

# Corporate Social Responsibility for SMEs



# **Overview of the Present Situation**



# Background

The recent financial crisis has caused most of the world to question the stability of the economy

As such, the motives and actions that actually drive the business world were also (and constantly still being) questioned

The idea that seemed fundamental for centuries that the sole objective of firms should be to maximize profit also became questionable



# Background

**Profit being the main goal of course still remains to be the case but the approach is constantly challenged**

**Solely profit is no longer enough, the firms and companies need to create and increase VALUES**

**As a result, the new fundamental idea was firms to be run in order to maximize shareholder value**



# Background

The definition of “values” however is not clear and differs widely depending on numerous factors including:

- the economical situation of the nation in general;
- the economical situation of the region/ sector where the company or firm operates,
- the economical situation of the company itself (as opposed to competitors),
- the legal regulations in force;
- corporate strategies and culture;
- etc.



# Change

The public and general opinion is starting to put emphasis on viewing employees, suppliers, and other corporate stakeholders and their situation primarily

As such, the occurrence of excessive CEO compensations result in a public outrage especially when the employees are “suffering” in the same economic situation

People seem to care more but in most cases only when they are personally involved



# Main Drawbacks

**While it is difficult to grasp the exact reasons for the present situation, several factors seem to be at work in the same time**

**The new value-based approach was widely welcome at first but it seems that it did not meet the expectations**

**The tremendous level of excitement surrounding their initiation seems to have turned to disappointment and mistrust towards future changes**



# Possible Reasons

The most possible reasons for the value-based perspectives, strategies and approaches in general to not meet the previous expectations include the following:

- they were introduced prematurely, before the firm or the community was ready to implement them, or
- the expectations were unreasonable due to exaggerated marketing in order to sell the new method

# **What is CSR in Relation o SME-s**



# Defining CSR

**Corporate Social Responsibility (or CSR for short)** has most often been presented as the company's responsibility to either truly do good or to give something back to society

This could indeed refer to a wide variety of things starting from strategically buying local products, through organizing community events all to involvement in the fight against climate change

The level of involvement and more importantly the level of true determination towards the cause may vary



# Different Kinds of CSR

**CSR means different things to different people**

**Most experts (Friedman, Baron) share the view that there are indeed different kinds of CSR**

- 1) “True CSR” - which is unprofitable**
- 2) “Hypocritical CSR” - which might seem to be socially beneficial (may even really be) but is profitable for the company**



# What CSR Really Is

**CSR should not only be about an obligation felt towards society but more importantly it should be seen as a tool or process for structuring agreements between the different actors of economy that benefit all participants sharing the value in question**

**In this approach CSR attempts to create a new cultural mindset (or replace a previously existing one) that considers how to operate in a way that creates value**



# How CSR Works

The main idea behind CSR is that it is important for a company to operate in a socially responsible manner

By doing so it considers the importance of all of its stakeholders

And in the same time it focuses on how they can help to achieve the company's goals

Through which long-term, sustainable creation of value can be ensured



# CSR Achievements

The correct use of CSR can help a company to operate smoothly and also can support the following areas of operation (among others):

- recruiting and retaining employees,
- providing risk management (with special regard to reputational risks),
- being used as a “marketing tool”,
- helping to avoid unwanted investigations



# CSR Achievements

**CSR has the potential to be much more than a “feel-good concept” for companies and their management**

**It can also make good business sense IF (and only if) it is practiced strategically**

**By correctly using a program of CSR, a company can provide a win-win situation for the benefit of both the shareholders and other stakeholders**

# **The Value-Based Approach**



# In the Beginning

The most commonly used management tool regarding the value-based approach is Value-Based Management (VBM for short) also known as Value-Driven Management (VDM for short)

In the beginning of the spread of the VBM “movement”, the most important question was, who possesses the best unit for measuring value creation

As a result the market focused on the selling and purchase of the newest methods and software for measuring value creation



# Development of VBM

It soon became obvious that having a unit for measurement was not sufficient

Need arose for a system to be designed that would build and support a sustainable cycle of value creation

Also the company's business strategies and the development of its value should also be connected

The system should include a process (or processes) in order to meet the new requirements



# The VBM System

At a minimum, a company's VBM system is required to command the following areas (non-exclusively) :

- full support of the management (especially that of the top executives);
- a link between behaviour and compensation;
- employees' understanding of the system (both “Why?”-s and “How?”-s);
- a capital market focus

Most importantly the company must realize that a VBM metric is only a measure of success and NOT success itself



# VBM

**VBM sets the transformation of the cultural mindset within a company in order to maximize the company's value creation as its goal**

**VBM is NOT a “quick fix” nor a “panacea” that can be purchased entirely from an outside source**

**Its implementation requires serious effort which in order to be successful needs to include a cultural change**



# Setting Up a VBM System

**Management should be committed to strategies that create value**

In other words a company's management should only commit to strategies in which the present value of the growth opportunities is positive (exceeds zero)

A fundamental component of every company's internal control system should be its compensation program

# **The Eight Value Drivers of VBM**



# Background

**It is extremely difficult to balance every single act for every employee in making decisions within an organization**

**VBM is based upon the fact that all people's values drive their actions**

**There are eight facets which need to be taken into consideration in order to understand the importance between making a decision and taking an action**

**These must be understood and applied in every situation, since this “model” is considered an integrated philosophical management framework**



# The Value Drivers

## 1: Cultures External to the Organization

Every person has singular values and every person has different values, too, although there are some essential values which seem to be the same for everybody

A world culture is based upon a common set of values

Employees must be aware of the specific values as well as the common set of values that is developing from the international community

The external culture values embrace the world culture as well as the national and societal cultures



# The Value Drivers

## 2: Organizational Culture

A good service and treatment of customers is essential inside every company

This will make it better, well-known and furthermore, it would increase sales

Organizational actions are functions of culture that make it possible for companies to exist

Every organization has an internal culture and they should maintain it this way



# The Value Drivers

## 2: Organizational Culture

The way employees inside a company treat their customers need to be exceptional

Some values regarding this facet include the following:

- education,
- good manners,
- respect, and
- patience

Customers want to feel special and it is up to the company (and to the employees interacting with them) to make that possible



# The Value Drivers

## 3: Employees' Values

Each human being has their own values but the company he/she is working for have their own too

The more that employee's values are congruent with the organizational values, the more successful the individual will be in their own lives and in the organizational setting

It is important for decision makers to understand what each employee values and how each can be the most successful in an organization



# The Value Drivers

## 4: Suppliers' Values

**The attention in this point must be given to the values of the organization's suppliers with the aim of maximizing the organization's value over time**

**The values of the suppliers are very important to the company since the quality of the product is one of the first things the company has to pay attention to**

**This way, their own organization and its value-, and wealth-creation can be maximized**



# The Value Drivers

## 5: Customer's Values

A customer value proposition is a business or marketing statement that describes why a customer should buy a specific product or use a particular service

This is known as a solid customer value proposition

This facet is a clearly defined statement which is designed to convince customers that one particular product or service will add more benefits and value or will solve a problem in a faster and easier way than others in its competitive set



# The Value Drivers

## 5: Customer's Values

By gaining the customer's attention and approval the confidence in the product will increase and as a result of this, the market share too

It is important to understand the customers and their needs in order to promote the product

The company must definitely provide that which customers value more, such as the quality (of the product or service offered by the company) and reliability

Satisfaction of the client is crucial to achieve success in business



# The Value Drivers

## 5: Customer's Values

**Companies need to take into consideration the following points, understanding them as values:**

- **Show Respect:** Every customer is your most important customer
- **Personalize:** Avoid preconceived notions and stereotypes
- **Pay Attention :** Assess how customers want to be served and adjust accordingly
- **Show You Care:** Present a positive, supportive attitude
- **Advocate:** Stay on your customers' side



# The Value Drivers

## 6: Third Party Values

**Third Party Values** should be understood as values of unions and/or government regulatory agencies in respect of

- authority,
- rules and legal regulations, and
- compliance

These are also highly important when making decisions or taking actions



# The Value Drivers

## 7: Competitor Values

**Competing Values** is about understanding how to appreciate conflicting values and integrate them successfully inside the company so that the organization is open to collaboration and growth

Taking into account and understanding what competitors value most will help the business to formulate its correct strategy

If a company knows the strengths and weaknesses of their competitors, it is easier to find the better solution and other alternatives



# The Value Drivers

## 8: Owner Values

**Owner values are the primary focus of VBM**

**In any enterprise, employees are assigned with the company's assets to reach the objectives of the owners**

**All employees need to understand that when working for a company their job is to maximize the value for the owners and when the company is successful, its values and that of their own shall be in harmony**

# **The Five Topics of VBM**



# The Value-Based Perspective

A successful implementation requires more than analyzing and interpreting different situations

It means that the company must apply a value based system and that there must be major changes in the organizational culture

It is not enough for the management to understand and correctly apply the VDM concept if there is no awareness of the values, starting from the top management to all decision makers and to company employees as well



# The Value-Based Perspective

This new concept is based on how people's values drive their actions and by considering them in the decision-making process the company can come much closer to maximizing values over time

Value Driven Management is related to 5 major topics:

- Company (values);
- Workplace;
- Marketplace;
- Community; and
- Environment



# The Major Topics

## Company (values)

An organization is built of employers and employees, policies, traditions and customs, rules and regulations, products and visions, partnerships and competition, strategies and management styles

In order to reach success, managers must take into consideration values that are key elements for the company, such as:

- Client-orientation,
- Professionalism,
- Teamwork
- Integrity,
- Respect, and



# The Major Topics

## Workplace

**Workplace actually refers to the employees and the employers working together to ensure the success of the company**

**Managers have the responsibility to guide their employees so they can improve the entire activity**

**It focuses mostly on employee involvement, quality, team work, regulations and different development techniques**



# The Major Topics

## Marketplace

**Marketplace refers to supply and demand, customers and consumers, partners and suppliers, competition, new trends, and it functions based on certain values and rules**

**It basically represents the central field of action, the setting in which the company can check its performances and its power**



# The Major Topics

## Community

The community is composed from the public sector and the non-governmental sector, which work together for creating conditions for economic growth and for creating new jobs

It has a major role in developing companies' activities as there is a relationship between companies and the community and they affect each other constantly



# The Major Topics

## Environment

Environment means surroundings and living organisms, but also the external and internal factors that influence the company's activity, such as:

- partners,
- suppliers,
- competition,
- third parties,
- local and national authorities,
- laws and regulations



# The Major Topics

## Environment

Environment can be defined using multiple approaches but in every case it is vital for the company as without it the company cannot operate

For this reason every company must learn to operate in harmony with its environment, know its role and place within it and furthermore protect and sustain it

# **Different Approaches to Environment**



# Defining the Key Term(s)

## WHAT IS “ENVIRONMENT”?

**Multiple definitions are possible and acceptable**

**It always depends on the approach**

**The most important ones to be reviewed for VBM  
are the following:**

- 1.) General Environment**
- 2.) Economic Environment**
- 3.) Business Environment**



# Defining the Key Term(s)

## 1.) General Environment (or Environment in general)

The total of ALL SURROUNDINGS of a living organism, including natural forces and other living things, which provide conditions for development and growth but may also hold danger and cause possible damage

|+| The broadest approach, includes everything

|‐| Too general



# Defining the Key Term(s)

## 2.) Economic Environment

The total of economic factors that influence the buying behaviour of consumers and institutions

Factors include:

- Employment
- Income
- Inflation
- Interest rates
- Productivity
- Wealth



# 1. Defining the Key Term(s)

## 3.) Business Environment

The combination of internal and external factors that influence a company's operating situation. The business environment can include factors such as:

- Clients and Suppliers
- Owners, Stakeholders and Shareholders
- Competitors and “Competition” itself
- Technologies (old ones and improvements)
- Government activities (such as support schemes)
- Laws
- The Market (itself and its trends)
- Social issues and trends
- National and regional economy and trends



# Environment and Business

**Apart from the obvious moral issues, environment is linked very much to business**

**Someone who is utilising his/her environment in the best way possible, not only has the best way to use raw materials but also sees through and is capable of monitoring the best practices throughout the entire system and process of supply or production**

# **Training Models**



# Defining Training Models

A training model can be described as a tool to “identify current practices... and outline key areas to consider in order to improve the effectiveness” of the organisation’s overall performance

(Tennant et al, 2002, pp 230)

Training models are essential for organizations to plan and conduct in order to adopt new management techniques and tools in order to stay competitive in their respective industries



# Setting Up a Training Model

**Training models should always focus on what the company need and be set up accordingly**

**There are countless models to serve as basis for training models, one of which is the so called “ADDIE” model which is suitable for the development of instructions**

**The “ADDIE” model is composed of 5 steps:**

- 1. Analysis**
- 2. Design**
- 3. Development**
- 4. Implementation**
- 5. Evaluation**



# Stages of the ADDIE Model

According to Ellington and Aris (2000), the stages of the model are explained as follows:

## 1. Analysis or Assessment of Needs

The first step requires market research to investigate whether the training is needed, and if so, who the training should be designed for and what level of knowledge it should be suitable for

## 2. Design

The second step involves the determination of the detailed content of the model



# Stages of the ADDIE Model

## 2. Design

The content should be informed by the previous analysis stage, and also involve the presentation techniques as well as the learning outcomes that is expected of the training

## 3. Development

The third step covers the overall plan for the training and its activities

The activities must meet the needs of the learners, be in line with the learning objectives as well as be suitable for the learner and their learning styles



# Stages of the ADDIE Model

## 4. Implementation

Once the training plan has been developed it should be implemented for its target group

It is significant for the training model to constantly be evaluated throughout the process in order to determine whether the training is meeting the needs and objectives

## 5. Evaluation

The final step of the model concerns a final evaluation of the training

As mentioned, a formative evaluation should take place throughout the process and conclude in a summative evaluation at the end of the process



# A Good Training Model

**A good training model is designed to be flexible to suit the different training needs**

**The first step of the training model is advised to be an audit of the participants**

**The objective of the audit is to gain an understanding of the participants, their training needs and expectations of the training**

**The gathered information shall be used to tailor the content of the training to the specific group**

**Various tests can be used during the audit to gather information**

# **Implementing Change**



# Change is Constant

**Whether aware of change or not, it is happening constantly**

**New initiatives, new inventions, technological improvements, etc. appear every day**

**For a company it is really important to be able to adapt to change**

**There are various scientific models on change management, the following was published by John Kotter** (Mind Tools, 2013)



# Kotter's 8-Step Change Model

**Step 1: Create urgency**

**Step 2: Form a powerful coalition**

**Step 3: Create a vision for change**

**Step 4: Communicate the vision**

**Step 5: Remove obstacles**

**Step 6: Create short-term wins**

**Step 7: Build on the change**

**Step 8: Anchor the changes in corporate culture**



# Advantages of Change Management

The main question for the company will be if there are any benefits to implement change

When done right, the company may face the following positive outcomes:

- Change becomes a planned and managed process therefore the benefits of the change are known before implementation and serve as motivators and assessment of progress
- The organization will be able to respond faster to customer demands



# Advantages of Change Management

- It can help to align existing resources within the organization
- Change management allows the organization to assess the overall impact of a change
- With proper change management, change can be implemented without negatively effecting the day to day running of business
- With proper change management, change can be implemented without negatively effecting the day to day running of business



# Advantages of Change Management

- Organizational effectiveness and efficiency can be maintained or even improved by acknowledging the concerns of staff
- The time needed to implement change can be reduced
- The possibility of unsuccessful change can be reduced
- Employee performance increases when staff feel supported and understand the change process
- Increased customer service and effective service to clients can be expected from confident and knowledgeable employees



# Advantages of Change Management

- Change management provides a way to anticipate challenges and respond to these efficiently
- An effective change management process lowers the risk associated with change
- Managed costs of change: change management helps to contain costs associated with the change
- Increased return on investment (ROI)
- Creates an opportunity for the development of “best practices”, leadership development, and team development



# Risks with Change

The main risk for a company is that the new system(s) may not work as planned

Change is never without risk but with proper preparation the level of threat can be lowered

The following risk aspects are advised to be taken into consideration regarding change:

- Resistance and reluctance of accepting change
- Insufficient leadership skills to handle demands
- Disruption of business activity
- Forcing change

# **10 Common Mistakes When Implementing Values (And How to Avoid Them)**



# Opening Thoughts

**Change is never easy, especially when it is a change in company policies, corporate strategies or culture**

**Since VBM includes all of the above it is not uncommon for companies to make mistakes during the procedure**

**There are even some mistakes that are made especially often but knowing about them in advance can be of great help**



# Common Mistakes & Solutions

## Issue 1: People fail to meet targets

**The Effect:** Some people cannot offer the expected performance at all times, which could be a major problem, as if a person can't achieve the target, it will put pressure on the rest of team members as well

### **Possible solution:**

- » Make sure the targets are achievable
- » Offer extra for extra work (and make sure the team knows about it) to keep them motivated



# Common Mistakes & Solutions

**Issue 2: Unimportant meetings, discussions being lengthy and insignificant**

**The Effect:** Meetings are very important that is no doubt but organizing a meeting with colleagues for unimportant reasons is only a waste of time and resources

**Possible solution:**

- » Make sure the meeting is important and everyone understands this
- » Timing should be fixed and not too long
- » Invite only those whose presence is necessary



# Common Mistakes & Solutions

## Issue 3: People misuse the term - Authority

**The Effect:** Commonly people do not have the required authority to take action. It is a traditionally common fact that management doesn't like to delegate authority

### **Possible solution:**

- » Make sure that everyone has written acknowledgment for their responsibilities and authorities
- » Authorities and responsibilities need to be discussed and defined in writing
- » Make sure that there are clearly defined boundaries



# Common Mistakes & Solutions

## Issue 4: Incompetence in the workplace

**The Effect:** As these employees don't do their work properly, there is always a need to supervise or look into their work a second time, which can be quite time-consuming

### **Possible solution:**

- » Sometimes it is not incompetence but work-overload, or motivational problems
- » Proper training is the key to getting better performance
- » make sure to determine a person's competence before hiring them



# Common Mistakes & Solutions

## Issue 5: Too much to do in too little time

**The Effect:** It will affect the quality of work and decrease motivation severely on the long run

### **Possible solution:**

- » Make a list of the tasks and prioritize, delegate the work accordingly
- » Be sure that there is a clear schedule and that everyone sticks to it
- » Keep certain fixed times for meetings
- » Arrange a way for employees to communicate with each other if needed



# Common Mistakes & Solutions

## Issue 6: Flaws in the motivation system

**The Effect:** It can result in lower productivity, waste of time and resources. The lack of motivation also leads to burn-out and fluctuation.

### **Possible solution:**

- » There isn't a solution that always works as employees are motivated by different things
- » Improving work conditions is compulsory



# Common Mistakes & Solutions

## Issue 7: Lack of communication

**The Effect:** Failure of communicate effectively often leads to conflict, which is harmful for the entire organization. With no proper communication the roles and responsibilities may not be clear either.

### **Possible solution:**

- » Organize regular meetings where they can discuss the problems
- » Listen the problems of the employees
- » Clarify the overall goals and transmit to the employees
- » Involve the employees in the decision-making process



# Common Mistakes & Solutions

## Issue 8: Lack of promotion and trainings

**The Effect:** The employees will perform poorly and they also lose their motivation to work

### **Possible solution:**

- » Give the employees regular feedbacks
- » Increase the responsibility of the employees, give them the opportunity to progress



# Common Mistakes & Solutions

## Issue 9: Flaws in the outplacement process

**The Effect:** Sudden and unprepared lay-offs can shock and damage employees and even affect those who stay at the company

### **Possible solution:**

- » If the dismissal is unavoidable, give the employees clear and obvious explanation in due time
- » Offer training programs for laid-off workers, or help them find new job opportunities



# Common Mistakes & Solutions

## Issue 10: Choosing the wrong management style

**The Effect:** The right management style can lead to better commitment, like creative thinking, and quick progress, and can help develop the workplace the wrong one does the opposite

### **Possible solution:**

- » Understand your employees' needs and concerns and make them feel satisfied
- » Leadership should adapt to the external circumstances
- » The managers' responsibility should be transparent and clear

# **Connection Between CSR and the Value-Based Approach**



# Need for a Connection

**Traditional VBM was often short sighted and thus needs to evolve if it is to continue to flourish**

**The idea VBM represents seems to be a correct one but correct and successful implementation seems to be difficult for many companies**

**Implementing the new approach might be effective if it were to be done through a method the companies are more familiar with already**

**CSR fits in well within a VBM framework because CSR appears to make good business sense**



# Fusion?

A “marriage” of traditional VBM with the growing trend toward corporate social responsibility (CSR) is most likely to have favourable effects on the company

The combination is termed **Value(s)-Based Management (or VsBM for short)**

Value(s)-based management, as defined here, represents a marriage between the shareholder-centric orientation of traditional VBM and the society-centric orientation of the CSR movement



# Common Characteristics

The objective of VBM is a cultural change that involves modifying behaviour in order for the interests of a company's management those of its shareholders to meet

Companies that successfully integrate VBM throughout their organization experience a dramatic alteration in their culture

CSR also has as its objective to achieve a transformation in cultural mindsets



# Common Characteristics

**CSR promotes the idea that companies must operate in a socially responsible manner, while they consider how their operations impact the company's stakeholders**

**Evidence is strong that such stakeholders are critical for a company's long-term, sustainable value creation**

**VBM also focuses mainly on value creation and pays attention to various value factors, areas and sources**



# Conclusion

**The major conclusion is that VsBM approach, can lead to a win-win situation for both the company's shareholders and its other stakeholders by leading to a cycle of doing good and doing well**

**Doing good for employees, the environment, and/or the community and in the same time achieving profit**

**VsBM seems to be a method to convert “Hypocritical CSR” into “True CSR” without losing values on either side**

**THANK YOU FOR YOUR KIND ATTENTION!**