

Survive&Thrive



Organisation for Responsible Businesses

■ ■ ■ *PEOPLE PLANET PROFIT*

FINAL REPORT

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1. Introduction and Objectives of the Consultancy Project

During the last six months (October 2010-March 2011), Anglia Ruskin University and ORB – Organisation for Responsible Businesses have been collaborating together in the validation and development of a comprehensive Standard aimed at auditing businesses in relation to their responsible and ethical practices.

The main purpose of this was to provide of a validation process including the following questions:

1. Is the audit instrument measuring what is intended to do?
2. Are the questions valid and understandable?
3. Is the information obtained from the instrument useful to evaluate social responsibility of SMEs for different stakeholders?

In order to validate the instrument both ARU and ORB have been developing workshops and meetings aiming at clarifying the purpose and the type of questions. In addition, a pilot of the instrument has been implemented in order to test the validity and applicability of the instrument. Several discussions and exchange of ideas have informed the process of validation.

This report aims at responding these three questions while also including some discussion about the potentialities of this type of initiatives in the context of a growing concern for ethical, environmental and socially responsible attitudes for business in the United Kingdom and Europe.

2. The Responsible Business Standard.

a. Context and relevance

The Standard aims at measuring the performance and continual development of SMEs in relation to a number of categories linked to 'social responsibility', 'ethics' and 'environmental impact' applied to the particular characteristics of SME in the United Kingdom. The standard is conceived as a dynamic instrument to facilitate the identification of practices and the suggestion of recommendations toward more responsible practices. SMEs are crucial actors in the national economy and they have particular characteristics in the way they embrace and implement socially responsible practices and initiatives.

As defined by the European Commission's Corporate Social Responsibility is a "concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis."¹ This concept, however, needs to be adapted to the particular characteristics of SMEs that deal with different resources, drivers and challenges than MNEs and larger organizations.

The Standard acknowledges that SMEs are key actors at the local and regional level, not only as providers of services and employment, but due to their role in their communities. The concept of social responsibility is not entirely new or alien to SMEs, taking into account that many of the SMEs are driven by a strong vision and values of their owners, and they contribute to the creation of social capital in their surroundings. As reported by a report produced by The ESRC Centre for Business Relationships, Accountability, Sustainability and Society of Cardiff University, SMEs are driven by strong values thus it is natural that they engage in socially responsible activities² (Jenkins, 2009). In addition, changes in the public concern and legislation are demanding that businesses develop socially responsible practices as expressed by concern for the environment, ethical behaviour and transparency.

In response to these expectations, this Standard has been developed as a way of highlighting the current performance of SMEs in this regard, and at the same time, as a means for raising awareness and facilitating processes of change in these organisations. As will be explained later, the purpose of the Standard is not necessarily to 'certify' or 'decertify' but to help organizations to realise the potential of their current practices in terms of competitive advantage and well-being. At the same time, the Standard provide of a useful tool for different stakeholders, such as public, community, local procurement officers, customers, regulators, etc.

The Standard follows the rationale of accreditations such as the ISO14001 and the BS8555 as it considers the 'Deming Model' of quality management highlighting the cycle of Plan, Do, Check and Act. Consequently, the Standard represents a platform for SMEs to pursue further processes of accreditation, and most importantly, it encourages continual development crucial for any quality system.

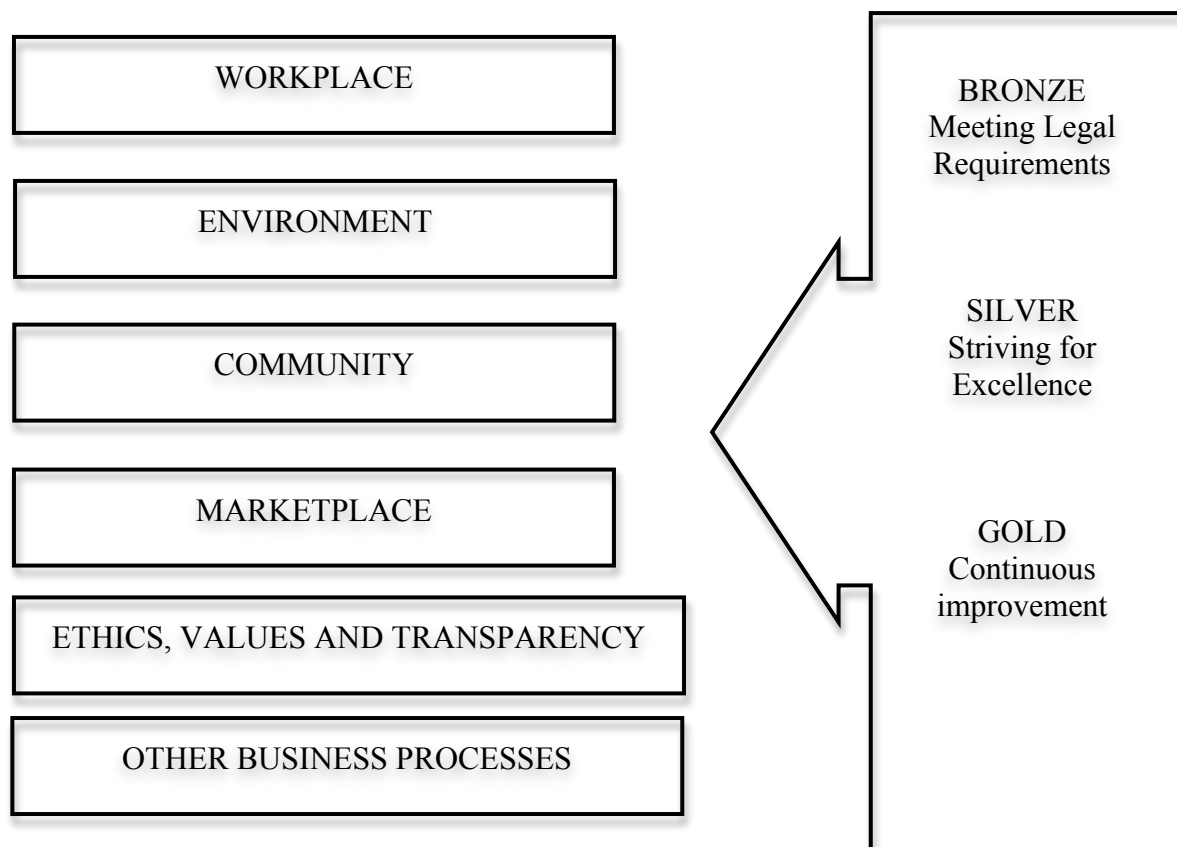
¹ See http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/sme/index_en.htm

² Jenkins, H. 2009. A 'business opportunity' model of corporate social responsibility for small-and medium-sized enterprises. In *Business Ethics. A European Review*. Vo. 18. No. 1. Pp.21-36

Social Responsibility is a notion that is dynamic and changes throughout time. This standard acknowledges this dynamism, and it recognises that it is not only about 'green' issues (i.e. environmental practices) but it includes a myriad of aspects that may be more local and domestic, such as the workplace, the marketplace, values, transparency and ethics, as well as the complying with the legislation; the continual improvement and social awareness of SMEs in relation to the problems surrounding them.

An interesting feature of the Standard is the fact that it responds to the necessity of 'communicating' what the SMEs are doing. As stated by the European Commission Report on SMEs and CSR, it is clear that SMEs are doing things in their own way in relation to social responsible practices, but they are not very good at communicating them. This view is supported by Jenkins (2009) confirming the fact that "many of the companies [in the UK] were uncomfortable with the idea of promoting their CSR activities. Notwithstanding, since the public demand and regulations are expecting this type of behaviour, the Standard aims at makes these practices visible and profitable.

The following figure summarises the way in which the Standard includes a myriad of issues related to social responsibility in its many manifestations. It also establishes the different categories that can be awarded concerning the achievements or progress of the SMEs.



A brief explanation of the categories is provided as follows:

Workplace: This area aims at establishing minimum standards and potential improvements in relation to health and safety; emergency procedures; health and well being; equality and diversity; insurance, etc. Since SMEs as any other organization relies basically on their human capital, this category is crucial to evaluate whether or not the SME is complying with legal requirements or if it is excelling in its approach to 'human resources'.

Environment: This category aims at assessing the awareness and activities of the SMEs in relation to its environmental impacts. The variety of the type of premises and sectors make extremely difficult to create a rigid measure of these activities; however, the Standard starts by establishing the conditions for a potential upgrading to more expensive / technical accreditations such as ISO 14001; BS8555; amongst others. It must be noted that these accreditations are normally quite expensive and difficult to achieve, thus, most of SMEs may be discouraged to go for them, or perhaps they are not that relevant for their context. The Standard includes questions on minimum legal requirements and other type of activities not included in the regulations, yet, crucial in terms of environmental impact. The major difficulty here, as stated before, is the fact that regulation is constantly changing, thus the Standard must react quickly to these changes and evaluate whether or not they are relevant to the SMEs and the stakeholders.

Community: Here the Standard acknowledges that there are not necessarily minimum legal requirements, but it is linked to the good will and basic values of SMEs. It assesses the awareness of the SMEs in relation to the social problems and conditions of the areas in which they work. It also assess the level of involvement of the SMEs with their communities. Although SMEs are sometimes located in industrial settings with virtually no contact with their communities, this is not necessarily the majority. Indeed, the Standard aims at highlighting that many SMEs participate actively of the social life and that they are a key actor in charity events, social discussions and community life.

Marketplace: This category concerns the particularities of the market that the SME is serving. It acknowledges that there may be some legal requirements but it needs to be flexible enough to include the diversity of situations. Most importantly, this dimension aims at raising awareness about insurance, public liability and risk management, by questioning the type of business procedures in place as well as customer services responding to the community.

Ethics, Values and Transparency: it refers to the visibility of perhaps the values of the owners and the employees. For instance, it assesses the existence and relevance of codes of practice, values, transparency, participation and ethics. This is a more obvious category as evidence by the difficulties in identifying 'minimum' requirements. Nevertheless, the question is relevant because it is important to highlight the type of values inspiring the company's performance and how in fact they are lived and experienced in practice.

Other Business Processes: This section relates to management systems, procedures and business continuity. The Standard acknowledges that the categories described before do not exhaust the many possibilities and potentialities of SMEs in behaving responsibly.

b. Validity

The question about validity can be divided in three parts:

- Are the questions of the Standard measuring what is intended to measure?
- Are the questions reliable in terms of the type of data or grading produced?
- Are the questions readable and understandable?

First of all, the questions of the Standard are specific and they relate to each of the categories described before. Each of the categories may vary in terms of the number of questions included, due to the variety of the topics related. The questions are well formulated and they represent a good guidance to verify that the SMEs are actually following basic principles and minimum legislation in each of the categories. They are measuring what is expected from this type of Standard and they collect evidence, verbal, visual or documentation that can prove their veracity.

Secondly, the questions include a grading system from 0....3 related to the amount of evidence supporting the statements made by the SME's representative. The Auditor has a great responsibility in evaluate the quality of the evidence presented, from 0: Not enough evidence... to 3: Lots of examples and evidence. This allows comparisons and a better systematisation of the collected data. Indeed, this grading procedure is the key for the "Standard" since it allows a clear measurement in quantitative terms of complex concepts and notions. It follows the 'survey' model of questionnaires, while allowing room for open questions, additional comments and the Audit's own views on each of the questions. As will be presented later, there is a system of monitoring and control that involves a number of filters and levels of authorisation ensuring the objectivity of the Standard.

Thirdly, the questions are in general readable and understandable. However, due to the myriad of legislation and the acronyms involved in some particular aspects of environmental systems, this may be a bit complicated to the most of the SMEs. This difficulty is addressed by the Auditor's expertise and knowledge who will 'translate' the difficult questions and acronyms involved. Indeed, the Standard is applied first by the Auditor and thus there is not so much risk of corruption or partiality in the answers.

c. Monitoring and Control

The audit follows a number of processes to ensure that the Standard keeps its objectivity and reliability. First of all, Auditors receive training on how to use the instrument, with some check lists and most importantly, the mission and vision of the Standard. As mentioned before, the Standard is not a 'check list' but an instrument for facilitating awareness and change toward socially responsible practices. They fill a computer-based workbook that calculates the averages and points obtained by the organization in an automatic way. This information is verified and monitored by the Lead Auditor who assesses the information in an objective way. The report is produced following the comments, points and averages obtained by the system and the Standard is awarded. The director of ORB also has some level of control in randomly verifying and checking the validity of the system.

Another aspect that needs to be considered in the Standard is the necessity of react to the changing context and the different possibilities of expressing, implementing or communicating 'social responsible' actions. This has been discussed with the organization, in response they say that the Standard is given for a period of two years. After one year, there will be a interim review just to ensure that there have been no substantial changes and that everything is up to date, as well as helping the organization with the changes they proposed in the first place.

3. Evaluation and Recommendations

- The ORB Standard represents a comprehensive system for measuring and assessing the different aspects in which SMEs particularly meet the legal requirements and potentialities in areas such as the environment, the workplace or the market place, and also it provides a framework for continuous development. The Standard follows the rationale of accreditations such as the ISO14001 and the BS8555 as it considers the 'Deming Model' of quality management highlighting the cycle of Plan, Do, Check and Act. Consequently, the Standard represents a platform for SMEs to pursue further processes of accreditation, and most importantly, it encourages continual development crucial for any quality system.
- The ORB Standard is a well-designed accreditation with a robust delivery system. In particular, the questions correspond to a specific scale of evaluation for the categories awarded by the standard. In this sense, the instrument feeds a comprehensive database that allows comparisons, systematisation of the information and the production of useful knowledge for the stakeholders and users of the Standard. As part of the collaboration process, ARU attended one of the training sessions for auditors where lectures and case studies were designed to facilitate the understanding of the instrument and also the values underlying the Standard itself. This combination of practical application informed by a clear vision and objectives is a key characteristic of the ORB Standard. It was highlighted that the Auditors' role is of 'facilitator', meaning that they are providing also some ideas and suggestions for continual improvement for the SMEs while attending the particular characteristics of the SMEs in question.
- The ORB Standard is aimed at SMEs wishing to measure and develop their responsible actions. It is a useful instrument for a number of stakeholders, private and public procurement departments wishing to further relationships with responsible organizations; as well as customers who increasingly demand greater transparency from the companies they are dealing with. As discussed in many forums, SMEs are heterogeneous and their goals are diverse requiring thus a special approach when assessing their social responsibility credentials. SMEs are driven by strong values of commitment and social responsibility since their radio of action includes local communities and networks. From the process of validation, it is possible to say that the ORB Standard represents a very adequate system for SMEs since it recognises SMEs' particular characteristics and offer alternatives, solutions and ideas from experienced auditors/facilitators as well as the Standard itself as a valid accreditation of their actions and activities.

Recommendations:

- The Standard should be considered as a dynamic instrument that needs to be reviewed after a period of time. It is recommended that ORB implement the Standard in the form of “pilots” to test the type of evidence gathered, the trends in the answers and to start organising a typology of organizations. This recommendation has been already initiated by the organization, and it will be interesting to know what are the results of the first applications of the Standard.
- It is strongly recommended that the Standard is accompanied with visual evidence, in particular in the dimension of the environment. The use of pictures and maps (as eco-mapping) will contribute to the clarity of the exercise, as well, as for the identification of key environmental aspects.
- It is recommended that the information derived from the Standard feeds a consistent data base that allows the organization (ORB) to produce relevant knowledge about trends, problems, difficulties. It will be interesting for the University/consultant to support this process by providing research methodologies in the use of the data.
- The Standard may need some further adjustment once it is tested in a number of organizations. Then it is important to check the type of questions, the evidence and further aspects that need to be included. It is recommended that the Standard offers an open question / box for the auditors to add some aspects that they feel are important in the Audit process. Also, it is important that some other stakeholders can contribute to the Standard, thus, it becomes a more relevant tool for the decision making process. This, however, should not compromise the ‘universality’ of the Standard, in other words, ORB must evaluate whether or not the suggestions are too particular or partial.
- As any other type of quality system, the Standard operates on the basis of trust. This means that a high degree of responsibility is placed on the Auditors who need to follow the training and the instructions. The role of the Lead Auditor is crucial to ensure that the instructions are being followed and procedures are in place.

4. Future developments and collaborations

This has been a very interesting opportunity for both the University and the Organization to learn from each other. The approach followed in this consultancy has been of 'continual learning', in which all the actors involved contribute to the construction of higher levels of knowledge and awareness. This has been an excellent opportunity for the consultant to test some of the theories, methodologies and concepts in a practical basis. In order to develop some further collaboration, some ideas are developed below:

- Official launch at Anglia Ruskin University – Chelmsford Campus. This will be a good opportunity to disseminate the results of this first phase of the consultancy and to present the results of the Standard to the academic/business community.
- Research projects concerning the Standard. The University is interested in drawing upon this experience to develop some research projects that contribute to the knowledge of socially responsible practices in SMEs.
- Training workshop: The consultant is interested in developing some training regarding the use of photography, visual thinking and art-based methodologies to enhance the understanding of sustainability and sustainable management.
- This list needs to be discussed with the Organization to find some agreements regarding what to do.