

EUROPEAN MULTISTAKEHOLDER FORUM ON CSR

**REPORT OF THE ROUND TABLE ON
'FOSTERING CSR AMONG SMES'**

FINAL VERSION 03/05/04

EXECUTIVE SUMMARY	3
1. CONTEXT & INITIAL OBSERVATIONS	3
1.1. THE IMPORTANCE OF SMALL BUSINESSES AND RESPONSIBLE ENTREPRENEURSHIP	3
1.2. KNOWING WHAT WE KNOW!.....	4
2. DRIVERS, OBSTACLES AND CRITICAL SUCCESS FACTORS FOR SMES TO ADOPT & IMPLEMENT CSR	7
2.1. DRIVERS.....	7
2.2. OBSTACLES	9
2.3. CRITICAL SUCCESS FACTORS FOR ENCOURAGING MORE CSR AMONGST INDIVIDUAL SMES.....	9
3. ISSUES FOR FURTHER CONSIDERATION	11
4. RECOMMENDATIONS IDENTIFIED AND EXPLORED	13
4.1. TO RAISE AWARENESS AND IMPROVE KNOWLEDGE ON CSR.....	13
4.2. TO DEVELOP CAPACITIES AND COMPETENCIES FOR MAINSTREAMING CSR	15
4.3. TO ENSURE AN ENABLING ENVIRONMENT FOR CSR	16
ANNEX 1 – LIST OF ROUND TABLE PARTICIPANTS	18
ANNEX 2 – CASE STUDIES PRESENTED.....	22

EXECUTIVE SUMMARY

Corporate Social Responsibility (CSR) is not a “bolt-on” to how business is run. It goes to the core of how business does business: how it sources, manufactures, markets and how it engages its stakeholders and the wider environment. CSR is about the long-term sustainability of business and of society. It is relevant for businesses of all shapes and sizes. Relatively little is known about CSR amongst small and medium sized enterprises (SMEs). Where SMEs are doing it, they may not use the language of CSR. Just as the best of SMEs are a source of innovation for business generally, so it can be assumed that the best of environmentally and socially responsible SMEs will offer CSR innovations. Efforts to engage more SMEs in CSR should be mindful of this fact. They should reflect the daily realities of SME life. They should work through channels as close to SMEs as possible, which SMEs already use and trust. This will involve a range of initiatives at local, regional, national, EU and sectoral levels. They will include initiatives from different stakeholder groups such as staff and consumers. There is an important role in improving and sharing knowledge about CSR and SMEs for social partners, business organisations and public institutions as well as universities & business schools.

1. CONTEXT & INITIAL OBSERVATIONS

1.1. *The importance of small businesses and responsible entrepreneurship*

Much of the focus in CSR so far – and most of the available tools and initiatives such as the Corporate Responsibility Index or the Global Reporting Initiative – has been about big business. The very phrase “Corporate Social Responsibility” implies a certain size of enterprise. How do SMEs do CSR and how do we engage with the mass of the 25 million SMEs across the EU? This has been the “exam question” addressed by this series of Round Tables. In doing so, it was recognised that the issues and, therefore, the approaches to, and the tools most relevant for, different sizes of SMEs from the sole-trader, through the micro-enterprises to the small business and the medium-size enterprise may be different.

The Round Table has worked on the basis of recognised EU definitions for “SMEs” and for CSR. As from January 1st 2005¹, SMEs are:

Enterprise category	Headcount	Turnover or	Balance Sheet Total
Medium-sized	< 250	Up to 50m Euros	Up to 43M
small	< 50	10	10
micro	< 10	2	2

¹ Commission Recommendation May 6th 2003 2003/361/EC replacing 1996 Recommendation. This made no change to headcount categories but reflected inflation.

CSR is defined by the EU as 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 not, therefore, some ad-hoc, bolt-on activity. It has as its starting point, respect and support for the law; but it goes beyond legal and contractual commitments. At its best, it goes to the heart of how a sustainable successful business is run: engaging stakeholders; thereby determining what CSR particularly means for that particular business; and then continuously striving to minimise negative social and environmental impacts and to maximise positive impact.

The Round Table has not thought it appropriate to reformulate the definition of “CSR” although it recognises that both within the EU and internationally, the term is used to mean different things – and some management gurus, businesses and stakeholders have criticised the imprecision of the term and its interchangeability with other terms like “corporate citizenship.” The Round Table did, however, have to consider the applicability of the term to SMEs. In particular, it recognised that for SMEs where there is a heavy turnover of new entrants and businesses ceasing to trade; where most face intense daily pressures to survive; and where they face what may often seem like a constantly changing and extensive range of regulatory requirements, then simply meeting relevant environmental and social legislation will be a substantial commitment. There is a widespread fear amongst SMEs about additional regulatory burdens. All this needs to be appreciated in any discussion of CSR and SMEs. Sometimes too, heavy demands placed on SMEs at the end of long supply chains can translate into pressure to cut costs in such a way that social and / or environmental responsibilities are jeopardised.

The case-studies and discussions showed that many SMEs believe that CSR if effectively internalised – “the way we do business around here” – could be a source of competitive advantage for individual firms – as well as benefiting society as a whole. For large and small companies alike, the starting point for CSR should be the same – the realisation that CSR can help create sustainable businesses and sustainable societies. As such, they see CSR as an integral, building block to the more entrepreneurial European Union envisaged by the Lisbon Council. As such, CSR should not just be integral to business; but also to the work of all those working to achieve the Lisbon Goals.

1.2. Knowing what we know!

There have been some attempts to measure the scale of CSR amongst SMEs in Europe, including a European SME Observatory study in 2002, although this largely examined external activity like sponsorship and community involvement.

The first observation from the Round Table is that we know relatively little about the scale and impact of CSR amongst SMEs – and much better baseline data is required. Later in this report, there are specific suggestions for a range of further research which the Round Table believes will assist all those interested in seeing

many more European SMEs become more sustainably competitive through incorporating CSR into their business strategy and practice.

That many SMEs are committed to environmental, social and community responsibility is certainly clear. Much of this will not be called “CSR” by those who are doing it! Successful SMEs are regularly providing excellent goods and service. They provide employment. They engage their employees and harness their motivation and skills for the long-term success of the enterprise. They recognise the value of informing and consulting employees, and of creating participative workplaces. They are intensely alert to human rights issues and to health and safety considerations; they encourage staff to acquire new skills; help them achieve better work-life balance; recruit and promote on merit – irrespective of gender, race, disability, age, sexual orientation. Many SMEs are striving to operate sustainably: conscious of their use of natural resources; mindful of their sourcing; seeking ways to reduce their energy and water consumption and their excess packaging and waste. Many SMEs are also putting something tangible back into their local communities: such as providing work experience for local schools, sponsoring local community organisations, supporting environmental clean-up drives.

The Round Table received presentations from a number of such smaller enterprises from Belgium, France, Germany, Greece, Italy, Spain and the UK². It has also benefited from studying further written case-studies collected by Enterprise DG in a booklet of good practice examples of responsible entrepreneurship across Europe³. CSR Europe has assembled 100 SME case studies which are published on the www.smekey.org website. The Rapporteur invited participants to submit additional examples which have been collected and are available on the Round Table site⁴.

A second observation from the Round Table is that whilst we may not know, the full scale and impact of CSR amongst SMEs, it would be presumptuous to assume that all the expertise and good practice in CSR lies with the large national and multinational companies. Often with limited resources and despite constant commercial pressures, many SMEs are striving to achieve commercial success that incorporates a commitment to social and environmental sustainability. Innovation and good practice in CSR will be found amongst SMEs as well as amongst larger firms – it may just be harder to find.

This report is largely based on case studies presented at the RT (as well as the knowledge and expertise of its participants) and descriptions of those case studies are available at the end of the report (annexe 2). Businesses willing to come to Brussels to talk about how they internalise their environmental and social

² Details are posted on the Round Table website at: www.europa.eu.int/comm/enterprise/csr/index.htm

³ The cases were identified and selected by a group of national experts. The booklet is available in 14 EU languages. Website: http://europa.eu.int/comm/enterprise/entrepreneurship/support_measures/responsible_entrepreneurship/index.htm

⁴ Website: www.europa.eu.int/comm/enterprise/csr/index.htm

responsibility alongside their commercial obligations are obviously already committed and engaged. The focus of the RT discussions has been about how to spread the message: to understand what motivates those SMEs already involved; what *might* motivate other businesses; how best to reach SMEs and how most effectively to support more SMEs to internalise CSR into the way they operate. It recognises that many SMEs don't know what CSR is or how to incorporate it effectively in their business – and that even if they are already doing some aspects of what is regarded as CSR, they may have difficulty in understanding the applicability of other aspects of CSR to their circumstances and how to handle it. Fully incorporating CSR into the core purpose and values; and then into the strategy and practices of a business, is a journey. Just because a business cannot do everything does not mean that it should do nothing! Successfully engaging many more SMEs needs to reflect SME realities; offer a staged approach and enable different SMEs to proceed in line with their priorities and circumstances.

Third observation. Given the large numbers of SMEs – 99% of all enterprises in the EU; and the huge disparity in experiences, ambitions, capacities and resources – then measures to support SMEs in adopting CSR need to be as close to the market and as close to the customer as possible. Equally, the very diversity of SMEs, means that a variety of channels at local, regional, national, EU, sectoral levels will be needed. Subsequent Round Table analysis and consequent recommendations for future action build on this key principle.

Fourth observation. The Round Table recognises that it can be even more dangerous to make generalisations about SMEs than about larger businesses when it comes to motivations, performance, success strategies etc and CSR.

2. DRIVERS, OBSTACLES AND CRITICAL SUCCESS FACTORS FOR SMEs TO ADOPT & IMPLEMENT CSR

General remark

The Round Table identified a series of Drivers for SMEs to adopt CSR; Obstacles to them doing so; and Critical Success Factors for more SMEs successfully implementing CSR. In doing so, participants recognised that these drivers, obstacles and critical success factors are:

- At the level of individual SMEs and also at a societal level;
- Drivers/Obstacles/ Critical Success Factors for *some* SMEs are not necessarily equally valid or real for all
- Equally – what are drivers for some SMEs such as improved reputation with customers or making it easier to attract and retain staff, may be benefits from CSR, for other SMEs
- The relative weight a particular business attaches to individual items within each listing (Drivers / Obstacles / Critical Success Factors) will probably change depending on the size and age of the business
- Some of these Drivers / Obstacles/Critical Success Factors will be more relevant to owner-managers; some to everyone working in the business.

2.1. Drivers

As far as drivers are concerned, there are any number of different reasons why people may start and run their own business. These reasons will influence the purpose and the strategy of the business, and in turn, the market goals and how to stay in the market. From the perspective then of a small business, there will be a number of drivers encouraging business responsibility: internal aspects (such as people issues, health and safety, environmental pressures); branding (and things which may build / undermine reputation and brand such as environmental, social, community factors); and external pressures such as legislation. This Round Table analysis starts with the perspective of how to start and run a sustainably successful business (commercially, socially, environmentally). It was recognised, of course, that the wider climate for business and macro-economic conditions are important for this. The emphasis is on embedding responsible business practice in the core of the business and in the *values* of the business – i.e. “*the way we do business round here.*” Drivers – and their relative importance – will, therefore, vary from business to business depending on such factors as the business’s attitude to risk, its attitude to innovation (is it an “early adopter” or by contrast a “laggard” innovator?), the ambitions for the business (e.g. is it a “life-style” business or a high growth SME “gazelle?”).

2.1.1. Drivers for individual SMEs

Many SMEs are driven to integrate CSR because of the personal beliefs and values of the founders / owner-manager(s) and employees. This will be most obvious in co-operatives and other social enterprises where the core purpose of the business may be a social goal; but it holds true for many other SMEs too. Additionally / alternatively, many SMEs are driven by some combination of minimising risks and maximising opportunities.

- Attracting, retaining and developing motivated and committed employees – especially because the speed of market and technology change means need flexible and engaged staff
- Winning and retaining consumers and business customers (supply chain pressures and opportunities) especially because economic stagnation means SMEs need to find new markets / revenue streams
- Being a good neighbour – maintaining a licence to operate from the local community
- Responding to pressures from banks and insurers
- Reputation – with internal and external stakeholders
- Changing perceptions of the role of business in society (not only a source of profit), through the media, education, and actions by stakeholders
- Cost and efficiencies savings eg reduced insurance and landfill costs
- Networking opportunities
- Product / market innovation, differentiation, and competitive edge; and the need for more sources of creativity and innovation in business
- Anticipating future legislation / getting practical experience of compliance in ways that help business.

2.1.2. Drivers for organisations promoting CSR in SMEs

The Round Table also considered what might be driving the wish of local, national and EU groups to promote more SMEs to commit to environmentally and socially responsible business practice. Here the drivers are seen to include recognition of the cumulative impact of SMEs; the fact that the majority of companies are SMEs; that smaller firms often are the business community of an area; and that it may be easier to change SME behaviours than the “super-tanker” multinationals. Some contributions also raised the possibilities of de-coupling economic growth from environmental degradation; and that responsible entrepreneurship makes business more attractive – and that, therefore, more people might want to start up and run their own businesses.

2.2. Obstacles

2.2.1. Obstacles for individual SMEs

Despite the often-powerful business arguments for CSR, it is often hard to do so. Amongst the most common obstacles are:

- Perceived and/or actual costs (eg for verification for big business customers' codes of conduct);
- lack of awareness of business benefits;
- conflicting time and other resource pressures;
- more immediate pressures from the daily struggle to survive commercially (some SMEs living below the poverty line);
- lack of know-how and know-who (eg to relate CSR as a mainstream issue; to make the business case; and where to find technical support),
- being reluctant and too slow to seek external help.

It is also the case that "CSR" so far has been largely aimed at large businesses (in terms of business case, tools, measurement and verification processes) and that the exclusive language of "CSR" is off-putting. Many SMEs may not be (fully) aware of their environmental and social impacts. SMEs and especially micro-businesses usually do not keep good records which would help them to prove their CSR (and trying to get them to do so, could be counter-productive for efforts to promote more CSR amongst SMEs); and there are limited rewards so far, for responsible business practice.

2.2.2. Obstacles for organisations promoting CSR in SMEs

Attempts to encourage more CSR in SMEs – for example by CSR organisations or by organisations representing or seeking to help SMEs – also face a number of obstacles. Organisations that are credible with SMEs may lack detailed understanding of CSR. Organisations with detailed CSR knowledge may not have the credibility with or the capacity to reach SMEs. Historically at least, there has been a lack of readily available, concrete case-study examples. Asking SMEs to engage with the whole CSR agenda at once may be too daunting for many SMEs and risks devaluing existing SME efforts.

2.3. Critical success factors for encouraging more CSR amongst individual SMEs

The Round Table has identified a number of critical success factors for individual firms that wish to embed responsible business principles into their core. These are:

- Commitment of owner/ management to running their business on these principles
- Enthusiastic engagement of employees and other stakeholders
- Core business vision and values based on CSR principles
- Integration into management/operational practice. Several members of the Round Table also emphasize the need for CSR management schemes when they are developed, to be integrated with – and where possible, build on - existing, mainstream management systems that small and – more likely – medium-sized – businesses might already be using such as ISO, EFQM.
- Staged approach to build confidence among SMEs hungry for results, incorporating shorter-term benefits into vision of long-term sustainability
- Networking opportunities for SMEs to learn from their peers
- Availability of good practice examples for other SMEs to learn from; and - for those SMEs that want them - of understandable benchmark standards to aspire to (and corresponding management tools to help those businesses)

The Round Table looked at and discussed examples of different supply chain approaches encouraging more CSR among SMEs. Successful supply chain initiatives may include

- Providing advice and training to their suppliers – not just unilaterally imposing new requirements
- Showing a known willingness to use the sanction of switching suppliers on CSR grounds
- Identifying and sharing cost-savings/ income-generation from CSR with suppliers

3. ISSUES FOR FURTHER CONSIDERATION

SMEs are already operating in a very complex environment. Inevitably, in less than twenty hours of Round Table discussion over three meetings spread out over 11 months with a changing participants' list, stakeholders were only able to scratch the surface of CSR and SMEs. A number of further topics were raised on which participants had fundamentally different views (points 3.1. & 3.5.) or which the RT could not explore further due to time limits and that may need further consideration (points 3.2-3.4). In points 3.2. to 3.4., issues are summarised in the hope that researchers and other fora may be stimulated to take them up. Indeed, it may be appropriate for further work to be done on some of these topics by the European Commission itself - or to be funded by them.

3.1. Public procurement/supply chain and CSR criteria in EU funding

There was some discussion about whether the EU Commission and other public authorities might learn from the experience of organisations like The Co-operative Bank in introducing CSR criteria into purchasing decisions. There are already many cases today of public authorities incorporating social and environmental criteria into calls for tender, explicitly allowed for in the latest EU directive. Participants at the Round Table had fundamentally different views on the issue. Some supported further analysis, looking particularly at how SMEs might benefit from calls for tender with social and environmental criteria. They were interested in how public authorities can take an incremental approach with SME suppliers, ensuring that they are not simply excluded from these calls for tender, but rather supported in order to improve their ability to compete for these calls. Others argued that the practical problems of introducing of social and environmental criteria into public procurement (particularly if those are built on what is accepted as voluntary practice) are too great. There were also concerns about the dangers of distortion of competition. Some participants agree that further analysis and reflection is needed on the impact of using social and environmental criteria in public procurement.

Similarly, there was no agreement on the question of whether the EU should ensure that its funds (Structural Funds, programmes and subsidies) go to support and develop CSR.

3.2. SMEs in new EU Member States

How to address the particular situation of SMEs in the new member states, where – in many cases – private enterprise is relatively new, prevailing environmental and other standards may be lower, and in some countries can be less of an existing tradition of CSR?

3.3. Communicating CSR and competitive advantage

CSR can produce more creativity & innovation. This, in turn, may lead to more competitive advantage for SMEs. In which case, getting a critical mass (cluster) of responsible SMEs in an area could become a source of competitive advantage of regions). If so, this could make CSR and SMEs, of interest to regional development agencies.

3.4. Mainstreaming CSR

There remains a need to convince small business support organisations & small business representative organisations that CSR should be part of their core operations; and that they need to learn from (un)successful attempts to do so. This, in turn, implies a need to build connectivity between knowledge-management systems of CSR intermediaries and of small business development agencies.

3.5. Standards, guidelines and tools

There is an SME aspect to the other three Round Tables of the MSF, so their recommendations should take this into account. More general recommendations from the other Round Tables will also be relevant to SMEs. For example, this Round Table did not give detailed consideration to the issue of tools and guidance for SMEs. Some suggested that adapted tools and standards for SMEs might need to be explored. Some argued that initiatives should be supported, for those SMEs that would find this approach helpful, particularly in the areas of

- (1) standards, guidelines, and codes of conduct;
- (2) practical guide on implementing CSR;
- (3) management tools; and
- (4) communication tools, including a simplified version of reporting and labelling schemes that allow SMEs to respond to consumer demand for socially responsible products by improving transparency and delivering the product information that customers need to know.

Others were strongly opposed to the idea of new standards and to proposals for reporting or labelling schemes. There is clearly much more work to be done in developing thinking about tools for SMEs, to achieve these goals in a way that is compatible with the accessible, non-bureaucratic style identified by the Round Table as being most attractive to the great majority of SMEs.

4. RECOMMENDATIONS IDENTIFIED AND EXPLORED

Introduction

Formally, the Round Table role is to identify, discuss and explore possible recommendations and to make suggestions for these to the full MSF. It will be for the full Forum to decide, in the light of the reports from all four Round Tables and given the overall work of the MSF, which recommendations it wishes to endorse. The full Forum will have to balance the weight of recommendations for different aspects of the ESF's work. It will have to ensure that there is a logic and internal consistency and flow to its recommendations.

With this in mind, the SME Round Table believes that it has made good progress and notwithstanding the knowledge gaps already alluded to, is keen to make a number of suggestions for consideration in the full report.

The over-arching conclusion of the SME Round Table is that much more needs to be done to build knowledge about what SMEs are already doing themselves, including good practice in SMEs from which large as well as other SMEs can learn from; what activities already exist to help SMEs incorporate CSR into their core business activity; and then to identify and disseminate this useful practice to businesses, small business representative organisations, small business development organisations, regional development agencies about how what SMEs are doing and how each of these groups can best support SMEs to incorporate environmental, social and community responsibility into their core business operations.

4.1. To raise awareness and improve knowledge on CSR

4.1.1. Simplify messages for SMEs

SMEs are made up of people and it is people who have to be engaged. Sustainable successful enterprises are ones that fully involve and harness the skills and passions and knowledge of everyone in the business.

Therefore any future initiatives promoting CSR towards SMEs need to simplify messages regarding CSR related data, practice, tools...

4.1.2. Popularise CSR through sharing experience and campaigns

Organisations of and for SMEs (trade associations, business federations, ...) collaborating with specialist CSR organisations can play a unique role in further:

- Promoting (i.e. funding) exchange of experience between SMEs themselves; large and small businesses -especially through the supply chain and particularly giving emphasis to supply chains involving

emerging markets; and between for-profit enterprises and social enterprises

- Organising particular campaigns among SMEs,
- Pooling knowledge and expertise as well as communicating to SMEs through channels already used by SMEs.

Environmental issues are arguably one of the most advanced parts of the CSR agenda – not least for SMEs – so there is much to learn from experience of promoting environmental issues to SMEs, for the successful promotion of CSR more generally to SMEs.

4.1.3. Base-line data and research

In order to develop the most effective interventions to help SMEs, organisations working with SMEs as well as civil society and public organisations need better base-line data e.g. on:

- Best practice examples of SMEs already integrating CSR – by business sector, type, geography etc,
- Quantity and quality of CSR in SMEs already,
- How this varies by size, sector, location and type of business,
- What is the long-term business case for CSR and sustainability,
- What are the most compelling arguments for SMEs in different circumstances,
- The most effective routes to market for the arguments (awareness-raising) and support (expertise-transfer),
- What is the impact of CSR initiatives in SMEs on business and society?

The Round Table participants also strongly advocate for more action research – namely, supporting a variety of approaches to help SMEs integrate CSR such as by small business development agencies, small business representative organisations, trade associations, universities and business schools, professional advisers and small business clubs – and distilling the learning from these different approaches.

Umbrella groups for CSR and business schools like the European Foundation for Management Development (EFMD) & European Academy for Business in Society (EABIS) are invited to encourage Universities, Business Schools, Higher Education and specialised centres for entrepreneurship, small business & Family Owned Businesses to include CSR in their research and teaching.

4.2. To develop capacities and competencies for mainstreaming CSR

4.2.1. Forging capacity in SMEs

The capacity of SMEs can be built by sharing experience between SMEs. For example through promoting and supporting the exchange of experience among

- SMEs themselves,
- large and small businesses - especially through the supply chain and with particular emphasis on supply chains involving emerging markets,
- for-profit enterprises and social enterprises.

Among the activities which the organisations listed in 4.2.3 could develop, the Round Table stresses the importance of peer group networking opportunities whereby individual champions can help colleagues from other SMEs better understand the “how to do” of leading CSR initiatives which ultimately can make SMEs more performing and attractive.

4.2.2. Initiatives need to be grounded in SME realities

Based on the experiences presented at the Round Table, participants make a strong appeal for current and future initiatives to be better grounded in SME reality and therefore to be:

- Easily accessible, with relevant and quality advice
- Tailored to SMEs
- Available through channels that are known and trusted by SMEs including sector specific trade associations
- Not bureaucratic
- Using language, examples and concepts to which SMEs can easily relate
- Flexible and adaptable to the pace of individual SMEs - some will find it easier to adopt a step-by-step approach with CSR unpacked to component parts.

Above all, they need to be delivered as close to the market and the customer as possible.

The Round Table recognises that given the great variety of SMEs, “close to the customer” must inevitably mean different things to different SMEs. For some, it will be through:

- A geographical close organisation
- Sectoral media and organisations
- Professional bodies and professional “facilitators” like accountants
- A virtual connection – such as e-learning or public / commercial websites.

4.2.3. CSR to become part of intermediaries' core activities

The level of SMEs willing to and capable of integrating CSR in their daily business is partly related to the capacity of intermediary organisations to make CSR part of the core activities and services which they develop for SMEs. Participants agree that the need for building the capacity of multiplier organisations applies to a wide range of actors, which might positively influence SMEs on CSR. The following is not meant to be an exhaustive list – but actors could certainly include:

- Small business representative organisations
- Small business banking and insurers
- Accountants, lawyers, consultants serving the SME market
- Small business development agencies
- SME-targeted web-based advice services
- Regional development agencies
- Local and regional public authorities
- Young entrepreneurs associations
- Schools (centres for entrepreneurship & for family-owned businesses)
- Trade/sectoral associations
- Employers organisations
- Trade unions
- Social partners (regional and/or sectoral collective agreements, training funds etc can make specific provisions for SMEs)

4.2.4. Successful supply chain initiatives

Exchange of experience between suppliers and purchasers is essential for SMEs to improve understanding of global supply chain issues and increase transparency in supply chain responsibility, and in particular to increase awareness of social, human rights, and environmental impacts throughout the supply chain (including through stakeholder dialogue), and how purchasing practices affect suppliers and their communities. This must also involve SMEs in the South.

Rather than supply chain initiatives always meaning large companies to SMEs, participants also acknowledge the huge scope for SMEs in a supply chain to challenge larger firms to work in partnership and develop CSR markets.

4.3. To ensure an enabling environment for CSR

4.3.1. Considering that most SMEs would be unlikely able to afford the costs, participants highlight the need for external resources and support to enable SMEs to define and implement CSR approaches appropriate to their business

circumstances – especially those involving external verification and certification –

4.3.2. Considering the relative newness of this subject and considering how CSR has successfully evolved among leading SMEs so far, participants encourage the development of practices, benchmarking techniques and management and communication tools which are relevant and attractive to SMEs.

4.3.3. Finally, given the huge scale of the task to engage 25 million SMEs in the enlarged EU, the Round Table stresses that in developing these ideas:

- All parties currently involved should look for additional partners and multipliers to maximise the positive impact of the efforts undertaken,
- The Forum should consider whether a place to collect useful practices should be established, to help SMEs integrate CSR.
- Collective understanding of what works in relation to SMEs and CSR should continuously be improved through on-going evaluation and dialogue.

ANNEXE 1 – LIST OF ROUND TABLE PARTICIPANTS

CHAIR: Mr Timo Summa, Director, Enterprise DG, European Commission

RAPPORTEUR: Mr David Grayson, Director, Business in the Community

➤ EMPLOYERS

UNICE (Union of Industrial and Employers' Confederations of Europe)

- Mr Christian Ardhe, Confederation of Swedish Enterprise, Brussels office
- Ms Rena Bardani, Federation of Greek Industries
- Mr Peter Trillingsgaard, Confederation of Danish Industries-DI
- Ms Fiona Webster, Organization Resources Counselors Inc
- Ms Natascha Waltke, Social Affairs Department, UNICE

CEEP (European Centre for Public Enterprises and Services of General Economic Interest)

- Ms Patricia Barrios Garcia Martin, SEPI-CEEP
- Mr Christophe Parak, Verband der Öffentlichen Wirtschaft und Gemeinwirtschaft Österreich (VOEG)

UEAPME (European Association of Craft, Small & Medium-Sized Enterprises)

- Mr Richard Simmons, FPB (Forum of Private Business)
- Mr Luc Hendrickx, Enterprise Policy and External Relations, UEAPME

EUROCOMMERCE

- Mr Jonathan Swift, British Hardware Federation Group (BHG)
- Ms Julia Egerer, Eurocommerce
- Ms Mette Breslau, Danish Commerce and Services

➤ TRADE UNIONS

ETUC (European Trade Unions Confederation)

- Mr Turo Bergman, ETUC
- Mr Lamberto Santini, Unione Italiana del Lavoro (UIL)
- Mr Ronald van Riet, General Christian Union (ACV/CSC)
- Mr Amilcar Ramos, General Confederation of Portuguese Workers (CGTP-IN)
- Mr Lars Espersen, Danish Confederation of Trade Unions (LO)
- Ms Bernadette Segol, Uni Europa

- Ms Penny Clarke, European Federation of Public Service Unions
- Mr Patrick Itschert, ETUC

Comité Liaison CEC/EUROCADRES

- Mr Claude Cambus, CEC
- Mr Dirk Ameel, Eurocadres - CEC

➤ BUSINESS NETWORKS & ORGANISATIONS

CSR EUROPE (The European Business Network for Corporate Social Responsibility)

- Mr Nicolas Kanhonou, Caisse des Dépôts et Consignations, Direction des Petites Entreprises et de l'Economie Sociale
- Ms Malgorzata Greszta, Responsible Business Forum
- Mr Peter Kromminga, Unternehmen: Partner der Jugend (UPJ, Germany)
- Ms Clare Southwell, Business in the Community (BITC, UK)
- Ms Sophia Mylothridou, Fanco, Greece
- Ms Ariane Molderez, Business and Society Belgium
- Mr Marc Saint-Olive, Caisse des dépôts et consignations, Direction des Partenariats
- Mr Emmanuel Arnaud, Novethic-Group CDC
- Mr Tomas Sercovich, Business in the Community – Ireland
- Mr Tytti Nocodeme, Novethic (France)
- Mr George Nikolakis, Planning Group
- Mr Jan Noterdaeme, Strategy & Stakeholder Relations, CSR Europe
- Ms Madhavi Bratt, CSR Europe
- Mr Olivier Cahay, CSR Europe
- Ms Céline Carré, ESBA Europe – Small Business Association

ERT (European Round Table of Industrialists)

- Ms Kathie Harris, ERT
- Mr Andrew Vanchau, BP

CECOP (European Confederation of Workers' Co-operatives, Social Cooperatives and Participative Enterprises)

- Mr Rainer Schlüter, CECOP
- Ms Agnes Mathis, Responsable Affaires Européennes, CECOP/CCACE
- Mr Renaud Huard, Filia MAIF

EUROCHAMBRES

- Ms Félicie Schneider, EU Affairs Eurochambres
- Mr Thierry Vincent, Chambre de Commerce et de l'Industrie de Paris (CCIP)
- Mr Alessandra Pasetti, Eurochambres
- Mr Theodoros Chartomatsidis, Union of Hellenic Chambers of Commerce

➤ **CIVIL SOCIETY ORGANISATIONS**

SOCIAL PLATFORM (The Platform of European Social NGOs)

- Ms Frederike de Graaf, Red Cross Netherlands
- Mr Jo Maes, Netherlands Red Cross Product Development and Organisation
- Ms Denise Auclair, Caritas
- Ms Liz Scurfield, Quaker Council for European Affairs

GREEN 8 (Group of 8 Environmental NGOs)

- Mr Frederic Thoma, Friends of the Earth England
- Ms Nika Greger, Leiterin Berlin Büro Deutscher Naturschutzring (DNR)
- Ms Liza Stevens, Traidcraft

BEUC (European Consumers Organisation)

- Ms Gabriella Fleischer, Federation of German Consumer Organisations
- Mr Roland Stuhr, Verbraucherzentrale Bundesverband

AMNESTY INTERNATIONAL

- Mr Peter Frankental

FIDH (International Federation For Human Rights)

- Mr Alan Dreanic, Human Rights

OXFAM

- Mr Henk Campher

EFTA

- Mr Stefan Chrobok, European Fair Trade Association

European Commission

- Ms Claudia Gintersdorfer
- Ms Tina Zournatzi
- Ms Naomi Adams
- Ms Yolanda Villar Ruberte
- Ms Marie Helene Terlinden
- Ms Katarina Stahl
- Ms Julie Raynal
- Mr Giuseppe Cacciato
- Mr Christian Weinberger
- Mr Marco Loprieno

➤ **OBSERVERS**

ILO (International Labour Organisation)

- Ms Sabine Overkamping, ILO

EUROPEAN PARLIAMENT

- Mr Philip Bushill-Matthews, MEP
- Ms Anne Dethier

EUROSIF (European Sustainable & Responsible Investment Forum)

- Mr Matt Christensen

COUNCIL

- Mr Paul Cullen, Irish Representation to the European Union

UNEP

- Mr Cornelis Theunis van der Lugt, UNEP Division of Technology, Industry and Economics
- Mr Nicholas Leroy, UNEP

➤ **SPEAKERS**

- Mr Rob Van der Horst, EIM Business & Policy research
- Mr Patrick Vandamme, Triselec Lille
- Mr Francois Deserable, ASMIS
- Mr Francis Van der Biest, ASMIS (not a speaker)
- Mr Michel Pirson, Val de Lys
- Ms Maria Louisa Parmigiani, Impronta Etica/COOP Italia
- Mr Lamberto Santini, UIL
- Ms Ionna Zervou, COCO MAT
- Ms Eugenia Lianou, COCO MAT
- Mr Paul Evmorfides, COCO MAT
- Ms Anaeha Marinos, COCO MAT
- Mr Horst Erhardt, Beta Institut
- Mr Dominic Wing, Shields Environmental plc
- Mr Bob Docx, De Kriker
- Mr Peter Walter, Betapharm Arzneimittel
- Mr Gabriel Fernandez, Fundacion Empresa y Sociedad
- Mr Rainer Gagstädter, Gfrerer Isollewerk (ACS)
- Ms Andrea Stockinger, Austrian Federal Economic Chamber
- Mr. J. Leonard – Vodafone
- Mr. B. Clavin, CO-OP Bank

ANNEX 2 – CASE STUDIES PRESENTED

SMALL BUSINESSES

TriSelec Lille and Val de Lys Entreprendre and SIMUP. TRISELEC from Lille, France is an urban waste-recycling business with 250 employees – so the upper end of “SME”. It is also distinct as a public-private partnership. Triselec presented a model of multi-media, distance learning for often low-skilled or ill-educated employees to improve their knowledge of health and safety in the work place. They are already making their training model available to other firms in France and Brazil – and one of the former also spoke. Although as a large SME with significant local authority ownership, the role-model aspects of Triselec for the mass of SMEs, may be limited, the example gave several lessons. These include the idea that responsible enterprises of any size can be investors in their people, offering opportunities for training and upskilling; the potential of “health and safety” as an “entry-point issue” on CSR for many businesses (a point identified by leading international CSR practitioners like the ECOS Group in Australia); and the possibilities of offering what is, in effect, a mobile human resources function which a number of SMEs could share in common – which may be one practical route for fostering CSR amongst SMEs. Also how their triple bottom line approach has had a positive effect on their bottom line: that they can generate profits from their activity without depending on the local authority to buy their services. Another point was the importance of their involvement in the EQUAL project.

COOP Italia and UIL COOP ITALIA – which is a very large retailing enterprise and winner of the Corporate Conscience Award 2001, described their supply chain initiative to help over 350 SME suppliers to meet their CSR standards. Again, whilst COOP Italia itself as a large enterprise would not be a direct role model for SMEs; it does provide valuable insights into one potentially very important way of fostering CSR amongst SMEs – namely, through the supply chain. COOP Italia are providing training and support to meet their CSR standards. They have a management system on the Internet, which all stakeholders can access. Suppliers could download this for themselves. It is available in both English and Italian versions. “CSR is in our DNA, because we are cooperative and our members are consumers themselves. Five years ago, Italian suppliers did not understand CSR...with the SA8000 management system we have had the opportunity to raise their awareness of these issues and to improve conditions in factories.”

COCOMAT – Greece – designs, makes and sells a range of goods created from natural products such as mattresses made out of seaweed. Many of the COCOMAT employees are socially excluded. They have made great efforts to engage disabled staff - whom COCOMAT refer to as special skilled (they have 26 disabled employees); emphasise the limited salary differentials (maximum x4 between highest and lowest paid); and their commitment to a sense of family

spirit amongst the COCOMAT community. They aim to provide good training opportunities for all their staff to enable them to realise their potential and to encourage them to take on more responsibility. This enterprise is a good example of a business founded on very strong values with a particular emphasis on what they referred to as wisdom and sharing knowledge across the entire company - and determined to live those values - which is one strand of enterprises and one important route to fostering CSR amongst SMEs - even though - as in the case of COCOMAT - many such SMEs may not originally think of their approach as CSR: "we did not want to be in CSR but now we are happy we did." The COCOMAT example illustrates that even SMEs can benchmark intensively and use processes like TQM (Total Quality Management) as a route to integrating CSR in their operations. They also emphasise the importance of continuously explaining what the purpose of the company is through constant communications with all employees where feedback and suggestions are actively sought and leadership. They also underlined the fact that the company was profitable and that they believed that there was a clear link between their company's approach and its success.

Betapharm - medium-sized enterprise - Germany - which manufactures and sells generic pharmaceuticals. A 1997 halt in sales growth led the company to the realisation that in a generic drugs market, they could not differentiate on price or quality. A market of interchangeable products requires differentiation and value added. This was the trigger for the company to adopt CSR as an expression of the company's values and as part of long-term corporate strategy. One manifestation of this commitment was the establishment of the beta Institute as an independent Research and Development Institute for Social Medicine. Betapharm described their journey from a simple sponsorship approach to CSR to a fuller Corporate Citizenship where the company has taken on an advocacy role with public authorities. Betapharm believe that CSR enables stakeholders to identify better with the company and has been the most significant factor in the resumption in sales growth. "When you've got staff who believe in what the company is doing, they are much more successful in their business because they win people over and the company has a higher profile."

Garage De Krikker - a small co-operative enterprise - established 1981 - Antwerp, Belgium which has a Renault dealership to sell new and used cars / auto-parts; and does repairs. As a co-operative, De Krikker is part of a network of co-operatives and social enterprises and actively uses this network for new insights and good practice in sustainable development - and to help avoid losing its values and focus. Krikker's raison d'être is to pursue social aims rather than just commercial objectives which is reflected in their definition of 'profits' in terms of social, ecological and personal development objectives as well as financial. They believe that being committed to a sustainable economy puts them at a commercial disadvantage and they stated they were not making much of a financial profit. The Garage is run on the principle of "equivalence" between all people. For De Krikker this means, for example, everyone working in the garage is paid the same wage; and when turn-over increased, deciding to reduce working hours and take on another worker rather than pay themselves

more. Workers are encouraged to learn new skills and have their own Personal Development Plans. De Kriker suggested that they are practising 39 of the 40 practical suggestions for an SME which wants to behave responsibly, circulated prior to the Round Table meeting (exception – video-conferencing instead of travelling to meetings!)

Denoordboom* – small Flemish joinery business established 1982 – with 12 fte (full-time equivalent) employees – and their spin-off business: Eurabo – a wholesaler of Forest Stewardship Council timber with 3 fte staff, started in 1997. Denoordboom have defined three CSR broad areas as manifestations of their commitment to trying to be a responsible business: the environment (as well as using FSC wood), they are promoting the concept of “passive house” which uses less energy etc); Clients (fair dealings, including fair and transparent pricing); and Staff: such as consultation, wages, flexible working time, and “being available.” Denoordboom is clear that “CSR is not a label...it does not help us with our sales we work from the heart.” Round table members were particularly interested in Denoordboom’s experience of achieving FSC certification; and that because this is very hard to achieve, the business then worked for two years with FSC Belgium to create a system for group certification for SMEs which will start this Autumn. This was seen as a potential model for trade associations and other SME organisations to replicate more generally on CSR certifications.

PROMOTING RESPONSIBLE BUSINESS PRACTICE

The Round Table looked at examples of different approaches to encouraging more responsible business practice:

- Through the supply chain
- CSR organisations organising particular campaigns amongst SMEs
- Capacity building through external business support – typically by organisations of and for SMEs, collaborating with specialist CSR organisations to pool knowledge and expertise; and to communicate to SMEs through channels already used by SMEs.

SUPPLY CHAIN

The Round-Table looked at two very different cases:

- The Co-operative Bank (UK) and Caisse Nationale d’Epargne (France)
- Shields Environmental (UK)

CO-OPERATIVE BANK, UK AND CAISSE NATIONALE DE L’EPARGNE, FRANCE

The Co-operative Bank has a long-established CSR commitment for its own employment, marketing and services; and more recently has started to extend this commitment to its purchasing policies. The Bank has 2500 suppliers – although 40% of these account for 90% of the value of purchases. 60-70% are SMEs. The Bank has

found that a demonstrable willingness to switch suppliers is an important factor; and also a willingness to share ensuing income-generation opportunities with suppliers. They have found it hard to find 'CSR SMEs' in some sectors. Where they have 'CSR SMEs', these businesses have used their CSR experience with the Co-operative Bank in other parts of their own operations eg adopting Green Energy. In some areas, the Bank has stimulated new markets e.g. Fair Trade Coffee for vending machines. The Bank recognises that SME suppliers alone cannot always deliver CSR solutions, e.g. in seeking to deliver a PVC-free credit card the bank and its suppliers alone cannot generate sufficient market demand to influence the design and production of certain component parts. Despite the fact that Co-operative Bank is a 'small buyer,' representing less than 1% of its suppliers' turnover, 46% of Co-operative Bank suppliers say (versus 25% in 2001) say that the Bank's policies have improved their awareness and use of sustainable products; and are driving this through their own supply chains. The Bank has found, however, that SMEs cannot always do this alone. This highlights the fact that a larger business does not have to be a major client to be able to have an impact on the spreading of CSR among SMEs.

Caisse Nationale d'Épargne described itself as starting on the trail already blazed by The Co-operative Bank. They are now introducing sustainable development criteria into their purchasing policies. They are now testing a grid for assessing loans to SMEs; and are subsidising a social audit for their SME customers. Caisse Nationale d'Épargne are not though going to check SMEs' "declarations of faith" on their CSR.

SHIELDS ENVIRONMENTAL AND VODAFONE

A very different case study was presented by Shields – one of the first businesses in the UK to achieve a certificated Environmental Management System – in 1995 (now ISO 14001) and one of the first businesses to report publicly on their environmental performance. Confronted with the need to generate new revenue streams, Shields used their own environmental commitment to spot a new market opportunity in forthcoming EU recycling legislation. Shields worked with mobile telephone manufacturers, retailers and networks to develop "Fonebak" to recycle mobile phones and reduce potentially hazardous landfill. Fonebak was launched in 2002 and involves a number of major networks, retailers and manufacturers. Benefits for the business have included new revenues; risk-management; enhanced corporate reputation. Over 100 new jobs have been created in an area of high unemployment; and a source of waste has been eliminated. This case study showed that SMEs in a supply chain might promote CSR to larger firms – rather than "Supply Chain" Initiatives always meaning large company *to* SMEs.

THROUGH CSR ORGANISATIONS

The **European SME Consortium on CSR** co-ordinated by CSR Europe and part-funded by Employment DG has involved sharing experience and resources between national partners in nine member states. National partners (CSR intermediary organisations) have worked with organisations of and for small firms to introduce CSR issues through these organisations to SMEs. The Consortium presented examples from Belgium, Spain and the UK. In Belgium, the Consortium is working with the

largest Flemish SME organisation. In Spain, activities have included the first ever Trade Fair devoted to CSR (Valencia). In the UK, the Small Business Consortium is working through existing SME organisations, a bank and small business media.

THROUGH BUSINESS REPRESENTATIVE AND SUPPORT ORGANISATIONS

The Round Table looked at two different initiatives:

Austrian Chambers of Commerce has piloted a subsidised consultancy scheme to enable participating SMEs to implement environmental, health and safety, and quality into an integrated management system. The SMEs can obtain external certification if they wish to, but this is not essential. Firms participating in the programme ranged in size from 12 to 780 employees. Consultants and firms could access best practice at: www.eval.at. Results from the pilot include: increases in safety, risk-management, environmental and quality standards; savings; improvements in internal co-operation in participating firms; and support / interest from the firms involved.

EU Commission “Best” project on environmental management systems (EMSs) in SMEs which aims to identify good practices in policy and support to promote EMSs in SMEs, including both formal and less formal (‘adapted’) approaches such as staged EMSs. One possible problem is that the Certifiers’ community may not understand SMEs and when they go into SMEs, they may take a big business approach. Often, SMEs do not have the necessary paperwork but they do have the systems – but not written down. Conversely, once a small business has an environmental / CSR champion, then they can make faster progress than large firms do, because change can be easier to affect in SMEs. A case-study was presented from a medium-sized Spanish business: Vallformosa - with about 100 employees, which has used a staged approach to introducing an environmental management system – based on the Acorn model developed in the UK (and now formalised in a new British Standard BS 8555). The initiative for this came from one of Vallformosa’s customers.