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## Corporate Social Responsibility on SMEs

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### Abstract

The recently developed ISO 26000 Guidance Standard, created as a result of the strong demand for a globally acceptable and united document in the area of CSR, defines business responsibility as “accountability for impact of business decisions and activities on community and its environment”, with respect to transparent and ethic attitude towards balanced development and wellbeing of society, but also expectations of parties involved.

However, how involved are SMEs on CSR strategies? Do they have competences to be socially responsible? Which training tools are available for them? This paper will identify and analyze the existing SME’s activities, needs and perspectives, along with VET institutions and Universities’ training offer and materials in the field of CSR, within 7 European countries:

- There is a lack of strategic vision regarding CSR; ad hoc approach vs systematic approach.
- CSR is a new concept for SMEs; lack of awareness or understanding of the CSR.
- SMEs do not see the beneficial/economic output of the investment on CSR implementation
- Efforts and results are not measured and monitored.
- Training offer is not adapted to SMEs targets.

### Key Words

ISO 26000; Corporate Social Responsibility; SMEs; VET; training

## INTRODUCTION:

This paper includes the analysis carried out about the situation of training offer on Corporate Social Responsibility (CSR), with a special focus on SMEs, by the partners included in the CSI EU European Project, funded by the Leonardo da Vinci Program (Nov. 2010-Oct. 2012).

The objectives of this CSI EU project are the following ones:

- to analyse SR activities in EU counties, in order to determine their actual needs and problems
- to develop a common tool (platform) for working with SR in SMEs based on ISO 26000 guidance to help corporate sector implementing theory in practice and further developing best practices
- to create training materials that will solve the need for clarifications of ISO standard
- to create good practices and dialogue, including knowledge sharing in a European corporate area

This paper focuses on the analysis within 7 different European countries: Austria, Bulgaria, Denmark, Lithuania, Poland, Slovenia and Spain. Approximately 50 SMEs participated in the study, along with 20 training institutions.

The Consortium consists of the following partners:



## **THE SOCIAL RESPONSIBILITY OF ORGANIZATIONS:**

The European Commission's definition of CSR is: "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis".

Corporate Social Responsibility is part of the Europe 2020 strategy for smart, sustainable and inclusive growth, as it can help to shape the kind of competitiveness model that Europe wants. In fact, in March 2010 the European Commission made a commitment to "renew the EU strategy to promote Corporate Social Responsibility as a key element in ensuring long term employee and consumer trust".

In Europe all countries are supporting National Strategies for CSR, and it seems clear that emerging new international tools of implementation strategies with social responsibility focus will help its extension to more and more companies. In this sense, global standardization reflected through ISO 26000 directive, can be an important driving force.

ISO 26000 directive defines business responsibility as "accountability for impact of business decisions and activities (products, services, processes) on community and its environment", with respect to transparent and ethic attitude towards balanced development and wellbeing of society, but also expectations of parties involved. Socially responsible business complies both with existent law, as well as, international standards of behaviour. It introduces a vivid distinction between concepts of "balanced development" and "social responsibility", considering balanced development as the political and economical doctrine of civilization development, and balanced development as social, environmental and business challenges in accord with each other. Thus, CSR must not necessarily create costs; it can create an instrument of added value, while supporting innovations and competition.

However, the development and the implementation of CSR initiatives is quite different depending on which country we focus on, and depending on the dimension of the company or organization.

## **THE SOCIAL RESPONSIBILITY IMPLEMENTED BY SMES:**

Although the growing interest in CSR among SMEs, many analysis still confirm how big companies are still the main developers of CSR strategies. SMEs are still the least active enterprises" section under the CSR activities.

Identified main trends show the following ideas:

- As SMEs' resources, know-how and their disposition to implement CSR processes and initiatives is much lower than in the case of big companies.
- SMEs tend to prioritize short term financial rather than long term social gains.
- The marketing focus does not work with SMEs as much as with big companies.
- Many SMEs are confused about what CSR really means.
- SMEs are remarkably less efficient in showing their CSR activity than big enterprises and many interesting initiatives on their part are simply hard to identify. What is more, SMEs often do not realize that their business approach and activities may be classified as social responsibility.
- SMEs tend to have unwritten policies regarding mainly labour conditions, social security and workplace safety, respect for the local environment and local development, although they do not consider this kind activities as CSR strategies.
- Many medium, and particularly, small and micro businesses have no strategic plans of development, taking CSR decisions occasionally and ad hoc.
- It seems the changes in consumer awareness and following buying decisions may become decisive force in awakening of social responsibility among small and medium enterprises.

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- There are important differences among SMEs from countries like Austria and Denmark, where CSR activities carried out by SMEs is much higher than in other countries, like for example, Lithuania, Slovenia, Spain or Poland.

### MAIN RESULTS OF THE STUDY CARRIED OUT - GAP ANALYSIS ON CSR TRAINING OFFER AND IDENTIFIED NEEDS ON SMES:

In order to identify the existing SME's activities, needs and perspectives, along with VET institutions and Universities' training offer and materials in the field of CSR, specific studies were carried out in selected 7 European Countries; Austria, Bulgaria, Denmark, Lithuania, Poland, Slovenia and Spain. These SME's were selected from different industries, and even if more than 800 questionnaires were distributed within the participant countries in the Consortium, approximately 50 SMEs participated in the study, along with 20 training institutions. As for the profile of respondents SMEs, we can summarize the main characteristics as follows: Almost the 50% of the companies are medium companies, with more than 50 employees. As well as this, the 33% had a turnover of less than 500.000€ during last year, another 33% between 500.000€ and 5.000.000€, while the last 33% had a turnover than more than 5.000.000€.

The obtained results show the gap that exists between CSR training offer and identified needs on SMEs.

Some relevant results:

% of SMEs that has a CSR policy:

AUSTRIA	BULGARIA	DENMARK	LITHUANIA	SLOVENIA	SPAIN
88%	60%	75%	40%	40%	27%

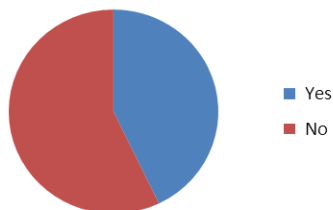
% of SMEs that claims that CSR is a priority for the company:

AUSTRIA	BULGARIA	DENMARK	LITHUANIA	SLOVENIA	SPAIN
100%	50%	100%	33%	40%	36%

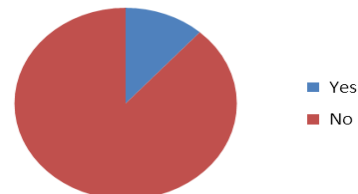
% of SMEs that has ever attended a training course on CSR:

AUSTRIA	BULGARIA	DENMARK	LITHUANIA	SLOVENIA	SPAIN
77%	30%	50%	10%	25%	9%

Does the company count on knowledge and skills to integrate social responsibility?

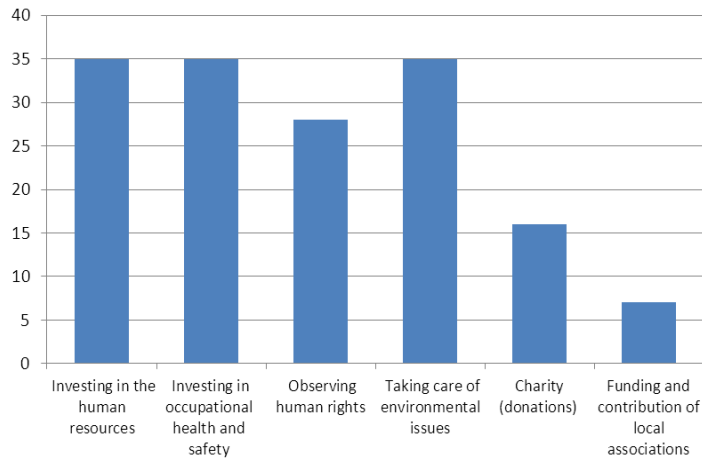


Does the company use CSR training materials/tools?



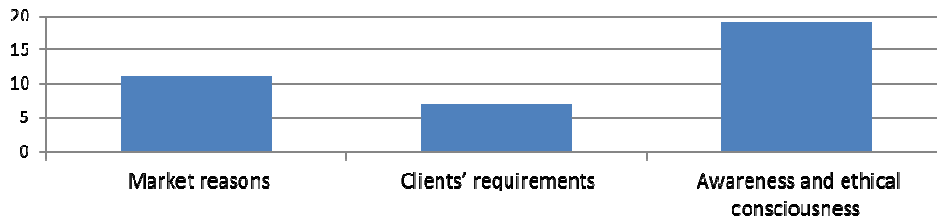
## What do you understand by “Social Responsibility”?

Number of SMEs



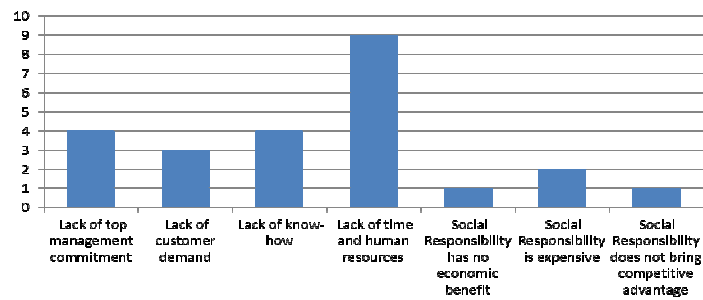
## Why does the company carry out these social responsibility initiatives?

Number of SMEs



## If the company does not carry out social responsibility initiatives, which are the reasons?

Number of SMEs



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Relevance and training needs on ISO 26000 subject and issues, according to SMEs:

CORE SUBJECTS and ISSUES	Relevant for the organization?(1-low / 4-high)	Training need on this subject/issue? (1-low / 4-high)
<b>1. Organizational Governance:</b> <i>"system by which an organization makes and implements decisions in pursuit of its objectives"</i>	<b>3,63</b>	<b>1,38</b>
Accountability, transparency, ethical behavior, respect for stakeholder interests, and respect for the rule of law	3,63	1,38
<b>2. Human rights:</b> <i>"basic rights to which all human beings are entitled because they are human beings"</i>	<b>2,66</b>	<b>1,36</b>
Due diligence	3,13	1,43
Human rights risk situations	2,13	1,29
Avoidance of complicity	2,25	1,29
Resolving grievances	2,25	1,43
Discrimination and vulnerable groups	1,88	1,14
Civil and political rights	2,50	1,14
Economic, social and cultural rights	3,38	1,57
Fundamental rights at work	3,75	1,57
<b>3. Labour practices:</b> <i>"all policies and practices relating to work performed within, by or on behalf of the organization"</i>	<b>3,68</b>	<b>1,80</b>
Employment and employment relationships	3,75	1,71
Conditions of work and social protection	3,88	1,86
Social dialogue	3,25	1,43
Health and safety at work	3,88	2,00
Human development and training in the workplace	3,63	2,00
<b>4. The environment</b>	<b>3,63</b>	<b>1,50</b>
Prevention of pollution	3,75	1,43
Sustainable resource use	3,88	1,57
Climate change mitigation and adaptation	3,38	1,57
Protection and restoration of the natural environment	3,50	1,43
<b>5. Fair operating practices:</b> <i>"concern ethical conduct in an organization's dealings with other organizations and individuals"</i>	<b>3,20</b>	<b>1,51</b>
Anti-corruption	2,88	1,43
Responsible political involvement	2,88	1,43
Fair competition	3,50	1,57
Promoting social responsibility in the sphere of influence	3,13	1,57
Respect for property rights	3,63	1,57
<b>6. Consumer Issues</b>	<b>3,32</b>	<b>1,78</b>
Fair marketing, factual and unbiased information and fair contractual practices	3,75	1,71
Protecting consumers' health and safety	3,50	1,71
Sustainable consumption	3,13	1,86
Consumer service, support, and dispute resolution	3,63	2,14
Consumer data protection and privacy	3,63	1,86
Access to essential services	2,63	1,57
Education and awareness	3,00	1,57
<b>7. Community involvement and development:</b>	<b>3,21</b>	<b>1,59</b>
<i>"an organization's proactive outreach to the community"</i>		
Community involvement	3,75	1,57
Education and culture	3,13	1,43
Employment creation and skills development	3,25	1,57
Technology development and access	2,63	1,71
Wealth and income creation	3,25	1,43
Health	3,50	1,86
Social investment	3,00	1,57

Main conclusions from previous results:

*Lack of a strategic vision:*

- Most activities are based on an ad hoc approach and thus not systematic and organized. When systematic, the effort is mostly related to environmental and health & safety issues, not to a broader CSR agenda.
- The efforts and results are not measured and monitored – neither is it communicated to the public or to the stakeholders.
- The significant stakeholders are not identified and involved.

*As for existing training offer:*

- In countries like Slovenia, Bulgaria, Lithuania or Poland, a huge educational gap exists. There is a lack of a wide range of education and training offers including studies/faculties concerning management from the point of view corporate social responsibility. The disciplines, related to CSR, are often not a mandatory subject of the study area or they are treated just as a currently fashionable subject or included only formally. As well as this, curricula includes only partial CSR aspects such as ethics in business; no complex solutions are available (just postgraduates studies or trainings for top management). In the case of Lithuanian, it can be drawn how there is a lack of suitably qualified personnel working in CSR in Colleges.
- In the case of Austria, Spain or Denmark, although there exist several training materials related to CSR, and there have been several initiatives for the strategic implementation of CSR in SMEs, there still exist gaps in planning CSR strategically. There is a lack of a strategic platform for the CSR effort linking it to the company's business.
- Therefore, it is clear in all analyzed countries that there is a lack of training adapted to SMEs; thus, there is a gap between the demand from SMEs which are aware of the CSR concept and the training which is provided by VET institutions. In this sense, trainings from universities are rather useful for project or CSR managers from large sized enterprises or NGOs and consultants.
- In general, training materials are not adapted to SMEs' targets; a need for further education exists, especially within SMEs, not only to the manager level, but also to other workers. Training materials on CSR must be specially adapted not only for the top management of the company, but primarily for the employees, on purpose to raise their consciousness.

*As for training materials:*

- Current didactic resources are mainly based on conventional materials. Training materials mostly consists of textbooks; lectures are based on a frontal method (lecturer centered), where students are passive listeners. It seems that the traditional learning environment is established a prevailing type of the educational process within the higher education and VET area.
- According to some trainers, there is a lack of standardization of written materials on CSR. For example, there is a lack of one, single, complete document (platform) including all CSR best practices implemented in SMEs.
- Training resources often are too universal and too concise to attain more specific purposes and there are not enough materials suitable to show practical examples on CSR. However, there is a growth in demand for other types of didactic resources, especially for CD, training guides and computer/virtual training materials. New innovative and complementary materials are demanded in order to facilitate the learning. Specifically, SMEs claimed that the most useful for them would be virtual/e-learning, as it presents an alternative for learners and helps them find a balance between private life, career, and further education. Therefore, as claimed by consulted VET institutions, companies and based on these analysis results, an important gap exists, especially in the field of virtual/e-learning. However, the inclusion of personal support should be considered as well as a complement to this platform (workshops, personal contact...).



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- All these training materials must be easy accessed and simple to understand and to apply and must offer such kind of training that could ensure deep knowledge on CSR.

### *As for topics covered:*

- In many programs, courses cover only environmental oriented topics. For example, in the case of Slovenia, there are only few covering societal and economic topics. There have not been perceived any integrated courses, covering all the SR topics. On the other hand, in Bulgaria; it becomes clear that the needs of the SMEs for training in human rights, environment, and consumer issues are not covered at all. As for Lithuania, there is noticed a growing need in training offers in such CSR areas as technology development and access as well as the organizational governance issues, prevention of pollution, consumer service, support and dispute resolution.
- On the issues level, there are gaps when comparing the existing toolboxes and knowledge base with the issues in ISO 26000; very few training resources consider issues included within ISO 26000.

### *As for current SMEs competences on CSR and CSR courses attended by them:*

- In the case of training on social responsibility, the majority of SMEs do not count on specific knowledge and skills to integrate CSR in their activities. Similarly, few companies use any training materials or tools for CSR implementation.
- But regarding the involvement of employees in these trainings, in very limited cases, it is aimed to all employees. Therefore, there is a clearly need on trainings and know-how transfer concerning CSR to all members within an enterprise.
- However, an interesting aspect is that almost all SMEs in the sample that had conducted CSR training would recommend this also to other companies.

### *Lack of information and lack of awareness:*

- In many cases, CSR is a new concept for SMEs. SMEs often lack awareness or understanding of CSR. In this sense, there is a strong barrier between SMEs and CSR policies implementation, as a continuous process; this is due to the lack of the understanding on the beneficial or economic output of the investment on CSR implementation, as there is an important lack of information about social responsibility's profit for company and employees:
  - o Unclearness regarding the cost-benefit ratio, i.e. a lack of understanding on the beneficial outcome of the investment to be made for the CSR activity.
  - o The prejudice that CSR activities are expensive and therefore not bearable for SMEs with little resources.
- A persistent prejudice and therefore a strong barrier for SMEs is that CSR is rather something for large companies. A lot of subjects and issues of CSR, as asked within the questionnaire, are regarded relevant only for large enterprises. Therefore, this embraces the necessary anchoring of CSR in the core business, as these subjects are assumed as not so important and legitimate for them.

## **MAIN RECOMMENDATIONS:**

### *CSR as an opportunity:*

- CSR represents an option for further sustainable growth. SMEs need to be taught about CSR and its positive influence in the future.
- Promotion of the CSR concept among SMEs' entrepreneurs using the reputation of the International Standard Organisation; the small and medium enterprises from the industry and services sectors should be aware and should be convinced that the investments in measures

related to CSR are long-term, profitable investments. It is an investment in sustainability and competitiveness.

- Awareness-raising about the benefits and crucial role of Corporate Social Responsibility in improving competitiveness and raising the social standards in the economy: major factor in encouraging the employers to implement CSR in their everyday business operation is the pressure from the informed and caring consumer. The assistance to encouraging socially responsible consumption might be a strong stimulus to enterprise to pay the necessary attention to improving the social and environmental standards in their everyday management.
- The trainings should be designed not only for the top managers, but also for other employees, giving provision of know-how that is valuable for all members of an organization: employers have to be stronger involved into CSR discussions as they are relevant agents between a company and its environment. They can also be seen as multipliers for issues from the organization into the public and on the other hand for public issues into the organization.
- The availability of a special guidance on social responsibility in the form of an ISO standard would assist in the promotion and implementation of such education and training.

*Topics to be included in a CSR training tool:*

- CSR topics should be represented to the SMEs in a way that suits those best (flexible learning, as e-learning).
- Flexibility regarding the prioritization of contents.
- Different entrance levels could be considered.
- Strong focus on the “business case” and also provision of know-how regarding the measurability of CSR; practical cases should be included, showing clear benefits for SMEs. These cases should include contents related to benefit measurements. Analyzing and selecting case studies from surveyed SMEs is recommended for the selection of contents.
- Formulate real-life examples of strategic CSR platforms to help SMEs identify the business relevance. A tool/training material that explicitly tells the business case for SMEs when working in a structured way with CSR and when incorporating CSR into the business strategy.
- CSR contents linked to a business model within the SMEs and development of plans for encompassing all the aspects and utilization of all the instruments of CSR; the owners and the managers should be assisted in their plans to turn to socially responsible management and socially responsible investments. The research institutes, the universities and the NGOs should be prepared to teach them to develop strategies, plans for implementations and reporting instruments according to the principles of accountability, transparency, ethical behavior, respect for stakeholders, respect for rule of law, respect for international norms of behavior, respect for human rights when the entrepreneurs will be ready and asking for them.
- Organization of the effort, that is develop training on how to integrate CSR into the existing structures and processes.
- Monitor and measure CSR performance. Develop a reporting system for SMEs based on GRI but adjusted to the core themes and issues of ISO26000.
- Support a life cycle approach to create a common platform of understanding among the partners in the product chain. Develop examples on how the life cycle approach can improve performance and business.
- Focus on communicating with the consumers/customers. Develop a tool or text about: Six principles to keep in mind when communicating on CSR/your work with ISO26000 as a SME. Give the SMEs concrete examples on how to communicate and how not to.
- Include guidance on how to conduct a stakeholder analysis and how to use stakeholder inputs and concerns when working with the framework of ISO26000.
- Use of cases when developing the teaching platform should be emphasized and the quality of cases should be improved also including much more relevant dilemmas. Many cases today are of poor quality and not very interesting.
- Develop guidance to the trainers on how to mix didactic resource to a specific target-group.
- Develop a short and concise guide that makes it more attractive for SMEs to read ISO26000 (it is comprehensive)

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- A special focus should be given to CSR training contents addressed to people already involved in the human resource development, to assist the integration of a new concept in the everyday operating of the SMEs.
- The training should pay special attention to the core subjects of consumer issues and community involvement and development, due to the fact that the consumer pressure could be a strong motivator for SMEs to be started within SMEs issues.

### *Tips for the design of the CSR training tool:*

- Establishment of platforms (presence or virtual) that allow the exchange of experiences and mutual learning. A virtual platform would be more recommended due to its flexibility for SMEs, taking into account their limited time and resources. However, due to the limitations of an only-virtual platform (e-learning), personal contact and direct support from the trainer should be considered, in order to complement the training, as a personal dialogue is needed. For instance, workshops could be included in the training.
- Provision of intergenerational, interdisciplinary and intercultural learning settings.
- Compact trainings and training resources, particularly in the form of guides; unified contents, standardized and adapted to SMEs needs.
- Provision of various forms of personal training should be made possible (presence training or virtual attendance).
- Participants shall be flexible regarding their learning and know-how progress.
- Motivating resources; the training should make CSR friendlier and closer to SMEs.
- Provision of further reading, information, links to relevant organizations and web-sites.
- Definition of terms and/or provision of a glossary.
- Clear and simple language; generally understandable information.
- Visual contents, through attractive, accessible and easy to use materials.

To sum up, the new CSR training platform should make ISO 26000 accessible to SME's, in order to allow them and make easier the integration of CSR strategies within the overall company strategy. As well as this, the introduction of the CSI tool should be expanded to all the interested stakeholders, not only SMEs, but also to the universities and VET institutions, in order to provide them integrated and accessible didactic resources.

For more information: [www.prepare-net.com/project/csi-eu](http://www.prepare-net.com/project/csi-eu).