

**PUTTING CSR INTO PRACTICE. THE CASE OF
THE ETHICS AND CORPORATE RESPONSIBILITY
OBSERVATORY OF THE AUTONOMOUS REGION
OF VALENCIA ERSE´06**

Roberto Ballester Fuillerat⁽¹⁾, Carmen Martí Marco⁽²⁾, Mónica Gassent⁽³⁾

⁽¹⁾Manager of the ÉTNOR Foundation

⁽²⁾Business Ethics Researcher at Valencia University and ÉTNOR Collaborator.

⁽³⁾Business Ethics and Corporate Social Responsibility researcher at Jaume I University in Castellon and ÉTNOR collaborator.

The ÉTNOR Foundation (for Ethics in Businesses and Organisations) has been working to encourage the creation of more ethical companies for the past 16 years. In order to do this, study, research and diffusion of financial and business ethics are the basic pillars for introducing ethical values and rules in companies. We are now living in times when concern for business ethics has grown to the point that it is a topic of the utmost interest, meaning an in-depth analysis of the current situation is needed to contribute to its future development and introduction in our companies.

It was with this intention that in 2005 we founded the Business Ethics and Responsibility Observatory, ERSE, with the basic aim of making a diagnosis of the situation of business in the Autonomous Region of Valencia with regard to all matters involving Ethics and Corporate Responsibility (CSR). The ultimate purpose of this study was to create a report to be used as the basis for the Government of the Autonomous region, different parties in the business world and society in general, for their possible intervention in this area.

The fundamental characteristic of this Observatory is that it considers CSR to be part of the nature of a company and a part its business ethics, meaning the most important aspect is not knowing *what* companies are doing with their profits and whether they are performing social actions with them, but *how* they are getting these profits. This also means making Social Responsibility part of the daily management of the company and understanding CSR to be part of the ethics or nature of the organisation.

Another of the specific aspects looked at by this ERSE is the pluralistic concept of companies on which it is based, in which it is necessary to attend to all the groups interested. As a result of this concept, not only has the perception of the companies (capital) and managers (*Business Study*) been analysed, as is usual in other studies, but also the workers, clients and society in general (*Society Study*).

Thirdly, *the research focuses on the Autonomous Region of Valencia*, which is important because it means information is gathered according to its particular business structure, which is basically made up of SMEs. Corporate Social Responsibility is not merely a matter for big companies and multinationals, and dealing with the business situations in the closest contexts - it is the first step for making the tools we have available to small and medium-sized companies.

Another of the fundamental aspects of ERSE is that it consists of an *initiative that involves the universities, the business environment and the Autonomous Public Government*, areas which also make up the structure of the ÉTNOR Foundation. The purpose of this has been to involve the three pillars that must actively participate in the reflection of the implementation of the ethical questions in companies.

Lastly, it develops a *methodology that integrates three sources of information*: a study of the *perception* of SCR among the different interested groups was performed, using a telephone survey for the fieldwork (CATI System), involving a series of interviews conducted among the different interested groups, 724 questionnaires, 407 to entrepreneurs and managers and 317 to society in general. In second place, the perception of the implantation of policies and specific practices considered to be CSR has been analysed, quantifying this in the *CSR Index*, which allows the study of this implantation. Lastly, an analysis of the communication carried out of the actual measures adopted by companies, a fundamental question for the research team, specified in a *CSR Monitor*.

In March 2007, the main results from ERSE'06 were presented. Among the principal conclusions the following are important: Firstly, unfamiliarity and disperse knowledge of the term CSR itself, even more so in the case of society (56.2% in the *Business Study* say that they have never heard of CSR, In the *Society Study* the percentage goes up to 65.8%). Among those who understand the concept, we can see evolution with regard to the previous study conducted in 1998^[1]. Ethics and CSR are no longer rejected as they were in years gone by, however, the concept does awaken a certain amount of caution, basically caused by lack of understanding of the concept itself.

Another important conclusion to be drawn is the fact that there is still no link perceived between ethics and profits. Both companies and society believe there is a choice to be made, although with some slight differences in their viewpoints. They can either earn money or be ethical. If they earn money, they cannot be ethical. If they are ethical, they lose money.

The communication and transparency aspects are matters with an enormous effect on matters of good corporate governance, and are core aspects of this research. In the theoretical setting on which it is based, public communication is clearly defined as the core of business ethics. This is the first step towards showing that things are being done correctly. It is the way for companies to account for themselves to interest groups, and also to gain credibility and their trust. Based on this, the communication of the CSR was analysed, both in the perception study and the communications monitor. Firstly, to discover the perception of the need to communicate these practices, and secondly, to directly analyse if it is being put into practice. The conclusions are that, although elements of communicating CSR are not directly rejected, such as, for example the *Certificate of a Socially Responsible Company* or the *Register of Socially Responsible Companies*, 56.8% of companies still believe that CSR actions should not be made public. Furthermore, the results of the monitor indicate that there is still much to be done in this area, as of the 108 companies with the largest turnover in the Autonomous Region of Valencia analysed, 25 do not even have a corporate website and another 21 do not have any type of information about ethical values of CSR measures. The demand for communication is not perceived as a decisive element of CSR.

The research team has prepared a series of recommendations based on all the conclusions of the study, both for the public government, and for Civil Society, an area in which we include companies, to serve as the basis for acting to implement business ethics in our Autonomous Region and in the rest of Spain. Some of the most important of these include the government itself setting the example, applying CSR criteria in its commercial operations by including social clauses, and giving preference to companies who do the same by way of tax benefits, credit facilities, etc. In the Civilian Society Area, by establishing alliances among companies, associations, syndicates and different organisations in civil society in order to create CSR networks and foster responsible consumerism.

ERSE'06 is the first Observatory aiming to conduct biennial research to analyse how the current situation is evolving in questions affecting ethics and CSR and to continue working to implement and introduce this in the day-to-day operations of Spain companies.

REFERENCES

- [1] Fundación ÉTNOR, La dimensión ética de la cultura empresarial en la Comunidad Valenciana, Supplement of No 100 of Economía 3. July / August 2000.