

SOCIAL RESPONSIBILITY IN THE SME. A PROPOSAL FOR MEASUREMENT IN THE CERAMIC SECTOR.

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ABSTRACT

The literature on Corporate Social Responsibility (CSR) has grown exponentially. This has been driven by the nature of the changes that have occurred in a complex globalised environment in continuous evolution (European Commission, 2001). On the one hand, there are new concerns and expectations of the citizens, consumers, public authorities and investors in the context of globalisation and large-scale industrial change. In turn, social criteria have an increasing influence on the investment decisions of people or institutional investors (Balaguer and Muñoz, 2003). Another factor of note is the greater political and social prominence of the preoccupation for environmental deterioration as a result of economic activity, and its impact on sustainable development.

The ceramic sector is not foreign to these changes and tendencies; for this reason the objective of this paper lies in reviewing the instruments presently existing for the implementation of CSR strategies in the context of the SMEs, considering their possible adaptation to the ceramic sector.

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1. INTRODUCTION

So-called Corporate Social Responsibility (CSR) involves the integration, by companies, of social and environmental concerns in their commercial operations and relations with its interlocutors, while also representing the entrepreneurial contribution to sustainable development (Commission, 2001). The term sustainable development was conceptualised in the well-known Brundtland Report, published in 1987 and prepared by the World Commission on Environment and Development (WCED, 1988), as that which satisfies present needs without jeopardising the capacity of future generations to satisfy their own needs.

Although the CSR concept has been especially based in the sphere of the large companies, a broad debate is being generated from different business, academic, and political forums regarding the need to consider the nature and implications of the start-up of SR strategies in SMEs. In a European context, this increasing interest would be justified, given the importance of this type of business for attaining the objectives set by the EU in the European Council of Lisbon in 2000, 'to transform itself by 2010 into the most competitive and dynamic knowledge-based economy in the world, capable of growing economically in a sustainable way with more and better jobs and greater social cohesion'. According to the Observatory of European SMEs in its latest report of 2003, the objectives set in this Council will be unattainable without the success of small and medium-sized enterprise. This statement is based on the fact that SMEs represent 99.8% of all European enterprise and are responsible for 70% of employment. Only four of the EU Member States - Germany, Finland, Holland and Great Britain - are characterised by having a business fabric led, in terms of employment, by large companies.

In this sense, European SMEs already make a significant social contribution by their capacity to create employment, and by their involvement in the development of the local community where they conduct their business. In turn, it also recognises their prominence as drivers of innovation, business initiative and competitiveness. For this reason, it is possible that numerous SMEs are behaving consistently with so-called SR, without being aware of this, or without knowing how to communicate this to the different stakeholders.

The ceramic sector, mainly made up of SMEs, is not foreign to this issue; for this reason the objective of this paper consists of reviewing the present SR instruments which could serve as a frame of reference for the design and implementation of SR strategies in the SMEs of this sector.

The present paper is structured as follows: this brief introduction is followed, first, by a review of the present situation of SR in the ceramic sector. Next, the wide range of available instruments defined in relation to CSR and enterprise sustainability is described, after which the different CSR management tools currently available for SMEs, which could be used by the ceramic sector, are reviewed. Finally, the main conclusions drawn are discussed.

2. PRESENT SITUATION OF SOCIAL RESPONSIBILITY IN THE CERAMIC SECTOR.

The ceramic sector is characterised by a high level of geographic concentration – 80% of the companies are located in Castellón province ^[1] – which makes the issue relating to the impact of this activity on the sustainable development of the Castellón

region in its three-pronged significance – economic, social and environmental – especially relevant. However, in an increasingly globalised world, it should not be forgotten that business environments expand and the impacts deriving from the business activity of any sector go beyond those arising in their zone of origin.

With a sectoral reality particularly concerned about the problems deriving from compliance with the Kyoto Protocol and industrial delocalisation, the awareness of the benefits possibly entailing from the integration of socially responsible practices by companies in the sector still seems to be in an incipient state, even though, in all likelihood, many of these are already doing this without realising it. In this sense, note the importance of the sector as a source of job creation in the province – most of the over 25,000 direct jobs generated in the sector ^[2] – and the traditional concern for the environment in the sector, which has materialised in the development of more respectful technologies with the environment. Thus, the growing interest in the implementation of ISO 14000 certifications, or the signing of different voluntary agreements with the various Administrations to improve the sector's environmental indicators, would also be examples of good practices in the field of CSR.

The exercise of social responsibility not only provides benefits for society, but the company can also obtain advantages from this. The European Commission (2002), in the second report of the Observatory of European SMEs, reflects the main benefits stemming from the performance of SR activities from the point of view of the companies surveyed. Though the results differ, depending on the country involved, on average the most highly valued aspects are an increase in consumer fidelity and improved relationships with the community, followed by worker satisfaction, improvement of relations with business partners and heightened economic performance. Other advantages that may be noted refer to retaining the most talented workers, reputation or less likelihood of being sued ^[10].

On the other hand, as it is also an issue, moreover, that could significantly affect industrial delocalisation towards other countries with lower labour costs, but which also have more flexible legislation in social and environmental matters, one might ask oneself what risks are being taken when an activity is conducted in environments where human rights are violated or whose labour and environmental practices are not accepted in the countries of origin. In a society that is increasingly better informed and aware of social problems and of the environment, company survival in the middle and long term does not only require directing business operations towards economic performance, but also to doing this in a sustainable and responsible way.

In this context, in the course of the following points, we shall describe the different tools that could be used by small and medium-sized companies to design their SR strategies, a fact which, in turn, will serve to lay the groundwork for what are considered socially responsible behaviours in SMEs.

3. MANAGEMENT INSTRUMENTS FOR SOCIAL RESPONSIBILITY AND SUSTAINABILITY

In recent years, different organisations, of public and private origin – Governments, business associations, research centres, trade unions, NGOs – have developed a great number of instruments relating to CSR and business sustainability. These instruments can be grouped, as the European Commission (2003) does, in terms of their final objectives.

Thus, a first group of instruments could be classified under the umbrella of principles and codes of conduct, such as the so-called UN Global Compact, the Standards on the responsibilities of transnational companies and of other commercial companies in the sphere of the United Nations human rights, the Global Sullivan Principles or the OECD guidelines for Multinationals; a second group would include the management and certification systems, like the SA8000 in the labour field, ISO, EMAS or the EU Eco-label for environmental certification; a third group would comprise the so-called CSR Indices, such as DJGSI, FTSE4good or Ethibel and, finally, the tools for information generation and evaluation in terms of sustainability, such as the GRI, AA1000 or the Ethos or New Economic Foundation (NEF) indicators.

INSTRUMENT	ASPECT		
	ECONOMIC	SOCIAL	ENVIRONMENTAL
CODES OF CONDUCT			
UN Global Compact (www.unglobalcompact.org)	*	*	*
Amnesty International Guidelines (www.amnesty.org.uk)		*	
ETI (www.ethicaltrade.org)		*	
Global Sullivan Principles (www.globalsullivanprinciples.org)		*	
OECD guidelines for multinationals (www.oecd.org/daf/investment/guidelines)	*	*	
Caux Roundtable (www.cauxroundtable.org)		*	
Code of governance for sustainable enterprise (www.iese.edu)		*	*
Aldama report (www.cnmv.es)		*	
ECCR/ICCR (www.web.net/~tccr/benchmarks)		*	
MANAGEMENT AND CERTIFICATION SYSTEMS			
SA8000 (www.cepaa.org)		*	
ISO9000 / ISO14001 (www.iso.org)			*
EMAS(europa.eu.int/comm/environment/emas)			*
EU Eco-label (europa.eu.int/comm/environment/ecolabel)		*	*
FSC (www.fiscoax.org)		*	*
INFORMATION GENERATION			
GRI (www.gri.org)	*	*	*
Ethos indicators (www.ethos.org.br)		*	*
INFORMATION AUDITING AND ASSURANCE			
AA1000S (www.accountability.org.uk)	*	*	*
NEF (www.neweconomics.org)	*	*	*
HRCA (www.humanrightsbusiness.org)		*	
CSR INDICES			
FTSE4 Good (www.ftse4good.com)	*	*	*
Dow Jones Sustainability (www.sustainability-index.com)	*	*	*
Domini Social Index (www.kld.com)	*	*	*
Ethibel sustainability index (www.ethibel.org)	*	*	*

Table 1. CSR Instruments - Source: European Commission (2003)

The usefulness of each group of instruments is determined to a large extent by its intrinsic objectives. Thus, the codes and standards of conduct serve as a context to which corporations can adhere and, on the basis of these, can design their future standards of behaviour in terms of CSR; they must be the basis, agreed by consensus, on which the social responsibility of the organisations adhering to these codes is grounded. The certification of different aspects relating to CSR, or the fact of pertaining to an ethical index, enables transmitting to the possible stakeholders the organisation's degree of involvement with the introduction of social responsibility in its management strategies. Finally, the tools for internal information generation and auditing are those which, from our point of view, are of the greatest usefulness for the measurement of the economic-financial, environmental and social impact of the organisation's activity, not only as a strategic element for displaying their results in these fields, but also as the guiding principles underlying the processes for continuous improvement and implementation of policies conducive to achieving sustainable development.

In this sense, the debate on the formal element that should be used to manage company information in the three sustainability dimensions – economic, environmental and social – is still ongoing, without to date reaching the necessary consensus for harmonising criteria on the recording and dissemination of business results relating to this three-dimensional issue. Nevertheless, the so-called 'Sustainability Report' is developing as the reference framework document in which to incorporate, in a structured form, the information on these aspects. The use of an information system that encompasses the three CSR aspects in a single document provides a comprehensive vision of the organisation and informs clearly and accurately of the organisation's contribution to the sustainable development of the context to which it belongs. This harmonisation is advantageous, both for the corporations that implement this and for the possible users of this information.

The type of information gathered in these reports implicitly involves the idea that their addressees and users exceed the traditional internal and external addressees of the financial information. Information of a social and environmental character is also already relevant for clients, analysts, investors, Public Authorities, financial, social and environmental rating agencies, in addition to NGOs, consumers and the public in general. The transparency of the information, together with the dialogue between the different stakeholders is, therefore, a key factor in this new business model, since it reinforces relations and raises confidence.

From an internal point of view, one of the principal uses of the sustainability report is its role as an instrument for assessment and control, enabling detection of risks or the identification of opportunities and threats, not just in aspects relating to traditional or tangibles management, but also to questions regarding the capability for innovation, reputation, image or brand.

However, given the own and the differentiated characteristics of small and medium-sized companies, the EU, as well as other national or international organisations, is generating different tools for the definition and communication of SR strategies, specifically designed for smaller companies – SMEKey, GRI guide for SMEs (2004), among others – which we shall describe in the following section.

4. IMPLEMENTATION OF CSR STRATEGIES IN SMES

The Directorate General for Enterprise (2004) has compiled a series of case studies of good practices among European SMEs, in which it is stated that business success and

SR are not only compatible, but that they can also be mutually reinforcing by opening up new commercial opportunities. As mentioned previously, other advantages refer to achieving greater satisfaction and loyalty of the clients, more motivated personnel, improvement of relations with the local community and Public Authorities, cost savings and greater prestige.

PILLARS OF SUSTAINABLE DEVELOPMENT				
	Economic	Social		Environment
	Market	Workplace	Community	
Principal stakeholders	- Clients/ consumers - Subcontractors/ suppliers and commercial partners. - Investors. - Public sector	- Employees. - Trade unions. - Employers. - Local community. - Business organisations. - Public Authorities.	- Public Authorities. - NGOs	Natural environment Spokespersons in favour of the environment: - NGOs - Local community - Citizens/consumers - Personnel - Public Authorities
Subjects	- Responsible management of the supply chain. - Quality. - Innovation. - Product safety. - Fair price. - Client satisfaction and satisfaction of consumer expectations. - Ethical advertising.	- Diversity in the workplace. - Equality of opportunity. - Balance between professional life and private life. - Health and safety. - Professional training and development. - Work satisfaction. - Salary and benefits. - Creating/holding jobs. - Labour rights.	- Social integration. - Health care. - Education - Quality of life. - Economic regeneration and development/ employment. - Local infrastructure. - Security.	Significant criteria in relation to products/ processes: 1. Use of resources - Materials - Water consumption - Energy 2. Wastes - Controlled landfills: use of the ground, soil pollution, underground water 3. Pollution - atmospheric pollution - water pollution - soil pollution - reduction of biological diversity
Instruments	- Labelling. - Bill of rights of the client. - Marketing (in particular related to a cause). - External communication - Standards (ISO 9000, SA 8000, social labels, etc.) - Quality management system.	- Knowledge of regulations by personnel. - Flexible work guidelines. - Participation of personnel in decision-taking processes. - Relations with trade unions. - Programmes of temporary assignment to another job. - Co-operation with external networks/ stakeholders. - Standards (SA 8000, social labels).	- Cash donations. - Donations in species. - Free services - Lending of company resources. - Participation/voluntary work by personnel. - Participation of the entrepreneur. Modes of participation: - Point actions. - Co-operation agreements. - Commercial actions/ sponsorship.	- Anticipation of future regulations - Eco-management systems: (EMAS, ISO 14000) - Design attentive to the environment - Life-cycle analysis - Eco-labels - Environmental product declaration: validated and self-declared - Cleaner production - Research and technology development - Space planning: clusters of companies, networks, districts - Transport plan - Voluntary agreements

Table 2. Goog practices of social responsibility among European SMEs. Reference criteria. - Source: DGE (2004).

The group of experts who prepared the study mentioned considered a number of aspects related to the three pillars of sustainability and business responsibility – economic, social and environmental – as the guiding principles of the selection process of European SMEs with exemplary conduct in these matters, shown in Table 2. However, the practices defined, in turn, had to fulfil a series of requirements: I) Business arguments. The practice should evidence a clear relationship between the advantages for the company and the advantages for society; II) strategic approach – the practice should be able to integrate within a wider business strategy; III) communication – the practice should be communicated through formal or informal channels with a view to including/informing other stakeholders and IV) dynamic process – the activity should be part of a dynamic process of continuous perfection in the context of a practice of consolidated business responsibility.

Although the case studies of good practices may serve as useful references when it comes to defining and implementing CRS strategies in the field of SMEs, there are also specifically designed tools for this, as remarked previously. In this sense, note for its relevance the guide prepared by the Global Reporting Initiative for SMEs (2004), although an instrument also of interest is the SMEKey. Therefore, below we shall describe in further detail the main focus of these guidelines, which we consider of possible application in the companies that make up the ceramic sector.

5. THE GLOBAL REPORTING INITIATIVE

The Global Reporting Initiative is a voluntarily applied international standard by organisations to offer information on the economic, environmental and social dimensions of their activities. In this way, through the information offered by the generators and users of this information, the GRI has developed a list of specific indicators for measuring social, economic and environmental results. It is necessary to take into account, furthermore, that although it does not offer precise recommendations on corporate conduct, its structure and contents are underpinned by a series of principles and standards on good business behaviour.

The GRI was created by CERES (Coalition for Environmentally Responsible Economies) which counts on the active participation of companies, NGOs, international organisations and UN agencies, consultants, accountancy organisations, business associations, universities, and other interested agents worldwide.

In 2004, based on a previous experience in the development of guidelines and protocols for drawing up reports on sustainability, fundamentally directed towards large companies, the GRI designed a handbook especially for SMEs. The fundamental objective of this handbook is to help the small and medium-sized companies to integrate the economic, social and environmental information derived from their products, services and activities into their communication strategy^[9]. For this reason, the GRI handbook for SMEs defines five steps to be followed throughout the sustainability reporting process: I) forming a team responsible for the generation of the sustainability report, determining the resources available as well as the resources needed, and defining a calendar of activities; II) describing the business vision, activities and objectives, making a map of the stakeholders, analysing the possibility of satisfying the different needs of these stakeholders and defining the scope of the information to be supplied; III) identifying the most appropriate indicators as a function of the guidelines provided by the GRI, compiling information to measure performance, learning from

the results of the own indicators and fixing objectives for the following year; IV) reviewing the quality of the data, selecting the most appropriate communication channels for the business and writing up and distributing the report that is drawn up and v) conducting a feedback process with a view to improving future reports and planning the following steps.

In regard to the indicators associated with the three focuses of SR, the various already existing GRI guidelines can be used as reference documents, particularly the GRI guidelines (2002), since this is the most general guide and enjoys the greatest consensus in use by the business world ². It sets out the various aspects shown in Table 3, in which each of these is associated, through a protocol, with specific indicators.

	CATEGORY	ASPECT
Economic	Direct economic impact	Clients Suppliers Employees Capital suppliers Public sector
Environmental	Environmental	Materials Energy Biodiversity Emissions, effluents, wastes Suppliers Products and services Conformance Transport
Social	Labour Practices	Employment Labour Relations Health and Safety Training Diversity and Equality
	Human Rights	Strategy and Management Freedom of association Non-discrimination Child Labour
	Society	Community Graft and corruption Political contributions Competition and political prices
	Product responsibility	Client Health and Safety Products and Services Marketing Privacy

Table 3. GRI hierarchy of CSR indicators - Source: Global Reporting Initiative Guidelines 2002

² Note: At the present moment over 700 organisations worldwide publish sustainability reports in accordance with the GRI Guidelines 2002, of which 49 are Spanish. (Data obtained from www.globalreporting.org <<http://www.globalreporting.org>> on 31 August 2005).

The range of indicators associated with each question is abundant; therefore, each SME will have to establish which aspects are relevant to its activity and which of would not be applicable.

6. SELF-ASSESSMENT AND DIAGNOSTICS: SMEKEY

The CSR Europe enterprise association created a guide for self-assessment and diagnostics to help the small and medium-sized companies define the most appropriate approach for their social responsibility strategy. It also has a software application, which can serve as a reference for the company in the course of the process.

The guide consists of three sections, as shown in Table 4: I) Identity, mission and values; their objective is to help define the key concepts of social responsibility for each company; II) economic, social and environmental impact; general questions are raised whose response will serve to identify the different impacts of the company on society and III) Development of social responsibility strategies; this section orients the companies on how to design a strategy that matches business needs.

SECTION	ASPECT
Identity, mission and values	General details regarding the company and its activities. Mission and values. Groups in the context. Why measure and evaluate the activity?
Economic, social and environmental impact	Economic (sales, benefits, wage policy, etc) Social (employees, safety, health, training, etc) Environmental (water and energy consumption, recycling, etc)
Development of SR strategies	Company objectives in the development of its SR strategy. Planning of a sustainability strategy. Dialogue with groups in the context. Objective of the report. Next steps.

Table 4. SMEKey guide - Source: <http://www.smekey.org>

7. CONCLUSIONS

In a globalised and complex environment, social and environmental concerns grow in an increasingly better-informed society. This has led to the emergence in the last few decades of a new model of business management, which attributes to the company a responsibility in regard to society beyond profit maximisation for its shareholders, i.e. it not only focuses its activities on obtaining economic benefits, but it does this according to criteria of social development and protection of the environment. In this context, the concept of sustainability and corporative social responsibility as the contribution of enterprise to this development focus are becoming stronger in political and academic fields, as well as in the business world.

Even though the RSC concept has been fundamentally related to large corporations, the importance of the small and medium-sized companies, not just

because of their number but also because of their capacity to generate employment and wealth, has led different organisations to pay particular attention to the possibilities of implementing socially responsible strategies in this type of enterprise. Although it is true that many of these are already implementing these without being aware of it, with these instruments it is sought to define, on the one hand, what implications SR has for the performance of SME activities, how to structure it in a way to make it effective and how to communicate it to the different stakeholders. In the course of this study we have highlighted the GRI guide for SMEs (2004) and the SMEKey tool because of their importance, while also noting a compilation of good practices in SMEs prepared by the EU Directorate General for Enterprise.

With a sectoral reality particularly concerned about the problems relating to compliance with the Kyoto Protocol and industrial delocalisation, awareness of the integration of socially responsible practices by the companies in the ceramic sector still seems to be in an incipient state. However, considering the benefits that could accompany these practices, for the ceramic sector SR could be an important business opportunity and source of competitive advantages.

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