Corporate Social Responsibility and Current Crisis: how has it affected in Spain?

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Abstract

Corporate Social Responsibility (CSR) is practice that is followed with the controversy of whether is a real management tool or rather is a fad. A good context in order to study this polemic is the current crisis that has affected worldwide, because if CSR practices are kept in this context means that it is not a fad. Spain is the country chosen for focused this report, due to it is one of European countries most affected by economic crisis. So, this thesis seeks to check which polemic part is right as well as observes CSR situation in Spanish companies so far.

CSR situation of large companies and SMEs are the main points investigated, in order to do this, it uses a quantitative and qualitative methods. Firstly, using surveys it is examined large companies’ situation, more specifically IBEX 35 companies that are Spanish enterprises that list at the stock market. Secondly, SMEs situation is analyzed qualitatively using gatherings, interviews and the documentary that are conducted by a Spanish awareness camping called “El valor de ser grande”. Moreover, it is reviewed and analyzed the existing literature creating a theoretical framework built on the pillars of CSR.

The research allowed us to obtain the main features about Spanish companies both large companies and SMEs regarding CSR. In large companies CSR is root and is perform for years to gain momentum over time, i.e., it is performed as fundamental element in the company. Instead, in SMEs CSR is beginning to gain further strength and is increasingly performed but it still has a long way to go. Therefore, it is said that CSR is in the second phase, the first one was in big companies and now it is up to SMEs. Moreover, it is confirm that the crisis has increased CSR value to society and business provoking a clean effect over bad CSR policies.
In conclusion, this research proves that companies have increased CSR actions in the crisis context so far. Therefore CSR is not a fad, although this will not be final result until the crisis is over and then its final effect will be rechecked.

**Keywords:** Corporate social responsibility, CSR, Corporate responsibility, financial crisis, fad, Spain.
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<th>Description</th>
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<td>BME</td>
<td>Bolsas y Mercados Españoles (In English: Stock Markets and financial systems in Spain)</td>
</tr>
<tr>
<td>BSR</td>
<td>Business for Social Responsibility</td>
</tr>
<tr>
<td>CEO</td>
<td>The Chief Executive Officer</td>
</tr>
<tr>
<td>CSP</td>
<td>Corporate Social Performance</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<tr>
<td>CR</td>
<td>Corporate Responsibility</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
</tr>
<tr>
<td>IBEX 35</td>
<td>Iberia Index</td>
</tr>
<tr>
<td>ICO</td>
<td>Instituto de Crédito Oficial (In English: State's Financial Agency of Spain)</td>
</tr>
<tr>
<td>INVERCO</td>
<td>Asociación de Instituciones de Inversión Colectiva y Fondos de Pensiones (In English: Spanish Association of Investment and Pension Funds)</td>
</tr>
<tr>
<td>M</td>
<td>Million</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
</tr>
<tr>
<td>SIBE</td>
<td>Sistema Interconexión Bursátil Electrónico (In English: Electronic Quotation System)</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<td>SR</td>
<td>Social Responsibility</td>
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1. INTRODUCTION

The potential effect of the current economic crisis in the implementation of Corporate Social Responsibility (CSR) is of great interest, because if this practice continues in tough times mean it is not a fad. It has been decided to approach the thesis in Spain because it is a country that has suffered further economic crisis, thus we can obtain clearer results.

This chapter will explain the background of the current situation and problem statement. Also purpose will be set and there will be an overview of this thesis.

1.1. Background

While CSR has become a key tool to achieve sustainable development, it is a relatively recent concept on which there is no consensus and therefore a single definition, but there are various definitions emanating from the most varied types of organizations (multilateral agencies, business organizations, NGOs, etc.), one of the most frequently used 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”.

AccountAbility Institute released a ranking among 108 countries on the degree of development of CSR in companies. Ranking leaders are Sweden, Denmark, Finland, Iceland, United Kingdom, Norway and New Zealand.

Therefore, CSR be understood as a business contribution to sustainable development, with a management approach that promotes competitiveness, social cohesion and environmental protection. Optimal management of CSR seeks ultimately to align the economic, social and environmental impacts, reconciling objectives pursued by the company with those of society. Thus CSR became great value among entrepreneurs, whether large enterprises or SMEs.

Nowadays, the world is going through a tough time, since current crisis has affected all economies to a greater or lesser extent. This crisis began in the U.S. financial sector in 2008. Among the main causes of the crisis are subprime mortgages, which is that U.S. banks gave subprime loans to people with poor credit histories. However, behind the causes that provoked an immediate and visible crisis, the root causes are complex: a banking system without regulation or poorly regulated, especially in the areas of lending and investment, all coupled with low interest rates the monetary authority of the United States for several years provided a space for speculation and over-extension of credit. This has been led to falls in GDP, the massive destruction of wealth and a significant increase in unemployment rates. Also it caused

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1 Commission of European Communities (2001)
2 AccountAbility (2007)
the bankruptcy of hundreds of banks and financial institutions, including investment bank called Lehman Brothers and it has affected a large number of companies in the form of adjustment of production capacity, downsizing and even their disappearance.

1.2. Problem statement

Before the crisis the most of business leaders perceive CSR as a practice increasingly taking more value, but the current economic context there are two points of view: optimists and pessimists. The optimists think that big companies will rethink their CSR programs differing from other companies, and therefore there will be a momentum in CSR. In contrast, the pessimists believe that CSR had just disappeared, because companies will focus on survival\(^3\). So pessimistic people think that CSR is a fad which will disappear in the current crisis because companies have to cut budgets and the most unnecessary action for them is this one. The optimists have a totally opposite opinion. For them CSR is not a management fashion, on the contrary, it is a form of business management which will remain in companies that understand what CSR is really and do not perform it as marketing.\(^3\)

There are several authors like Stefan Stern\(^4\) (columnist of Financial Times) that predicted their disappearance from major companies. He argues that in the current situation consumers buy products at the cheapest place, regardless of whether the company follows a CSR policy or not. To get the most competitive prices and then staying on the market managers must cut budgets, so the first action to undertake is to reduce or eliminate CSR.\(^4\)

In contrast, authors like Lawrence Delevingne\(^5\) contradict the opinion of Stern. He argues with examples that there are many companies despite being undergoing a difficult crisis continue to carry out CSR. An example is Intel, whose chairman said: "You can’t save your way out of recession - you have to invest your way out...We look at our CSR activities in pretty much the same way: you can’t just do them in good times and then just forget about them in bad times and hope to get any results". This paper finds that part is right, the optimistic or pessimistic.\(^5\)

The economic crisis has affected all countries in the world but in some places more deeply than others. According to OECD among developed countries most affected by the economic crisis are Spain and Ireland, as reduced by 11.8 and 10.6 points respectively potential GDP\(^6\). The potential GDP is a projection of what each country could grow in the absence of the crisis occurred in terms of their previous

\(^3\) Fundación Alternativas (2009), p. 21 – 23.
\(^4\) Stern, S. (2009)
\(^5\) Delevingne, L. (2009)
\(^6\) ELPAIS (2010)
growth patterns. Table 1-1 shows the impact of potential GDP according to different aspects.

<table>
<thead>
<tr>
<th>Impact of the crisis in OECD countries</th>
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<tr>
<td>Employment impact</td>
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<tr>
<td>Australia</td>
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<td>Germany</td>
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<td>Greece</td>
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<td>Spain</td>
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<td>United Kingdom</td>
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<td>USA</td>
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<td>OECD</td>
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Table 1-1: Impact of the crisis in OECD countries
[Source: ELPAIS (2010)]

For more clear conclusions on this project should focus on a country that has major problems regarding the crisis, because if you choose a country not affected could not be observed the true impact on CSR. Among developed countries most affected we have chosen Spain, this country stands out as having high unemployment rate, in the last quarter of 2010 was 20.33%\(^7\), the highest rate in Europe.

Thus, the purpose of this study is to analyze the current situation in Spain with respect to CSR. We will analyze the data obtained by Laboratory “Fundación Alternativas” in collaboration with KPMG in a survey of companies in the IBEX 35, as well as we will identify the points of greatest concern to Spanish scholars in the field of CSR. Scholars’ opinions were appeared on interviews in a Spanish campaign called “El valor de ser grande”.

Surveys are focused in large companies. Instead, interviews are approached in SMEs, because in Europe, as in Spain, most companies are SMEs. SMEs cluster to all businesses with fewer than 250 employees and whose turnover does not exceed 50 M €. In 2009, 99.99% Spanish companies were SMEs, i.e. there are over 3 M SMEs and they concentrated to 80% of the population\(^8\) too. This is a big percentage, for this reason, also it will be important to know about evolution that CSR has in SMEs.

However, we analyze CSR Spanish situation in large companies and SMEs and with the data, besides identifying Spanish situation we may be established whether

\(^7\) [http://www.ine.es/](http://www.ine.es/)
\(^8\) [http://www.ceim.es/](http://www.ceim.es/)
CSR is a fad or rather, a business practice rooted in most companies. If in a country with great economic difficulties companies continue to make this practice is not a fad. So, we conclude that if this happens in Spain in the countries that have not been so affected by the crisis also be continued. Therefore, if Spanish companies, in this context, continue to do CSR it will be a good sign for everyone.

The aim of the thesis is to identify, analyze and compare data obtained through surveys and opinion held by experts in Spain, so we will be able to see crisis’ effects regarding CSR and prove if CSR is a fad or not. Moreover, we will find opportunities and challenges in CSR, as well as its evolution and similarities and differences in both enterprises. Finally we will be able to answer the following question: How has the current crisis affected CSR in Spain?

Accompanying questions that have to be answered are;

- Is CSR a fad?
- Are big companies doing CSR? What is their evolution?
- What do Spanish scholars think about CSR?
- Are SMEs executing CSR? What are their main actions? And what is the main challenge?
- What is great difference among large companies and SMEs in CSR? And what is the main similarity?

1.3. Delimitations

The main limitation of this study is that the economic crisis is not over yet. Santiago Niño Becerra, professor of economics, has the most pessimistic predictions. He predicts that Spain will not emerge from the crisis until 2020\(^9\). In contrast, the Spanish prime minister, with a more optimistic forecast, says that recovery is near\(^10\).

Therefore, we will just study what are the main CSR actions in Spanish companies during the crisis so far but will not be able to have final results until the end of the crisis.

1.4. Overview

This chapter, the first, introduces the reader in the current situation where society is affected by economic crisis, as well as CSR can be affected by crisis. This chapter is divided in background, problem statement, delimitations and overview. The background explains the main concepts about crisis and CSR. The cause of why we do

\(^9\) LAVANGUARDIA (2010)

\(^10\) Jaén, E. (2011)
this project and choose Spain is argued in the problem statement, and the purpose and aims are also fixed. In the end of the chapter we explain the delimitations and the overview of the character division.

Chapter two includes research methodology used. In chapter three a theoretical framework for the research is modelled. It explains the concepts needed to understand CSR, these include: definition of CSR, components of CSR, theories and history both in Europe and in Spain.

Chapter four studies the case IBEX 35. Firstly it is studied the current situation of CSR in large companies and their evolution. Then, we analyze the dates obtained. Chapter five studies the expert opinion about CSR; these scholars analyze the current situation in Spain focused on SMEs.

Finally, the sixth chapter discusses the results regarding the analysis and results of the thesis on a general level in order to make a general conclusion. Also it list points where future research should focus on CSR.
2. RESEARCH METHODOLOGY

Chapter two explains the line of actions in the research process. Research approach, research paradigms and research strategy are explained. Further it presents on the used data is has been collected.

2.1. Research approach

In a research should be some connection between theory and practice, i.e. the most important distinguished characteristic of researches is the relationship between theory generation and its connection with empirical evidence. They can classify them as deductive and inductive approach11 (Figure 2-1).

Deductive approach is the common view of the nature of the relationship between theory and research. It is used when the researchers want to find appropriate information for a theory. Instead, researches that start with the collection of empirical observations or findings have an inductive approach in order to generate the theoretical implications and framework of study12.

This thesis will be conducted in a deductive manner. The existing literature is contrasted with surveys and interviews in order to see the current trends of CSR in Spain. Therefore, the thesis is concerned to test the existing theory in order to check if CSR will be affected by the current crisis, and at the same time know if CSR is a fad or not.

2.2. Research paradigms

Researchers should come up against perceptions regarding reality observed and how subsequent knowledge regarding reality is further constructed in a philosophy regarding the world and the knowledge that resides within it. There are two views of point: positivistic and hermeneutics.

A positivistic view of point is when research investigation is concerned with objectivity and causality issues. According to this approach the objectivity of the research conducted by the researcher and the phenomenon are observed. The researcher also observes a connecting between empirical observation and knowledge generated, that is the causality variable. By contrast, in hermeneutics view of point the researcher observes and interprets the world as it were bound to historical and social stances. In this approach there is logic of the interplay between humans and institutions, for this, the fact that empirical observations and theoretical frameworks used in reality are a consequence of interactions played by different actors as humans, institutions, laws etc.\(^{13}\)

This thesis is focused from the positivist point of view, because it shows the connection between empirical observations and knowledge that is already generated. But we cannot exclude the hermeneutic perspective; it is not easy to extract the objective reality of the interviews, gatherings and the documentary in which there are social and historical interactions.

2.3. Research strategy

In a research ought to be a research strategy in order to underlying the results and conclusions of the thesis. There are two researches strategies for conduct the investigation: quantitative and qualitative.

Quantitative research emphasizes quantification in the collection and analysis of data. It is a deductive approach to the relationships between theory and research, in order to testing of theories. On the other hand, qualification research usually emphasizes words rather than quantification in the collection of analysis of data. It usually is linked with an inductive approach to the relationship between theory and research, in which the emphasis is placed on the generation of theories\(^{14}\).

In this thesis a quantitative method will be used in conducting the surveys and a qualitative method will be used in interviews, gatherings and the documentary.

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\(^{13}\) Hussey, J. and Hussey, R. (2009)
2.4. Data collection

The collection of data to address the goals of this thesis can be divided into two features: primary data and secondary data.

Primary data is information collected for the specific purpose of study as interviews, group of people, real life observations, etc. Secondary data, by contrast, is information reused from other studies as research publications, internal company publications, surveys, etc.

In this thesis is used both strategies. We divide data collection in three parts: Review and analysis of existing literature, Surveys and Interviews, gatherings and documentary.

2.4.1. Review and analysis of existing literature

In the first part of the thesis we will review recent literature and research publications within the field of CSR; history, trends, theories and actions. These data has been categorized as secondary data and then they will comprise a theoretical framework (Chapter 3). The objective of the getting secondary data is to provide a framework for further analysis of the empirical evidence and observations in the case the study, CSR and crisis in Spain.

In order to find the most important literature of CSR we will use the Google tool called “Google scholar” (http://scholar.google.com/). With this tool we find books, scientific journals and academic publications linked with the field as “A history of Corporate Social Responsibility. Concepts and Practices (Carroll, 2008)”, “What do we mean by Corporate Social Responsibility (Moir, 2001)”, “Corporate social responsibility across Europe (Habisch, 2005)”, etc.

2.4.2. Surveys

Surveys are a proper method of investigation which information is standardized. The phenomenon is measured asking questions, i.e. all respondents answer the same questions. The figure 2-2 shows the steps for perform a survey. These data has been categorized as secondary data, and later they will perform the Chapter 5, CSR in Spanish large companies.
In this research the four first steps are performed by “Fundación alternativas” and KPMG and we will process and analyze the data and then will draw conclusions in order to examine Spanish situation regarding CSR.

Surveys were realized in companies belonging to IBEX 35. IBEX 35 is the main benchmark index of the Spanish stock market prepared by Stock Markets and Financial Systems (In Spanish: BME - Bolsas y Mercados Españoles). It consists of the 35 most liquid companies traded on Electronic Quotation System (In Spanish: SIBE - Sistema Interconexión Bursátil Electrónico) in the four Spanish stock markets (Madrid, Barcelona, Bilbao and Valencia).

Nowadays, Spanish companies that are part of the IBEX 35, in alphabetical order are:

<table>
<thead>
<tr>
<th>IBEX 35’s companies</th>
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<tr>
<td>ABENGOA</td>
<td>FCC</td>
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<tr>
<td>ABERTIS SE.A</td>
<td>FERROVIAL</td>
</tr>
<tr>
<td>ACCIONA</td>
<td>GAMESA</td>
</tr>
<tr>
<td>ACERINOX</td>
<td>GAS NATURAL</td>
</tr>
<tr>
<td>ACS</td>
<td>GRIFOLS</td>
</tr>
<tr>
<td>AMADEUS</td>
<td>I.RENOVABLES</td>
</tr>
<tr>
<td>ARCELORMIT.</td>
<td>IBERDROLA</td>
</tr>
<tr>
<td>BA-POPULAR</td>
<td>INDITEX</td>
</tr>
<tr>
<td>BA-SABADELL</td>
<td>INDRA A</td>
</tr>
<tr>
<td>BA.SANTANDER</td>
<td>MAPFRE</td>
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</table>
The surveys were conducted in 2008 by “Fundación alternativas” and KPMG. They called a meeting of CSR department heads of IBEX 35 companies in order to conduct the survey but just 20 of them completed it. The surveys were self-completion questionnaires which respondents must read each question themselves and answer the question themselves as well. With them we can see the current situation of Spanish large companies and their evolution in six years (2005 - 2011).

Limited population was chosen with malice aforethought because IBEX 35 companies are the most important and biggest firms in Spain, and so results will be more concise and clearer.

2.4.3. Gatherings, interviews and documentary

With the above surveys we will obtain results for large companies and then gatherings, interviews and the documentary give us information for analyse the SMEs’ situation regarding CSR, i.e. they are a supplementary method in order to recognize trends, characteristics and opinions about CSR in Spanish SMEs, because known trend in large companies is important but the most of the companies are SMEs, so their trend is also important. These data has been categorized as primary data and they will perform the Chapter 6, CSR in Spanish SMEs.

There are different kinds of interviews depending on the level of structure: highly structured, semi-structured and unstructured. In highly structured interviews questions are pre-determined. Unstructured interviews do not follow a predetermined order or content, i.e. are more or less a conversation. And semi-structured interviews are a mix of structured and open questions which respondent has a freedom for talk about his/her experience within the framework of the interview. In this thesis we will focus in two different kind of interview: semi-structured interview with more than one respondent (gatherings) and unstructured interview with one respondent (interviews).

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Then, the main points of the gatherings and interviews are put together in a documentary.

They belong to Spanish campaign called “El valor de ser grande”, the translation in English is “The value of being big”. This campaign to increase public awareness was launched last quarter of 2010. The Association of Communication Directors, Dircom, with the support of CSR Managing Director of Ministry of Labour and Immigration conducted this campaign aimed to raise SMEs and entrepreneurs of the importance of incorporating sustainability criteria into its business management model\textsuperscript{17}.

The campaign includes a documentary, a series of six gatherings, two interviews, several short videos, social networking profiles, events, a guide for the management of CSR in SMEs, a set of banners and other advertising elements, as well as a web (http://www.elvalordesergrande.es/). Besides all the campaign material is freely available to the public and so increased its spreading.

**Gatherings**

Semi-structured interviews with more than one respondent are the gatherings which are conducted between three and five people and a moderator in sessions around 30 minutes. The most of members of social gatherings are Chairman, Communications Directors or Managing Directors of SMEs, large companies and NGOs that are sensitized to CSR (Components in Annex A).

The moderator has a series of questions that are in the general form for schedule the interview but can to vary the sequence of questions. Gatherings are focused in current situation in Spanish SMEs and follow the next questions:

- Do SMEs know what CSR is? Why should they incorporate it?
- Do SMEs have resource to do CSR? What are the tools to measure their involvement?
- Are CSR policies available to any SME?
- How do you communicate CSR in SMEs? What is the role of media?
- Is CSR profitable? Is it good for the company?
- Do large companies demand SMEs with CSR policies?
- Do consumers value CSR?
- Does public administration support them? Are they providing?
- How do NGOs perceive CSR?
- Has crisis changed the perception of CSR in SMEs?
- What should the next SMEs step be?

\textsuperscript{17} http://www.elvalordesergrande.es/
➢ Is there a difference between implementation of CSR among large companies and SMEs?

**Interviews**

Both interviews are unstructured interviews with one respondent where the interviewee has a list of topics to follow during the interview and explains his views and knowledge about the issue.

They are shorter than gatherings. The first interview is a session of 13 minutes interviewing Juan José Barrera, CSR Managing Director of the Ministry of Labour and Immigration. He explains the current situation of CSR in Spain focusing on SMEs, so achieving the vision of Public Administration. The second interview is conducted by Marco González, Managing Director of “Media Responsable”, and it is a session of 4 minutes. This interview has a different approach to the first one: views of Managing Director of an editorial specializing in CSR. It explains Media Responsable’s goals and focuses on communication channels to explain actions taken by the company.

**Documentary**

The documentary is the centerpiece of the campaign to boost CSR in SMEs. It lasts 41 minutes and can be explained from the history of CSR in Spain, its evolution to the current situation and its relationship with stakeholders, all explained by Spanish scholars who participated in the gatherings that have previously been explained. So it explains and brings together the main arguments and conclusions of CSR in SMEs.
3. THEORETICAL FRAMEWORK

In the third chapter explaining the theoretical concepts needed to understand this work. For this purpose, we will conduct a literature search on the definition of CSR, components of CSR, theories and history both in Europe and in Spain.

3.1. Definitions of CSR

CSR is a new value that affects management. This issue is gaining prominence in many markets and countries, filling pages of economics, business administration or concern for the environment. This type of corporate behaviour involves the assimilation of a number of basic concepts and key that comprises and defines it. However, this new phenomenon has no single definition or official.

Alexander Dahlsrud\textsuperscript{18}, searching of correct definition of CSR, analyzes 37 definitions from 27 authors about CSR from 1980 to 2003. The research studies the congruency of CSR’s definitions on the Internet using Google. Definitions in journal articles and websites were collected and ranked by frequency, as well as ordered the definitions in five dimensions (the stakeholder dimension, the social dimension, the economic dimension, the voluntariness dimension and the environmental dimension). Then we cite the five most commonly used CSR’s definitions on Google:

- Commission of the European Communities (2001)
  “A concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis”

  “The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life”

  “Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society and society at large”

\textsuperscript{18} Dahlsrud, A. (2008)
- **Commission of the European Communities (2001)**
  “Corporate social responsibility is essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment”

  “Business decision making linked to ethical values, compliance with legal requirements and respect for people, communities and the environment”

In this paper the first definition is dated in 1980 and written by Jones, but regarding Carroll\(^{19}\) one of the first definitions was written by Bowen:

“It (SR) refers to the obligations of businessmen to pursue those policies, to make decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”.

As we have seen before, with the steps of the years have appeared several definitions and although there is no exact definition or methodology to implement CSR is a good sign that more and more embedded in the minds of business and society.

### 3.2. Components of CSR

As Carroll\(^ {20}\) stated in his Pyramid of Corporate Social Responsibility (Figure 3-1), we cite four levels or components of Social Responsibility of a company or corporation.

\(^{19}\) Carroll, A.B. (2008), p.25
Therefore, the company must create economic benefit, fulfilling the law, being ethical in their behaviour and act as a good citizen to society. At this statement, we should emphasize that this company must integrate the concept of multi-stakeholder, as "to ensure the success of CSR is necessary to achieve an open dialogue, sincere and active among all stakeholders of the company." 

Notably, these components may touch at some point of incompatibility for some organizations, because the law enforcement, social engagements and philanthropic behaviour may conflict with economic interests, because of possible difficulty in justifying or view short-term profitability. Fortunately, each day there are more companies which are able to do it.

### 3.3. Theories about CSR

The field of CSR has a wide range of theories as well as a proliferation of approaches, all of them controversial, complex and poorly defined. According to Garriga and Melé there are four major theories within which may be categorized CSR: instrumental, political, integrative and ethical. The first one focuses on economics, where company is viewed exclusively as an instrument for wealth creation and social activities as a means to economic performance. The second group refers to the power of corporations in society and a responsible exercise of this power in the political arena. The third group focuses on social integration company focuses on the

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recruitment, identification and response to social demands. This claim social legitimacy and greater acceptance and social prestige. And the last group of theories is based on ethical responsibilities of companies towards society. They are based on principles that express what should and should not be done or need to build a better society. Sometimes it is hard to put a theory in a group, because some theories seem to focus on more than one aspect.

Several authors support this study as Porter and Kramer (2002), Hart (1995), Linz (1996), Prahalad and Hammond (2002), Hart and Christensen (2002) and Prahalad (2003). According to several scholars, some theories become more important than others, for example, Melé highlights as most important theories: Corporate Social Performance, Shareholder Value Theory, Stakeholder Theory and Corporate Citizenship. In contrast to Moir the relevant theories are: Stakeholder theories, Social Contracts Theory, Legitimacy Theory and Assessing Performance.

At this point, explain a small number of theories to understand properly CSR in this study. Therefore, theories to explain are: Stakeholder Theory, Corporate Social Performance and Legitimacy theory.

3.3.1. Stakeholder Theory

Stakeholder theory was presented in 1984 by Freeman in the book called “Strategic Management: A Stakeholder Approach”. This theory was an improvement of neoclassical theory that identifies maximization of profit with the goal of the company, and therefore makes owners the only ones involved in that goal. Then this theory was presented by various authors in the field of organization (Freeman and Gilbert, 1988, 1992; Freeman and Reed, 1983 and Mitroff, 1983) and in business ethics (Carroll, 1991).

According to Freeman, Stakeholder are “any group or individual who can affect or is affected by the achieving of the firm’s objectives” and Figure 3-2 represents connections of stakeholders and company that the managers of the firm attempt to manage.

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Stakeholders are analysed into primary and secondary stakeholders. A primary stakeholder group is “one without whose continuing participation the corporation cannot survive as a going concern” and includes shareholders and investors, employees, customers and suppliers, public stakeholder group as governments and communities that provide infrastructures and markets. Instead, secondary groups are “those who influence or affect, or are influenced or affected by the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival”\(^\text{28}\), for example, ONGs or Unions.

Therefore, this theory suggests a new business paradigm, where a firm understanding of the plural. Therefore, the company is not one thing (shareholders and owner), or only two (owner and workers), but the company must be understood from the plurality, that is, from the parts that affect even those that are affected by business organization.

Furthermore, this theory allows us to understand that among various stakeholders to establish a firm there are a series of relationships that can be understood from the perspective not only of the legal contract or social contract, but the moral contract. I.e. between the various stakeholders that shape the business organization are reciprocal expectations of behavior, some legitimate matter that must

\(^{28}\) Moir, L. (2001), p. 9 – 10
be met from within the context of business relationships. Therefore shows that there are others interests than economic ones.\textsuperscript{29}

The Clarkson Center for Business Ethics\textsuperscript{30} proposed seven principles of Stakeholder Management for make this theory practical. These principles are not a rigid code, but a guideline for managers in order to can more easily implement the model. Then principles are cited:

- **Principle 1**: Managers should acknowledge and actively monitor the concerns of all legitimate stakeholders, and should take their interest appropriately into account in decision-making and operations.

- **Principle 2**: Managers should listen to and openly communicate with stakeholders about their respective concerns and contributions, and about the risks that they assume because of their involvement with the corporation.

- **Principle 3**: Managers should adopt processes and modes of behaviour that are sensitive to the concerns and capabilities of each stakeholder constituency.

- **Principle 4**: Managers should recognize the interdependence of efforts and rewards among stakeholders, and should attempt to achieve a fair distribution of the benefits and burdens of corporate activity among them, taking into account their respective risk and vulnerabilities.

- **Principle 5**: Managers should work cooperatively with others identities, both public and private, to ensure that risk and harms arising from corporate activities are minimized and, where they cannot be avoided, appropriately compensated.

- **Principle 6**: Managers should avoid altogether activities that might jeopardize inalienable human rights (e.g. the right to life) or give rise to risk which, if clearly understood, would be patently unacceptable to relevant stakeholders.

- **Principle 7**: Managers should acknowledge the potential conflicts between their own role as corporate stakeholders, and their legal and moral responsibilities for the interest of all stakeholders, and should address such conflicts through open communication, appropriate reporting and incentive systems and, where necessary, third party review.

\textsuperscript{29} González, E. (2007), p. 207 – 216

3.3.2. Corporate Social Performance

The first item that we found on Corporate Social Performance (CSP) was written by Carroll and was called "Academy of Management Review". In it Carroll presented his model of the three dimensions of CSP – which consist of social responsibility categories, social issues and philosophies of social responsiveness – to help clarify and integrate various aspects of definition that have appeared in the literature. It became one of the most cited papers in fields such as business and society. The three-dimensional model does not treat the economic and social goals of corporations as incompatible trade-offs. But, objectives are integrated into the framework of total social responsibility of business such as economic, legal, ethical and discretionary categories. This model was written with practical goals as its author was focused on the relationship between the company and its environment, leaving aside the abstract relationship between business and society.\textsuperscript{31}

Wartick and Cochran elaborated further the model in 1985. They modified Carroll’s model to consist of dimensions of principles, processes and policies. They presented the first definition about CSP – a business organization’s configuration of principles of social responsibility, processes of social responsiveness and policies, programs, and observable outcomes as they relate to the firm’s societal relationships – that was a new conceptual advance in research about business and society but it had some problems unaddressed. Their CSP model tries to address motivation principles, behavioural processes and observable outcomes of corporate and managerial actions relating to relationships in companies with the external environment.\textsuperscript{32}

Then the model was further extended in 1991 by Wood (Figure 3-3) which is probably the most representative in CSP theory.\textsuperscript{33} This author attempts to link CSP with various theories related to organizational studies as organizational institutionalism, stakeholder management theory and social issues management theories. She intended to make a more practical and useful to management.

\textsuperscript{31} Lee, M. (2008)
\textsuperscript{33} Melé, D. (2008), p. 49 – 55
The basic idea of this model is “business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behaviour and outcomes”\(^{34}\).

Despite all efforts to make CSP model more useful for researchers and administrators, the model was not successful in the widespread implementation\(^{35}\). Thus it has an unclear relationship between the model’s principles, processes and outcomes, so having few possibilities for generating explanations and predictions. Moreover, this model is also criticized because it has a lack a clear normative theory of business and society capable of prescribing how management practice can reasonable move from “what is” or “what should be”\(^{36}\).

### 3.3.3. Legitimacy theory

Social scientists have developed a lot of definitions of legitimacy, with varying degrees of specificity, over the years. Suchman\(^{37}\) defines legitimacy as “a generalized

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perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions”.

According this author organizations look for legitimacy for many reasons, and objectives can depend about conclusions such as importance, difficulty, and effectiveness of legitimation efforts. And she distinguishes between two dimensions:

- Distinction between pursuing continuity and pursuing credibility
- Distinction between seeking passive support and seeking active support

We can difference three types of legitimacy: pragmatic legitimacy, moral legitimacy and cognitive legitimacy. These three types are desirable, proper or appropriate within a social system of norms, values, beliefs and definitions, but each one is based on a somewhat different dynamic behaviour. And he also identifies three main challenges: gaining, maintaining and repairing legitimacy.38

Management of legitimacy is based largely on communication, in this case, between organization and its various publics. However, this communication extends beyond the traditional discourse, to include both meaning-laden actions and nonverbal displays.39

However, Lindblom said legitimacy is not always a useful process for organizations to gain legitimacy in society. Furthermore she argues that an organization can use four strategies40 to deal with standing threats:

- Seek to educate its stakeholders about the organization’s intentions to improve that performance
- Seek to change the organization’s perceptions of the event (but without changing the organization’s actual performance)
- Distract (i.e. manipulate) attention away from the issue of concern
- Seek to change external expectations about its performance

Thus, in this theory fits the business activity from the system of values that a society has taken in its development, taking a broader view of its previous expectations and authenticating the actions that organizations must consider in its objectives to complete identification to their environment. Even the company will be able to influence their own rules and expectations of society, provided that shares this value system.

40 Moir, L. (2001), p. 11 – 12
In addition the company can only empathize with the company if their value system is consistent and in line with the latter, representing a significant number of threats to the legitimacy of the organization, it does not consider itself in a sound and timely\textsuperscript{41}.

3.4. History of CSR

In this section, firstly we will explain the beginnings of CSR in the world and secondly we will focus on the history of CSR in Spain.

3.4.1. The origin of CSR

The first CSR practice paid off in developed countries, we can say that U.S was emerged CSR, it would take place in Europe and more recently in other countries in Asia. So, first we start talking about United States.

CSR began to take shape in 1950s in USA, but in previous years there were developments on the field. Patrick Murphy\textsuperscript{42} (University of Michigan, 1978) classified into four CSR eras that include periods before and after 1950. Carroll supports this classification. The period until 1950 was called "Philanthropic" era which was characterized by charitable donations of companies. The period 1953-1967 was called “Awareness” era, in which responsibility had more recognition and part of community affairs. The period 1968-1973 was classified as the “Issue” era in which companies focused on specific issues (racial discrimination, urban decay and pollutant problems). The last era, 1974-1978, is called “Responsiveness” era in which management and organizational actions about CSR’s issues is taken seriously by companies.

In late 1800 it began to create businesses that were concerned about the employees. And with the advent of the Industrial Revolution began a change in the mentality of society helping CSR to take root. These days begin to give benefits to companies that were socially responsible (Nicholas Eberstadt, 1973) but the abuse of power by business leaders and captains of industries, as well as the challenge of market rules led to a collapse in the economy, and therefore the economic crisis called Great Depression\textsuperscript{43}. Then a new era of business and social relationships began.

The first texts on CSR were made in United States in the pre-1950. For example, among the first scholars who discussed the topic are Berle (Columbia professor) and Dobb (Harvard professor) in about 1930\textsuperscript{44}. In 1950 appears the first definition of CSR


\textsuperscript{42} Carroll, A.B. (2008), p. 24-25

\textsuperscript{43} Carroll, A.B. (2008), p. 21-25

\textsuperscript{44} Cochran, P.L. (2007), p. 449-450
by Bowen, who is called by Carroll as "The Father of Corporate Social Responsibility". This period is not characterized by the acts produced by CSR, but that is beginning to talk about it, i.e. changing executives’ attitudes. Philanthropy was still the most noticeable manifestation of CSR.

In the 1960s CSR is stronger. There are many writers like Keith Davis, William C. Frederick or Clarence D. Walton focused their writings on CSR. So each day is more studies about the field.

New terms began to appear in 1970 to CSR such as corporate social responsiveness (Ackerman, 1973; Ackerman and Baner, 1976), corporate social performance (CSP) or public responsibility (Preston and Post, 1975). CSR issues most important for business executives (Eilbirt and Parker, 1973) were in descending order: monitory hiring, ecology (concern for environment), monitory training, contributions to education, and contributions to arts, hard-core hiring, hard-core training, urban renewal and civil rights. In the end of the decade, William Frederick wrote an important paper called “From CSR1 to CSR2: The Maturing of Business and Society” in which he argued that companies were pragmatically for respond social pressures. In conclusion, this period was marked by managerial approach to CSR. Also, Carroll in 1979 proposed the four-part definition of CSR encompassing economic, legal ethical and discriminatory, and conceptual model of corporate performance which had great acceptance.

In the next period, 1980s, was frequently called “greed” or of “me” period. Authors divided their work on various topics as, business ethics, public policy, corporate social responsiveness, CSP and stakeholder theory, among others. CSR continues to develop with new actions and thought.

Philanthropy was expanded during the late 1980 and into 1990 and this period is characterized by Diversification and Globalization. In the 1900s new concepts appeared in large companies such as corporate communication, global social investment, corporate social policy, etc. Also it was founded Ethics Officer Association and a non-profit organization called Business for Social Responsibility (BSR). Nowadays, BSR works with its global network of more than 250 member companies in Asia, Europe and North America to develop sustainable business strategies and solutions.

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46 Carroll, A.B. (2008), p. 27-34
47 Carroll, A.B. (2008), p. 32-33
49 Carroll, A.B. (2008), p. 32-33
50 Carroll, A.B. (2008), p. 34-37
52 http://www.bsr.org/
through consulting, research, and cross-sector collaboration. And it helped that many
companies have developed excellent reputation in CSR practices.

Since 90's there has been an important trend in the development of CSR called
codes of conduct and good practice. The Cadbury Report, 1992, Greenbury, 1995,
Hampel, 1998, in United Kingdom and Viénot Reports, 1995 and 1999 in France, are
some of many examples of such recommendations. In the twenty-first century has
continued this practice as reflecting the strong interest raised by this issue even
today\(^53\).

In the twentieth first century concepts and empirical research about CSR are
refined, also is noted an interest about themes such as stakeholder theory, business
ethics, sustainability and corporate citizenship. In this period CSR has been noted as a
global phenomenon. Moreover, CSR voluntary initiatives have been a major trend in
international business according Organization for Economic Co-operation and
Development (OECD), for this, companies had more pressure for implant them, so
appears a divergence of commitment and management practices. OECD argued that
effectiveness of CSR initiatives, especially in Europe, is closely associated with
effectiveness of broader systems of private and public governance. Thus, this is due to
the institutionalized support that is emerging in terms of day-to-day company
practices, management standards, professional societies and specialized consulting
and auditing services\(^54\).

3.4.2. CSR in Spain
Spain approach corporate responsibility much later than other markets, but
when it gets its influence is more developed the concept and understood that in the
beginning when it sensed a change in business thinking but do not know the full extent
and influence\(^55\). CSR began a few years later than USA and has its origins in the late
90's through Spanish Association of Investment and Pension Funds (In Spanish:
Asociación de Instituciones de Inversión Colectiva y Fondos de Pensiones - INVERCO)
introducing the concept of Socially Responsible Investment\(^56\).

Following global trends in CSR, social organizations tried to encourage
responsible saving, had to know the status of Spanish business network in this area for
Spanish companies were included in the portfolios of certain investment funds and
other financial ethics. On the other hand, the increasing internationalization of Spanish
companies caused that society was worried about the behaviour of these companies

\(^{53}\) Acero Fraile, I., Ferruz Agudo, L. and Marco Sanjuán, I. (2008), p.2
\(^{54}\) Carroll, A.B. (2008), p. 39-42
\(^{55}\) López, G. (2010)
\(^{56}\) Universidad Antonio de Lebrija (2007)
beyond our borders. Thus, interest groups have been pressing to progressively transform the values and perspectives of the business. Today, employers are increasingly convinced that the commercial success and the lasting benefits for shareholders are not obtained only through maximizing short-term benefits, but a market-oriented behaviour and responsible.\textsuperscript{57}

Gradually, more companies are aware that they can contribute to sustainable development by managing their operations in order to promote economic growth and increase competitiveness whilst ensuring environmental protection and promoting social responsibility, including interest consumer. Following this movement, publicly traded companies (IBEX 35 companies) were forced to respond to new trends of information and transparency, required by some shareholders increasingly informed and aware.

Year after year they are performing more actions to support CSR, for example, the work of the Subcommittee of the House of Representatives for the promotion of CSR completed with the publication in December 2006 of White Paper, being a reflection of the commitment of public institutions in CSR. Following this line, the Expert Forum on CSR was established on March 17, 2005 at the initiative of the Ministry of Labour and Social Affairs with the participation of several ministries and experts from business groups, civil society organizations and academia. Their works were completed on July 12, 2007, in a session in which it was agreed the document "Public Policies for the promotion and development of CSR in Spain".\textsuperscript{58} The international proposal most adopted in Spain is the UN Global Compact, a strategic policy initiative that is promoted by United Nations for align their operations and strategies with human rights, labour, environment and anti-corruption.\textsuperscript{59}

In Spain there have been three Codes of Good Governance - the Olivencia Report, 1998, the Aldama Report, 2003, and the report Conthe, 2006 - which have aroused great interest around corporate governance, enabling a rapid expansion of Good Governance among Spanish companies. Although the three codes share common features (are voluntary, they propose a balanced composition of the Council between executive directors and external, etc.) also have certain peculiarities and distinctions in many cases deal of improvement over the previous version.\textsuperscript{60} These codes show the efforts made in recent times in this area.

Another example that highlight Spanish Government is the informative campaign was launched last quarter of 2010 called “\textit{El valor de ser grande}” that we have explained above and we will use in this thesis.

\textsuperscript{57} Universidad Antonio de Lebrija (2007)
\textsuperscript{58} http://www.observatoriosc.org
\textsuperscript{59} http://www.unglobalcompact.org/
\textsuperscript{60} Acero Fraile, I., Ferruz Agudo, L. and Marco Sanjuán, I. (2008)
3.4.3. CSR in Spanish companies

Corporate reputation, competitive advantages and current tendencies of industry are the major driving forces for CSR in Spanish companies. Nowadays, more and more companies introduced practices related to CSR in issues such as corporate statements on mission, corporate values and/or present a certain public commitment to assuming CSR, but they do not fix the maximization of stakeholder value. The most of these companies present a commitment to respecting the natural environment and they have a code of ethics and code of good practice for Corporate Governance. In fact, a few Spanish companies have a strategic approach towards CSR while others using old concepts or are talking about CSR only for reasons of public relations\textsuperscript{61}.

A lot of companies have an annual social and/or environmental report (Figure 3-4) which generally we can say that is only focused on extolling the positive actions that companies have carried out, although they are not too expensive and do not follow specific standards. However, a limit number of companies have adopted Global Reporting Initiative (GRI). At present, companies in the IBEX 35 provide information on aspects of CSR in their annual reports according to most criteria of GRI.

\textbf{Highlight actions in CSR reports in Spanish companies}

\begin{itemize}
  \item \textbf{GRI}
    \begin{itemize}
    \item Spain is the fourth country in the world with more reporters.
    \item It is the first country with more companies with in accordance label.
    \item It has the first European non-profit entity with in accordance label (AECA).
    \end{itemize}
  \item \textbf{Global Compact}
    \begin{itemize}
    \item It is the second country in the world with more Pact financial institutions.
    \item The Spanish jurisdiction, Spanish Association for the Global Compact, is one of the most advanced in the world.
    \end{itemize}
\end{itemize}

\textbf{Awards for good practices in CSR}

Figure 3-4: Highlight actions in CSR reports in Spanish companies

Spanish companies have demonstrated leadership in the dissemination of information on corporate sustainability. In 2008, 59% of large Spanish companies published CSR reports, which increased by 136% in the last two years. Spain ranks fourth in the 22 countries surveyed, only behind Japan, United Kingdom and United

States, according to the International Study of Corporate Responsibility Reporting realized by KPMG, which looked at the companies listed in Fortune Global 250, as well as the top 100 companies in 22 countries.

On the other hand, The “Mesa cuadrada” was established in January 2003 and in the end of this year almost 200 companies have joined, today this number have increased dramatically. The “Mesa cuadrada” is a working tool in the service of companies in the Covenant in Spain for its progress in implementing the principles of CSR. Its name derives from the four types of institutions that sit on it:

- Public / private companies with or non-profit
- NGOs
- Educational Institutions
- Public or social institutions

Currently, more than 120 large companies, 70 SMEs, 41 NGOs and third sector organizations, 28 educational institutions and 4 employers’ associations and trade unions are involved in this initiative.

According to the latest progress report submitted by ASEPAM in Spain 344 companies are adhering to the pact, of which 76% in active status, 6% not having submitted a report and 17% in situation inactive, leaving much to be done in the integration of SMEs into the process. In addition, a few companies from Spain have adopted the SA8000, a social accountability system which provides workplace standards and a verification system.

In a research about Spanish companies is proved that firms with higher CSR ratings present a statistically significant larger size and a higher media exposure as well as are more environmentally sensitive industries compared to firms with lower CSR ratings. Also, they suggest that factors which influence CSR practices of Spanish companies are not significantly different than factors that influence CSR of companies in other places.

Some Spanish companies that present good CSR are Inditex in dressmaking and fashion, Iberdrola and Endesa in energy, Vodafone in telecom, MRW in logistics, Treta Pak and BSH electrodomésticos in manufacturing, BBVA in banking, NH Hoteles in tourism, among others.

Finally, it should be noted that current economic crisis is closely linked to a crisis of confidence: crisis of confidence of banks in business, a crisis of consumer confidence of consumers in buying and consuming goods, a crisis of confidence of employees in their work, and a crisis of confidence of the state in its capacity to govern.
confidence in the future of the global economic situation, a crisis of confidence citizens in their national government, a crisis of trust from customers on the strength of their banks, and so on to complete a long list.

For proof, simply review the findings of the Edelman Trust Barometer for the year 2009. The study, part of the query to 4,000 opinion leaders in 20 countries, concluded that 62% of the population relies less on business than a year ago. In Spain, this percentage rises to 67%.

\[Fundación Alternativas (2009), p. 16\]
4. SITUATION OF SPANISH COMPANIES

Currently, Spanish companies are going through a bad time, since many of them, which have not disappeared, they had to make cuts in both staffing and resources to survive. In the last two years 150,000 companies disappeared\textsuperscript{68}.

In Spain we can differentiate seven types of companies depending on their size: microenterprises without employees, microenterprises with employees, microenterprises that include the above two types, small enterprises, medium enterprises, SMEs that encompass all previous and large companies (Table 4-1).

Spanish business structure is dominated by microenterprise, 94.1\% of companies are of this type and 99.9\% are SMEs, i.e. they are around 3.4 M of SMEs (Table 4-1 and Figure 4-1). These companies have 82.2\% of workforce while large companies have 17.8\% (Figure 4-2).

Spanish SME has not changed in size because there are administrative barriers, tax, financial, educational and cultural, although the motivation to get more income growth, inhibit their development.

<table>
<thead>
<tr>
<th>Enterprise’s kind</th>
<th>Employees</th>
<th>Number</th>
<th>% Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microenterprise without employees</td>
<td>0</td>
<td>1,753,052</td>
<td>51.3%</td>
</tr>
<tr>
<td>Microenterprise with employees</td>
<td>1-9</td>
<td>1,464,000</td>
<td>42.8%</td>
</tr>
<tr>
<td>Microenterprise</td>
<td>0-9</td>
<td>3,217,052</td>
<td>94.1%</td>
</tr>
<tr>
<td>Small enterprise</td>
<td>10-49</td>
<td>171,833</td>
<td>5.0%</td>
</tr>
<tr>
<td>Medium enterprises</td>
<td>50-249</td>
<td>25,894</td>
<td>0.8%</td>
</tr>
<tr>
<td>SMEs</td>
<td>0-249</td>
<td>3,414,779</td>
<td>99.9%</td>
</tr>
<tr>
<td>Large companies</td>
<td>&gt;249</td>
<td>4,712</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

Table 4-1: Spanish enterprises’ distribution (2009)
[Source: www.ceim.es ]

\textsuperscript{68} EUROPA PRESS (2011)
In general terms, for SMEs the main concern of businessman about business is delinquency (50.79%) followed by the ability to address payment of payroll employees (15.53%)\(^69\). This is because it has broken the chain of currency, and authorities and customers do not pay and suppliers do not charge, daily increase this rate.

The economic crisis has hit squarely at SME in 2010. More than 88% have suffered in one way or another effects of the recession in Spain. In this sense, in most

\(^{69}\) Sage (2011), p. 35
cases, companies have declined in sales (72.89%), in benefits (76.75%), or number of customers (60.5%). And in rare cases sales increased (less than 20%), profit (16.4%) or clients (31.7%)\textsuperscript{70}.

As to the date on which SMEs consider that we will emerge from the crisis, it is noteworthy that over 50% indicate that this will occur between 2014 and 2020, and 40% estimated to be between 2012 and 2013\textsuperscript{71}.

2011 is shaping up to be a difficult year for SMEs. Over 60% believe the economic situation of their business will continue or get worse and only 12% believe it will improve. And the most significant information is that 80.6% only goal is survival\textsuperscript{72}.

\textsuperscript{70} Sage (2011), p. 40-41
\textsuperscript{71} Sage (2011), p. 40-41
\textsuperscript{72} Sage (2011), p. 58-60
5. CSR IN SPANISH LARGE COMPANIES - CASE: IBEX 35

First we will see characteristics of the Spanish departments of CSR and then its evolution. The data are drawn from surveys of CSR department responsible companies that make up IBEX 35 (only 20 companies responded).

With the information provided we will understand the evolution, current situation and future expectations of the role and activities of CSR of Spanish leaders companies.

5.1. Current situation of CSR

In 2000 began the gradual incorporation of CSR departments of large Spanish firms. Its development continues to have the highest growth in 2005, namely 25%. Between 2005 and 2007 are created 55% of this departments and in 2007 all the major companies have already created your CSR department (Figure 4-1).

The main functions of the departments of CSR are the publication of CSR Report, to coordinate the flow of information from the company outwards and to implement policies and plans of CSR throughout the company.

![Year of establishment of CSR's department](image)

Figure 5-1: Year of establishment of CSR’s department
[Source: Fundación Alternativas (2009), p. 27 – 41]

In 1999 was when the first IBEX 35 company published its first CSR report. Most of the middle of these large companies, 65%, had created their first report before 2005 (Figure 4-2). Nowadays, the elaboration of reports of CSR is fully incorporated into the annual practice of IBEX 35 companies.

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73 Fundación Alternativas (2009), p. 28
In 45% of IBEX 35 companies, CSR department informs Managing Director. In others cases, CSR department reports to Chairman of the Board or Board member, 25% each one (Figure 4-3).

Incorporation of CSR on the agenda of the meetings of the Board of Directors is specified by the level of oversight government. Most of Spanish companies include CSR issues on the agenda of the Board of Directors from one to four times a year, 50%, or once a year, 35% (Figure 4-4).
Regarding the use of tools, 55% of companies surveyed have a strategic plan, instead, 45% of these companies do not have strategic plan but it is scheduled for 2009-2010 in 10% of them (Figure 4-5).

Other relevant information is resources available to these departments to develop their activities. The most of IBEX 35 companies, 35%, have a smaller budget
less than 500,000 €. Another important date is that 25% of companies have a budget higher than 5M € (Figure 4-6).

![CSR annual budget](image1)

**Figure 5-6: CSR annual budget**
[Source: Fundación Alternativas (2009), p. 27 – 41]

As regards human resources, half of the units that deal with CSR issues in the IBEX 35 companies have between one and three people work full time. And only 15% of the companies have over 10 people working in this department (Figure 4-7).

![People who work full time in the CSR department](image2)

**Figure 5-7: People who work full time in the CSR department**
[Source: Fundación Alternativas (2009), p. 27 – 41]
5.2. Evolution CSR

Despite the current economic context, persons responsible of CSR units or departments in IBEX 35 companies are optimistic. Among these companies, only 10% decrease people have is their department, the rest (85%) remain the same persons or the increased (Figure 4-8).

![Diagram](image)

Figure 5-8: How will the number of people assigned to your department evolve?

In crisis context, perception of the evolution of CSR culture in Spanish companies is favourable, because 55% of firms remain their interest in CSR, 40% increased their interest and the rest decreased it (Figure 4-9). On the other hand, perception in the CSR level of attention of public authorities is higher than above, all respondents who replied believe that it will increase or will not vary (Figure 4-10).
The perception about the level of attention to CSR in companies clearly shows favourable prospects. By analyzing the projection of the relevance of CSR in the short and medium term, the growing importance perceived trend is maintained and strengthened. Among respondents, 85% felt that CSR attention will receive from top managers of company within a year will be high or very high, while 90% of companies planning to this level of attention to three years away. That is, the level of high and very high attention gradually increased, passing from 45% three years ago to 90% in three years. Therefore, the increase is considerable (45%) indicating that the current crisis will not stop the development of CSR (Figure 4-11).
5.3. Analysis of dates

With analysis of graphics we can say that CSR in Spain is taking more strength over time. Creation of CSR’s department is recently in IBEX 35 companies, it was in the last decade. After it creation the first CSR report was published and nowadays all of them publish their own report. In general, this department informs to Managing Director and has between one and three people working full time, as well as CSR issues are formally included in the agenda of the Board of Director between one and four times in a year. Moreover, its budget is less than 500,000€ in the most of companies and more than half of them make a strategic plan.

On the other hand, CSR developed in Spanish companies is good. According to the participants in this survey, the top management of IBEX 35 companies devoted considerable attention to CSR. In three years level of top managers’ attention will be high or very high in the most of IBEX 35 companies. However, according this survey current crisis has not affected.

This analysis has shown that CSR is more important every day for great leaders and society. These dates are a preview analysis about CSR in crisis context, because we need wait until situation stabilizes and therefore results are clear. But with this research we can see CSR trend which is positive and we can conclude that if current trend continue CSR will be an increasingly important practice.
CSR has been pursued by the shadow of being a fashion management or marketing strategy. If CSR was a “fad”, in difficult periods like current economic crisis, it will disappear, because companies will have to reduce expenses. With data obtained we realize, at least until now, CSR is not a “fad”. This data is not definitive but if CSR pass this ordeal of fire will mean that is not management fashion.

We must also take into account the loss of confidence, and that CSR should be one of the pillars on which to rebuild that trust and avoid significant costs for businesses, ranging from the devaluation of the brand value rising transaction costs and the difficulty of attracting top talent. Work begins to regain the confidence of senior management, which must show the company that understands your concerns and is committed to solving social problems. This goes to show that companies are managed with an eye on the long term.
6. CSR IN SPANISH SMEs

Traditionally, CSR has been linked with large companies, but most of the companies both in Europe and in Spain are SMEs, so they are the ones that move the country’s economy and employ the majority of the workforce. Ad hoc, in this part we will study CSR practices in Spanish SMEs.

In this chapter we will explain current situation, CSR tools, and relationship with stakeholders in Spanish SMEs. Finally, be examined as crisis has affected CSR’s policies in SMEs. All based on the interviews, the gatherings and the documentary of “El valor de ser grande” campaign explained above.

6.1. Current situation

CSR is a business approach that incorporates respect for ethics, people, communities and the environment. CSR is a set of policies, practices and programs that are integrated throughout the process of business operations and decision making. Companies have realized that these practices increase productivity and create a positive image of the company. An effective CSR strategy by the companies can bring improvement in competitiveness and a positive social, economic and environmental impact. For this reason, SMEs are failing to see these practices as something exclusive to large companies and are increasing their focus on CSR practices as a means to maintain or open access to markets\(^74\). It has also been established that socially sustainable businesses are more durable and lasts its turnover\(^75\).

In fact, many studies indicate that many SMEs in our country have developed over its history an extraordinary commitment to CSR, i.e., with their employees, their customers, with the local community, etc., without calling it that way, not communicate or display it publicly, even without being fully aware of it. In most cases, the reason for the responsible behaviour lies in the commitment to make things right. In a way not always conscious, "good practices" in the relationship business with its stakeholders has been associated with commitment to quality, integrity, humanity and excellence\(^76\).

In recent years there has been progress in the awareness of SMEs but still find it hard to publicize what they are doing and give value\(^77\). For example, in Spain the percentage of companies introducing sustainability reports clearly distinguish large companies and SMEs. In the last case, only 15% done or are planning to make

\(^{74}\) Gathering 1 and Interview Marco González
\(^{75}\) Gathering 2 and 4
\(^{76}\) Gathering 1, 5 and Documentary
\(^{77}\) Interview Marco González
sustainability reports, while in the case of companies with more than 500 employees, this percentage is over 50%.

Between SMEs, in general, the vision that CSR is philanthropy still remains, but being a corporately responsible company does not mean making big donations, but a change in the way of doing things, which are very fuzzy concepts. For example, 90% of employees know what CSR is in large companies while in the case of small companies with fewer than 10 employees, this percentage is considerably reduced to 50%.

Today it could say that we are in the second phase of CSR in Spain, the first phase was the incorporation of this practice in large companies developing important strategies, and now that is ingrained in them it is the time for SMEs. You might think that these moments are not the best to start a new activity, but CSR does not have to involve spending and has many positive points as:

- Makes a differential value of the company placing it in a higher range
- Loyalty of internal and external customer, i.e. are considered by all stakeholders
- Put in positive social environment

Therefore, SMEs should implement CSR as a new model of management trying to professionalize its management in the workplace, in the relationship with suppliers, customers and local community in an integrated society.

6.2. CSR tools

As shown in the previous chapter, now IBEX 35 companies make CSR’s reports. Things change when it comes to SMEs, as most of them do not make these reports because they are costly and complicated.

With the joint support of ICO and Caja Navarra 1,006 Spanish SMEs (0.03% of Spanish SMEs) have been published in 2010 its Social Responsibility Report. Objective of this project is to disseminate good practices of CSR as a means of improving the competitiveness of SMEs and is done through a simple and affordable tool. By participating in the project, small businesses can form, depth and position in CSR, and have an element of self and improvement in this area.
Companies that have published their CSR report are mostly micro-SMEs with between 1 and 10 employees (60%), followed by companies from 11 to 50 employees (29%), while 11% are over 50 employees. With regard to autonomy, Madrid ranks as the region with the largest number of companies reporting their sustainability report, with 157 participants (15.6% of total), followed by Andalusia (15%), Catalonia (13.2%), Valencia (11.7%), Galicia (7%), Castilla y León (5.2%) and Navarra (5%)\(^{83}\).

Consultancy firms have an important role in this aspect, since they have many tools to systematize management policies and make them compatible with CSR. Moreover, most of them are SMEs, so they know the points of weakness and strength, and therefore, may help create and implement new systems\(^{84}\). A good example is Forética SME (Spanish non-profit multistakeholder organisation) that has created SGE 21 standard to help businesses to sustainability reporting as a simpler and accessible\(^{85}\).

### 6.2.1. SGE 21

SGE 21, Ethical and Socially Responsible Management System, is the first European standard that establishes the requirements that an organization should carry out to integrate its strategy and management in SR. That is, a tool that offers organizations a systematic focus on the voluntary integration of social and environmental concerns in business operations and relationships with its stakeholders.

SGE 21 standard, which is owned by Forética, arises in the X Conference on Quality and Environment held in 1999 in Barcelona as a result of the work of a group of executives and opinion leaders who questioned how it could enhance the value a corporate culture based on accountability of all its members against society. The first version of this standard is born the same year and has been revised three times (2002, 2005 and 2008) ensuring that it remains current and aligned with the main existing initiatives in the areas of SR and Management Systems both domestic and international.

The standard consists of six chapters. The first five explain the background and general aspects of the document, being chapter six that develops certifiable requirements of the standard. Therefore, this is the chapter that is based on both the implementation and the management system audit. The sixth chapter is broken down into nine areas of management: senior management, clients, suppliers, persons forming the organization, social conditions, environment, investors, competition and government authorities. For each one organization carried out requirements to be considered ethical and socially responsible.

\(^{83}\) ICO  
\(^{84}\) Interview Marco González  
\(^{85}\) Gathering 1
An increasing number of organizations are investing in their methodology as a form of social responsibility management, because it is applicable to all types of organizations, from micro-SMEs to large multinationals, and is flexible to different sectors of activity. It is also fully compatible with ISO 9001 and ISO 14001, among others, allowing joint audits with dilution of costs. Therefore, 90 companies currently make up this standard in their management.

SGE 21 provides significant advantages\(^{86}\) in the management of SR:

- **Provides rigor to management of organization:** It incorporates the principles of SR of existing frameworks: European Commission, Global Compact, International Labour Organization and Organization for Economic Cooperation and Development, among others.

- **Easily integrated with other management systems:** Enables integration with quality management systems, environmental or occupational risk prevention in organization.

- **Collection of indicators:** Facilitates the generation of information to establish social indicators for organization as well as for the preparation of sustainability reports.

- **Awareness and organizational change:** Provides both large organizations and SMEs, introduction of a culture of responsible on their teams. Contributes to improved reputation internally and externally as responsible, innovative and sustainable companies.

- **Builder confidence:** Its recognition is growing by organizations that use it and institutions that support its dissemination.

- **Contributes to credibility:** Allows certification as maximum assurance to all stakeholders.

### 6.3. Stakeholders

Socially responsible behaviour, as mentioned earlier, means that company includes in its management concerns of its key stakeholders. In general, stakeholders are the same for large firms than for SMEs, which would differentiate in: priority, level of relationship, ability to impact the level of concerns, etc.

\(^{86}\) SGE 21, Forética.
The most important stakeholders for SMEs are shown in the figure below:

SMEs also provide features that can support the implementation of CSR practices, because while large companies develop more formal instruments of CSR communication with stakeholders, SMEs tend to use means more personal and direct dialogue with employees especially. Thus, managers of SMEs have a strong commitment to employees, generally oriented towards improving the working environment and their relationship is closer with their employees, customers, suppliers and authorities. Also they have an organizational structure simpler, so they can respond and adapt more quickly to changes such as strategies for its sustainability performance.

Below we will discuss the important features of each stakeholders, firstly internal stakeholders (Owners or Shareholders, Employees and Costumers) and then external (Large companies, Public administration, Society, NGOs and Media).

6.3.1. Owners or shareholders

Organization has to meet the expectations of its owners or shareholders to obtain economic results that return on investment. Company must be committed to creating economic value, making available to stakeholders all information that may
affect their behaviour in the market, all in compliance with current regulations and behaviours linked to society.

In addition businessman shall be bound to a voluntary commitment to continuous improvement that grounded in ethical values, to become competitive and sustainable organization. Training and education in the CSR’s philosophy of the entrepreneur is vital to the success of the model, since their level of autonomy in decision-making process is even higher than the President of a multinational company, who is in any case to consult a Board of Directors or Shareholders.

Day after day shareholders want more information about business at the time of investing (way of production, management, CSR, etc.), therefore, SMEs engaged in CSR have advantages over those that do not, that is, shareholders only invest in companies with CSR policies which are essential today.87

6.3.2. Employees

Work activity is an essential aspect of economic activity. On the one hand, allow the inclusion of the individual in society, on the other, is an indispensable factor of production to achieve business goals.

Human capital management is one of the most delicate tasks in an organization. For businesses, in an increasingly competitive market where talent and intangible values of the workforce are increasingly scarce resources, attract and retain the best people is a clear advantage. It has been found that companies with CSR policies aimed at improving working conditions have the best workers and they are more motivated by their jobs better, so getting better service and / or products.88 It also generates pride of belonging, i.e., employees feel part of SMEs, and therefore make things better by increasing its performance.89

Another aspect is disabled persons. They suffer even greater difficulty finding employment than the rest of the population, despite the existence of incentives, subsidies and special employment centres intended strictly for this group.90

The latest data from INE show that the number of disabled persons exceeds 3.8 M in Spain, equivalent to 8.5% of the population, nevertheless remains one of the countries with the lowest labour market of European Union.91 In 2008, there were a total of 1.48 M disabled of working age (between 16 and 64) which 136,100 were

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87 Documentary
88 Documentary and Gathering 6
89 Gathering 1 and 6
90 Gathering 3
91 Fundación retorno (2011)
seeking work and only 28.3% worked. Moreover women represent more than half of disabled persons in Spain and they are often subject to multiple discrimination⁹².

Therefore, it should promote CSR policies for the inclusion of disabled persons in enterprises and workers with disabilities bring knowledge, experience and desire to improve, three assets that company cannot ignore. Therefore, commitment to accessibility and employment of people with disabilities is more than fulfilling a legal obligation or a practice of CSR. It can also become an important competitive advantage for companies that are able to harness the enormous potential with disabled persons.

6.3.3. Costumers

The satisfaction of customer expectations in terms of quality, price, delivery, safety, security, etc., must be one of the priorities of the organization. Company is responsible for their products or services as well as their use and impact on customers, and society in general long-term.

Responsible consumption is one in which consumers buy what they need and when it does, a preference for those products and services that involve less expenditure of energy that are less harmful to the environment, which have been manufactured in a socially responsible by companies that pay fair wages to workers, etc.

According to a study⁹³ of Spanish consumption, 56.9% of consumers when they buy a product or contract a service never or almost never have information about the social and environmental performance of company that markets, while 33.9 % said to have sometimes and 8.3% almost always or always. Compared to the previous study conducted in 2008 has increased the presence of information on social and environmental performance of companies selling products and services. In addition 53.8% of citizens believe that SMEs are better than large firms regarding responsible social behaviour.

Overall there was a slight increase in population (22.9%) who are willing to opt in their acquisitions by companies with better social and environmental performance, although 59.5% if they had information they will choose one of these companies and could pay up to 10% more for their purchases⁹⁴.

In any case behaviours needed to manage increasingly responsible to rebuild the credibility of companies, weakened by practices that indicate a lack of responsibility or some abuse of a market position. There is evidence that consumers have punished

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⁹² INE (2008)
⁹³ CECU (2010)
⁹⁴ CECU (2010)
companies with irresponsible policies and reducing the company's reputation and thus sales. So consumer has moral weight\textsuperscript{95}.

Companies must be careful because if we want responsible consumers we should give them the necessary information, or else the job is half done. Consumers need communication, by governments, enterprises, organizations that they can trust. Missing certifications credible, transparent, giving information about the production process and product content and come from independent entities, taking into account the minimum standards that must be met by companies and suppliers\textsuperscript{96}. Consumers want to act, but must have the capacity to act.

6.3.4. Large companies

Large companies are the first who started to make CSR, so they must now encourage these practices among SMEs, helping them with the example of good practice\textsuperscript{97}. This is starting to happen, since many large companies now demand that their suppliers, which are often SMEs, are socially and environmentally sustainable.

Therefore, if a SME supplier of a large company is irresponsible and comes out the big companies will also be affected by decreasing their reputation and thus sales. So, large companies will exclude this kind of SMEs and somehow forced them to change their way of management if they want to keep your business in the company\textsuperscript{98}.

Currently CSR reports are not required to report only the activities of the company but also its suppliers, thus putting more pressure on big companies when choosing SMEs with CSR policies.

A good example is the largest company called FCC, which has a new purchasing platform in specifying all the criteria to be met by all suppliers found among the ten rules of the Global compact, as well as it has an ethical code that must meet all the company\textsuperscript{99}.

6.3.5. Public Administration

Relationship between business and state are usually complicated. The different roles assumed by the State (referee, regulator, competitor, collector, customer, etc.), the various levels of manifestation (central, regional, local, etc.) and its variability difficult even more to these relationships. The fulfilment of obligations and

\textsuperscript{95} Gathering 3, 5 and 6
\textsuperscript{96} Gathering 6
\textsuperscript{97} Gathering 6
\textsuperscript{98} Documentary and Gathering 1, 4, 5 and 6
\textsuperscript{99} Gathering 6
responsibilities are consistent with the time to demand rights and privileges. Collaboration, transparency and dialogue are the way to build these relationships.

One of the values to be promoted by companies is the honesty and integrity in fulfilling their legal obligations and in their relations with government. Moreover, adoption of CSR practices has positive effects to qualify for competitive tenders for local authorities and other administrations.

Spanish public administration is committed to promoting CSR among companies both fulfilling objectives agreed at the European Sustainable Development Strategy including promotion of sustainable practices as being socially responsible. Among the current government actions\(^\text{100}\) are:

- Establishment of a CSR forum as a permanent forum of debate.
- Promoting a culture of corporate responsibility in society and SMEs.
- Integration of these principles in the regulatory framework.
- Incorporation of this approach in the hiring and employment practices of government.

White Paper published by Subcommittee of the House of Representatives, Codes of Good Governance as Olivencia, Aldama or Conthe report or “El valor de ser grande” campaign, explained under Section 3.2.4., are the evidence of the involvement of government. The recent measures are Law of Sustainable Economy and State Council on Corporate Social Responsibility.

**Law of Sustainable Economy**

On 5 March this year has been published in the Official Gazette the new Law of Sustainable Economy\(^{101}\), a compendium regulatory affects the most number of economic and social areas and its goal is "introduce into the law the necessary structural reforms to create conditions conducive to sustainable economic development". The last chapter of the first title of this law, specifically Article 39, refers to CSR.

Article 39 provides that Government will make available to companies, organizations and public or private institutions (especially SMEs and individual companies) a set of characteristics and indicators for self-evaluation in social responsibility and reporting or reference models, all in accordance with international standards. It adds that the feature set, indicators and benchmarks referred to in the preceding paragraph shall have particular attention to objectives as transparency in

\(^{100}\) Martínez, M.A. (2010)
\(^{101}\) Interview Juan José Barrera and Diego, J. (2011)
management, corporate governance, commitment to the local and the environment, respect for human rights, better labour relations, promoting the integration of women, real equality between women and men, equality of opportunity and universal access for disabled persons and sustainable consumption, all in accordance with State Council on CSR recommendations.

In addition, Article 34 of the Act also refers to CSR, namely that state trading companies and public administration entities attached to the Central Government strategic plans adapted to the new law in a period of one year after the entry into force of the law.

State Council on Corporate Social Responsibility

State Council on Corporate Social Responsibility is a permanent inter-sectorial forum that functions as a government advisory to promote and encourage CSR policies, proposing to Government, as part of their duties, measures that go in that direction. It is composed, in the quadripartite and equal basis, by business and labour organizations, civil society and governments at central, regional and local levels.¹⁰²

6.3.6. Society

Businesses affect immediate surrounding communities; they should be aware of this fact and establish mechanisms of communication with affected communities to understand and measure the impact, and try to reduce and offset.

The society has an important role in rooting CSR. CSR is intrinsically linked with education to teach new values consistent with the needs of society and thus facilitate a better understanding of the environment. Therefore, it should educate a socially responsible society.¹⁰³

In Spain today CSR education is scarce, if not almost non-existent. In the different areas that make up educational system, receives more CSR attention Masters than university, school or professional training stage.¹⁰⁴

In education CSR refers to values, a new educational model integrating and cross takes into account human values as well as technical knowledge. The incorporation of CSR in education, meets notes of balance, diversity, responsibility and recognition of the importance of the culture of learning and the core values of a country, to be the

¹⁰² Interview Juan José Barrera and Martínez, M.A. (2010)
¹⁰³ Gathering 6
¹⁰⁴ Ministerio de trabajo e Inmigración (2010)
engines for development, training and innovation, which will form the main intangible assets of it and differentiation factors.

Therefore, schools have the opportunity to become leaders for change, playing an active role towards the transformation of society not only through the study of new concepts and trends in CSR, but also introduce guidelines behaviour in daily life (food and healthy lifestyles, sustainable mobility, energy efficiency, cultural and social heritage conservation in community environment, etc.).

6.3.7. NGOs

NGOs have always been linked with different humanitarian and social purposes. Therefore, they play a particularly important role for the dissemination of CSR to direct its efforts in two directions: towards NGOs and / or towards SMEs.

To other NGOs, because it is essential that CSR message delivers for all associations, from large NGOs that employ thousands of people across the country to those small organizations that only have a few workers or volunteers and developing their local activity. The last ones are, precisely, which have more direct contact with SMEs and those that need to be aware of the benefits of CSR to be effectively communicated to SMEs, contributing to better knowledge about them and their awareness. Therefore, it is very necessary that NGOs are closer to CSR made an effort to disseminate information and training aimed at small NGOs, so they can play their role in the process. The types of activities undertaken from NGOs to mobilize consumers and investors and modify bad business practices can focus on four: forcing, facilitating, promoting and producing change.

Normally there are three types of companies that collaborate with NGOs: which support the organization as a whole, those that want to help someone in particular and those which only want media coverage.

The majority of Spanish NGOs reported an increase in number of members in 2009. Despite economic crisis, the number of donors increased their budgets, especially with financial support from private entities and their own membership fees. It also increased the number of volunteers who worked so selflessly.

Therefore, NGOs have not been affected by the crisis, so must increase the dissemination of good practices with both example and word in SMEs.

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105 Gathering 6
106 Gathering 5
107 Gathering 5
108 Fundación Eroski (2010)
6.3.8. Media

The major challenge for SMEs is to communicate their CSR actions. These companies do not have communication departments and communication structures as large companies hindering their communication, but they have a proximity to customers, workers, employees, etc., therefore, communication must be based on proximity to stakeholders.¹⁰⁹

Media play an important role in disseminating CSR actions in society. In Spain, the great majority of CSR news are still running in the financial media, and when they appear in newspapers of general information is often mix without much depth in sections as a society, environment and economy. In radio or television, the media with greater penetration in the population, we rarely found news reports and programs related to these topics, making it difficult that CSR paradigm permeate among the population.

For example, Media responsable, an editorial specializing in RS of Spain is helping spread CSR. It want to raise awareness and publicize the activities of CSR in all companies and at the same time as their own SMEs to apply CSR in management with customers, employees, society, environment, etc. Communication channels are a specialized magazine in CSR called "Corresponsables", a directory, a web site and publishing solutions that are custom made for all types of organizations.¹¹⁰

The magazine "Corresponsables", the main communication tool for Responsible Media, is a reference publication in the field of SR which is bi-monthly. With it, we try to present today, opinion and information on SR from a plural point of view, knowing that large companies are saying in this matter and how they act, as well as views of point of other stakeholders, because everybody are important to spread the CSR culture.¹¹¹

A part of external communication in SMEs is also important internal communication, because if all employees know the company’s situation, i.e. if the company is transparent, they will engage in it creating pride of belonging.

Therefore, SMEs must face the communication barrier and begin to disseminate their CSR actions. Moreover, they must communicate in a proper way, i.e. in an orderly and systematic, and especially transparent.

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¹⁰⁹ Interview Marco González and Documentary
¹¹⁰ Interview Marco González
¹¹¹ Interview Marco González
6.4. Perception of economic crisis

SMEs have been affected by the global financial crisis like the other companies. Regarding CSR, the main effect of the crisis is that highlighted good practice\textsuperscript{112}.

It has been shown that SMEs that have understood CSR as a cost are those that have trouble maintaining their practice, i.e., those with expensive programs, poorly designed, purely decorative and they created little value for society and for the company. In contrast, companies that understood this as a sign of organizational identity and inalienable fundamental element of their global strategy can emerge stronger. Therefore, the crisis has had a cleansing effect by eliminating bad practices and giving positive value to CSR. This has changed the approach of CSR, now is a culture, a way to manage the company, i.e., CSR is anchored in ethics\textsuperscript{113}.

The economic crisis has also provoked a reputational crisis, people have lost their references and do not trust the regulatory agencies, government, financial, etc. therefore, they has begun to seek a responsible growth which can have confidence, and for this, consumer seeks more information and businesses more transparent\textsuperscript{114}.

On the other hand, it has said that CSR will be the salvation of the crisis, but it is not the instrument that will allow us to exit the current economic crisis in the short term. On the contrary, CSR is always medium to long term. It provides innovative approaches, useful tools and attitudes needed to build the foundations for a more balanced and sustainable business. And SMES that will survive the crisis are those who use this competitive advantage\textsuperscript{115}. A good example is the new companies that have appeared related to sustainability.

Therefore, CSR does not solve immediately the economic, financial and social present, but it will be essential and fundamental, medium and long term, to build an enterprise system and a planet more humane and healthy for everybody.
7. CONCLUSIONS AND FUTURE RESEARCH

This chapter is concerned with conclusion and future research regarding the previous analysis and results of the thesis on a general level. The aim of this chapter is to answer and discuss the initial research questions, and so a general conclusion will be made. It also reflects upon the research process used. Finally, it suggests future research areas for the next master thesis students.

7.1. Conclusions

CSR is practice that is followed with the controversy of whether is a real management tool or rather is a fad. For this, chosen context is Spain in time of crisis. The question that wants to investigate this thesis is: How has the current crisis affected CSR in Spain? The thesis results will discuss in this part, then general conclusion will be performance in order to answer this main question, and so know whether CSR is a fad or not.

Firstly, we discuss the results about large companies. The large companies’ analyses show that CSR is more important every day for leaders of IBEX 35 companies. The general features about this companies regarding CSR are:

- They created their CSR department between 2000 and 2007.
- The main functions of the departments of CSR are the publication of CSR Report, to coordinate the flow of information from the company outwards and to implement policies and plans of CSR throughout the company.
- The elaboration of reports of CSR is fully incorporated into the annual practice of IBEX 35 companies.
- CSR department informs Managing director (in most cases), Chairman of the Board or a Board member.
- Most of them include CSR issues on the agenda of Board of Directors from one to four times a year.
- 55% have a strategic plan and 45% do not have strategic plan but it is scheduled for 2009-2010.
- They have at least one people working full time in CSR department. 50% have between 1 and 3, and only 15% have more than 10 people.
- CSR annual budget is between 500,000€ and 5 M€: 35% less than 500,000 €, 30% between 500,000 and 1 M€, 5% between 3 and 4 M € and 25% higher than 5M €.

CSR developed in Spanish companies is favourable so far. According to the survey results top managers’ attention of CSR increased gradually; the level of high and very high attention was passed from 45% three years ago to 90% in three years among IBEX
35 companies. Thus, CSR is rooted in large Spanish companies in the twenty first century and over time it is stronger and more interest charges between them. This shows that CSR in big companies is not affected by the crisis, in contrast has increased its interest to the present, besides these positive developments continue at least until the next three years.

Secondly, we discuss the results about SMEs. 99.99% of Spanish companies are SMEs, so they are the ones that move the country’s economy and employ the majority of the workforce. Gatherings, interviews and the documentary provide a general vision about CSR in this kind of companies. The main findings are:

- SMEs are failing to see this practice as something exclusive to large companies.
- Many SMEs carried out CSR years ago but did not call it that way.
- In recent years there has been progress in the awareness of SMEs about CSR.
- Only 15% of SMEs do or are planning to make CSR reports.
- Between them the vision than CSR is philanthropy still remain and CSR concepts are fuzzy; just 50% of SMEs employees know what CSR is.
- New tools have created to facilitate both in cost and complication sustainability reporting among SMEs. An example is SGE 21.
- SMEs have a more personal and direct dialogue and their structure is simpler than large companies, so they can adapt and respond more quickly to changes.
- Shareholders want more information about business at time of investing in order to invest just in SMEs with CSR policies.
- Companies with CSR policies for their employees are more efficient, because workers are more motivated and so they have better services and products.
- Consumers that buy sustainable products have increased in the last years, but they need more information for act in a correct way.
- Large companies want responsible SME suppliers, so they are putting pressure on SMEs to do business with CSR policies.
- Spanish public administration is promoting CSR among companies for fulfil objectives agreed at the European Sustainable Development Strategy.
- CSR education is almost non-existent.
- The major challenge for SMEs is to communicate their CSR actions. Now they must face the communication barriers and begin to disseminate their CSR actions.

This qualitative analysis shows that the economic crisis has not greatly affected SMEs, CSR continues to do in the companies that carried out properly because they
understand what it brings to both society and the company. Regarding SMEs, the crisis has had a positive effect eliminated the bad practices.

Finally, we compare large companies and SMEs results. The main difference between large firms and SMEs is that in the first ones CSR is root and is perform for years to gain momentum over time, i.e., it is performed as fundamental element in the company. When we talk about SMEs this change, CSR is beginning to gain further strength in them and are increasingly being performed in more SMEs but it still has a long way to go. Therefore, it is said that CSR is in the second phase, the first one was in big companies and now it is up to SMEs.

Among large companies, sustainability reports are made since four years ago by IBEX 35 companies particularly, whereas only 15% of SMEs perform this report. Furthermore, some SMEs still believe that CSR is philanthropy and this is because they have no clear concepts, only 50% of employees know what CSR is. In contrast between large companies this percentage increases to 90%.

Stakeholders are the same for large and small and medium companies, which differ in priority, level of relationship, ability to affect the level of concern, and so on. In large enterprises the CSR communication channels are more formal, communications department is in charge of it, and so communicating of CSR actions are favourable. In contrast, SMEs are simpler, so can act more quickly to adapt to changes, also dialogue between stakeholders is more personal and direct improving the working environment and relationships. The SMEs should take advantage of this proximity with stakeholders to pass the barrier of communication, which is its biggest challenge.

Both types of companies have been affected by the economic crisis more or less having to make major adjustments to survive, and above all many SMEs have disappeared. Regarding CSR crisis has affected it favourably by increasing its value to society and business. In all companies CSR is increasing daily, more sustainability reports are made, CSR department is created, governments make new laws and subsidies to promote it, etc.

We must also take into account that the current crisis has caused a crisis of reputation for that society does not trust corporations, governments, regulators, etc. To rebuild this trust should promote transparency among all entities and this should be supported on CSR. So, all stakeholders have information to act appropriately.

Another aspect to consider is education; society cannot act responsibly if they are not educated about these issues. Currently the Spanish education on CSR is very low or almost zero, so governments must change the syllabus. If a country has education and culture it will be socially sustainable helping a fairer society and consciousness with environment.
Therefore, the economic crisis has meant that companies fail to perform CSR so far. So we can conclude that CSR is not a fad according to the current CSR trend, although this will not be final result until the crisis is over and then its final effect will be rechecked.

To conclude we cited that said Moserrat Tarrés, who is member of CSR in Dircom, in “El valor de ser grande” documentary:

“Corporate Social Responsibility is here to stay, you can change the name... you can call Corporate Social Responsibility, Social Responsibility... you can call it whatever you want but it is here to stay because it is the logic of making well-made business”

7.2. Future research

Research process has provided data on the IBEX 35 companies in a quantitative way, which means that the results are not subject to subjectivity. Instead, we have chosen a qualitative method for SMEs that has generated an overview of their current situation through interviews gatherings and the documentary. They have been analyzed as objectively as possible, but you cannot avoid a certain degree of subjectivity. Therefore, we do not get financial results in the case of SMEs difficult comparison with large firms. And so, leaves open a new door for future research.

In addition the thesis has opened a new issue for further researches such as:

- Made the same investigation in other countries as Ireland, Greece or Italy, countries very affected by the crisis as well, in order to compare results.
- Repeat the research in a few year for observe if CSR will have the current trend. Performing both qualitatively and quantitatively.
- Repeat the research when the crisis is over and so obtain final results. Performing both qualitatively and quantitatively.
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ANNEX A: Gatherings, interviews and documentary

Annex A explains the components of each gathering, interview and the documentary.

● GATHERINGS

Moderator

Miguel Ángel Mondelo: Director of Economics of “EFE” (the leading Spanish language news agency and the fourth largest news agency in the world).

Gathering 1

➢ Teresa de la Cuadra: Communications Director of “Caja Rural de Castilla la Mancha” (saving bank)
➢ Enrique Diaz de Laiño: Managing Director of “Céler Soluciones S.L.” (SME specializes in translation)
➢ German Grande: Managing Director of “Forética” (a non-profit multistakeholder organisation working on promoting ethical and socially responsible policies)
➢ Marco González: Managing Director of “Media Responsable” (Editorial specialized in SR)

Gathering 2

➢ Álvaro Cuesta: Chairman of “Asociación de Jóvenes empresarios de Madrid” (Young Entrepreneurs Association from Madrid)
➢ José Nuñez: Chairman of “Alquimia” (SME environmental)
➢ Eugeni Castejón: Founder and CEO of “Compostadores” (the first and only company in Europe specialized in homecomposting)
➢ Francisco de la Vega: Managing Director of “Grupo SIFU” (Special Employment Centres to promote employability and social inclusion of people with physical, psychological, mental or sensory)

Gathering 3

➢ Carlos Sanchez Olea: Deputy Chairman of “Dircom” (professional body that brings together media executives of major companies and institutions in Spain, as well as heads of media consultants)
➢ Fernando Flores: Managing Director of “Grupo Cione” (Optics that offers a set of values and intangible services, which provide a differential value to their partners)
Paloma Miña: Communications Director of “Centro de Estudios Adams” (family-owned educational centre that specializes in training courses for job-seekers and workers who wish to improve their chances of promotion either in the private sector or in the State administration)

Pablo Martín: Delegate of “Media Responsable”

Albert Riera: Communications Director of “La Fageda” (cooperative with non-profit social initiative that aims to employment of people with intellectual disability or severe mental disorders)

Gathering 4

Felipe Olavarría: Managing Director of Radio management programs

José Alías: CSR Editor in chief of “Servimedia” (reference agency information and public relations in Spain)

Gonzalo Verdeja: Managing Director of “Grupo Make” (currently it consists of three agencies: MAKE, Marketing and Communications, traditional advertising agency above and below the line and marketing consulting; e-make specialized in web development and online marketing; and BrandsUp, which handles corporate identity and branding)

Fernando Gasalla: Director of “Ádeo Conexia” (social consultant specializing in providing management services, training and advice to nonprofit organizations: associations, foundations and NGOs)

María Cano: Coordinator of CSR group in “Asociación Española de Fundaciones” (Private and independent association declared a public utility that brings together Spanish foundations with diverse dimensions, objectives and policy areas to work for benefit of foundation sector in the short, medium and long term, towards its development and strengthening)

Gathering 5

Beatriz Prieto: Communications Director of “Down España” (NGO that supports people with Down Syndrome)

Jose Iliana: CSR consultant

Juan Pina: CSR Director of “Dircom”

Gathering 6

Sebastián Cebrián: Managing Director of “Dircom”

Javier López-Galiacho: CR Director of “FCC” (company that specializes in citizen services as refuse collection, environmental services or construction and it is included in IBEX 35 index)

María Jesús Perez Ruiz de Valbuena: Managing Director of “Centro de Estudios Adams”
Pablo Blázquez: Director of “Ser Responsable” magazine (Spanish magazine that promotes CSR)

- INTERVIEWS

Interviews 1
Juan José Barrera: CSR Managing Director of Ministry of Labour and Immigration.

Interview 2
Marco González: Managing Director of “Media Responsable”

- DOCUMENTARY

Spanish scholars who participated in the gatherings and interviews that have previously been explained.