and get a diagnosis that allows CSR management over time.

In addition, without being able to delve into the content, the questionnaire required the identification of SMEs. Although for research purposes this is valid, it seems that for meeting the goal of SMEs making a self-diagnosis and raising their own objectives, this is again an obstacle. Especially when a resource is available on the Internet, since it contradicts the medium characteristics of openness, collaboration, free of charge, among others.

About Foretica's guidelines the main barrier to approach companies we identified is the length itself (79 pages). Also, although the rules or steps to follow for the company are very descriptive, they are not entirely clear neither intuitive.

There are within the document three decalogues, including: the creation of a social responsibility plan, the development of a CSR report and the design of a responsible brand strategy and web 2.0. Far from criticizing the comprehensiveness and inclusiveness of these three topics, we believe that information overload can be confusing for someone to be their first approach to CSR.

3 Looking for the needs

As a research methodology, we chose to contact Spanish SMEs as these are the main focus of the study and the ultimate objective of the project. We selected the depth interview method and surveys. In addition, as part of the research we interviewed seven professionals of the field, annex 4 p.94 for the complete interviews³:

- Anna Bajo, governance capital
- Ana Benavente, natural capital
- Guadalupe de la Mata, financial capital
- Helena Pérez, human capital
- Javier Camacho, Founder and Director EvaluaPyme
- Leda Stott, social capital
- Sean Asett, manufacture capital

Online surveys

We contacted some SMEs via an online questionnaire asking them about their CSR practices. Due to the time restrictions, it was very hard to get all the amount of answers that we expected to have. However the ones that we got were very useful for our project. The SMEs were not chosen by sector, we decided to send it to as many as possible regardless of their industrial activity.

To prepare this short online questionnaire we took into account the 5 SIGMA capitals and the sixth one that we added. We took the most important elements that we thought were relevant to CSR practices of each one of them and made the questions. For us was really important that the people answering the survey was either the owner or the manager, because we wanted to see the motivations for implementing CSR practices or not.

The idea was to get the most relevant information for us to get an idea of what SMEs are doing in terms of CSR or if they even know what it is.

To reach as many SMEs as possible we talked to the EOI to send the survey to their companies' database, also through Guadalupe de la Mata's blog we contacted some of

³ We contacted Cepymes searching for a dissemination channel for the Survey. No help was received.

them. We reached more than 200 companies that we know they received the e-mail with the survey.

The time period for the companies to answer the survey was from May 28 to June 15.

The survey sent to the companies can be seen in the annex 2 p.87.

Case studies

To experience a sensing journey, we conducted in-depth interviews with two companies that were selected based on access to the owners and / or directors, given that in most of SMEs a structure where the owner and the director fall on the same figure prevails. Furthermore most relevant business decisions, including those related to CSR, are made by them.

The interviews were carried out with⁴:

- Javier Iguaz Clemente, owner and CEO of the company.

on May 27, 2013 in Macedonia, located in Calle Miguel Ángel 24, Madrid

- Toñi Blasco, Coordinator of Quality and Environment
- Isabel Pastor, RRHH Coordinator
- Miguel Ángel Martín, Operating Manager
- José Luis Inglés, Manager and CEO
- Alberto Inglés, Manager and CEO

on June 10, 2013 in Hotel Entremares, located in Segunda Avenida, SN La Manga de Mar Menor, Cartagena

Key research areas were identified, including the perception of CSR terminology, the areas that are included in this concept, the main motivation of businessmen to implement CSR actions or strategies and the tools or standards to do so, specific actions that are performed on environmental, human resources, social, governance, finance and manufacture issues, in accordance with the SIGMA model selected for the model, and the obstacles faced the implementation.

⁴ See annex 3 p. 92 to see the questions of the interviews

A guidance questionnaire was developed in order to find out these key investigation areas. To view the full questionnaire, go to the annex 3 p.92.

3.1 Limitations

We recognize that the project has a number of limitations that were considered for the analysis of information, the development of the model and based on which, we offer some recommendations. We have identified five main points:

1. **Time:** our project is ambitious because of the aim of understanding what SMEs think and need. Hence, the methodology is based on interviews and questionnaires that consume a large amount of time for application. We depend on business owners and their willingness to participate.

Time is also a limitation for the development of a trust-based relationship. Given the impossibility to build close relationships, we rely blindly on responses to online surveys, without the possibility to verify.

However we achieved to create a strong relationship with the two case study companies.

2. **Small scope of investigation:** as it is known SMEs represent more than 99% of companies in Spain. Due to the difficulties of time and contacts available, we have decided to choose companies where we had already a direct contact. Then, we sent the online questionnaires through the EOI and Innovation for Social Change channels. 220 people opened the questionnaire, but only 6 people answered. This process would be better if the contacts are made one by one, by phone or directly going to the place and explaining the idea.

From the information obtained, some conclusions are inferred to make them valid for a large number of companies. We are aware that this can lead to difficulties in implementing the model in the various companies.

3. **SMEs' associations** such as CEPYMES are not interested in giving information and collaborating. We contacted some of them, and did not receive any answer. Furthermore our interviews revealed another argument; they do not help because they do not know about CSR topic. Although there are some active organizations with the

SMEs and CSR issues undoubtedly this topic alone can constitute another branch of research.

4. Model: we have chosen to create a platform for SMEs and that involves knowledge in graphic design and IT engineer. However, we decided to create a draft to show the content and how it should be further designed with the support of a professional designer.
5. Online questionnaires: considering the data protection laws, we do not have the contact of the respondents, making it impossible to know the size and context of SMEs participating. Due to the interpretation of the answers with a lack of knowledge, there is a subjective bias from us.

3.2 Findings

3.2.1 Online survey

The following is an interpretation of the results obtained from the online survey. To view the full responses, please see the annex 2 p. 87.

Interpretation

66.7% of the respondents state that their companies have a corporate social responsibility strategy, while 33.3% do not. Among the ones who have one, the main reason seems to be the ethical conscience of the company, more specifically the compromise with social causes and the future, and not the added benefits that they can obtain from it. While the reasons given for not having one are mainly linked to the lack of commitment from the head of the company. It is worth noting that the these two companies were precisely the ones who gave a clearer definition of CSR in question 1, demonstrating an existing gap between the theory and practice of CSR, a lack of knowledge about how to implement it.

About the conception of CSR, transparency stands out as a primary element. This fact could be related to the socio-political context in Spain at the present time. The answers show that the concept of CSR encompasses a wide range of topics, thus demonstrating the belief of being something beyond following the law.

It is also perceived that the concept of CSR could be biased due to the word *social*, given that most of the answers are more focused on community related elements.

In terms of the use of CSR guides, standards or tools, 66.7% of the companies do not know about any, 16.6% knows and uses the ISO 26000 and the remaining percentage did not answer the question. It is clear then, that most SMEs do not use or even need any guidance to establish start applying CSR, it is more about “responsibility at work and strive every day in every way”, as stated by one of the interviewees.

Although 75% state to do CSR activities continuously or on a daily basis, it is not clear for those who do it continuously if it is integrated into their core business. The other 25% performs these tasks sporadically.

About the activities carried out by companies in terms of corporate social responsibility, for the majority of them the issues related with natural capital are less relevant. On the contrary social aspects are more relevant, especially those that relate to labor issues. Should be noted that for 25% of the companies, complying with the law is not considered as part of CSR.

CSR is considered as an investment by all companies, regardless if they apply it or not (questions 7 and 11). **In general, all businessmen consider values (consciousness, common welfare) as the main objective to invest in CSR, followed by a purely business objective of brand recognition and image and achieving efficiency and effectiveness.** Within the investment, there are two interviewees that consider CSR a cost too. However, not as a financial one but more an intangible cost such as time or paradigm change.

Companies identify difficulties that have faced or may face in the development of environmentally and socially responsible projects. The main stated obstacle is financial resources or economic difficulties, demonstrating that the lack of funding and the current economic context have a high impact on the activities of SMEs, especially in the ability to develop CSR programs. It is interesting to note though, that in question 7, nobody related costs to the financial aspect. It is also observed an issue around the implementation of actions in line with the business strategy, thereby CSR becoming in an "extra" cost for the organization.

In recent years environmental and social awareness has emerged and taken hold. According to the experience of the interviewees (questions 9 and 14) this trend has had a medium or no impact on their business. **There is a general perception that society's awareness**

over social and environmental issues has no impact over business activities. Even more, according to one of the respondents, society “is short sighted: short term view and focus on economics prevails”

On the other hand, in some SMEs, changes are not visible enough due to the nature of the business itself and even if they have good will, there is a feeling of not moving forward.

Among the companies that currently do not apply any CSR strategy, something that could motivate them to implement one is interest to have a model that allows CSR implementation without the commitment of the directives. It is assumed for the type of answer, that this idea corresponds to a person who is outside the management of the organization and is motivated by issues related to CSR. It is also recognized the need to motivate stakeholders to serve as allies to the organization in the development of CSR practices.

Noteworthy is the fact that both responses describe actions directly related to the operation of the company and especially the engagement with various stakeholders, leaving aside the support to understand and integrate CSR into business strategy.

Unlike the business owners that apply CSR, those who do not, seem to have a more comprehensive CSR definition including more environmental aspects such as recycling and energy efficiency in it. The weight on the social aspects continues to be relevant.

If respondents were offered a CSR model to serve as a support for their company, it is considered that stakeholders are essential for the business and should be taken into account in the model.

Those who stated not to apply any CSR measures, recognize at the end to hold actions related to energy efficiency, corporate governance and motivational actions. This is a sign that, after reflecting on what CSR is, businessmen are able to recognize that there are things they already apply in their own organizations.

3.2.2 Macedonia

Company's Profile

Macedonia, is a greengrocer founded in 2002 by Javier Iguaz Clemente. It was the result of a marketing class, in which a group of students identified the lack of stores in Spain who sold both fruit and juices. It started as an idea of franchises, with two more partners but

soon Javier decided to become independent. Today, after having tried various outlets, Macedonia has two branches, in the streets of Santa Engracia and Miguel Ángel, Madrid.

For Javier, CSR is a matter of consciousness and ethics that comes from education and habits of private life. Therefore, although not as a formal, written and consolidated strategy, Macedonia performs some CSR activities.

The main motivation for this, is the same consciousness and a concern for the environment. “That motivates me to bother, look and invest time in finding the best solutions, and the more responsible products you can find in the market”. It all began mainly when he realized the large amount of plastic used, since all the juices and food products are dispatched in plastic containers, and realized he had to do something about it.

CSR activities are performed every day since they are related to the core business of the company. The main actions are about environmental care through products. Currently Macedonia offers glasses made out of corn bio resins, 100% biodegradable sugar cane plates and recycled paper products such as napkins, sugar packets and placemats. In addition it offers only Fair Trade coffee from Guatemala and some organic products. Towards the interior of the company, provides flexible working hours, fair wages and some training courses for employees related to the business activities. He is well aware of the issue of family conciliation although it is not a current practice of the company.

Even though in Macedonia they do a lot of good things regarding the environment and the employees and many of the products they sell are fair-trade and organic, the shops do not have any kind of publicity about it. The owner is aware of this situation and knows that if they make some kind of signs or posters telling the customers about their products and about the way they do business, it would have a big impact in the client’s perception of the shop giving them an added value.

He knows that making simple things like posters is a good way to communicate in very visual manner. Giving the fact that a very small company and there is a lack of human and economic resources they have to be practical and make very simple things that show the customers their commitment to CSR practices.

Concerning energy efficiency, bulbs are being replaced by LED lights. In addition he implements continuous improvement processes, to replace damaged machines and make them more efficient. Regarding the supply chain, there's a direct and personal relation with all suppliers but not necessarily professional cooperation between them. Donations to Greenpeace and Oxfam are carried out annually.

There are some areas that Javier recognizes to be highly important and where he would like to participate. For example, community relationship in which he identifies as an opportunity, an alliance with an NGO such as Five a Day, to approach local schools and promote fruit consumption among children.

Broadly, he sees CRS as an investment, rather than a cost, with the objective of “complying with the environment, the surroundings, the consciousness and reality”. Ecology, social issues and family conciliation are the most relevant aspects for him. However he considers CSR to be a complicated issue for SMEs, especially those as small as his. Yet strives to do what is within his reach, because he sees social responsibility as an added value, something that costumers appreciate.

As regards to financial planning, Macedonia has a short-term one, since they live day by day. According to Javier, “SMEs usually think short term, are autonomous and have to pay as they can”. He has a capital injection from a Spanish bank, which he does not consider a responsible entity.

Considering Macedonia's stakeholders, he identifies as such: 40 suppliers, governmental institutions related to regulations, licensing and taxation, clients and the 8 employees. There are open communication channels available for clients, among which are a mailbox for complaints and suggestions both physical and electronic and a website that is not functioning due to lack of updating. With suppliers there is direct and fluid link, mostly by email.

The company lacks of a code of ethics or best practice manual and a report of its CSR activities, not even advertising to customers. He thinks environmental and social awareness has had a medium impact on the business, mostly expressed by some questions about pollution and the origin of the products received in the mailbox.

The greatest difficulty he has faced is the lack of sustainable products supply. For example, he tried to come upon a carpenter that manufactured furniture with certified wood and was unable to find it. Currently, to deal with these situations, Javier attends fairs and exhibitions looking for ideas and new suppliers.

What about CSR?

Although Macedonia recognizes some of their practices as corporate social responsibility, others are dismissed. One example is book-crossing. The company's owner had allowed an English teacher to leave some books in his commercial establishment as a way to encourage people to take up or reclaim reading English books as a hobby. We consider this initiative has a social impact in the community, offering people an opportunity to improve foreign language skills and introduce readers to foreign authors and genres that they have not read before through sharing their books.

The initiative is cost free, does not require any special changes in the infrastructure of the place and is inherently inclusive (all the community can participate, independently of gender or age).

Considering the above and other details, it is possible to notice a kind of “inferiority complex” towards big companies. When Javier explained what CSR means for him, he often referred to big companies their programs. Even if he did a lot of actions aligned with his sustainability principles, he is not completely conscious of the CSR actions already in place. He constantly compared the SMEs with big companies such as Telefónica, and explained that these companies have more financial and human resources to spend in CSR.

In reality, he implements a large number of actions since he is aware of the sustainability issues. In this case, his drivers come from his personal point of view and his way to see life. So, this “inferiority complex” could indicate a lack of understanding and awareness of CSR.

Furthermore, the concept of CSR is perhaps not appropriate to all SMEs because they assimilate CSR with high financial costs and human resources availability. For SMEs, CSR is mainly “common sense” or a way to differentiate from others.

Though few employees make up the company, Macedonia claims to not use any discriminatory practices. As we could watch, this is especially relevant if the policy is to avoid discriminating minorities such as LGBT and different nationalities. This constitutes as well a good example of inclusivity practices. Selection processes are made up with the main objective of employees achieving the purpose of the organization, rather than giving priority to personal information.

Thereby, including diversity in the company's workforce makes it beneficial for business because it is more likely to reflect its customer base.

Also, diversity in human capital is a source of competitive advantage because it increases innovation opportunities. Performance and decision-making are improved by including minority group's viewpoints. Making the employees feel respected provides more sense of belonging to the company, makes them less likely to leave, increases their productivity and spreads the company's good image. We understand that Macedonia is a good example of inclusivity through closer employee engagement and understanding of their needs.

Even though in Macedonia there are many good practices regarding the environment such as fair-trade and organic product selling, the shops do not have any kind of publicity about it. The owner is aware of this situation and knows that if they make some kind of signs or posters telling the customers about their products and about the way they do business, it would have a big impact in the client's perception of the shop, thus providing them an added value.

Given the fact that there is a lack of human and economic resources they have to be practical and make very simple things that show the customers their commitment to CSR practices.

In terms of foreign sales, CSR could become for SMEs an added value in order to export abroad and to develop close relationships with customers who usually expect more commitment to sustainability. More and more customers ask for accountability through certifications and/or are looking for good practices. For instance, if a SME is a supplier of a big company, it will have to respect criteria imposed by the client who needs to manage its external pressures (law, institutional criteria, medias, competitors, civil society, etc.).

This are some of the small actions that allow to visualize how companies should be aware that some of their ongoing practices can be considered part of good corporate responsibility practices.

3.2.3 Entremares

Company's Profile

Entremares hotel was inaugurated on June 1966. It is located in la Manga del Mar Menor just a few kilometers away from the city of Cartagena. In the year 2000 the Inglés family acquires it and the management is divided between the two Inglés brothers Jose Luis and Alberto, their father Pedro José Inglés is still an important part of the company but he is retired now.

At the acquisition moment the hotel was old and needed a lot of modernization in order to gain more clients and to compete with the new and more modern hotels that were being built at that time. Because the hotel was built many years before, the new construction requirements were not mandatory, however, the owners started to build a plan to slowly invest in making the infrastructure more modern and suitable for all kinds of customers in order to be able to compete in a very tough market.

The first investment they made in the year 2001 was in 204 solar panels to put on the building's roof to heat the water of the pools, the showers and the taps. This decision was driven from the desire of modernization and also to reduce energy costs. At that moment the management of the hotel do not realize that this was a major CSR practice, it was fully understood as CSR some years later.

Another big investment that they made was in the adaptation of all the hotel areas for disable people. They built an elevator at the entrance to the hotel and ramps at the pools, the restaurants and the beach. Also there are 8 rooms that have been completely adapted to serve the needs of people in a wheelchair with all the facilities they may need.

They customers of the hotel are mainly Spanish people and they are divided into two groups: families, which come mainly during the summer time, and senior people. For all of them the hotel has activities during day and night for kids and older people. These activities can be excursions to a nearby conservation area in which people can learn about

the fauna and flora of La Manga and the importance of protecting it. Also there are some activities like aqua aerobics and dance lessons at night.

The hotel has estimated that around 30.000 people stay there every year. The hotel is in an area that is not so easy to access because of the lack of nearby airports, this is the reason why no big hotel chain has gone there and this is why Entremares has to work very hard to attract clients all year long. For this reason they decided to become very active members of the different social media networks. Their Facebook page has over 29.000 fans, which represents a big success because they are also very active fans who post comments and videos of their experience at the hotel. Through the social media Entremares can also make publicity and offer some discount packages. The fans that go and stay at the hotel during the summer have the possibility to visit the Fan Office to get an insight of the different touristic places in La Manga, Murcia and Cartagena.

The Fan Office is another interesting idea that came up because of the rising number of facebook fans. The management of the hotel decided to make a partnership with a local NGO called CEOM that trains disabled people to work in different kinds of activities. They came up with the idea of having one of their people working part time at the Fan Office. The summer of 2012 was the first year of this project and it was proven to be a big success.

In 2009 the management decided to make an effort to systemize all their CSR strategies and to make them more visible for the stakeholders. They decided to include in their management report all of their CSR activities to show their commitment to transparency. To show their engagement to sustainability they came up with a strategy that shows the integration of sustainability in three dimensions; it is called RS3 in Spanish. This means Social Responsibility, Social Media and Sustainable Reality.

In 2010 Entremares won an award for best Spanish SME in the Telefónica Ability Awards, because of their commitment with accessibility and inclusion.

What about CSR?

CSR works and has evolved because it is managed and planned from the board of directors. However, it is important the commitment of all employees to the strategy.

In Entremares there are two people responsible for CSR: Director of Social Responsibility and Director of Quality and Environment. Both are at a managerial level, according to the organizational chart.

The planning of the actions is made from the board of directors, directly by the Managing Partners and CEOs and it is then strategically planned and executed by these two people. It is possible to say that this SME has a CSR strategy that has evolved over the years, thanks to the involvement of the board of directors. It is them who are concerned about increasing and refining the diverse actions, and making sure they add value to the organization.

However, the implementation and evolution has been possible only because of consistency of plans throughout the organization by having two CSR responsables at the managerial level, which at the same time deal directly and continuously with the rest of the department heads, who transmit this to the employees. Additionally the opportunity for employees to provide ideas for continuous improvement and each of them being able to adapt the rules to their daily work also shows the importance of having a two-way model, which indirectly makes social responsibility plans work.

Entremares is certified with three quality standards. Q, from the Spanish Tourism Quality Institute (ICTE), which certifies customer oriented quality processes, specialized in tourist sites; ISO 9001 and ISO 14001. The certifications were obtained in 2003. They started with the aim of having international recognition, but over time have greatly helped to every day work and there has been much improvement. One of the greatest difficulties for compliance, since the beginning, has been the engagement of the staff. Employees used to perceive them as interference in their work and an extra burden to record all data. Over time they managed to be flexible and adapt the rules to the hotel, their daily activities and their own way of doing things. In addition they have removed unnecessary records, to retain only those that provide valuable information and indicators. Communication has become much more efficient, simplifying the handbooks which has led to greater involvement of staff, and a change in organizational culture.

At the corporate level, there has been a better organization and control of the processes generating savings in several areas.

Thanks to the implementation of the ISO 9001 and 14001 as well as the Q standards, Entremares gave a very big step towards a more organized control system. The ISO 9001 quality management standard helped the management of the hotel to really organize their processes according to manuals that every department needs to follow. By doing so, every manager from each department has to be informed of what is happening in every process of their area and has to pass the information to the top management as well as all the employees that he is responsible for. Every employee of the hotel needs to know what the quality management systems is about and has to be able to participate in the continuous improvement of the system. After every meeting all of the managers have to inform their employees about the decisions taken there and the role that each of them has to reach the common goal.

What we noticed is that the management takes all of these standards very serious and has made a very big effort to make sure that all the employees feel comfortable with them as well.

All of these standards help to improve the communication channels because there are clear directives that need to be followed in order to get the certification, which means that all employees have to be involved in the process since the beginning. This takes time, because normally is an abrupt change and people tends to react to these kind of changes.

In 2001, 204 solar panels were installed in Entremares, which constituted the first major action of CSR. The main desire was to modernize the facility to improve the image of the hotel and generate savings because the rising price of oil. However it was not until 2008 when this action and some others, were encompassed in a single strategy under the name RS3: social responsibility, social networks and sustainable reality (environment). Today, with more awareness on the topic, social responsibility is intended as the road between the mission and vision of the company. **The directors consider as main motivation to create a viable and sustained business strategy that must turn a profit and maximize shareholder return, but always in a sustainable manner.**

Currently, Entremares holds some partnerships aimed to improve the quality of life of their surrounding communities. One of them is with the Association for the Integration of Persons with Intellectual Disability (CEOM) since 2010. The project's goal was to have a personalized customer orientation through the use of social networks within the hotel facilities and at the same time show the community the job opportunities for people with that kind of disability. Also there is a plan with the Municipality of Cartagena to attract elderly clients through the Carthaginian Termas social program.

It is possible to observe that the hotel maintains alliances that are intimately linked to their business strategy towards client seeking and greater volume and retention. They also have another set of actions performed sporadically such as toy donation and sponsorship of sport events. It is noteworthy that both, as its two main partnerships are focused on the local community, being more accessible, facilitating its implementation and allowing their evolution.

The HR director believes that CSR is "a way to reach more easily the environment (physical environment), which is sometimes very tight." It is curious that the person responsible for personnel management does not consider employees and human resource plans as part of social responsibility. However, there are a number of actions that can be categorized as best practices as they go beyond compliance with the law and contribute to the added value of the company. For example, Entremares holds an equality plan since 2009; they work to provide conciliation between personal and professional life by granting flexibility in working hours according to the needs of different departments; the relationship with employees is very straightforward, the treatment is very personal; internally there is a suggestion box that allows employees to express themselves and confidence is promoted so they can provide ideas or raise grievances. Innovative ideas from employees are rewarded. This, on the one hand indicates an integration of social responsibility to core business in HR strategy and the other indicates a possible fragmentation of the concept of CSR as a whole.

Applying a CSR program requires having a vision and the willingness to achieve it. By following and trying to accomplish the targets, it is necessary to seek options that suit with the goals. This is what Entremares did. By taking into account their CO2 emissions,

energy-savings, efficiency in most procedures and willing to benefit the local community; Entremares helped to boost the local economy.

One clear example is the consumption of local/ regional products in their restaurant and bar, mainly farmed in Murcia. Looking for regional products in the large retail market chains encourages and supports local producers to have an opportunity to market and sell their products. Thus, it is guaranteed both the defense of Murcian agriculture and its products, as well as assuring them flow and the hotel's client's right to choose products of better quality and greater diversity.

This has been one of the indirect impacts that should be highlighted: the contribution to maintain the economic production of the local/ regional community and avoiding the bankruptcy of companies and consequently the growth of unemployment.

In regards to certified products we recognize that some products can be hard to find in the region or they are too expensive to be affordable, this may be a half-true statement.

Nowadays, large market retailers can provide certified products that are not too expensive or that have the same price as most conventional same-type products. For example, some worldwide brands are already certified by organizations such as FSC, MSC, and Rainforest Alliance or claim to have into accounted some sustainable procedures in their production chain. In fact, in the case of some products this is too easy to find. We are mentioning the case of coffee, tea or cocoa.

Also, some local products may be under the E.U certification scheme of "designation of origin", which protects local products made by using domestic breeds and helping them being preserved. It is all a question of searching the brands and what has been done among the local farmer cooperatives.

We believe that a good CSR program is the one that is aware of the local reality, especially to what it concerns community needs and environment.

Murcia is an especial region in Spain that has a lot of environmental issues and concerns; the lack of water, its location in a Mediterranean biodiversity spot (with a diverse fauna and endangered plants) and sun abundance.

Knowing this, if we consider what Entremares is doing, we can say that they are performing well so far.

Entremares is improving its water management performance. The company complies with specific swimming-pool water treatment laws (water treatments that do not require water substitution), saves water through taking steps to make bathrooms more efficient (less water consumption by incorporating a plastic bottle inside the toilet to reduce water-flow and making a few changes in shower stalls) and as a consequence lowering water bills.

The company also understood the benefit of using the free and abundant sunshine in the region. All their water in the hotel showers is boiled by their solar panel system. Although so far it has been one of the most expensive investments, in the medium long-run the company has saved costs and perform better environmentally (which contributed to their sustainable development performance recognition at regional level).

Least but hopefully not last, the company is involved in local environmental awareness by developing walking around tours into the last pristine natural landscapes in the beach, celebrating the earth day. The main target groups have been the children and sometimes the elderly.

For Entremares, SMEs that are complying with law is not enough. The real challenge is going beyond laws in order to innovate and go deeply in all the possibilities to have positive impacts. They do not believe that only complying with the law will serve neither the purpose of CSR, nor SMEs.

Entremares provides manuals for each department with the lines to follow and the quality and environmental objectives with an explanation of how to achieve them.

Although law does not require reporting, Entremares explains that indicators are useful in order to have data and be able to evaluate the results of their CSR policies. Reporting helps to do an analysis and set objectives for the following years. Furthermore, indicators are also a way to manage and control the activities of the hotel. Each department can base on these indicators in order to know what each of them need to improve. Reporting is also useful to keep the data to see the evolution of the process and to highlight the benefits. Including CSR in the strategy could be difficult for SMEs due to its wide application. It is easier to be lost or to be overcharged if you try to implement several projects at the same

time. The risk of that is to botch all projects with the result of negative impacts and superficiality.

It is important to focus on one or two big projects and move forward every year with them. In this case, the example of the partnership with CEOM illustrates the deep relationship between them with the result of a real evolution. They have started two years ago with a two months contract in the client attention area, and know they organize a recruitment process in different departments to integrate disabled people in the team. **To choose one or two big projects and four or five small projects, will have better results than several big ones without resources to implement them in an efficient way.** Strong partnerships based on close relationship are also important to create a commitment inside of a company and to go further.

Another important issue for us is the fact that Entremares shows that Social media is an effective, free and massive tool for SMEs. Social network has a high capacity to spread SME's messages and to make the company more visible. Social media helps to boost the competitive advantage of a CSR program. Furthermore, social responsibility, environmental issues and good practices are well valued in the social media. The use of new technologies could have a distinguished and add-valued factor for SMEs. More and more people are using new technologies to find information, ideas, products or services and after a look of price they will base their choice on other factors.

We could see that Entremares is aware of the reputational benefits by incorporating CSR policies in their business. The different recognitions given by different entities that award the most sustainable companies are proves of that. Also that some clients would recommend them as a responsible and innovative hotel.

People tend to respect those businesses that are handicap inclusive and concerned about the environment and wellbeing of their clients.

By being a medium size company, these perceptions can be more noticeable: everybody can notice the use of solar panels, recycling bins, environmental disclaimers in the bedrooms, and clients feel better by knowing that some employees are having an opportunity, that due to their disabilities they tend to be rejected in most places.

This means that small, medium companies by investing in CSR policies are also investing in image and reputation while doing well.

Once again, by incorporating some certified products or advertising that are local products in the restaurant and bar would benefit even more the reputation and image of Entremares.

We have found again critics of the lack of support for SMEs on CSR issues. Initiatives such as platforms of good practices do not exist. CSR is still mainly focused on big companies. All manuals, laws or supports are leaded to the multinational reality, which is totally different from the SMEs reality. SMEs feel that they do not have support or/and recognition from institutional authorities neither for on-going CSR programs, nor to incentive programs. The question of who should start was raised: in one hand public administration would not organize events if there is no demand and in the other hand SMEs are not always aware of CSR issues or they do not know how to implement policies or to whom to go and ask about it

3.3 What people understand by CSR

Our aim with this project is to understand the drivers for entrepreneurs to decide to do business on a sustainable basis and to look for what they understand by CSR. The first question of our interview was: *what do you understand by Corporate Sustainability Responsibility?*

We can highlight these four different ideas:

CSR appears frequently as a link to the outside of the company with a direct impact on communities.

- Responsibility to the clients and company's environment
- Commitment with the community
- Ensure the welfare of the influential circles

CSR is thought as an integrated management system to achieve the company's vision.

- The path between the mission (where we are) and the vision (where we are going)
- Integrated in the management and the daily basis activities
- The management should create mechanisms to implement CSR at all level of the company
- First, CSR is coming from policies and then they become actions

- Using the means and resources of the company to increase the value of the people working for it and of the society

Another point is related to benefits. In one hand as the general idea CSR is marketing. In the other, shareholders do not take into account CSR but they are more focused on dividends.

- The aim is to give benefits
- CSR as marketing
- Shareholders do not look for CSR but for dividends

Finally, CSR related to an ethical sense.

- 3 dimensions: economics, social, environmental
- Commitment with the present and the future of the society
- CSR is a way to think in private life as well as in the company through awareness and accountability

These four ideas taken from the questionnaires will help us to elaborate the model. We will have them in mind and will be able to design a content to allow explaining what are the key CSR issues.

3.4 What people suggest for the model

Along all the interviewees (not only to the SMEs managers but also to the teachers and experts) we asked the question: *What would you like to see in a CSR model and how do you imagine it?*

All the answers were very similar, and because of that we could actually visualize the need of a new way of delivering CSR tools to SMEs.

The first thing that many of the people agreed about is the fact that it has to be an easy tool to understand and to implement. Meaning that it does not have to include much text, it should be more visual and intuitive. Images can transmit much more than a lot of text. All answers were very emphatic in the fact that it had to be easy to access and free. The majority of them suggested an online platform.

Another important thing that people answered is that it would be very nice if there were videos with tutorials and also testimonies from SMEs managers that have implemented CSR

successfully. The idea of the model being more interactive is something that attracts people very much.

Some of the answers we got, talked about including some links to different web pages that could be helpful to learn more or just to know what is going on with some specific issues. Some examples of these pages are: certification schemes, EU directives, laws, suppliers of certified materials, etc. We think it is an interesting suggestion, because in many cases there is not much time from the top management to do a very deep research, so if they had some information all in the same place it would be very helpful for them.

For some of the people it is very important that the model promotes stakeholder engagement through each of the 6 capitals that compose it. We think it is crucial to do so, because SMEs have to be involved with each of their stakeholders to have a real impact.

Another important suggestion that was made is the fact that it has to be a self-thoughtful model in the sense that it can offer strategies and alternatives but it does not give the SMEs a ranking of where they are. It is just for them to know what they are doing and what else can be done. Another crucial issue for the respondents is the possibility to interact with other SMEs and share experiences, through an online forum for example.

Many of the people said that it would be more useful if the model has the option to be used in different languages. We believe this is especially important because we want it to be scalable to other countries.

4. Model

The aim of this model is to provide micro, small and medium enterprises a tool that allows them to consciously incorporate corporate social responsibility into their business strategy. It is contemplated that one of the main advantages in applying it is the easiness to incorporate a responsible culture among the work team, thereby contributing to an improved reputation, both internally and externally. Unlike the guides, models and existing documents, this model is intended to be:

- Dynamic: the information flows through it clearly
- Flexible: easily adapts to different companies or situations within the same company
- Pedagogic: the clarity and simplicity with which it is built is useful to instruct users on CSR issues. The information comes from the response to a variety of questions that encourage users to think about their own actions, always seeking continuous improvement.
- Holistic: It is integral. It makes sense as a whole, integrating all its parts (the various capitals)
- Free: accessible without any type of cost
- Simple: straightforward in its design and intuitive to use to easily be integrated into daily activities
- Global: useful for any type of SME regardless (but contemplating) the sector, size, time of existence, geographic and cultural context, position in the value chain and nature of the products and services.
- Customized: is constructed from and accommodated to the features of each company and gives a unique result for each one.
- Visual: Key factors are expressed as ideograms that facilitate the connection between the concepts and practical actions.

Also, “CSR tools for SMEs are not an end in themselves and should not be imposed on enterprises. Rather, they should be developed and judged according to the added value they bring to the enterprise and its stakeholders in terms of being better able to integrate CSR into business practice” (European Commission- Directorate General for Enterprise and Industry, n.d.). It is this characteristic that is sought to be reflected in the construction and use of this model, for only then a true alignment of social responsibility with the core business and the strategic business objectives may be achieved.

In order to do so, the model should encourage SMEs to start with small actions and incrementally incorporate CSR as part of the strategy, “because CSR covers such a potentially wide number of issues, it can appear overwhelming. There is no need, however, for a company to try to address all aspects of CSR from the beginning”. (European Commission- Directorate General for Enterprise and Industry, n.d.)

Also it is intended that, where possible, the model contains a number of links to other platforms, models, guidelines and standards with similar characteristics. All of them related to the various capitals exposed in the model in order to direct the users to other sources of advice and support available.

The model is made up of a series of self-reflective questions that allow the user to know the place where the organization is, a clear view of the actions already implemented and existing areas of opportunity as well as its strengths and weaknesses. There from, setting objectives and actions to reach them. It also allows to visualize the various stakeholders and to contemplate them in the process of CSR integration.

The final result will be the creation of a CSR plan itself, completely adapted to the needs, context and values of each company, according to which it may establish the CSR commitments that the user chooses to assume to develop in a gradual manner.

The model is designed to be used by the managers or owners of the company, which in most SMEs reside in the same figure. This does not mean that its use is limited to the management team; in contrast, it invites the rest of employees to be part of it, even though, "the success of a sustainable management resides at all times in the hands of the company's head. A CSR strategy cannot be implemented without the support of the Board of Directors. And it is not possible to reap the rewards of responsible management if that Board does not maintain at all times a leadership, support and encouragement, both facing individuals of the company itself and external partners." (Lemonche, 2011)

Acknowledging employees as the main driver of businesses, but being especially characteristic of the SMEs, the model encourages the implementation of CSR actions involving employees as the main stakeholder. Meaning either involvement in the definition and implementation of the commitments set, or as the main focus of the same, i.e. start within the company.

As a result, the model will offer the business owner an overview of CSR in their company from which it is recommended to establish priorities considering that resources are not unlimited. Furthermore, to choose areas of opportunity that are most relevant to SMEs

according to their values, mission, vision, scope and industry that can provide the greatest added value.

It is essential to start with the statement of prudent goals and objectives that are achievable and serve as a support for accomplishing new goals later.

For the purpose of the model, from now on we will refer to the term of CSR as Engaged Management because as the results of our investigation show, the concept is misunderstood and misaligned with SMEs needs.

Click here to go to the model: <http://bit.ly/18311gG>

4.1 The pieces of the model

Below, we present a description of the format and content of the model. We chose the idea of a gear, given that it symbolizes a notch among several pieces that are in continuous movement. Each of the gears represents one of the capitals that together form a CSR engine.

Homepage

In order for SMEs to use the model page users need to register with a username and a password to create a personal account that can be accessed only by them. This account will automatically save the data and allow them to compare themselves over time.

Description of the model and instructions to use it

This model is a practical introductory guide that will assist you in clearly visualizing your business's strengths, contributions and areas of opportunity Engaged Management based on community, labor, natural, assets, management and financial areas. It can also help you register and measure various activities and compare them over time.

To begin, prioritize the areas that are most important to your business and answer the different questions. Be as specific as possible providing data and examples of your activities. If you do not have an answer to a question, leave it in blank.

Throughout the process, keep in mind your stakeholders. Think about who are the people, organizations and institutions related to each of these issues, how can they help you and how should you communicate with them.

Once you've answered the questions as a way of reflection, you will have a clear vision of what you currently implement, the measurement of your actions and areas of opportunity in which you may act, that will be clearly colored highlighted.

Video

A video of a business owner will be presented as part of the credibility and motivation to implement Responsible Management. He will answer two questions:

- Why doing business in a responsible / sustainable way?
- Which are the benefits to do so?

For the present draft, Alberto Inglés, CEO of Hotel Entremares is presented as an example. In the future, all the users will be able to share their own experience with a video.

Forum

The forum will be an open space for interaction to post short comments, doubts and Responsible Management good practice examples from business to business. It will be shown as news feed being constantly updated each time someone posts.

Engine

Seven pieces are geared. Six of them represent each one of the capitals and the one in the center stands for stakeholders. As a whole, they provide an integral committed management system able to be used as a practical introductory guide to Responsible Management for SMEs.

In each of the capital engines, a link to other web pages will be available. This will provide alternative ideas and tools to business as usual.

Below are the questions included in the different capitals.

Natural Capital

The stock of resources and services provided by the environment to the business.

Water management: Which actions are you taking to save water and to ensure safe water disposal?

- Close the taps when not used
- Install water saving systems
- Water reuse
- Water treatment
- Proper water disposal

Waste management: Which actions are you taking to reduce, reuse and recycle your different materials?

- Waste separation and recycling (batteries and light bulbs, paper, organic materials, plastics, metals, paper, rubber, cork, clothing)
- Lightweighting: using the minimum of materials needed (production, packaging)
- Second hand use

Energy efficiency: Which actions are you taking to be energy efficient?

- Switch off lights, computers and machinery in general when not used
- Energy efficient equipment (labels, Led bulbs, low consumption products)
- Transport (public transport incentives, bicycles, hybrid cars, car sharing)
- Green energy sourcing (renewable energy from the grid, solar panels)

Green products: Are you sourcing or promoting green products?

- Certificated products (Fairtrade, RainforestAlliance, FSC, MSC, EPEAT, Global Organic Textile Standard)
- Organic
- Local products

Natural environment: Do you have into account your impacts in the eco-systems? What actions do you take in order to protect your natural surroundings?

- Integrated farming system (good use of pesticides and herbicides)
- Protect green spaces, trees and animals (natural heritage)

Labor Capital

The working population and their knowledge, skills, education and training.

Training: Which actions are you taking to provide useful life-long learning to your employees? (language, IT and essential skills for your sector)

Human rights: Which international human rights conventions do you apply in your business or take into account with suppliers?

- Discrimination (racial, gender, persons with disabilities, migrants)
- Child labor
- Freedom of association
- Respect working hours
- Occupational health and safety
- Forced labor
- Living wage

Life-work balance: Which actions are you taking to promote Life-work balance? (flexible hours, working from home, time for leisure)

Working environment: Which actions are you taking to promote a pleasant working environment?

- Autonomy
- Open communication channel
- Pleasant workplace (relationships and physical space)
- Working to achieve targets

Recruitment: Which actions are you taking to ensure a good recruitment process?

- Ensure diversity of candidates
- Have clear job descriptions
- Objective selection process
- Respect the candidate through the whole selection process

Community Capital

The interaction of the company with the community in which it is operating.

Dialogue: Do you approach the community in which you are operating, and how?

Impacts (positive and negative): Are you aware of the impacts (positive or/and negative) of your company's operations on the local community? Please list them.

Partnership: Have you identified any organization or non-profit that you can partner with for a specific project?

Donations: What kind of donations you make that are aligned with the core business?

- Money
- In kind
- Sponsorship
- Volunteer

Asset Capital

All the material goods of the company such as buildings, machinery and transport networks.

Technology: Do you apply any kind of technology to make your company more efficient (cost savings, social and environmental solutions)? Which ones?

Innovation: What kind of new solutions are you applying to meet new requirements or existing market needs?

Financial Capital

Physical or immaterial assets that reflect the economic value of the company

Wealth distribution: Do you ensure a fair wealth distribution within the company (gap among the salaries) or/and with shareholders?

Efficiency: Which actions do you take to maximize benefits and reduce costs?

- Increase sales
- Look for niche markets

- Simplify processes
- Material optimization
- Improve logistics

Supply Chains: Which actions do you take to promote a trust-based relationship with your supply chain?

- Pay on time
- Pay fair prices
- Long-term contracts
- Personal treatment

Management Capital

A set of tools that allow a more efficient management of the business through transparency, ethics and strategic thinking.

Transparency: Do you disclose accurate financial and non-financial (business activities) information for the public and how?

Leadership: How do you ensure that the company values are disseminated among the whole organization (actions and means)?

Strategy: Are ethics, responsibility and transparency values reflected in the strategy (mission, vision, values, objectives, activities) of your company?

Stakeholders

Defined as the people, organizations and institutions related to each of the capitals, who are directly affected by or have a direct impact in the company.

In each of the sections of the model, there is an incentive to constantly think of the various stakeholders and list them, to think about who can help to achieve a particular goal and how are they going to communicate with them.

Results

In each of the capitals, the questions that are not answered will be colored highlighted at the end. This will create a visual image of the areas of opportunity in which the company can act.

Also, the model will be visualized as a whole. Those engines in which the company applies all the possible actions will be colored in green; those in which the company only applies part of the actions will be colored in yellow and those in which they do not act on will be colored in red.

This measurement system has the purpose to allow the user to visualize the capital in which they currently are more focused and the ones in which they have more areas of opportunity to implement responsible management actions.

5. Conclusion

Certainly there is a huge amount of available information about CSR, and especially in the European Union several efforts have been made to target the Small and Medium Enterprises. However, a vast majority is not accessible to the business owners due to the lack of knowledge and the misconception of CSR.

The comprehension of corporate social responsibility among SMEs is biased towards the social part of the concept, therefore considering only external actions in the form of philanthropy. In addition, when taken into account the environmental side is mostly thought as a separate issue.

The investigation shows that human capital and governance are not considered as part of the CSR concept, therefore there are likely no internal CSR actions.

Even though there are several responsible actions being implemented by SMEs, such as the example of Entremares and Macedonia, they are not acknowledged as CSR practices. Business managers usually act by common sense.

Although we appreciate a selfless intention - out of the goodness of their hearts -, there is a need to integrate CSR as part of the business strategy. As a result a comparative and competitive advantage may be gained.

The methodology used for the project and the restrictions within it, prevent us from the possibility of creating a specific model for each type of SME according to their size and sector. We recognize that this may subtract value to the utility of the model, but at the same time contributes to its scalability. Due to its inherent characteristics, it allows all kind of SMEs to use it as a guideline for Engaged Management.

Furthermore, we perceive a lack of institutional support from governments, chamber of commerce, sectorial associations and educational institutions for awareness raising and the development CSR plans. We also notice an insufficient collaboration among SMEs in order to share good practices and doubts. In the other hand, this collaboration could create a network to reinforce their weight in the decision-making (bargaining and influence power) and their strengths to have impact in economic, social and environmental fields.

In the corporate social responsibility discourse there is an eternal struggle between making CSR voluntary or compulsory through regulations. Currently the implementation of CSR in SMEs is on a voluntary basis and as mentioned throughout the paper, mostly unconscious. Nevertheless, it could be useful to incorporate economic, social and environmental variables into the regulation as a way to raise awareness and make them move forward to better sustainable practices.

The future of the model

The next steps for the development of the project, is the promotion of the model through social networks and other online tools, by word of mouth, starting with the SMEs we contacted for the investigations and entrepreneur networks such as the HUB or other co-working spaces. Another objective is to adapt the model by sector and size and to translate it to several languages.

Given that the model is intended to be free, a possible funding source would be crowdfunding, donations and online advertisement.

The universe of SMEs is so large, so varied and with so many challenges ahead that sometimes, a barrier is created making it impossible to see clearly how to respond to their needs. Thus we express some questions that we could not respond through the development of this project: How strong are the drivers to change when other economical and political interests are at stake?

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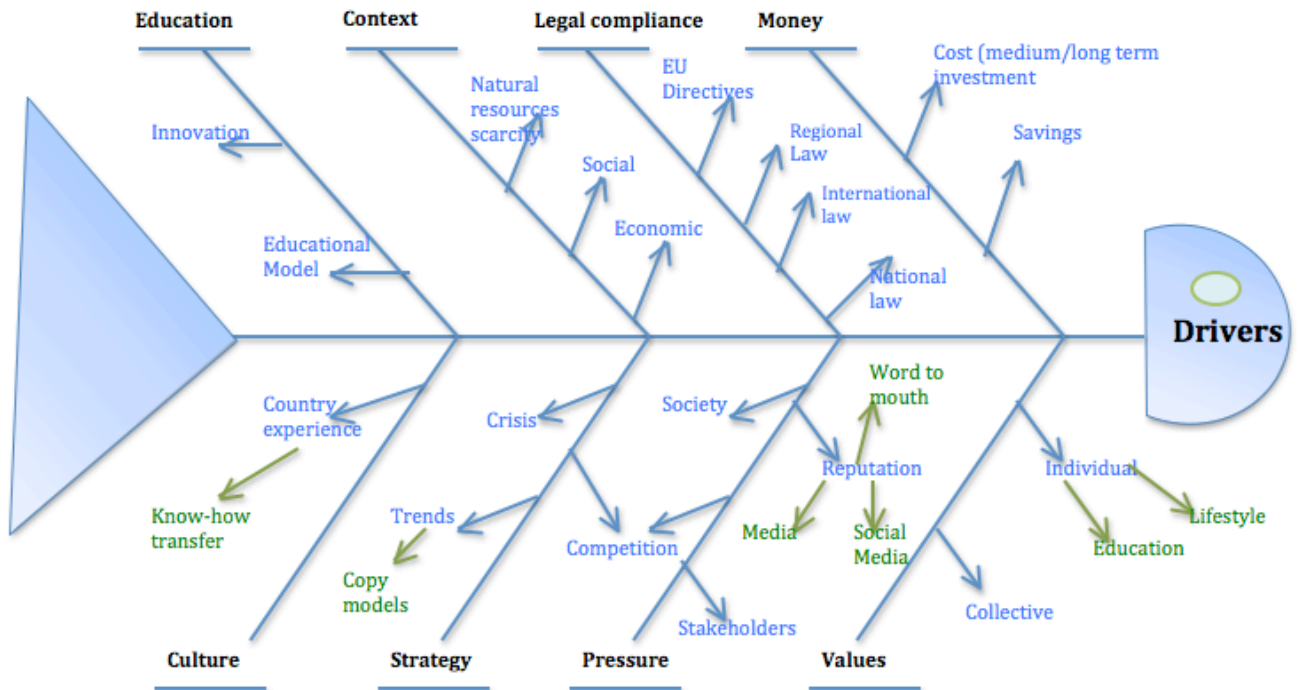
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Annex

1. Fishbone Analysis



2. Online Survey

1) ¿Qué entiende por Responsabilidad Social Empresarial (RSE)?

- Las políticas y acciones que define y emprende una empresa para favorecer el bienestar de los círculos de influencia que se ven afectados por su negocio.
- Que las empresas además de cumplir su función "mercantil" tiene un compromiso con la comunidad (más local o más global)
- Necesidad de realizar labores importantes con responsabilidad para el buen funcionamiento de nuestra empresa,, tanto en la propia empresa como fuera de ella
- Es el proceso por en el cual las organizaciones y su entorno se articulan para respetar las 3 dimensiones que son: Económica, Social y Ambiental.
- Utilizar los medios y los recursos de la empresa para aumentar el valor de las personas que trabajan en ella o de la sociedad
- Para nosotros RSE es un compromiso con la sociedad presente y del futuro, para contribuir a vivir en una sociedad mejor en todos los aspectos.

2) ¿Su empresa cuenta con una estrategia de Responsabilidad Social Empresarial?

Si, ¿cuáles son las principales motivaciones para hacerlo?

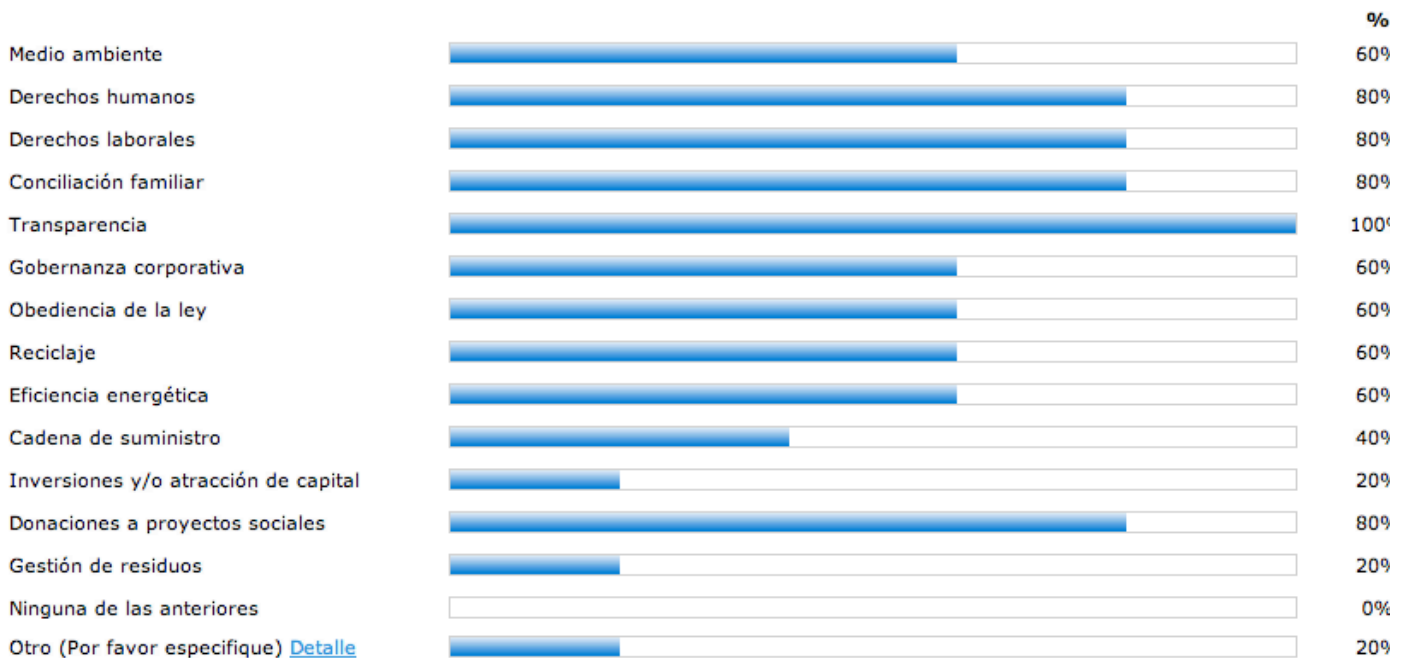
- El compromiso de los socios con las causas sociales y la visión de una empresa "modesta" pero con inquietud
- Ver a los clientes encantados de volver día a día a consumir nuestros productos
- Devolver algo de lo que la vida nos da
- Compromiso con el futuro en todos los niveles

No, ¿Por qué?

- Desinterés de la cabeza de la organización
- Porque esta metodología la estamos descubriendo con la preparación.

Si su respuesta fue NO, por favor continúe en la página 2. (pregunta 11)

3) ¿Cuáles de los siguientes elementos cree que están dentro del concepto de RSE?

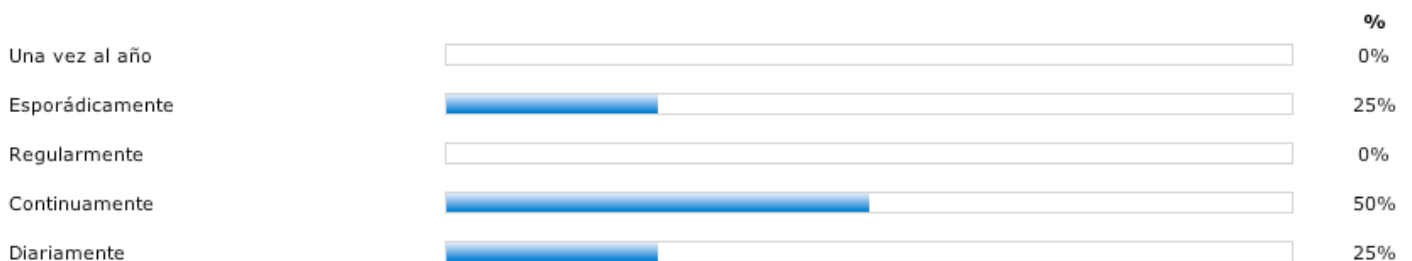


* Otro: El sector discapacidad concentra los mayores esfuerzos

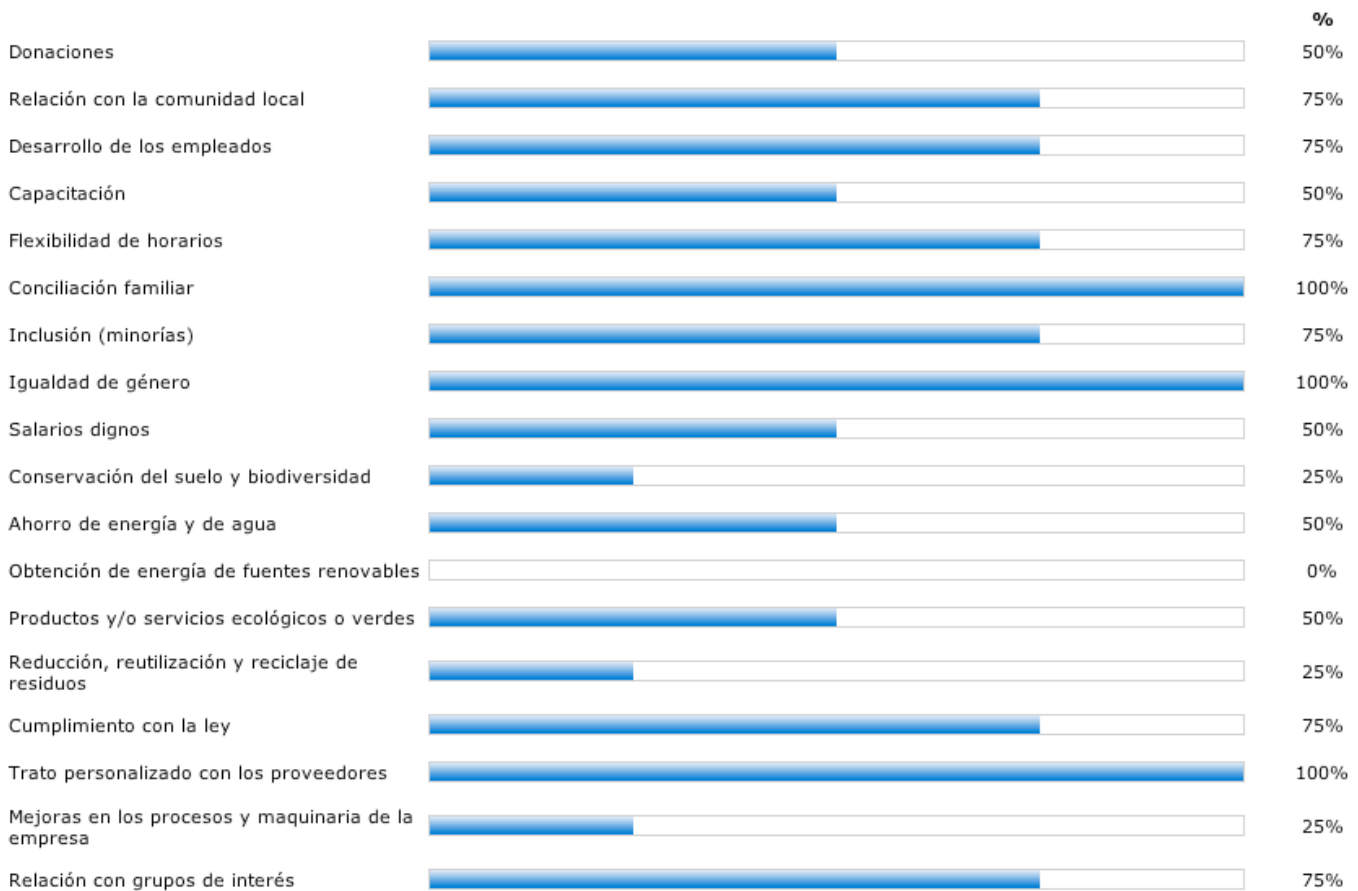
4) ¿Utiliza alguna herramienta, guía o estándar para su estrategia de RSE?

- No
- Planificación propia, adecuación particular de la RSC 26000,...
- Responsabilidad en el trabajo y esforzarse día a día en todos los sentidos

5) Las principales actividades de RSE de la empresa se realizan:



6) De las siguientes actividades, cuáles se llevan a cabo en su empresa?



7) Para usted la RSE, es

Una inversión, ¿con qué objetivo?

- Difundir y compartir valores. Imagen de empresa
- Con el objetivo de abrir el negocio día a día con optimismo y ganas de trabajar
- Mejora de la conciencia y de los valores
- En repercusión de marca para la empresa y bienestar para los trabajadores

Un coste ¿de qué tipo?

- Cuesta transformar paradigmas personales y colectivos
- Tiempos de dedicación a los demás en actividades de consultoría principalmente

8) ¿Cuáles son las dificultades a las que se han enfrentado o podrían enfrentarse para el desarrollo de proyectos ambiental y socialmente responsables? ¿Qué hizo la empresa para superarlas?

- Hasta el momento apenas se está planteando la posibilidad de algún proyecto de ese tipo
- Falta de recursos financieros. Falta de planificación para involucrar a más...
- Sobre todo dificultades económicas, ir capeando los malos momentos como se puede según se van presentando.

- A día de hoy nos enfocamos en las estrategias de menor coste de implementación. La principal dificultad radica hoy en día en el coste superior de algunas acciones y la falta de comprensión de la sociedad la visión estratégica de la implementación de RSE y por tanto el superior coste de gestión de negocio.

9) En los últimos años ha surgido y tomado fuerza la concienciación ambiental y social. De acuerdo a su experiencia, ¿cuál ha sido el nivel de impacto en su negocio?

Medio ¿Por qué?

- Miopía: prima el cortoplacismo y lo economicista.
- Porque los tiempos cambian pero todo va súper lento y a veces te da la sensación de dar un paso para adelante y dos para atrás.
- Se reconoce como parte de nuestro estilo

Nulo ¿Por qué?

- No se hace
- Nuestro negocio nace con esta vocación, por lo que no se considera el impacto de los 'nuevos cambios'

10) Si le ofrecieran un modelo de RSE que sirviera de apoyo para el desarrollo y la mejora de estrategias para su empresa, ¿cuál sería el modelo ideal? ¿qué expectativas en cuanto a contenido, formato y facilidad de acceso tendría?

- Ideal un modelo que ofrezca estrategias y alternativas que se pueden desarrollar desde la esfera no administrativa, cuando los jefes no están interesados.
- Una RSC ajustada a las pymes, sobre mínimos, y sobre todo desde lo real (evitando oportunismos de maquillaje)
- El modelo ideal sería uno sencillo para que cualquier ciudadano de cualquier clase social o cualquier nivel de inteligencia fuera capaz de entender fácilmente y así favorecerle para el buen desarrollo de su empresa. En varios idiomas, claro.
- Un modelo que integrara todos los aspectos de RSE pero que restara en complejidad administrativa y de gestión. Un formato sencillo y sobre todo ágil sin necesidad de sesiones formativas. Cuando tengan algo nos gustaría saber del proyecto, nos pueden contactar en info@toparound.com

La encuesta ha finalizado.

11) Para usted, la RSE es..

Una inversión ¿con qué objetivo?

- Mejorar la calidad de vida de todos. Un coste de tiempo y esfuerzo para cambiar nuestro modelo de pensamiento
- De lograr eficiencia, eficacia e imagen comprometida con el desarrollo de un territorio

12) Si pudiéramos hacer algo para motivarlo para aplicar una estrategia de RSE, ¿qué sería?

- Ofrecer estrategias para hacerlo sin requerir en la primera fase al círculo directivo.

- Usar técnicas para motivar a los stakeholders, pero con un sentido de deberes y responsabilidad con una sociedad, que puede hacer que inclusive es un aliado para su progreso.



13) ¿Cuáles de los siguientes elementos cree que están dentro del concepto de RSE?

14) En los últimos años ha surgido y tomado fuerza la concienciación ambiental y social. De acuerdo a su experiencia, ¿cuál ha sido el nivel de impacto en su negocio?

Bajo ¿Por qué?

- Todavía falta generar una conciencia ecológica y social, en el país.

Nulo ¿Por qué?

- No Hay

15) Si les ofrecieran un modelo de RSE que sirviera de apoyo para su empresa, ¿estaría interesado en utilizarlo? ¿cómo sería el modelo ideal?

- Ofrecer estrategias para hacerlo sin requerir en la primera fase al círculo directivo.
- Sería el de Stakeholders motivados, crítico, comprometidos, con la participación de empresarios que vean en el RSC o RSE aplicada a su organización con un espacio de dignificación de una sociedad.

16) Después de leer este cuestionario, ¿cree que aplica alguno de los elementos de RSE en su empresa?

1. Eficiencia energética y Gobernanza corporativa
2. La parte motivacional, que es la crea una conciencia de respeto y amor al prójimo

Muchas gracias por su participación en esta encuesta. Su colaboración servirá para la creación de un modelo innovador de RSE para la PyMES. Si está interesado en que le enviemos los resultados de la investigación y del modelo, por favor háganoslo saber.

3. Interviews with Entremares and Macedonia

- 1) What do you understand by Corporate Social Responsibility?
- 2) Does your company have a CSR strategy?
 - Yes, Which are the main motivations to do so?
 - No, why not?
- 3) Which of the following elements you think are included in the concept of CSR?
 - Environment
 - Human rights
 - Labor rights
 - Family conciliation
 - Transparency
 - Corporate governance
 - Law compliance
 - Recycling
 - Energy efficiency
 - Supply chain
 - Investments or capital attraction
 - Donations to social projects
 - Waste management
 - None of the above
- 4) Do you use any tool, guide or standard for your CSR strategy? Which one?
- 5) The main CSR activities of the company are carried out:
 - Once a year
 - Sporadically
 - Regularly
 - Continuously
 - Daily
- 6) Of the following activities, which are carried out in your company?
 - Donations
 - Relationship with local community
 - Employee Development
 - Training
 - Flexible working hours
 - Family conciliation
 - Inclusion (minorities)
 - Gender equality
 - Living wages
 - Soil and biodiversity conservation
 - Water and energy saving
 - Obtaining energy from renewable sources
 - Green or eco products and services

- Reduction, reuse and recycling of waste
 - Law compliance
 - Personalized treatment with providers
 - Improvements in processes and machinery of the company
 - Others:
- 7) In your opinion, CSR is...
- An investment, with what objective?
 - A cost, of what type?
- 8) In case you have any investment or capital attraction, does the financial institution, organization or person are recognized as socially and / or environmentally responsible? If not, are you interested in doing so?
- 9) Is your financial planning long term designed? How many years?
- 10) Is there a code of ethics / best practice handbook (internal and external) in the company? Is it available to everyone? How?
- 11) Does your company have a process to ensure effective feedback, consultation or dialogue with customers, suppliers and the other people you do business with? If yes, with what tools?
- 12) Who are your stakeholders?
- 13) How does the company handles the relationship with stakeholders? (tools, temporality)
- 14) To what extent the ecosystem (biodiversity) in which your company operates or is dependent of, impact on your business?
- 15) What level of knowledge do you have of the origin of the products you use in your company? Is there a practice of purchasing raw materials or processed products that are certified to comply with social and / or environmental standards? Which ones?
- 16) Is there any report of CSR activities? Is it available to be consulted by anyone?
- 17) What are the difficulties that you have faced or may face in the development of environmentally and socially responsible projects? What did the company to overcome?
- 18) In recent years environmental and social awareness has emerged and gained strength. According to your experience, what has been the level of impact on your business?
- High, why?
 - Medium, why?
 - Low, why?
 - Null, why?

19) If you were offered a CSR model to serve as support for the development and improvement of strategies for your business, what would be the ideal model? What expectations in terms of content, format, and ease of access would you have?

Audios

- Javier Iguaz Clemente, owner and CEO of the company.
<https://docs.google.com/file/d/0B2xdRg9218frQnd0elBnaW1RVG8/edit?usp=sharing>
- Toñi Blasco, Coordinator of Quality and Environment
<https://docs.google.com/file/d/0BwbmgGBmn0RvZ21KVkZXZm4zUnM/edit?usp=sharing>
- Isabel Pastor, RRHH Coordinator
<https://docs.google.com/file/d/0BwbmgGBmn0RvQ0ZLbER1NHRid0U/edit?usp=sharing>
- Miguel Ángel Martín, Operating Manager
<https://docs.google.com/file/d/0BwbmgGBmn0RvUXRNQUFFZHRlejA/edit?usp=sharing>
- Alberto Inglés, Manager and CEO
<https://docs.google.com/file/d/0BwbmgGBmn0RvYUNYN0RhSmV1R2M/edit?usp=sharing>

4. Interviews with experts

Ana Benavente

1. What could be the main motivation for a SME to use a CRS model?
2. Beyond law compliance, what are the benefits for a SME to take into account the natural capital?
3. How can an SME take advantage of its infrastructure, innovation, technologies or processes to use natural resources more efficiently?
4. What small good actions should a company take to optimize environmental performance?
5. In which way can a SME reduce resource consumption?
6. How can a SME contribute to protect biodiversity and eco-system functions?
7. From your experience, what type of environmental schemes or systems are available that better suit SMEs?
8. What are the most effective communication channels to share the environmental values and objectives of an organization?
9. Is there any other way which an organization can enhance natural capital?
10. How would you like to see the CSR model?

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Sean Ansett

1. What could be the main motivation for a SME to use a CRS model?
2. How can an SME take advantage of its infrastructure, technologies or processes to use resources more efficiently?
3. Considering many SMEs do not own their offices or commercial locations, what type of actions could they apply to enhance both efficiency and sustainability?
4. How can an SME better engage with its supply chain considering limitations of time and
5. What type of actions could an SME do, to go towards a zero-waste, zero-emissions goal?
6. What type of manufacturing systems are available that better suit SMEs?

Audio: https://docs.google.com/file/d/0Bz__UTMjFWDJU0tjdFI5YzQtcEE/edit?usp=sharing

Anna Bajo

1. What could be the main motivation for a SME to use a CRS model?
2. Considering many SMEs do not disclose information because they are not required to do so, how can they achieve transparency?
3. How can a business owner understand accountability? What small actions may lead SMEs to achieve it?
4. Should a SME have a code of conduct (advantages and disadvantages)? What could be an alternative?
5. Should a SME try to engage with their suppliers through a code of conduct? or even demand that they have one of their own?
6. How can a SME integrate values and principles such as transparency, accountability
7. What are the key issues within business ethics to consider in an SME?
8. Who should be responsible for corporate governance issues within an SME?

Audio: https://docs.google.com/file/d/0Bz__UTMjFWDJNXlwc3BNdVlXVWc/edit?usp=sharing

Helena Pérez

1. What could be the main motivation for a SME to use a CRS model?
2. What is the reality of SMEs regarding human resources?
3. How to raise awareness that working conditions are also part of a CSR program and of the sustainability of the company?
4. Considering the lack of human resources and time, what could be the most efficient way of engaging with the employees?
5. What are the key issues within labor rights to consider in an SME? (beyond compliance)
6. What are the most effective communication channels to share the values and objectives of an organization with the employees?
7. Should a SME have a code of conduct? What could be other alternatives?
8. How to engage employees into CSR policies?
9. From your own perspective, what can employees value from an SME and how should the SME take advantage from it?
10. What tools would you recommend to make HR a more strategic and less administrative process, considering the lack of time and resources within SMEs?
11. From ILO conventions, what are the key issues that an SME can apply?

12. What could be included in a CSR model?

Audio: <https://docs.google.com/file/d/0BwbmgGBmn0RvVjJZVvh3akljY3M/edit?usp=sharing>

Leda Stott

1. What could be the main motivation for a SME to use a CRS model?
2. Considering the lack of human resources and time, what could be the most efficient way of engaging with the stakeholders?
3. Given the fact that best practices standards are not well mainstreamed, what is the best way for an SME to approach them? (make a reference to different cultures while talking)
4. Start with workers, meetings, assemblies, newsletter, e-mail, etc.
5. What are the most effective communication channels to share the values and objectives of an organization
6. In general how can an SME minimize its negative social impacts?
7. From your own perspective, what can communities value from an SME and how should the SME take advantage from it?
8. Is there any other ways which an organisation can enhance social capital?

Audio: https://docs.google.com/file/d/0Bz__UTMjFWDJNXlwc3BNdVlXVWc/edit?usp=sharing

Guadalupe de la Mata

1. What could be the main motivation for a SME to use a CRS model?
2. What small actions should a company take to optimize financial performance?
3. From your experience, what types of funding schemes or systems are available that better suit SMEs?
4. What are the most effective communication channels to share the financial objectives of an organization?
5. What is your opinion about fairly wealth distribution? How to raise awareness and to implement? (wages)
6. How can a SME translate its externalities (positive and negative) and intangible in financial words?
7. Is there any other way which an organization can enhance financial capital?
8. Do financial entities take into account the management of sustainability issues to give loans? Which kind of entities?
9. Considering many SMEs do not disclose financial information because they are not required to do so, how can they achieve transparency?
10. How would you like to see the CSR model?
11. In terms of sustainability, what could be the most important financial ratios to consider in a SME?

Audio: <https://docs.google.com/file/d/0B2xdRg9218frU1E1Vzh3RkvtvNjQ/edit?usp=sharing>

SMEs Shift Engine: The path to a sustainable management

International Master in Sustainable
Development and CR

2012-2013

STUDENTS

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Index

1. Introduction.....	3
2. Development phases	4
3. Findings	5
4. Model.....	6
4.1 Homepage	9
4.2 Description of the model and instructions to use it	9
4.3 Video	9
4.4 Forum	9
4.5 Engine.....	10
4.5.1 Natural Capital.....	10
4.5.2 Labor Capital	11
4.5.3 Community Capital	12
4.5.4 Asset Capital	12
4.5.5 Financial Capital	12
4.5.6 Management Capital	13
4.5.7 Stakeholders.....	13
4.6 Results	13
5. Conclusions	14
5.1 The Future of the model.....	15
Annex.....	16

1. Introduction

Importance of SMEs in the economy

The world is composed, for the most part, of micro, small and medium enterprises. In Europe alone, they account for 99% of the companies.

“Europe’s 23 million small and medium- sized enterprises (SMEs) are the lifeblood of Europe’s economy, accounting for over 98% of businesses. They have provided two thirds of the total private employment and around 80% of new jobs created over the past five years.” (European Commission, 2011)

Spain, with similar figures is a reflection of the European situation.

SMEs have a positive effect on economic growth, in the world they are the main contributor to GDP and employment generation. Therefore, they are undoubtedly the most important basis for the generation of a change towards sustainability.

Lack of CSR engagement

Nevertheless, the reality is that their main concern is the daily survival, leaving aside the ability to think in a long-term perspective. Given this situation, most SMEs are not able to consider and/or implement any kind of Corporate Social Responsibility (CSR) policies.

Even though there is a large quantity of manuals, guides, laws and other tools to implement CSR within the company, they are mainly focused on/aimed at big corporations and are not adjustable to the characteristics of SMEs.

SMEs have limited staff, a non-fixed internal structure, a lack of CSR knowledge, time and resources. Whilst the existing models are for the most part not flexible and tend to exclude SMEs because of costs, length and accessibility.

Our proposal: the SME Shift Engine

Hence, we have identified the main needs of the Spanish SMEs, which are: awareness, understanding of CSR jargon, availability of information, easy-to-implement ideas and suitable tools (to their size and sector).

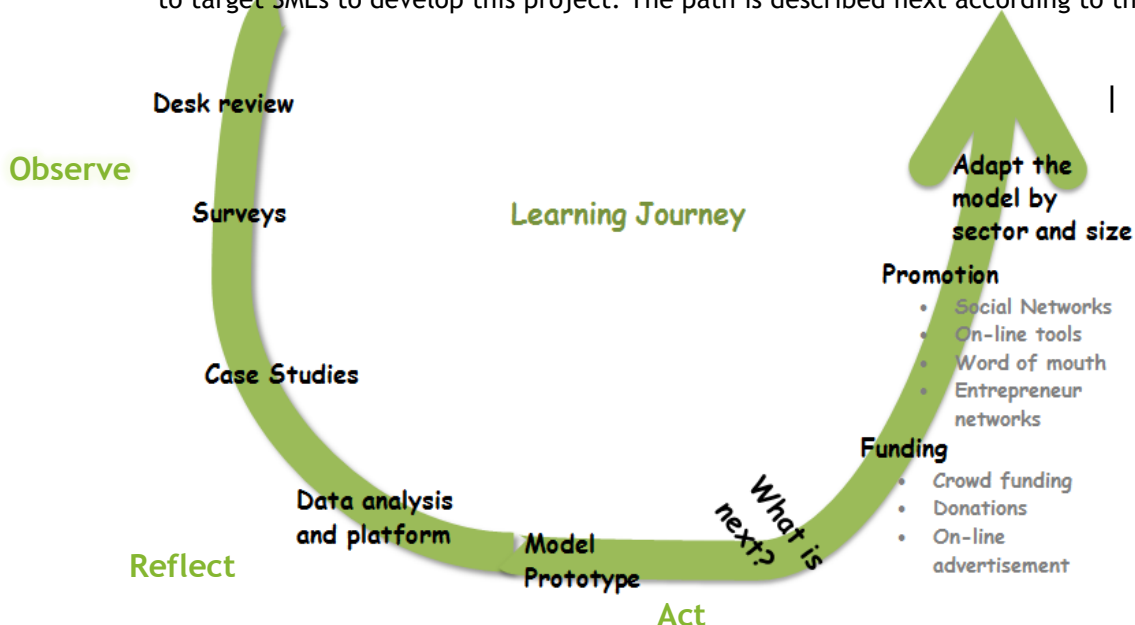
Taking into account the above mentioned ideas and in order to respond to these needs, we came up with an innovative and useful model to increase SME awareness of the importance of a CRS strategy and to help them to implement it. This model is based on the five capitals from SIGMA - Natural, Human, Social, Financial and Manufacture- plus an extra one, which is Governance, because we think it is a very relevant issue to take into account. However, we decided to change some of the names of the capitals to make them more understandable. Its main features are: to be holistic, pedagogic, free, customized and visual. Its usefulness relies on the idea of self-assessment: the companies evaluate themselves, their current situation and areas of opportunity through certain questions.

The platform is innovative due to its dynamism; it provides a forum where SMEs can interact and share CSR experiences among each other. It is also updatable because it serves as a comparative basis of their CSR actions over time. Moreover, it allows the constant updating of external information (links, regulations, tools and trends).

The use of the model contributes to enhance the added-value of CSR for SMEs by bringing recognition from stakeholders, cost-reduction, new market opportunities and anticipation to comply with future EU regulations.

2. Development phases

The journey started when, based on our personal interests and the CSR topics learned, we chose to target SMEs to develop this project. The path is described next according to the U Theory¹:



¹ Based on Otto Scharmer's concept, which describes a "U-shaped journey"
EOI Escuela de Organización Industrial
<http://www.eoi.es>

First part of the journey : Observe

A documentary research was carried out covering the situation of SMEs in Spain, the concept of CSR and its evolution and the guidelines, standards and tools already in the market. To enrich this information, we conducted interviews with six experts in each of the capitals chosen to be part of the model: Human, Social, Natural, Financial, Manufacture and Governance. Based on this theoretical background, and a fishbone analysis, two questionnaires were developed. Information was obtained from an online survey addressed to the owners or managers of SMEs. We decided to make a sensing journey and conducted in-depth interviews and visited two Spanish SMEs: Hotel Entremares and Macedonia (greengrocer).

Second part of the journey : Reflect

From the results obtained, both in the interviews and surveys, we conducted an in-depth analysis to extrapolate the concepts and ideas that make up the model.

Third part : Act

First, each of us created a draft and then we picked the most relevant ideas from each of them. Finally, we went through the process of prototyping the SME Shift Engine, its elements, content and layout that we briefly explain here and will show in the project presentation day.

3. Findings

Below are the key results of our investigation.

It is seen that the concept of CSR could be misperceived given that most of the answers obtained in the investigation are more focused on community-related issues. Furthermore, the concept of CSR is perhaps not appropriate to all SMEs because they assimilate CSR with high financial costs and human resources availability.

In general, all businessmen consider values (consciousness, common welfare) as the main objective to invest in CSR, followed by a purely business objective of brand recognition and image and achieving efficiency and effectiveness. According to Javier Iguaz, CEO of Macedonia: “That motivates me to care, observe and invest time in finding the best solutions, and the most responsible products you can find in the market”.

Currently, some SMEs, such as Entremares, have decided to make an effort to systematize all their CSR strategies and to make them more visible for the stakeholders. Also, they have decided to include in their management reports all of their CSR activities to show their commitment to transparency. In the case of Entremares, to show their engagement with sustainability, they

came up with a strategy that shows the integration of sustainability in three dimensions: Social Responsibility, Social Media and Sustainable Reality.

Business owners are now considering as a main motivation the creation of a viable and sustained business strategy that must bring profit and maximize shareholder returns, but always in a sustainable manner. Choosing one or two big projects and small ones will have better results than several big ones without resources to implement them in an efficient way.

Among SMEs, there's a lack of support perception on CSR issues. Most tools are aimed at multinationals' realities, which are totally different from SMEs realities.

Based on these findings, we thought about the content and the design in order to elaborate the model's prototype.

4. Model

The aim of this model is to provide micro, small and medium enterprises a tool that allows them to consciously incorporate corporate social responsibility into their business strategy. It is contemplated that one of the main advantages in applying it is the easiness to incorporate a responsible culture among the work team, thereby contributing to an improved reputation, both internally and externally. Unlike the guides, models and existing documents, this model is intended to be:

- **Dynamic:** the information flows through it clearly
- **Flexible:** easily adapts to different companies or situations within the same company
- **Pedagogic:** the clarity and simplicity with which it is built is useful to instruct users on CSR issues. The information comes from the response to a variety of questions that encourage users to think about their own actions, always seeking continuous improvement.
- **Holistic:** It is integral. It makes sense as a whole, integrating all its parts (the various capitals)
- **Free:** accessible without any type of cost
- **Simple:** straightforward in its design and intuitive to use to easily be integrated into daily activities
- **Global:** useful for any type of SME regardless (but contemplating) the sector, size, time of existence, geographic and cultural context, position in the value chain and nature of the products and services.
- **Customized:** is constructed from and accommodated to the features of each company and gives a unique result for each one.

- Visual: Key factors are expressed as ideograms that facilitate the connection between the concepts and practical actions.

Also, “CSR tools for SMEs are not an end in themselves and should not be imposed on enterprises. Rather, they should be developed and judged according to the added value they bring to the enterprise and its stakeholders in terms of being better able to integrate CSR into business practice” (European Commission- Directorate General for Enterprise and Industry, n.d.). It is this characteristic that is sought to be reflected in the construction and use of this model, for only then a true alignment of social responsibility with the core business and the strategic business objectives may be achieved.

In order to do so, the model should encourage SMEs to start with small actions and incrementally incorporate CSR as part of the strategy, “because CSR covers such a potentially wide number of issues, it can appear overwhelming. There is no need, however, for a company to try to address all aspects of CSR from the beginning”. (European Commission- Directorate General for Enterprise and Industry, n.d.)

Also it is intended that, where possible, the model contains a number of links to other platforms, models, guidelines and standards with similar characteristics. All of them related to the various capitals exposed in the model in order to direct the users to other sources of advice and support available.

The model is made up of a series of self-reflective questions that allow the user to know the place where the organization is, a clear view of the actions already implemented and existing areas of opportunity as well as its strengths and weaknesses. Therefrom, setting objectives and actions to reach them. It also allows to visualize the various stakeholders and to contemplate them in the process of CSR integration.

The final result will be the creation of a CSR plan itself, completely adapted to the needs, context and values of each company, according to which it may establish the CSR commitments that the user chooses to assume to develop in a gradual manner.

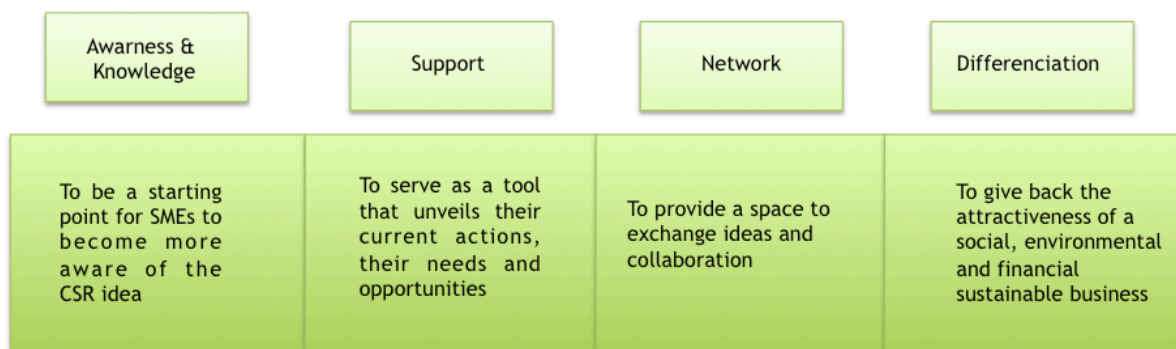
The model is designed to be used by the managers or owners of the company, which in most SMEs reside in the same figure. This does not mean that its use is limited to the management team ; in contrast, it invites the rest of employees to be part of it, even though, “the success of a sustainable management resides at all times in the hands of the company’s head. A CSR strategy can not be implemented without the support of the Board of Directors. And it is not

possible to reap the rewards of responsible management if that Board does not maintain at all times a leadership, support and encouragement, both facing individuals of the company itself and external partners." (Lemonche, 2011)

Acknowledging employees as the main driver of businesses, but being especially characteristic of the SMEs, the model encourages the implementation of CSR actions involving employees as the main stakeholder. Meaning either involvement in the definition and implementation of the commitments set, or as the main focus of the same, i.e. start within the company.

As a result, the model will offer the business owner an overview of CSR in their company from which it is recommended to establish priorities considering that resources are not unlimited. Furthermore, to choose areas of opportunity that are most relevant to SMEs according to their values, mission, vision, scope and industry that can provide the greatest added value.

It is essential to start with the statement of prudent goals and objectives that are achievable and serve as a support for accomplishing new goals later. Therefore we summarize the add-value of the project as:



For the purpose of the model, from now on we will refer to the term of CSR as Engaged Management because as the results of our investigation show, the concept is misunderstood and misaligned with SMEs needs.

Below, we present a description of the format and content of the model. We chose the idea of a gear, given that it symbolizes a notch among several pieces that are in continuous movement. Each of the gears represents one of the capitals, that together form the SMEs Shift Engine.

4.1 Homepage²

In order for SMEs to use the model page users need to register with a username and a password to create a personal account that can be accessed only by them. This account will automatically save the data and allow them to compare themselves over time.

4.2 Description of the model and instruction to use it

This model is a practical introductory guide that will assist you in clearly visualizing your business' strengths, contributions and areas of opportunity with regards to Engaged Management based on community, labor, natural, assets, management and financial areas. It can also help you register and measure various activities and compare them over time.

To begin, you should prioritize the areas that are most important to your business and answer the different questions. Be as specific as possible providing data and examples of your activities. If you do not have an answer to a question, leave it blank.

Throughout the process, keep in mind your stakeholders. Think about who the people, organizations and institutions related to each of these issues are, how can they help you and how should you communicate with them.

Once you've answered the questions as a way of reflection, you will have a clear vision of what you currently implement, the measurement of your actions and areas of opportunity in which you may act, that will be clearly highlighted in different colors.

4.3 Video

A video of a business owner will be presented as part of the credibility and motivation to implement Responsible Management. He will answer two questions:

- Why doing business in a responsible / sustainable way?
- Which are the benefits to do so?

For the present draft, Alberto Inglés, CEO of Hotel Entremares is presented as an example. In the future, all the users will be able to share their own experience with a video.

4.4 Forum

The forum will be an open space for interaction to post short comments, doubts and Engaged Management best practice examples from business to business. It will be shown as a news feed being constantly updated each time someone enters a post.

² To visualize the Homepage, please see Annex p.16.
EOI Escuela de Organización Industrial
<http://www.eoi.es>

4.5 Engine

Seven pieces are geared. Six of them represent each one of the capitals and the one in the center stands for stakeholders. As a whole, they provide an integral committed management system able to be used as a practical introductory guide to Engaged Management for SMEs.

In each of the capital engines, a link to other web pages will be available. This will provide alternative ideas and tools to bring Engaged Management to the day-to-day activity in the company.



Below are the questions included in the different capitals.

4.5.1 Natural Capital³

The stock of resources and services provided by the environment to the business.

Water management: Which actions are you taking to save water and to ensure safe water disposal?

- close the taps when not used
- install water saving systems
- water reuse
- Water treatment
- proper water disposal

Waste management: Which actions are you taking to reduce, reuse and recycle your different materials?

- Waste separation and recycling (batteries and light bulbs, paper, organic materials, plastics, metals, paper, rubber, cork, clothing)

³ To visualize an example of a capital, please see Annex p.17
EOI Escuela de Organización Industrial
<http://www.eoi.es>

- Lightweighting: using the minimum of materials needed (production, packaging)
- Second hand use

Energy efficiency: Which actions are you taking to be energy efficient?

- Switch off lights, computers and machinery in general when not used
- Energy efficient equipment (labels, Led bulbs, low consumption products)
- Transport (public transport incentives, bicycles, hybrid cars, car sharing)
- Green energy sourcing (renewable energy from the grid, solar panels)

Green products: Are you sourcing or promoting green products?

- Certificated products (Fairtrade, RainforestAlliance, FSC, MSC, EPEAT, Global Organic Textile Standard)
- Organic
- Local products

Natural environment: Do you have into account your impacts in the eco-systems? What actions do you take in order to protect your natural surroundings?

- Integrated farming system (good use of pesticides and herbicides)
- Protect green spaces, trees and animals (natural heritage)

4.5.2 Labor Capital

The working population and their knowledge, skills, education and training.

Training: Which actions are you taking to provide useful life-long learning to your employees? (language, IT and essential skills for your sector)

Human rights: Which international human rights conventions do you apply in your business or take into account with suppliers?

- Discrimination (racial, gender, persons with disabilities, migrants)
- Child labor
- Freedom of association
- Respect working hours
- Occupational health and safety
- Forced labor
- Living wage

Life-work balance: Which actions are you taking to promote Life-work balance? (flexible hours, working from home, time for leisure)

Working environment: Which actions are you taking to promote a pleasant working environment?

- Autonomy
- Open communication channel
- Pleasant workplace (relationships and physical space)
- Working to achieve targets

Recruitment: Which actions are you taking to ensure a good recruitment process?

- Ensure diversity of candidates
- Have clear job descriptions
- Objective selection process
- Respect the candidate through the whole selection process

4.5.3 Community Capital

The interaction of the company with the community in which it is operating.

Dialogue: Do you approach the community in which you are operating, and how?

Impacts (positive and negative): Are you aware of the impacts (positive or/and negative) of your company's operations on the local community? Please list them.

Partnership: Have you identified any organization or non profit that you can partner with for a specific project?

Donations: What kind of donations you make that are aligned with the core business?

- Money
- In kind
- Sponsorship
- Volunteer

4.5.4 Asset Capital

All the material goods of the company such as buildings, machinery and transport networks.

Technology: Do you apply any kind of technology to make your company more efficient (cost savings, social and environmental solutions)? Which ones?

Innovation: What kind of new solutions are you applying to meet new requirements or existing market needs?

4.5.5 Financial Capital

Physical or immaterial assets that reflect the economic value of the company.

Wealth distribution: Do you ensure a fair wealth distribution within the company (gap among the salaries) or/and with shareholders?

Efficiency: Which actions do you take to maximize benefits and reduce costs?

- Increase sales
- Look for niche markets
- Simplify processes
- Material optimization

- Improve logistics

Supply Chains: Which actions do you take to promote a trust-based relationship with your supply chain?

- Pay on time
- Pay fair prices
- Long-term contracts
- Personal treatment

4.5.6 Management Capital

A set of tools that allow a more efficient management of the business through transparency, ethics and strategic thinking.

Transparency: Do you disclose accurate financial and non-financial (business activities) information for the public and how?

Leadership: How do you ensure that the company values are disseminated among the whole organization (actions and means)?

Strategy: Are ethics, responsibility and transparency values reflected in the strategy (mission, vision, values, objectives, activities) of your company?

4.5.7 Stakeholders

Defined as the people, organizations and institutions related to each of the capitals, who are directly affected by or have a direct impact in the company.

In each of the sections of the model, there is an incentive to constantly think of the various stakeholders and list them, to think about who can help to achieve a particular goal and how are they going to communicate with them.

4.6 Results

In each of the capitals, the questions that are not answered will be highlighted in color at the end. This will create a visual image of the areas of opportunity in which the company can act.

Also, the model will be visualized as a whole. Those engines in which the company applies all the possible actions will be colored in green; those in which the company only applies part of the actions will be colored in yellow and those in which they do not act on will be colored in red.

This measurement system has the purpose to allow the user to visualize the capital in which they currently are more focused and the ones in which they have more areas of opportunity to implement responsible management actions.

5. Conclusions

Limitations

We recognize that the project has a number of limitations that were considered for the analysis of information and the development of the model. We have identified five main points:

1. Time: our project is ambitious because of the aim of understanding what SMEs think and need.
2. Small scope of investigation: Due to the difficulties of time and contacts available, we have decided to choose companies where we had already a direct contact.
3. SMEs' associations such as CEPYME are not interested in giving information out and collaborating. We contacted some of them, and did not receive any answer from them.
4. Model: we have chosen to create a platform for SMEs and that involves knowledge in graphic design and IT engineering.
5. Online questionnaires: Due to the interpretation of the answers with a lack of knowledge of who the respondents are, there is a subjective bias from us.

Final conclusions

There is a huge amount of information available on CSR, and especially in the European Union several efforts have been made to target the Small and Medium Enterprises. However, a vast majority is not accessible to the business owners due to the lack of knowledge and the misconception of CSR.

The comprehension of corporate social responsibility among SMEs is biased towards the social part of the concept, therefore considering only external actions in the form of philanthropy. In addition, when taken into account, the environmental side is mostly thought as a separate issue. The investigation shows that human capital and governance are not considered as part of the CSR concept, therefore there are likely no internal CSR actions in these areas.

Even though there are several responsible actions being implemented by SMEs, such as the example of Entremares and Macedonia, they are not acknowledged as CSR practices. Business managers usually act by common sense.

Although we appreciate a selfless intention - out of the goodness of their hearts -, there is a need to integrate CSR as part of the business strategy. As a result, a comparative and competitive advantage may be gained.

The methodology used for the project and the restrictions within it, prevent us from the possibility of creating a specific model for each type of SME according to their size and sector.

We recognize that this may subtract value to the utility of the model, but at the same time contributes to its scalability. Due to its inherent characteristics, it allows all kind of SMEs to use it as a guideline for Engaged Management.

Furthermore, we perceived a lack of institutional support from governments, chamber of commerce, sectorial associations and educational institutions for awareness raising and the development of CSR plans. We also noticed an insufficient collaboration among SMEs in order to share good practices and doubts. On the other hand, this collaboration could create a network to reinforce their weight in the decision-making processes (bargaining and influence power) and their strengths to have impact in economic, social and environmental fields.

In the corporate social responsibility discourse there is an eternal struggle between making CSR voluntary or compulsory through regulations. Currently the implementation of CSR in SMEs is on a voluntary basis and, as mentioned throughout the paper, mostly unconscious. Nevertheless, it could be useful to incorporate economic, social and environmental variables into the regulation as a way to raise awareness and make them move forward to better sustainable practices.

5.1 The Future of the model

The next steps for the development of the project, is the promotion of the model through social networks and other online tools, by word of mouth, starting with the SMEs we contacted for the investigations and entrepreneur networks such as the HUB or other co-working spaces. Another objective is to adapt the model by sector and size and to translate it to several languages.

Given that the model is intended to be free, a possible funding source would be crowdfunding, donations and online advertisement.

The universe of SMEs, is so large, so varied and with so many challenges ahead that sometimes, a barrier is created making it impossible to see clearly how to respond to their needs. Thus we express some questions that we could not respond through the development of this project: How strong are the drivers to change when other economical and political interests are at stake?

Annex

Homepage

SMEs Shift Engine

This model will assist you in clearly visualizing your business' strengths, contributions, and areas of opportunity in **Responsible Management** based on community, labor, natural, assets, management, and financial areas. It can also help you register and measure various activities and compare them over time. To begin, prioritize the areas that are most important to your business and answer the different questions. Be as specific as possible providing data and examples of your activities. If you do not have an answer to a question, leave it blank. Keep in mind your stakeholders throughout the process. Think about the people, organizations, and institutions related to each of these issues. How they can help you and how you should communicate with them. Once you've answered the questions as a way of reflection, you will have a clear vision of what you currently implement, the measurement of your actions, and areas of opportunity in which you may act, that will be clearly colored highlighted.

Newsfeed

@sme_shiftengine

Register here
Already have an account? Login

Username

Password

Example of Natural Capital



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