

One size fits all? -

*Challenges in sustainable business
strategy implementation for SMEs*

Master thesis for obtaining the Degree
Master of Business Administration

MBA

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List of Abbreviations

BCSDH: Business Council for Sustainable Development in Hungary

COP: Communication on Progress

CR: Corporate Responsibility

CSR: Corporate Social Responsibility

EC: European Commission

EU: European Union

FBN: Family Business Network

GRI: Global Reporting Initiative

ILO: International Labor Organisation

KPI: Key Performance Indicators

MNE: Multinational Enterprise

OECD: Organisation for Economic Co-operation and Development

SB: Sustainable Business

SME: Small and Medium sized Enterprise

TBL: Triple Bottom Line

UNDP: United Nation Development Programme

UNGC: United Nations Global Compact

WBCSD: World Business Council for Sustainable Development

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1. Introduction

Our world is constantly changing. Our environment, the climate, the quality of the water, our resources, our consumer behaviors, our way of life, the governmental policies and legislation and the list is endless. Our population will face tremendous challenges in the next decades: climate change, scarcity of energy, water, food and other non-renewable sources, biodiversity loss, and so on. The main reasons why these changes are approaching so fast are the followings:

1. According to the projections of United Nations¹, the population will increase from the current 7,3 to 9,7 billion in 2050, and their demand for energy and natural resources will also constantly grow.
2. Human activities are changing the natural greenhouse. “Over the last century the burning of fossil fuels like coal and oil has increased the concentration of atmospheric carbon dioxide. The industrial activities that our modern civilization depends upon have raised atmospheric carbon dioxide levels from 280 parts per million to 400 parts per million in the last 150 years.”²

“The Paris Agreement was adopted by all 196 Parties to the United Nations Framework Convention on Climate Change at COP21 in Paris on 12 December 2015. In the agreement, all countries agreed to work to limit global temperature rise to well below 2 degrees Celsius”, aiming for no more than 1.5 degrees above preindustrial levels.³ On 22nd of April 2016, 175 Parties signed the agreement.⁴

As we can see, a global movement started in order to slow down climate change and tackle the most important issues on the global level. These initiatives are affecting not only the population, but the businesses as well who try to prosper on the market. Businesses have a great potential in supporting the global initiatives and drive change on the local level.

¹ <http://www.un.org/en/development/desa/news/population/2015-report.html>

² <http://climate.nasa.gov/causes/>

³ <http://www.un.org/sustainabledevelopment/climatechange/>

⁴ <http://www.un.org/sustainabledevelopment/wp-content/uploads/2016/04/22-April-2016-list.pdf>

“One of the reasons the Paris talks succeeded was the clear support of the business community. CEOs from some of the world’s largest companies put out public statements backing a strong climate deal.”⁵

My personal motivation with this topic goes back for many years. My father started his own company in 1990⁶, which has an environmental activity with great impacts and support for renewable energy production. I joined our family business three years ago as a marketing assistant. My purpose of being in the company is to create a real impact not only with our main activities but in our internal processes as well. Personally, I found it difficult to implement a CR strategy in our SME. Therefore, I chose to research on this particular topic to gain more experiences and background knowledge.

1.1. Presentation of the Problem

“By providing jobs, investing capital, purchasing goods, and doing business every day, corporations have a profound and positive influence on society. The most important thing a corporation can do for society, and for any community, is to contribute to a prosperous economy.”⁷

Nowadays, businesses face more challenges than before. There is a growing regulatory, environmental and social pressure, which they need to adapt. Being profitable is not the only business goal anymore; they need to be responsible for their activities.

Understanding the global situation and the challenges which businesses are facing, I decided to write my MBA thesis from a business point of view, with a special focus on small and medium-sized companies (SMEs), as they are representing 99%⁸ of the businesses in Europe, and 99,9% in Hungary. As I am currently living and working in Hungary, I will have a closer look at the national SME situation with regards to their sustainable challenges. SME size factors can

⁵ https://hbr.org/2015/12/10-sustainable-business-stories-that-shaped-2015?cm_sp=Article-_-Links-_-Top%20of%20Page%20Recirculation

⁶ Biofilter Co. – www-biofilter.hu/about/

⁷ Micheal E. Porter, Mark R. Kramer (2006) “Strategy&Society, The link between competitive advantage and corporate social responsibility”, Harvard Business Review, 78-92 pages.

⁸ http://ec.europa.eu/growth/smes/index_en.htm

be found in Appendix 1. The focus area of the thesis is corporate responsibility, with a special look at management commitment and engagement.

The European Commission cites as follows: “Small and medium-sized enterprises are the backbone of Europe's economy. In the past five years, they have created around 85% of new jobs and provided two-thirds of the total private sector employment in the EU. The European Commission considers SMEs as key to ensuring economic growth, innovation, job creation, and social integration in the EU.”⁹ According to the Hungarian Statistical Office in the end of 2012, the SMEs added up to 99,9% out of all the registered companies in Hungary. As they are providing 58% of the total income and employ 72% of the population, it is clear that the SMEs could be a very important group of companies to focus on when we are talking about sustainable business development. “As well as being economically important, SMEs are also environmentally important: although their individual impact is small, their cumulative impact on the environment is significant. Although environmental policy can create challenges for SMEs, it also provides business opportunities. By increasing resource efficiency, providing circular economy solutions and participating in green markets, European SMEs can generate employment and growth as well as boost their productivity and competitiveness.”¹⁰

SMEs in Hungary are in a difficult position when it comes to corporate responsibility or sustainability. Due to very strict regulatory background, SMEs are carrying a large burden on their shoulders which is imposed by the government with taxes¹¹ and other levies. Government support is also very low on the given topic. Besides, “many small firms have little time to verify information that the typical social responsibility agenda requires, such as scan their impacts on stakeholders and the environment and interpret this information for their business context.”¹² Putting aside these facts, SMEs are able to find inspiration and support in corporate responsibility by using international guidelines and frameworks or by

⁹ http://ec.europa.eu/growth/smes/index_en.htm

¹⁰ <http://ec.europa.eu/COMMFrontOffice/PublicOpinion/index.cfm/Survey/getSurveyDetail/instruments/FLASH/surveyKy/2088>

¹¹ <https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online.html>

¹² http://www.iso.org/iso/support/iso_catalogue/management_and_leadership_standards/social_responsibility/sr-sme_ims_5-2009.pdf

joining national associations for sustainable activities. Inspirations are coming from so many sources that the information is actually overwhelming which makes it difficult to find the best fit for an SME.

1.2. Aims of the Master Thesis

The thesis aims to find solutions for building a sustainable business. CSR is the cost, not the benefit – I heard once during my studies at Modul¹³. I agree with the statement although I believe that there is more behind CSR than only the cost, it is going to have its benefits in the long run.

This paper aims to find the answer and explore the following hypothesis:

1. The existing international CR guidelines are too generic and complex for Hungarian SMEs, they are not actually helping in the implementation processes in practice.

As additional research, the thesis will explore the answers to the following hypotheses as well:

2. There is no existing CR platform for SMEs in Hungary, which engage them in sharing experiences and best practices.

3. Without the leaders' personal motivation, the company is not able to succeed in CR.

The final goal of the paper is to prepare an easy-to-use framework draft for Hungarian SMEs, which could be a driver to find their sustainable core business, and start a new way of operations with the support for the circular economy, which, in my opinion, will be the key to the future.

1.3. Analytical Procedure

¹³ Impact Investment course (2015)

The research started with looking for the most up-to-date literature and articles on the topic. Online research was conducted in order to access the existing CSR guidelines, which would be useful to create the ideal framework, especially for SMEs. Further to this, the thesis explores the motivations and the real actions of SMEs when it comes to sustainability.

For the empirical part of the thesis, three environmental awards winning European SMEs were analyzed and five Hungarian SMEs were interviewed for best practices, with a special focus on management challenges of implementing CR strategies.

To conclude the findings, a SWOT analysis was created to help to find the main opportunities and the threats of an SME to become a sustainable business. Using this information, a roadmap was drafted for Hungarian SMEs on how to implement CR into their day-to-day business.

2. Literature review

In order to find the perfect CR agenda and create the most effective roadmap for SMEs, I reviewed the existing literature on strategic CSR relevant to SMEs, I reviewed and compared the most significant CSR guidelines and tools as of January 2016 and I reviewed the trends on motivations and real actions on sustainability amongst SMEs.

2.1 Responsibility by definition

“Corporate social responsibility is an old idea, with American roots in the writings of the steel magnate Andrew Carnegie. Carnegie believed that the goal of businessmen should be ‘to do well in order to do good’. He maintained that it was up to the more fortunate members of society to aid the less fortunate – that the wealthy ought to be stewards of their property, holding their money ‘in trust’ for the rest of society.”¹⁴

According to the definition of the European Commission, Corporate social responsibility (CSR) refers to companies taking responsibility for their impact on

¹⁴ <https://www.opendemocracy.net/joanne-bauer/problem-with-corporate-social-responsibility>

society. Their meaning of taking responsibility means two categories: first of all companies should follow the law, secondly, companies should integrate social, environmental, ethical, consumer and human rights concerns into their business strategy and operations.

The CSR agenda of the European Commission consists of eight focus points as follows¹⁵:

1. “Enhancing the visibility of CSR and disseminating good practices
2. Improving and tracking levels of trust in business
3. Improving self and co-regulation processes
4. Enhancing market rewards for CSR
5. Improving company disclosure of social and environmental information
6. Further integrating CSR into education, training, and research
7. Emphasizing the importance of national and sub-national CSR policies
8. Better aligning European and global approaches to CSR.”

According to the WBCSD (World Business Council for Sustainable Development) “CSR is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.”¹⁶

“Sustainability in a corporate context is essentially recognizing that a corporation’s long-term interests are intellectually and financially consistent with resource efficiency, proactive health and safety practices, and responsible leadership.”¹⁷

2.1.1. Arguments on CSR activities for businesses

CSR is a business philosophy, a strategic imperative for companies that seek to maximize growth and profits over medium to long term. CSR is not one way of doing business among many, it is the way of doing business in the globalized, wired world we live in today.¹⁸

¹⁵ http://ec.europa.eu/growth/industry/corporate-social-responsibility/index_en.htm

¹⁶ <http://www.wbcsd.org/work-program/business-role/previous-work/corporate-social-responsibility.aspx>

¹⁷ <http://www.forbes.com/sites/jacquelynsmith/2014/01/22/the-worlds-most-sustainable-companies-of-2014/#75c46fb84d97>

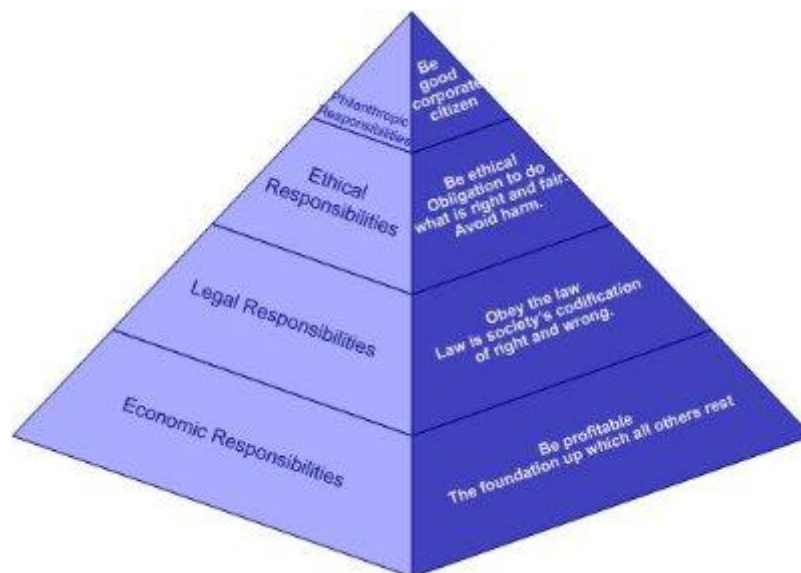
¹⁸ Strategic Corporate Social Responsibility, Edition 3, page 29, David Chandler, William B. Werther, Jr.. SAGE Publications Inc, 2014

“An organization’s performance on corporate responsibility can influence (among other things):

- Competitive advantage,
- Reputation,
- The ability to attract and retain workers or members, customers, clients and users,
- The maintenance of employee morale, commitment and productivity,
- The perception of investors, owners, donors, sponsors and the financial community,
- Relationships with companies, governments, the media, suppliers, peers, customers and the community in which it operates,”¹⁹
- Resource efficiency, and cost efficiency.

2.1.2. CSR approaches and models

There are more existing theories and models for CSR. One of these models was established by Carroll in 1991²⁰, which layers the corporate responsibilities to four stages.



Picture 1 - Carroll's CSR pyramid

¹⁹ http://www.iso.org/iso/discovering_iso_26000.pdf

²⁰ <http://www.sciencedirect.com/science/article/pii/S000768139190005G/part/first-page-pdf>

According to this model, the first and basic stage for corporate responsibility is to be profitable, minimize costs and make long-term, strategic decisions. The second stage is the legal responsibilities. In these responsibilities companies are expected to follow the governmental regulations and laws. “Economic and legal responsibilities are required by the society. The difference of the ethical responsibilities from the first two responsibilities is that the ethical responsibilities are not required but expected by society. To assert ethical leadership, avoid questionable practices or operate above the minimum standard of the law could be examples for the ethical responsibilities. The philanthropic responsibilities stand at the top of the pyramid. Corporate contributions, to support the community by providing programs or engagement in volunteerism can be an example for the philanthropic responsibilities.”²¹

Another CSR business model is around the famous three Ps: profit, people and planet, also called the triple bottom line (TBL). This concept was first coined in 1994 by John Elkington, the founder of SustainAbility. TBL aims to measure the financial, social and environmental performance of the company over a period of time.²² Recently some critics emerged against this concept, that the three Ps are not effective for implementation processes and to gain real values out of the company.

2.1.3. Whitewashing, with a green brush

When we are talking about responsibility, there are many issues coming to our mind such as being ethical and fair with our colleagues and partners, helping our community to improve or raising awareness about environmental issues. Most of the Multinational Enterprises (MNEs) are working on tackling many of these issues, but sometimes it is only communication and the real outcome is missing from the picture. It is “called ‘greenwashing’ when a company or organization spends more time and money claiming to be ‘green’ through advertising and marketing than actually implementing business practices that minimize environmental impact. It is whitewashing, but with a green brush.”²³

²¹ <https://www.linkedin.com/pulse/20140905115337-70750023-carroll-s-pyramid-of-corporate-social-responsibility>

²² <http://www.economist.com/node/14301663>

²³ <http://greenwashingindex.com/about-greenwashing/>



Picture 2 - Being Eco-friendly²⁴

“The average citizen is finding it more and more difficult to tell the difference between those companies genuinely dedicated to making a difference and those that are using a green curtain to conceal dark motives. Consumers are constantly bombarded by corporate campaigns touting green goals, programs, and accomplishments. Even when corporations voluntarily strengthen their record on the environment, they often use multi-million dollar advertising campaigns to exaggerate these minor improvements as major achievements.”²⁵ Therefore, it is very important to keep our eyes open to be able to differentiate between real responsibility which comes from the core business and PR based green communications on CR activities.

2.2 European background on CR policies

In the recent years, the European Union started to focus on businesses in order to support them in improving their resource efficiency, their participation in the circular and low-carbon economy. Creating a business-friendly environment for existing SMEs is one of the EU's main objectives. “The European Commission

²⁴ <https://marketoologist.com/2008/05/were-so-eco-fri.html>

²⁵ <http://www.stopgreenwash.org/introduction>

is working together with the EU countries on developing SME-friendly policies, monitoring the progress in their implementation and sharing best practices.”²⁶

The long-term goal of the “European Commission is to ensure coherence between industrial, environmental, climate and energy policy to create an optimal business environment for sustainable growth, job creation and innovation. To support this, the Commission has established an ambitious agenda to transform EU economy into a circular one, where the value of products and materials is maintained for as long as possible, bringing major economic benefits. The Commission also supports European industry in the move to a low-carbon economy and improves the energy efficiency of products through Ecodesign legislation.”²⁷ The EU legislation on “Ecodesign and energy labeling is an effective tool for improving the energy efficiency of products. It helps to eliminate the least performing products from the market, significantly contributing to the EU’s 2020 energy efficiency objective.”²⁸

In 2013, the European Commission launched a guidebook called ‘Tips and Tricks for Advisors’²⁹ about CSR for SMEs. They suggest a CSR roadmap for companies and recommend steps for developing CSR activities.

To further support the SMEs in their greener way of operations, in 2014 the EC created the Green Action Plan (GAP), which aims to help SMEs to take advantage of opportunities offered by the transition to a green economy. Increased resource efficiency, circular economy solutions and participation in green markets represent important opportunities for European SMEs to improve their productivity, boost their competitiveness, register growth and create employment.

2.3 Existing CSR guidelines and reporting systems

When it comes to following and implementing CR guidelines, companies have a great amount of opportunities they can choose from. Most of the international guidelines and frameworks are available on the internet for free and easy to access in English. The European Commission conducted a research in

²⁶ http://ec.europa.eu/growth/smes/business-friendly-environment/index_en.htm

²⁷ http://ec.europa.eu/growth/industry/sustainability/index_en.htm

²⁸ http://ec.europa.eu/growth/industry/sustainability/ecodesign/index_en.htm

²⁹ <http://ec.europa.eu/DocsRoom/documents/10368/attachments/1/translations/en/renditions/native>

2013³⁰ to analyze the most used guidelines amongst “200 randomly selected large companies (over 1.000 employees) from 10 different EU Member States, which made publicly available policy references to certain internationally recognized CSR guidelines and principles. It highlights, in particular, the 10 principles of the UN Global Compact; the OECD Guidelines for Multinational Enterprises; the ISO 26000 guidance standard on social responsibility; the ILO Tri-partite Declaration of Principles Concerning Multinational Enterprises and Social Policy; and the UN Guiding Principles on Business and Human Rights.” On the graph below, we can see the guidelines which were used the mostly.

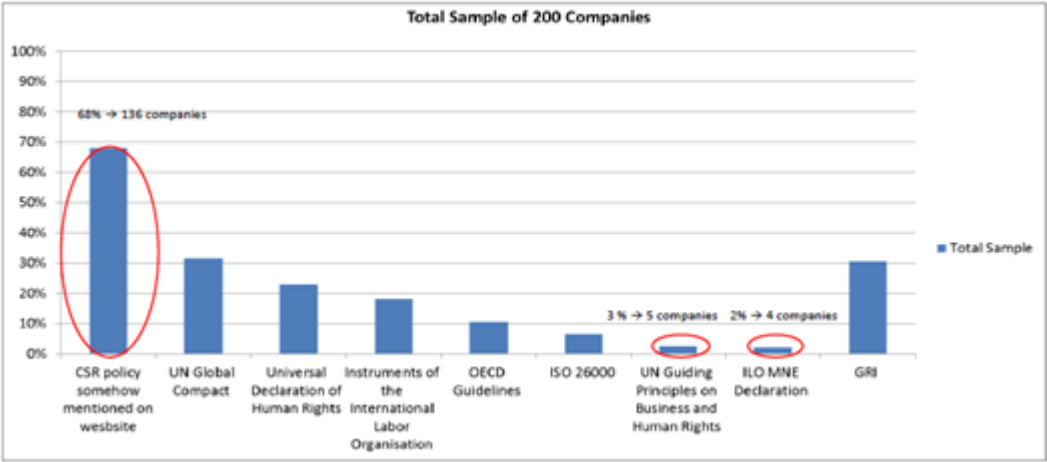


Figure 1 - Most popular international guidelines

According to the report, the “UN Global Compact is, with 32%, the most frequently referenced CSR instrument among the sample companies. The GRI is referenced almost as often, by 31% of the sample companies. The Universal Declaration of Human Rights, the instruments of the ILO, the OECD Guidelines and ISO 26000 are, in descending order, less frequently referenced.” Very few sample companies, just 3% and 2% references the UN Guiding Principles on Business and Human Rights, and the ILO MNE Declaration, respectively.

To explore more details on the relevant guides, the four most relevant guidelines for SMEs were reviewed. The topics were divided into the three mostly used aspects: social, environmental and economic. In the following table, we can see a comparison between these four guidelines and their different aspects. The “X” means that the special issue is mentioned in the guideline.

³⁰ <http://ec.europa.eu/DocsRoom/documents/10372/>

		UN Global Compact	ISO 26000 guidelines	OECD guidelines	GRI G4 guidelines
SOCIAL ASPECT	Human Rights	X	X	X	X
	Labor practices	X	X	X	X
	Strengthening society	X	X		X
	Local action	X	X		X
	Consumer and Product Issues		X	X	X
ENVIRONMENTAL ASPECT	Environment	X	X	X	X
ECONOMIC ASPECT	Anti-Corruption/Fair operating practices/Combating bribery	X	X	X	X
	Leadership commitment/Organizational governance	X	X		
	Reporting Progress (Transparency, Accountability)	X	X	X	X

Table 1 - Aspects of the four guidelines

According to the table above, we can conclude that almost all the guidelines cover all the related issues in the triple bottom line. We could highlight ISO26000 because this is the only standard which has covered all the different issues. For the ISO26000 standard only the abstract and the structure was available on the Internet for free. In the following table, we can see all the important details of the four guidelines.

	UN Global Compact	ISO 26000 guidelines	OECD guidelines	GRI G4 guidelines
Number of companies who use the guideline	8000+	N/A	N/A	9000+
Fee of the guideline	Free of charge, available online	198 CHF, available online	Free of charge, available online	Free of charge, available online
Public disclosure	Yes	No	Yes	Yes
Guideline URL	https://www.unglobalcompact.org/docs/publications/UN_Global_Compact_Guide_to_Corporate_Sustainability.pdf	https://www.iso.org/obp/ui/#iso:std:iso:26000:ed-1:v1:en	http://www.oecd.org/daf/inv/mne/48004323.pdf	https://www.globalreporting.org/standards/g4/Pages/default.aspx
Special guidelines for SMEs	Yes, available from 1st of April 2016 (Express COP)	Not available	Not available	Yes (https://www.globalreporting.org/resource/library/Ready-to-Report-SME-booklet-online.pdf)

Table 2 - Details of the four guidelines

Most of the guidelines and standards can be used in conjunction with the others as the organizations found it important to make them relate to each other.

2.3.1. United Nations Global Compact

The UN Global Compact is the world's largest global corporate sustainability initiative, with over 8,000 companies and 4,000 non-business participants based in over 160 countries. The northern American companies are very much underrepresented amongst the participants, with only 364 companies. European companies represent more than 50% of the companies. 57% of the participating companies are SMEs.³¹ The Global Compact has ten principles that the member companies must follow. The ten principles³² are divided into four groups of issues: human rights, labor, environment and anti-corruption.

³¹https://www.unglobalcompact.org/docs/publications/UN_Global_Compact_Guide_to_Corporate_Sustainability.pdf

³² <https://www.unglobalcompact.org/what-is-gc/mission/principles>

In 2015, the UN completed their guide with additional four points over the ten principles.³³ These additional principles are: strengthening society, leadership commitment, reporting progress, local action.

Under UN GC, companies have to submit annually a so-called Communication of Progress (COP) in order to provide valuable information to stakeholders on their performance. There are three levels in COP in line with their engagement level: advanced, active and learner. The minimum requirements that need to be included in all the COPs were:

1. “A statement by the chief executive expressing continued support for the UN Global Compact and renewing the participant’s ongoing commitment to the initiative.
2. A description of practical actions the company has taken or plans to take to implement the ten principles in each of the four areas (human rights, labor, environment, anti-corruption).
3. A measurement of outcomes.”³⁴

From 1st of April 2016, UN Global Compact provides the Express COP, which was designed especially for SMEs who have minimal reporting capacity. Companies only need to answer the following three yes or no questions³⁵:

1. Does your company’s highest executive support and endorse the Ten Principles of UN CG?
2. Did your company take any actions in the area of human rights, labor, environment and anti-corruption?
3. Did your company monitor the outcomes of such activities?

If all the answers were yes, the COP is classified as GC Active, otherwise they will be classified as GC Learner. The answers are publicly available after submitting them.

³³https://www.unglobalcompact.org/docs/news_events/9.1_news_archives/2010_06_17/UN_Global_Compact_Management_Model.pdf

³⁴<https://www.unglobalcompact.org/participation/report/cop>

³⁵https://www.unglobalcompact.org/docs/communication_on_progress/express-cop-faq.pdf

The Express COP provides a great opportunity to SMEs to be engaged in sustainability reporting and get used to international reporting systems. However, answering these three questions will not give them any guidance on how they should implement sustainable activities and strategies to reach the UN GC goals.

2.3.2. Global Reporting Initiative

The Global Reporting Initiative (GRI) is used by more than 9,000 companies worldwide. GRI's goal to promote change towards a sustainable economy by helping organizations to set goals, measure performance and manage change. GRI G4 sustainability reporting process and guideline were launched in May 2013³⁶. The guideline is built around the following issues: social issues (labor practices and decent work, human rights, society, product responsibility), environmental issues and economical issues.

Compared to GRI G3, G4 is putting the spotlight mainly on materiality issues. They created two documents, one is listing the principles and standard disclosures, and the other one is helping the implementation process. The companies can report 'in accordance' with the guideline with two options: core or comprehensive.

GRI started to pay attention to SMEs in 2014 when they created the "Ready to report? Introducing sustainability reporting for SMEs" document³⁷, which is in line with the GRI G4 guideline. They drew a great picture of why an SME really need to report on their sustainability. This can give a real overview for SMEs on the potential advantages and values of implementing a CR strategy and reporting it.

³⁶ <https://www.globalreporting.org/resource/library/GRI-An-introduction-to-G4.pdf>

³⁷ <https://www.globalreporting.org/resource/library/Ready-to-Report-SME-booklet-online.pdf>



Picture 3 - Values of sustainability reporting

In the booklet, GRI created a preparation and implementation process plan which I found very useful for SMEs to start their first step with.

1. Prepare: plan your reporting process (e.g. select sustainability team members).
2. Connect: collect input from key stakeholders (engaging with stakeholders, create a list of sustainability issues which are important for them).
3. Define: decide on your report content (deciding on the real important issues: what matters and where it matters, prioritizing them).
4. Monitor: build your report (measuring the impacts with a chosen tool, integrating SMART targets³⁸)
5. Report: check and communicate (complete the report and communicate it to the public)

³⁸ SMART: Specific, Measurable, Achievable, Relevant, Time bound.

All the submitted GRI G4 reports will be available publicly in their online database. I found GRI G4 too broad and complex for SMEs, but this booklet could help smaller companies to have an overview of the whole reporting process, so they can also think about their own implementation strategy.

2.3.3. ISO 26000 – Social Responsibility

ISO 26000 was launched in 2010 as guidance on how businesses and organizations can operate in a socially responsible way³⁹. ISO 26000:2010 provides guidance not a certified standard form for all forms and sizes of businesses. The issues, that ISO 26000 tackle, are the followings:

- Organizational governance issues
- Social issues (labor practices, human rights, community involvement and development, consumer issues)
- Environmental issues
- Economical issues (fair operating practices)

The ISO guidance emphasizes the principle of transparency and the value of public reporting on social responsibility performance to internal and external stakeholders, such as employees, local communities, investors and regulators⁴⁰. ISO 26000 is the only guidance which is not free of charge, and only the first part of the guideline is available online to overview the issues and topics.

ISO did not create special reports for SMEs on how to use their guidance in practice. ISO created a report in 2009⁴¹ about SMEs using of ISO 26000 guidelines, they interviewed 54 SMEs (employees between 30-112), 23 consulting firms, 16 National Cleaner Production Centers and 21 National Chambers of Commerce. The findings of the survey showed that SMEs are not likely to use ISO 26000 as a practical guide or management tool. Over 89% of the respondents did not plan to use the standard as they considered it to be too long and covering

³⁹ <http://www.iso.org/iso/home/standards/iso26000.htm>

⁴⁰ http://www.iso.org/iso/iso-gri-26000_2014-01-28.pdf

⁴¹ http://www.iso.org/iso/support/iso_catalogue/management_and_leadership_standards/social_responsibility/sr-sme_ims_5-2009.pdf

too broad a spectrum to serve as a practical resource. In the report ISO notes that ISO 26000 may increase awareness, provide definitions and add legitimacy to the social responsibility debate, it may not contain the practical guidance to enable SMEs to turn theory in practice. In 2013, ISO organized a forum for 26000 guidance where one of the concerns from SMEs point of view came out clearly when NORMAPME (European Office of Crafts, Trades and SMEs)⁴² argued that from the perspective of SMEs, the document might be too long and complex.

2.3.4. OECD Guidelines

The latest edition of OECD (Organisation for Economic Co-operation and Development) Guidelines for Multinational Enterprises⁴³ was created in 2011. The document has two parts, the first part is about recommendations for responsible business conduct in a global context, and the second part has details on implementation procedures. The major issues that OECD guidelines tackle are disclosure, combating bribery, science and technology, competition, taxation, human rights, employment and industrial relations (linked with ILO), consumer interests (linked with ISO 26000) and the environment. The core criteria of OECD guidelines: visibility, accountability, accessibility and transparency. As we can understand from the title and the text, this guideline is primarily designed for the use of MNEs, not for SMEs.

2.3.5. Other CSR frameworks and tools for businesses

There are many other CR guidelines and tools available on the internet to help businesses in integrating their CR strategy: set goals and targets, measure impacts on relevant issues and report the outcomes. The names and logos of the most popular guidelines and tools can be seen in the following picture:

⁴² <http://www.iso.org/iso/news.htm?refid=Ref1691>

⁴³ <http://www.oecd.org/daf/inv/mne/48004323.pdf>



Picture 4 - Popular international reporting tools and frameworks

The organizations that have created the above standards and tools decided to co-operate with each other in order to help businesses to find which guidelines and tools are the best for their purposes and to make their reports more coherent and comparable to each other. They created a website called Corporate Reporting Dialogue⁴⁴, and their Landscape Map, where companies can compare the different frameworks and tools on three different levels: the purpose, the scope and the content of the framework. On one hand, I found this Landscape Map as a very useful first step for companies to compare the standards, which are on the market, but on the other hand, it is lacking information on the size of the business the framework is recommended, or more detailed industry specification.

Other international associations and organizations also try to create frameworks and guidelines for the member companies.

WBCSD (World Business Council for Sustainable Development)⁴⁵ is one of the biggest international CEO-led organizations, which has the goal to unite the business community to create a common agenda for a sustainable future in terms of businesses, environment and society. With the support of WBCSD, the Action 2020⁴⁶ project started to highlight priority areas and business solutions to the different sustainability issues. Although the targets are set and goals are clear, there is no implementation plan available for businesses by WBCSD. The members of WBCSD are mainly MNEs, therefore the focus is also designed rather for a multinational company, than an SME.

On the other hand, if we are really looking for solutions for SMEs, we can find a few great examples we can use. One example is the International FBN

⁴⁴ <http://corporatereportingdialogue.com/>

⁴⁵ <http://www.wbcsd.org/>

⁴⁶ <http://action2020.org/>

(Family Business Network)⁴⁷, which also has created a guideline for their members; they call it the Polaris sustainability framework for families. The stages of the framework are available online without logging in, but the detailed framework is only available for member companies. They created a five-stage roadmap for family businesses to implement sustainability in their core business. The stages are awaking (setting the stage), awareness (holding the mirror), alignment (connecting the dots), activation (innovating for the future), and advocacy (redefining business). The main issues they believe in that will support a sustainable future are acting for our people, for our communities, for the environment and for future generations. They encourage their members to pledge for this new business model, which helps sustainable development. In my opinion, the biggest support they provide to their members is that they have created the Polaris Impact Assessment⁴⁸ tool, where the companies can easily measure their impacts and can compare those with other companies in the same industry.

Another great example to assess a company's impact is the tool the B-Lab developed in 2006. This is a beta version impact assessment tool for all the businesses. It is free of charge and there is an express version companies can try, which only takes 20 minutes. The companies can gain B Corp Certification⁴⁹ if they reach 80 out of 200 points and if they are legally complying. As of today, there are more than 1,700 B Corp certified companies worldwide.

Overall, we can see that there are many frameworks, standards and tools out there, the biggest challenge for an SME is to find the most effective one which can help them prioritize their goals and lead them to build a sustainable business.

In the following section, the thesis will demonstrate the motivations of the SMEs with regards to building a sustainable business and a CR agenda.

⁴⁷ <http://www.fbn-i.org/sustainability/>

⁴⁸ <http://www.fbn-i.org/polaris-impact-assessment/>

⁴⁹ <https://www.bcorporation.net/become-a-b-corp/how-to-become-a-b-corp>

2.4 CR motivations of SMEs

According to existing studies and reports on CR-related activities and motivations of small businesses, we can see a clear tendency on how they prioritize their decisions. I have studied three reports related to this topic to get a deeper idea behind SMEs' CR behavior. In the followings, the most important motivations and purposes will be explored.

In 2013, B. and C. Dincer conducted a study⁵⁰ on CSR related activities and motivation of small businesses. The purpose of the study was to examine the factors that move the decision-makers in small businesses to expand the company resources to CSR activities. "The study revealed that small business executives are generally influenced by personal feelings, financial conditions, friends and family, and religion in making decisions on CSR activities. In addition, these decision-makers prefer local CSR activities, are concerned with the environment, and go beyond the basic legal requirements. The sole focus on profits was not evident in these small business executives."

According to a study written by ISO⁵¹, "SMEs are known to focus typically more on "firefighting" and are generally unable to devote time to developing opportunities beyond the immediate radar screen. 45% of the SMEs cited a lack of time as a major obstacle in improving social responsibility performance. SMEs owner-managers are also responsible for a variety of tasks in the company and therefore may not develop functional specialization and expertise that are important to growing the business in the medium-term. Such expertise has an influence on the absorptive capacity of an organization – the ability to recognize and exploit opportunities from outside the organization's immediate sphere of influence. B2B businesses might be more likely to champion social responsibility than their B2C counterparts. B2B businesses, by virtue of their suppliers and customers, are likely to be more integrated into large, formal supply chains, where environmental and social performance is becoming a must have". SMEs tend to

⁵⁰ Banu Dincer, Caner Dincer, (2013) "Corporate social responsibility decisions: a dilemma for SME executives?", Social Responsibility Journal, Vol. 9 Iss: 2, pp.177 - 187

⁵¹ http://www.iso.org/iso/support/iso_catalogue/management_and_leadership_standards/social_responsibility/sr-sme_ims_5-2009.pdf

select one (or a few) discrete activities and stick to them. Preferred areas of specialization include energy saving, waste management and community projects.

In the article titled as “Organizing Corporate Social Responsibility in Small and Large Firms: Size Matters” from 2013⁵², the authors conducted a survey on how MNEs and SMEs can implement CSR practices. They developed an assessment framework and created a three stage CSR process in order to evaluate the results. “From the results they concluded that initial awareness and commitment to engage in CSR does not depend on size or resource configuration, but rather on the industry, personal motivation of SME owner-managers, and the integration in global supply chains.” Most of the SMEs stated that CSR is important for them but the different costs of CSR (e.g. labels, certifications) are expensive and they cannot afford to participate in all of the existing initiatives. “The study showed clearly that practical CSR initiatives are designed primarily for large firms that have the human and financial resources to implement the required procedures into their business operations. The following examples are illustrative: the UN Global Compact as a platform for interaction between business and society; the World Business Council for Sustainable Development as an industry-driven global association of MNEs, or the Global Reporting Initiative that provides companies with an internationally recognized reporting standard.”

2.5. CR in practice: Eco-innovation and resource efficiency

2.5.1. Eco-innovation Studies in Europe

“Eco-innovation is the introduction of any new or significantly improved product (good or service), process, organizational change or marketing solution that reduces the use of natural resources (including materials, energy, water and land) and decreases the release of harmful substances across the whole life-cycle.”⁵³ In the following graph, we can see the trends from 2013 on eco-innovation activities in the EU28 countries. EU28 averagely is at 100 and Hungarian companies have reached only 75 points. With this point, Hungarian

⁵² <http://link.springer.com/article/10.1007%2Fs10551-013-1827-7>

⁵³ http://www.eco-innovation.eu/index.php?option=com_content&view=article&id=22&Itemid=23

companies are between the tail-enders of eco-innovation amongst the European countries.

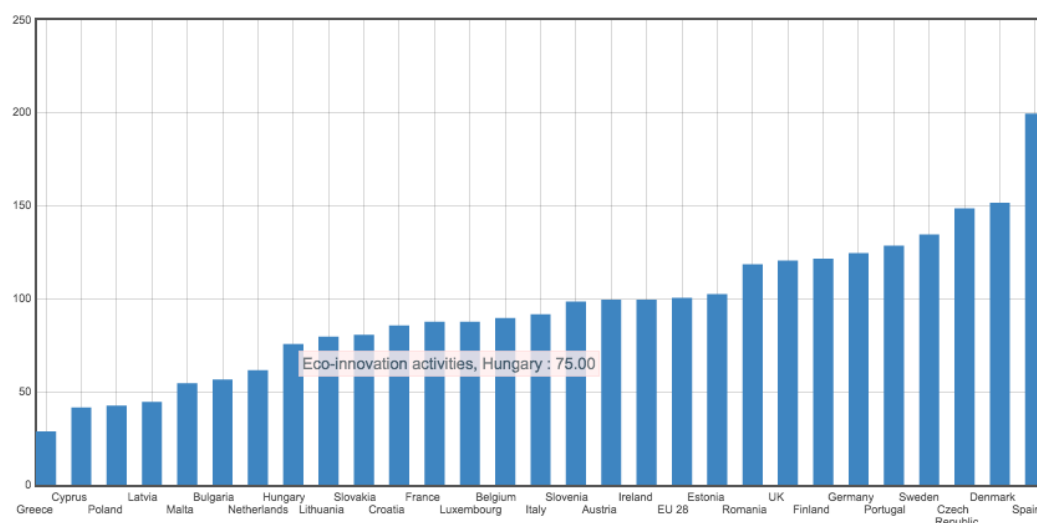


Figure 2 - Eco-innovation activities by EU 28 countries

Eco-innovation activities are one of five areas in the Eco-Innovation Scoreboard. The index for this area is calculated based on three indicators: Implementation of innovation activities to reduce material inputs per unit of output in companies, implementation of innovation activities to reduce energy inputs per unit of output in companies and firms with environmental management (ISO 14001) systems.⁵⁴ The Eco-Innovation Observatory highlighted in their Annual Report⁵⁵ that the required investments for better resource efficiency are often relatively low (less than €10 000), whereas expected savings can be up to 10 times the amount invested with relatively short payback periods.⁵⁶

2.5.2 Resource efficiency and green offerings at SMEs

In 2015, the European Commission conducted their yearly research on SMEs, resource efficiency and green markets and shared the result in a Eurobarometer report.⁵⁷ Resource efficiency means using less resource to achieve

⁵⁴ http://www.eco-innovation.eu/index.php?option=com_content&view=article&id=2&Itemid=34

⁵⁵ http://www.eco-innovation.eu/media/ECO_report_2011.pdf

⁵⁶ European Commission (2014): Report on results of the Public consultation on Green Action Plan for SME

⁵⁷ <http://ec.europa.eu/COMMFrontOffice/PublicOpinion/index.cfm/Survey/getSurveyDetail/instruments/FLASH/surveyKy/2088>

the same or improved output (resource input/output). It is an input-output measure of technical ability to produce “more from less”.⁵⁸ These results are very much relevant to my thesis topic, because it gives a great overview of the European and Hungarian SMEs performance related to CR activities and plans.

According to the report, European and Hungarian SMEs have undertaken slightly different actions to be more resource efficient. As we can see from the graph below, the European companies listed the prevention of waste on the first place, and saving energy and materials were following closely. Hungarian SMEs answered saving energy in the first place, followed by saving materials and minimizing waste.

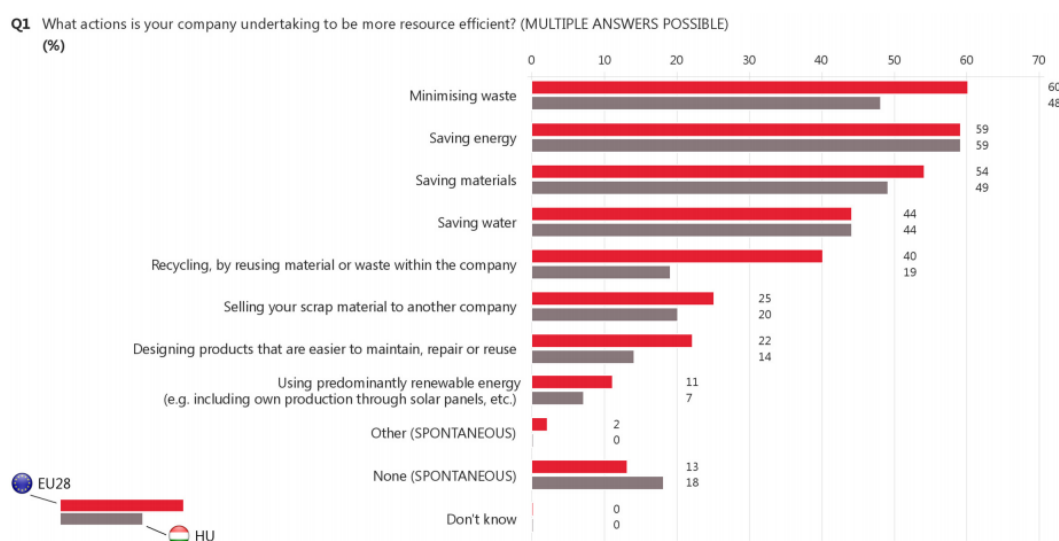


Figure 3 - Actions to become more resource efficient

With regards to the impact of resource efficiency actions on production costs, 50% of the Hungarian companies stated that their costs significantly (3%) or slightly (47%) decreased and only 14% of them answered that the cost increased somehow.

The results showed that 26% of the European and Hungarian SMEs invested nothing from their annual turnover to be more resource efficient. On the other hand, 9% of the European, 4% of the Hungarian SMEs are investing more than 6% of their annual turnover for resource efficiency. Most of the Hungarian SMEs (34%) invest less than 1% of the annual turnover to support this issue.

⁵⁸ http://www.eco-innovation.eu/media/ECO_report_2011.pdf

For the question what would help them to be more resource efficient, both European and Hungarian SMEs answered ‘grants and subsidies’ as the most important support (32% and 37% respectively). Surprisingly more than 20% answered that nothing would help them to be more resource efficient. In the following graph, we can see that other supportive ideas were also relevant for SMEs, almost on the same level. ‘Better cooperation between companies’ received 18% and 15%, ‘demonstration of new technologies’ received 17%, ‘databases with case studies’ received 13% and ‘a tool for self-assessment’ received 11% and 6%, respectively.

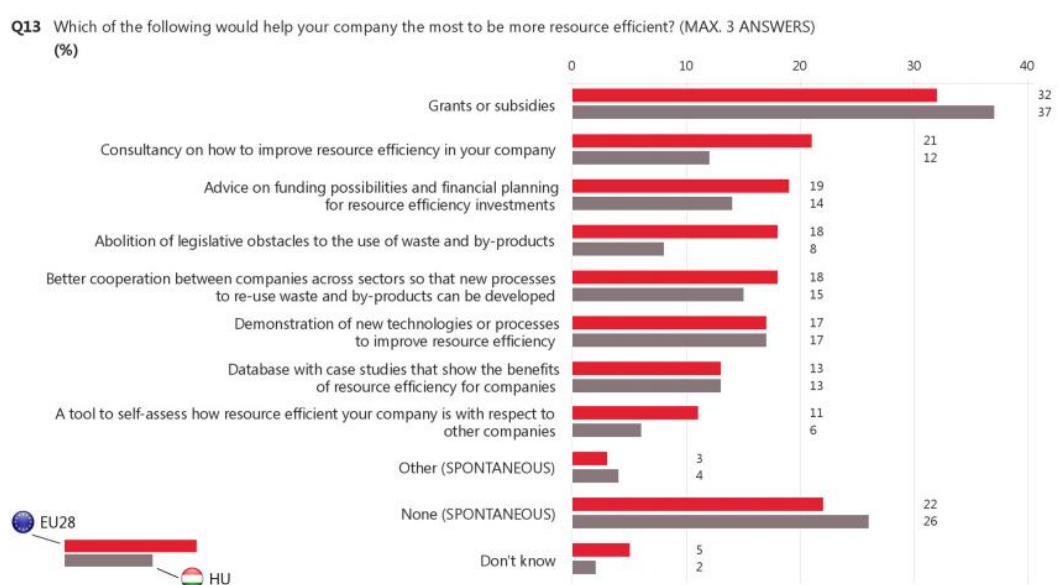


Figure 4 - The support for companies to be more resource efficient

The second part of the report focuses on green markets - the results show impressive figures and development compared to the report from 2013. 60% of the European and 72% of the Hungarian SMEs stated that they do not offer green products or services, and they are not planning to do so. From the SMEs who answered negatively, 46% of the European and 58% of the Hungarian SMEs stated that none of the supports would help them to launch green products or services. On the other hand, there is a significant improvement to be seen from the side of the Hungarian SMEs, as their attitude towards offering green products or services increased to 18% in 2015 from 10% in 2013, as we can also see from the graph below.

Q14 Does your company offer green products or services?
(%)

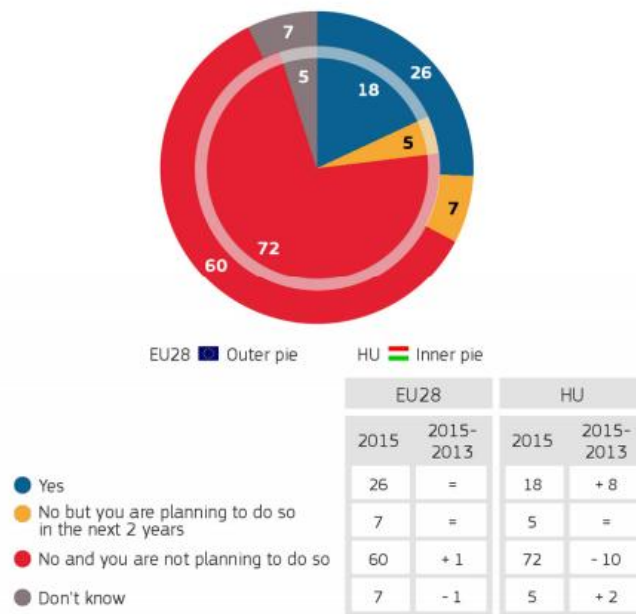


Figure 5 - Green products and services

Finally, the results showed that more than one-third of European SMEs have at least one full-time employee working in green jobs some or all of the time.

Overall, we can conclude that on the European level, the results show a slightly better picture on companies' resource efficiency and green offerings than Hungarian results, but there is room for improvement in both areas.

2.5.3. Greener value chains

According to a report written by the European Commission in 2014, the following results came out from a public consultation on the above mentioned Green Action Plan for SMEs.⁵⁹ The report focused on creating a greener value chain, not only focusing on products and services.

The respondents answered that actions in support of resource efficiency are more important at company level (92%) than along the whole value chain. With regard to the stages of the value chain, support for resource efficiency is most important

⁵⁹ European Commission (2014): Report on results of the Public consultation on Green Action Plan for SMEs

for waste management (89.15%) followed by production operations (86.86%) and recycling (86.28%). The least important stages are found to be marketing and sales (38.29%), inbound logistics (30.85%) and outbound logistics (27.43%).

Business organizations and other respondents also point to the need for strong partnership between the different intermediaries in the value chain to share information and knowledge in order to provide better services to SMEs all along the value chain, and they specifically refer to the role clusters and eco-innovation centers as providers of customized awareness raising, advice and coaching, including concrete guidance and on-location support, in this respect.

Business organizations support the circular economy or industrial symbiosis principle but see the high cost of recycling of certain products as a disincentive and also refer to the need to review the national classification of certain types of waste as reusable products in order to achieve a real circular approach.

3. Empirical research

“For the long term, we need to shift our thinking from profit oriented to sustainable centered thinking. We always need to ask ourselves: what should we be doing next?” (Kofi Annan, 2013)

After the research on literature component, I started to prepare for the empirical part of my thesis. The goal of this section was to find best practices for corporate responsibility activities and behaviors in European and Hungarian SMEs. The availability of SME case studies is very limited in Hungary, most of the reports and studies are related to MNEs, but the problem with them is that they are not detailed at all. Therefore, it was important to collect real examples through interviews with Hungarian SMEs.

The empirical section starts with illustrating the European company practices, then it goes into details with the Hungarian best practices.

3.1 European company practices

When I started to collect the best practices from European SMEs, I had difficulties to find the proper information on CR activities of SMEs. There are many online platforms (e.g. wbcasd.org or RespAct.at) where the companies list their good practices in brief, but the biggest problem is that these companies are mostly MNEs. Finally, I have found the best platform to gain relevant SME information on CR practices. The platform is specially designed for European businesses⁶⁰, every year they announce an award for environmental and corporate sustainability and choose ten winner companies in the category. In 2016, they have selected both MNEs and SMEs, so in the following section, the research will show the best practice examples from three winning SMEs (according to size) with a focus on CR implementation.

⁶⁰ <http://www.businessawardseurope.com/RDH/2015>

3.1.1. Wyke Farms

Wyke Farm is situated in Somerset, UK.⁶¹ The Clothier Family has been practicing farming and cheese making for over 150 years. They are the largest independent cheesemakers in the UK, they are selling more than 14,000 tons of cheddar cheese per year worldwide. They have 250 employees and ten farms. Richard Clothier is the managing director and the 3rd generation cheesemaker from the family.⁶²

Responsible business is incorporated in their core strategy, as the family has a deep commitment to sustainability and to operate the business with minimal impact on the environment and with care for people involved in the business at all levels. “If you look after nature, nature will look after you”, this is their core creed and how they run the business. Their goal is to create a sustainable working farm, “harnessing our natural resources to source our electricity and gas from both solar and biogas, generated from farm and dairy waste.”⁶³

They created a strategy called 100% green, which has the following best practices:

Economic impact	Environmental impact	Social impact
Being part of the Red Tractor Assurance scheme ⁶⁴ ; encourage suppliers and partners to work in more sustainable ways; their products are labeled with 100% green sign.	Filter and re-use waste water; Recover heat from the factory; Use of organic nitrogen to replace artificial fertilizers; Covering all their energy from renewable sources (solar panels, biogas plant), the extra gas and energy is sent to third party customers to use it.	Farm tours and visits for students and small children; they created a visitor center where they can educate the visitors about sustainability.

Table 3 - Wyke Farms best practices

⁶¹ <https://wykefarms.com/>

⁶² <http://www.businessawardseurope.com/vote/entry/1/17679>

⁶³ <https://wykefarms.com/green/>

⁶⁴ Red Tractor is the largest and only food scheme that offers full traceability of products, from farm to pack.

3.1.2. Neudorff

Neudorff⁶⁵ is a family owned company based in Germany. Neudorff was founded in 1854, now it has 210 employees. Neudorff mainly produces environmentally friendly pesticides of natural origin, organic fertilizers and means and equipment for composting. Hans-Martin Lohman is the president and the CEO of Neudorff, he was talking about their sustainable business strategy⁶⁶. Their sustainable strategy is integrated into the company's philosophy. They set their goals along the triple bottom line in order to succeed in the long term. Research and development are key areas. They are using life-cycle assessment to measure and calculate their products' impact on environment. They use hydroelectric and solar power in manufacturing processes. In conclusion, they are making an impact with the following best practices:

Economic impact	Environmental impact	Social impact
The sustainable business strategy is incorporated into the philosophy. Research and development are very important for them.	Energy-saving program: green energy supply is almost 90%, own green energy production is almost 50%.	An active partner in health and well-being of the society e.g. helping African communities; supporting urban gardening projects.

Table 4 - Neudorff best practices

3.1.3. ASEKOL A.S.

Asekol⁶⁷ is a Czech nonprofit company, with 150 employees, started 10 years ago. They have built a take-back system for waste electrical and electronic equipment (WEEE). Their mission is to ensure the take-back and ecological recycling of these electro appliances. They have built a nationwide network with more than 17,000 collection points to the public. Jan Prokop, the CFO of the company highlighted⁶⁸ that people only sort waste when it is simple to do so. Their goal was to come up with a new project of placement in special containers for the public. They are participating in the creation of new regulations and

⁶⁵ <http://www.neudorff.de/en/nc/neudorff/home.html>

⁶⁶ <http://www.businessawardseurope.com/vote/entry/1/15818>

⁶⁷ <http://www.asekol.cz/en/asekol/about-us/about-asekol/>

⁶⁸ <http://www.businessawardseurope.com/vote/entry/1/17237>

standards related to WEEE. Their treatment and processing line reached up to 95% of material efficiency. In the followings, I listed the best practices of Asekol:

Economic impact	Environmental impact	Social impact
Their mission is to be a trustworthy partner for state and local administrative bodies. An annual audit confirms the transparency of their management.	They collected 16,981 tons of end-of-life electrical and electronic equipment in 2014. In 2014, recycling of equipment via the Asekol compliance scheme saved 219, 303 MWh of electricity, 949 million liters of water and more than 11 million liters of oil.	They check the selected phones and computers, hand over the non-functional ones for recycling, and donate the functional ones to children's homes, shelter houses and other organizations.

Table 5 - Asekol best practices

3.2 Hungarian best practices

During April 2016, I was interviewing five SMEs in Hungary about their goals, activities and plans with regards to corporate responsibility and sustainable business.

In Hungary, there are two major associations, which have the role of promoting sustainability and corporate responsibility in theory, as well as in practice for businesses. These associations are BCSDH⁶⁹ (Business Council for Sustainable Development) which is a member of WBCSD, and KÖVET⁷⁰ (Association for Sustainable Economies). Most of their members are MNEs, but there are some examples for SMEs. I was asking a professional expert at BCSDH for consultation, in order to find the most impactful and sustainable SMEs between their members, also I used the winner list of KÖVET CSR Market Award. In the selection process, I prioritized the companies as follows:

1. Fits into SME category by size only and its net profit is positive.
2. Their activity is approved and awarded by national or international CSR associations.
3. Has a written form of sustainable mission.

⁶⁹ <http://bcdsh.hu/home/>

⁷⁰ <http://www.kovet.hu/en/about-us>

I have found five SMEs, working in different sectors, with different backgrounds and different sizes. In this way, I was planning to have a broad overview of all kinds of sustainable SMEs in Hungary and their CR approaches.

First of all, I present the selected SMEs one by one to show their values, the CR factors they considered and the barriers they have faced when implementing CR to their business. I will go in a decreasing order by size, as it is in table 4. Second of all, I will compare them in terms of best practices and implementation advice. Finally, I will create a SWOT Analysis on the potentials of CR implementation in Hungarian SMEs.

The five interviewed SMEs are presented in the following table with the general background information on the company. All the interviewed persons were in Founder/CEO or director positions, so they are able to see the bigger picture of their companies.

	Magnet Bank	Eisberg Hungary	Folprint Green Press	Ladybird Farm	p2m Consulting
Interviewee	CEO of Community Development	CEO	Trade Director	Founder/CEO	Founder/CEO
Industry	banking	food production	press	tourism	consulting
Owners	100% Hungarians	Swiss owners	100% Hungarians	100% Hungarians	100% Hungarians
Employees	250	149	48	15	10
Turnover (2014)	104 billion HUF	6 billion HUF	681 million HUF	166 million HUF	143 million HUF
Net Profit (2014)	195 million HUF	431 million HUF	36 million HUF	31 million HUF	2 million HUF
Date of “change”⁷¹	2009	2008	2009	2001	2008

Table 6 - General information on the interviewed SMEs

3.2.1. Magnet Hungarian Community Bank

Magnet Hungarian Community Bank⁷² has 250 employees, which puts it on the border of an SME and an MNE. I interviewed the CEO of Community

⁷¹ Date of “change” means when the company turned into a sustainable business.

⁷² <https://www.magnetbank.hu/en>

Development at Magnet. Magnet Bank became a sustainable business in 2009. They repositioned their bank to a community bank after they have seen a Spanish example which filled a hole in the banking sector. The goal of the bank is societal engagement based on transparency and education in order to raise financial awareness. The sustainable attitude is coming from the owners and it goes down to all departments. The CEO believes that the key factor for CR considerations is that the management has to have the personal social responsibility (PCR) before we start to talk about CSR. Owners and CEOs need a shift in their business thinking and declare that they are satisfied with a lower profit rate in order to create impact. At Magnet, the owners share the same vision and they are actively representing it therefore, they do not need a CSR expert because the sustainable strategy is already implemented in their core business.

According to the CEO, the most important CR factors and values for Magnet Bank are the following:

- creating sustainable products and services
- working transparently: customers know the real costs
- thinking in long-term solutions
- competing with value, not with price, good quality is marketing itself (according to blue ocean strategy⁷³)

The real value of Magnet Bank is that they were able to decide on their profit shares. The bank spends around 30% of their profit to support around 800 civil organizations in Hungary. In the following table, in line with the triple bottom line, the most innovative and impactful best practices of Magnet Bank can be seen.

Economic impact	Environmental impact	Social impact
Transparency in practice: The Bank calculates the clients' contribution to the bank's annual profit and, uniquely in Hungary, they share this information with them on an annual basis.	Green actions: The operation of bicycle fleet instead of car fleet; Green Office program implemented by volunteers from the staff.	Community Donation Program: the clients can choose which civil organizations to support with 10% of the bank's profit.

Table 7 - Magnet Bank best practices

⁷³ <https://www.blueoceanstrategy.com/>

3.2.2. Eisberg Hungary

Eisberg Hungary Ltd.⁷⁴ has almost 150 employees. The main profile of Eisberg is salad production and packaging. I interviewed the CEO of Eisberg Hungary about their CR values and practices. The owners of Eisberg Group are Swiss, besides Switzerland and Hungary, they have factories in Romania, Poland, Spain, and Italy. Eisberg Hungary has a great network system in place, they are working mainly with local suppliers and produce food products for hypermarket and fast food chains (e.g. McDonalds) in Hungary and Austria. Their goal is to educate the employees as well as the suppliers and partners to become more responsible. The CEO believes that the biggest impact that a company can reach is to keep their employees in the long run - as the labor problem is getting worse and worse in Hungary. Companies need to create real values, set clear goals and create a better working environment for the employees - this approach could help to solve the labor issue. Other important CR factor for management consideration is the inner motivation of the CEO and the higher management to do the right thing, without a personal value system CR could not be successfully implemented. Eisberg has implemented the CR in their strategy, but it is important to mention, that the need for CSR did not come from the headquarters, Eisberg Hungary is the only one from the Group who cares about CR strategically.

According to the CEO, the most important CR factors and values for Eisberg Hungary are the following:

- CR values should be defined together with the employees
- Coaching approach and personal development of leaders are important
- External support is better e.g. for coaching or organizational development
- Education of employees to be more responsible
- Education of suppliers, auditing them regularly
- The implementation of the Lean Production into their processes which basically helps to eliminate waste in the manufacturing system

The major barriers in implementing CR into the business:

- Fluctuation of employees, constant education
- The level of responsibility depends on the situation, the amount of orders and the suppliers' approach.

⁷⁴ <http://www.eisberg.hu/?language=1>

- Investments are confirmed by the owners if the investment is returning in 2 years otherwise it is not supported.

From the annual profit, the company has approximately 5% for marketing activation which already includes the classical CSR activities like charity events or sponsorship. In the following table, in line with the triple bottom line, I listed the best practices of Eisberg Hungary which are the most innovative and impactful.

Economic impact	Environmental impact	Social impact
Ethics and workflow: They have a written code of conduct; they implemented the LEAN production in the factory.	Recycling the food waste: The salad waste is transported to fermentation plants and composted.	Work-life balance: Support of several social and health promotion events; support work-life balance with flexible working hours and a better working environment.

Table 8 - Eisberg best practices

3.2.3. Folprint Green Press

Folprint Green Press has almost 50 employees. Their owners are Hungarian, they started the company in 1990 as a regular press. In 2009, they applied for an EU project fund to obtain environmental friendly machines and they won the tender, this was the very first step towards the Green Press. They got interested in green technologies and started to bring more machines, then they realized that this green way could be a great market advantage, as there were no green presses on the market at that time. The owners also supported the idea to shift to Green Press, so they created their sustainable business strategy. I interviewed the Trade Director of Folprint.

The goal of Folprint Green Press is to support companies to change their corporate documents and papers to green, recycled ones. The most important CR factors for management consideration is cost-efficiency: CR strategy and activities are affordable if they can create economic advantages for the company, it should not be (only) charity.

According to the Trade Director, the most important CR factors and values for Folprint are the following:

- Decisions are easier on SME level, the implementation can be managed easier and faster.
- It is important to be the first mover on the market, this can bring advantage on the economical side as well.
- Long-term thinking is important.
- Setting their goals along the triple bottom line, without any external help
- Joining associations in order to share best practices are important
- The green awards can help to gain marketing advantage

The major barriers in implementing CR into the business strategy:

- Cost-efficiency is still more important for management than the impact.
- There are price sensitive partners who do not care about sustainability, they also satisfy their needs with using cheaper, but non-sustainable raw materials.
- Investments are approved by the management if the investment is quickly returning, otherwise it is not worth it (despite its good impact).

In the following table, in line with the triple bottom line, the best practices of Folprint are listed which are the most innovative and impactful.

Economic impact	Environmental impact	Social impact
Compliance: They are operating in accordance with the law; they provide fair wages and pay in time.	Green value chain: More than 60% of the raw materials are green; all the machines are CO2 emission free; green office program implementation.	Educating partners: Educational website where clients can calculate the footprint of the printed document, also their own carbon footprint.

Table 9 - Folprint best practices

3.2.4. Ladybird Farm

Ladybird Farm Leisure Center started its operations in 2001 as a greenfield investment. The owner is a Hungarian couple who wanted to realize their dream. Now they have 15 employees working for them. I interviewed the CEO and the co-founder of Ladybird Farm. The goal of the business was to create a unique tourist attraction and leisure center with a special focus on educating environmentally conscious behavior. Their “mission is to help people realize and rediscover enjoyment and appreciation of nature and environment such as breathing in the fresh air, getting to know domestic animals, learning about our ancestors’ habits, crafts, revealing their wisdom, via edutaining and providing practical experiences to visitors” (www.katicatanya.hu/nyelv/en).

According to the CEO, the most important CR factors for management to consider is personal motivation and background knowledge. He thinks that profit is important, but it is not the only goal of a business. He also supports the participation in tenders and bank loans, which can help in business development. Other CR factors and values of Ladybird Farm are the followings:

- The key principle is continuous innovation and development.
- When deciding on quality or price, the balance always goes on the quality side.
- Measuring the economic and environmental activities and impacts are important.
- Managing a sophisticated workflow system.
- Memberships in different organization can boost marketing (e.g. GreenGlobe)

The major barriers in implementing CR into the business strategy:

- Finding new employees; manpower issues
- Educating the employees and making them believe in the mission
- Financial problems with return on investment

From the net profit, 3% goes to classical marketing activities, CSR costs are above this. The other part of the profit is always reinvested in development.

In the following table, in line with the triple bottom line, I listed the best practices of Ladybird Farm which are the most innovative and impactful.

Economic impact	Environmental impact	Social impact
Innovation and development: they are constantly developing their attractions and services as 80% of the visitors are returning.	Renewable energy usage: they develop games and attractions that they are able to supply with their own energy. 80% of the energy is coming from their solar panels. Paying the entrance fee with recyclable waste.	Educating employees: They are inspiring their colleagues by organizing trips to abroad with the team to similar farms and parks. They educate visitors as well.

Table 10 - Ladybird Farm best practices

3.2.5. p2m Consulting

P2m Consulting is a small sized company, which employs 10 people and working with other 3 contractors. Their main profile is to offer environmental consulting services and tools to SMEs that MNEs are using. I interviewed the founder and CEO of the company. From the foundation of the company, the owners wanted to create a valuable business strategy which guides their operational processes as well. Their principle was based on two issues: fair payment and honest communication.

The most important CR factors for management consideration is the CEO's attitude, his or her personal values which will drive corporate values as well. Every company needs to find their own KPIs so they can measure changes and improvements. According to the CEO, the most important CR factors and values for p2m are the followings:

- Always pay the employees in time, no matter what.
- Creating an open culture with honest communication flows.
- Reinvesting the profit to the company.
- Setting goals and measuring the impact are the most important in a sustainable strategy.
- Educating future generations to CR.
- Asking for external help in building the CR processes and implementing it, if there is no human resource to deal with it.

The major barriers in implementing CR into the business strategy:

- Dishonest employees and unfair clients can cause problems if they do not believe in the same approach.
- Existing and implemented ISO standards or process descriptions are not effective in helping the management decisions, so they might think the same for CR.

In the following table, in line with the triple bottom line, the most innovative and impactful best practices of p2m can be seen.

Economic impact	Environmental impact	Social impact
Fair payment: they are paying their employees always in time, no matter what happens.	Recycling: they do not have raw materials, the waste they generate in the office is getting recycled.	Employee engagement: Mentoring your graduates; create a creative working environment; personal career model for the employees for 10 years.

Table 11 - p2m Consulting best practices

3.2.6. Comparing management advices on strategic CR

Using the knowledge and the experiences of the interviewed CEOs and Founders, I created an advice framework for SMEs, who are in the beginning of implementing CR in their strategy.

The different approaches show different patterns in the interviewed SMEs. However, most of the advices are aligned with each other. As a first step, most of the CEOs recommended to analyze the market, the stakeholders and the environmental impact of the company. For the second step, they recommended to find and engage the most “green” employees or hire an external expert to help in the implementation process. Sharing ideas and set common goals are also in this step. Their special advice is to find easily measurable goals in the beginning to reach quick wins. As a third step, most of the CEOs recommended to create a written action plan for CR. Table 12 shows the recommendation by the interviewees.

TOP 3 advices for SMEs, that are in the beginning of becoming a sustainable business or practice strategic CR			
	1. step	2. step	3. step
Magnet Bank	List the stakeholders of the company, organize meetings with them and find out the problems they are facing. Win the opinion leaders.	Find a person in the company, who would gladly represent CSR and could communicate with the CEO on the progress and results. Workshop and brainstorming to share ideas, experiences. Hiring an external consultant if needed.	Create an action plan. It is better to start with small tasks which are easy to measure in order to “quick win”.
Eisberg Hungary	Sensitizing the leaders	Review the customers’ value and the activities which have economical and marketing benefits. Creating common goals and values (e.g. transparent salaries)	Planning the education and communication for employees - making a plan for activities which can inspire the employees
Folprint Green Press	Have a look at the market - is there already a green business as your company wants to be?	Choose a task which is easy to measure and get results as well as to communicate.	Create an action plan.
Ladybird Farm	Start with an environmental impact analysis: focus on the impacts, not on the costs. Use total cost of ownership calculation when deciding on starting a project or purchasing a product.	Analyze the results, see if there are any replacement options. If not, it is important to minimize the impact in the complete operational process. Analyze the input-process-output on different issues.	In the cash flow always pay attention to CAPEX, it is important to innovate and develop the business. Take bank credit if needed, this can be also the key for development.
p2m Consulting	Asking employees to bring in their best practices in CSR from their life, so it can be implemented in the business as well	Use the help of the most “green” employees, creating events together, engage the others	Finding the business actions for CSR together

Table 12 - TOP 3 advices for SMEs

4. CR implementation in SMEs in Hungary

With creating a SWOT analysis, the potentials can be shown of building a sustainable business from the start. Using all the collected information on CR strategy implementation, I attempted to draft a practical guideline for SMEs that can be easily followed and practically used.

4.1. SWOT Analysis for CR implementation in SMEs in Hungary

The first step was to collect all the issues which are connected to the internal environment: strengths and weaknesses in CR implementation for SMEs in Hungary.

Internal environment	
Strengths (+)	Weaknesses (-)
Eco-innovations and implemented CR activities are proven to be not only impactful but cost efficient.	SMEs in Hungary are still profit-oriented instead of being impact-oriented.
Decision-making process is easier and quicker for SMEs, the implementation procedure can be quicker and more effective than in MNEs.	The existing and implemented ISO standards or process descriptions are not effective in helping the management decisions in terms of CR.
SMEs can pick their own economic and environmental KPIs to measure voluntarily.	Lack of personal motivation at CEO level at SMEs.
CR implementation has many advantages for a business: it builds a reputation, engage the stakeholders and increase employee motivation.	No strategies and goals are implemented with regards to CR, only if needed for administration purposes.
The automatization and digitalization of the business operations and administrations will result in cost efficiency.	SMEs do not have the allocated budget and capacity to further development in resource efficiency and CR.

Table 13 - SWOT: Internal environment

Strengths and weaknesses of implementing CR in an SME basically depend on the background of the company. Does the company have the budget to spend it on strategy building? Does the company have a motivated CEO who really believes

in their CR mission? Do the organization culture ready for this change? All of these questions are just the starting point of CR strategy implementation. Overall, I found the above strengths and weaknesses the most relevant in Hungarian SMEs.

The second step was to collect all the factors, which are potential opportunities or threats in the external environment.

External environment	
Opportunities (+)	Threats (-)
Easy-to-use impact assessment tools and helpful guidelines are available for free (in English).	Labor problem is getting more and more serious in Hungary, and there are no solutions ahead.
Emerging interest in CR best practices and idea sharing amongst SMEs.	European and Hungarian regulations are not supporting the CR implementation for businesses.
Hungarian associations are available for companies to join in and share experiences (although mostly with MNE members).	International guidelines were mainly designed for MNEs, it is too broad and complex for an SME to use effectively.
Expressed need for an SME platform where SMEs can exchange their knowledge and experience on CR practices.	Most of the companies only scratch the surface of CSR with charity events and do not see the big picture.
	Becoming a member in sustainable associations, which gives networking opportunities on CR, is expensive for an SME.

Table 14 - SWOT: External environment

Opportunities and threats with regards to CR strategy implementation mostly depend on the political environment and political support of the country. For instance the Ministry of Employment and Economy of Finland realized in 2009, that SMEs are able to increase competitiveness by implementing CR strategy in their businesses, therefore, they created a best practice study⁷⁵ for them with guidance on how to reach the goal. It is only a 20 pages long study but still, it is focusing on this issue. As Hungary has broader societal problems to solve, CSR is

⁷⁵ https://www.tem.fi/files/27716/VASTUULLINEN_YRITTAJYYKS_PK-YRITYKSISSA_engl_130810.pdf

not on the priority list. However, on the international level, SMEs can find options for guidelines and frameworks, which can help them in the implementation process. The most important opportunities and threats can be seen in the table above.

4.2 Proposed CR Implementation Guideline

First of all, I have to highlight that one-size-fits-all approaches do not exist when it comes to CR strategy implementation for SMEs. Nonetheless, my goal was to create a guideline that can help Hungarian SMEs (without industry and size specification) to implement sustainability in their business strategies. I tried to understand the background of CSR, its trends in Europe and Hungary; I analyzed the existing guidelines, and interviewed Hungarian SMEs, which already successfully implemented CR strategically. With the knowledge I gained I attempt to draft a framework for SMEs in general, which can be an effective help in starting off the project. This framework can be also used with a limited budget for CR innovations.

The recommended drafted framework for SMEs has the following five steps to work on:

4.2.1. Commitment from the CEO

In order to start off any discussions and preparations for CR strategy implementation, we need to win the CEO. The CEO is the heart of the successful implementation process, his/her commitment and support is the most important factor. According to their commitment, I divided the CEOs into three groups: believer, supporter and unconcerned.

Believers are very motivated in terms of CR, you do not really have to force their commitment, they simply understand that being responsible will help to create a sustainable future. In the believers group, there are CEOs with internal motivation - it is hard to gain this approach over time if the CEO does not have it naturally.

Supporters are the CEOs, who do not particularly believe or are not interested in sustainable issues but they see the economic advantages of CR therefore, they support it. Nowadays many unconcerned CEOs “joined” this group, as they reconsidered their approach in order to become profitable in the long run.

Unconcerned CEOs are the toughest ones, they do not have any interest in this topic, and they are not able to see any gain on building a CR strategy. However, we can try to make them understand the importance of the issue.

Here is one advice on how to win your CEO if he or she is not committed yet:

- Collect information from the customer side: Do they take into consideration sustainability in their day-to-day work? Do they find sustainability an issue when looking for a partner? Do they support sustainability in their personal life? If the answers are promising and customers and partners care about these issues, there is a higher chance to convince the CEO to change the strategy.

The overall goal is to have a committed CEO, who supports or believes in the importance of strategic CR activity. It is a very crucial step because if the CEO is not able to show a good example and provide the necessary resources, the whole process can be at risk in terms of implementation practices.

If the company has a committed CEO, SMEs need to review their existing business model and strategy, or if they do not have one in written format, then create one. The Business Model Canvas, created by Strategyzer⁷⁶, is a great tool to identify the key elements of our business strategy. It is free of charge and available online.

During the first step, you need to:

- Identify CEO commitment level,
- Make a move for increase the level of commitment,
- Review the business strategy to identify key issues, core values.

⁷⁶ http://businessmodelgeneration.com/canvas/bmc?_ga=1.188925736.244317463.1462532518

4.2.2. Assess the Real Impacts

As a second step, we need to identify the responsible person or team who can analyze the company's real impacts. Most of the SMEs have a quality or environmental manager; they can be the leader of the CR strategy implementation. It is important to highlight, that for smaller businesses external professionals could also help if there is allocated budget for the project, on the other hand a committed CEO can also lead the process of CR strategy implementation.

Discussions with the CEO and higher management are crucial: ask them about their personal goals and motivations, as well as the business goals. During the prioritization process, these goals and motivation could be ranked on the top in order to help maintain management commitment.

There are tools available for free, such as B Corp Impact Assessment that I mentioned above, but it is only in English. There is one Hungarian assessment tool available for companies about CSR, this was supported by the EU and the UNDP⁷⁷. This self-assessment tool has around 80 pages of questions that a company is supposed to answer on the topics of leadership, environment, labor issues, community and business ethics. During the impact assessment, list the most important issues, which are close to your industry or somehow relevant to the company and prioritize the tasks accordingly.

There are some great existing methodologies on assessing a company's environmental impact: Life Cycle Assessment (LCA)⁷⁸, which is an internationally standardized methodology by ISO, or 'input-process-output' (IPO)⁷⁹ analysis can also be great tools to analyze the potential impacts of our products or services in the long term. ISO standards (9001 or 14001) can be a useful guide for tracking the company's performance on different levels. Integrating the goals in business strategy would help the higher management to not only do what is mandatory but also start to create future targets and set goals. This could be an effective step for later CR strategy implementation.

⁷⁷ http://www.kovet.hu/sites/default/files/knowledge/csr_self-assessment_handbook_for_companies_a4_hungarian-final.pdf

⁷⁸ <http://www.unep.org/resourceefficiency/Consumption/StandardsandLabels/MeasuringSustainability/LifeCycleAssessment/tabid/101348/Default.aspx>

⁷⁹ <http://businessfortheyoung.weebly.com/uploads/2/3/0/4/23043720/184725403.gif?690>

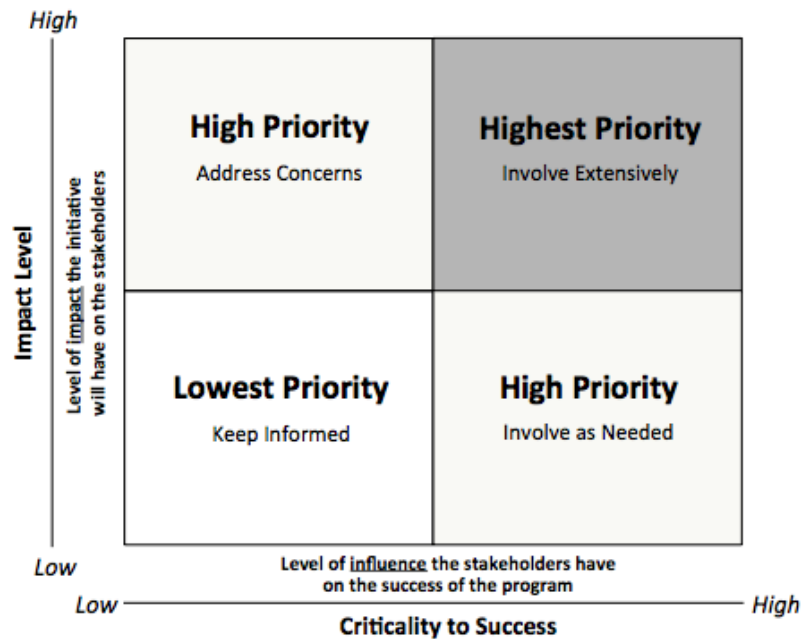
During the second step, there are four issues, which will be important to cover:

- Open discussion with the higher management on their motivations and personal goals
- Find the key person or team for the implementation process
- Find and use the best assessment tool for your company according to industry and size.
- Communicating transparently on the CR change process of the company to the employees (sending out monthly newsletters on working on progress could be a good example).

4.2.3. Engage the Stakeholders

Activation of the stakeholders is the third step for an SME in the CR implementation process. After reaching owner and CEO commitment, the goal of this step is to bring on board all the employees, customers, suppliers, communities, environment, government and civil initiatives whom the company is being in contact with on a daily basis. With a limited budget, we need to consider which stakeholders are the most relevant ones for our company's future. There are supporting stakeholder mapping tools and prioritization matrixes available online, which can help in planning the engagement strategy for different stakeholder groups depending on their willingness to engage, and their influence on the company. In the following picture, there is an example of stakeholder prioritization matrix created by Emergent Consultants.⁸⁰ This matrix can be used not only to place the different stakeholders groups, but also to help management processes in day-to-day operations such as evaluating different departments and their impacts and influences.

⁸⁰ <https://emergentconsultants.wordpress.com/2011/04/18/how-to-prioritize-stakeholders-to-ensure-a-successful-change-program/>



Picture 3 - Stakeholder Prioritization Matrix

If we identified the key stakeholders, we can plan meetings and start a dialogue with them in order to tackle the common issues and projects we can try to find solutions together. Generally, there are four important stakeholder groups for SMEs to focus on and set targets and goals separately:

- **Employees/Future generations**
- **Customers/Partners**
- **Environment**
- **Society/Community**

Teamwork, frequent communication, and the feedback are the key elements for the group dialogues. The end of the meetings should be a set of goals and projects with each group that we can implement in our CR strategy. If we found the impacts that are important in the company's and the stakeholder's life, then we can support that prospect.

It is also important to consider the risks and the dangers that the stakeholder engagement can cause for the company. To avoid the potential dangers and maximize the opportunity for a CSR approach, we need to find the balance. Simon Zadek, the founder and CEO of Accountability, has developed a powerful

tool that companies can use to evaluate which issues pose the greatest potential opportunity and danger. Zadek identified five stages of learning that companies go through when it comes to developing a sense of corporate responsibility and combines these stages with four stages of intensity to measure the maturity of societal issues and the public's expectations around the issues.⁸¹ His idea of evaluation can be seen in the following table with detailed information.

CIVIL (to promote CSR practices industry-wide)	Maximum Opportunity			
STRATEGIC (to embed CSR within the strategy planning process)				
MANAGERIAL (to begin integrating CSR into management practices)				
COMPLIANCE (to do the minimum required)			Maximum Danger	
DEFENSIVE (to deny responsibility)				
	LATENT (awareness amongst activists only)	EMERGING (awareness seeps into the political and media communities)	CONSOLIDATING (much broader awareness is established)	INSTITUTIONALIZED (tangible reaction from powerful stakeholders)




Table 15 - Zadek's CSR approach

I assume that most of the Hungarian SMEs are in defensive or compliance stages, somewhere between latent and institutionalized. The goal is to level up to managerial, then to strategic stages. To do that, SMEs need to create their CR strategy based on their findings and start taking actions.

During the third step, there are three issues, which will be important to pay attention:

- Identify key stakeholder groups
- Start a dialogue with them and set common goals
- Evaluate the potential opportunities and risks in stakeholder engagement

⁸¹ Strategic Corporate Social Responsibility, Edition 3, page 58-59, David Chandler, William B. Werther, Jr., SAGE Publications Inc, 2014

4.2.4. Take Action

It is recommended to choose a method, which will guide through the CR implementation process to tackle the relevant issues. Strategic CR structures such as TBL or Carroll's pyramid can be helpful for framing the different areas. When you have decided on the framework, you need to swim into deeper waters to find the focus areas you want to tackle in the short term. Consider prioritizing the issues that are easy to solve, to have quick wins in the beginning. Along the given stakeholder groups, I will suggest some examples for action-taking processes for all kinds of SMEs.

1. Employees/Future generations:

The ultimate question is how to maintain the employees in the long run? The answer might seem easy, but in practice, this is the toughest issue SMEs are facing in Hungary: by creating a cozy working environment and providing them beneficial activities, trainings. I would like to highlight three issues which need to be taken into account when we are talking about CR strategy implementation:

- Educating employees: the best education form is to show an example for them, for instance with corporate waste recycling, with water and energy saving actions, or with corporate voluntary green programs.
- Develop their skills: creating opportunities for lifelong learning with professional trainings, or with the support of post-gradual studies. If one of the managers are mastering in some knowledge such as Excel or Word, he could be invited to train his colleagues for an extra bonus instead of working with external companies. This is a win-win situation for the employee and the company as well.
- Support the future generations: hiring interns can be a great way to provide opportunities for young graduates; on the other hand, it has its benefits on the cost side. Graduates are very diligent and enthusiastic, and are full of new ideas, which sometimes can be a real power for innovation.
- Transparent communication: we need to inform our employees transparently, on the company's future directions with for example monthly management meetings. Frequently sent email newsletters could also help in informing employees and

raise awareness for sustainability issues. Organizing special events and contests also help to build loyalty and support transparency.

2. Customers/Partners:

On the side of our partners and customers, who the company is working with on a daily basis, we have to consider the following issues:

- Focus on customer's needs and interest: as I mentioned in the first step, customers and partners have a key role in becoming sustainable in business operations. If they have a strong need for maintaining a more sustainable partnership and practicing more responsible activities, then companies also need to reconsider their strategy. If it is not the case, we need to find ways to encourage them to act more responsibly in their operations for example with integrating CR related questions in their annual satisfaction survey.
- Analyzing supply chains: companies need to consider their impacts at all stages of their supply chain (raw materials, components, manufacturer, retailer, consumer) and measure these impacts in product flow and cash flow as well. Implementing the LEAN management into manufacturing operations can be an option for some of the SMEs to tackle this issue.
- Communication: with a low budget, we can easily communicate with our partners and suppliers if we use digital platforms, such as we send monthly newsletters via email or we amend our website with a special section on our CR mission and practices.

3. Environment:

Considering the environmental issues, SMEs have many options to choose from, which are cost effective. I listed the most important issues and activities, which can be easily implemented:

- Implement environmental friendly initiatives internally and externally: there are a few tasks and examples, which can be implemented systematically, even with less effort and less budget such as creating a Sustainability Ambassador program, where colleagues can be engaged in with sharing their own sustainable best practices. The best of the practices could be implemented in the company and will be communicated on the wall newspaper in the office.

- Resource efficiency: another great example to tackle your impact is to launch a Green Office Program. Hungarian SMEs are able to find not only information, but detailed action plans to start the program. There is no need to rush, after assessing the main green improvements in the office; you can set an annual deadline for checking and measuring the different tasks. You can ask enthusiastic colleagues to help in the implementation process. The best option is to create a green team, who will manage to accomplish and check on the tasks. In the office area, there is always something we can improve such as recycling waste or saving water with special aerators – and the good part is that these activities are actually cost effective. It is better to start with smaller projects, which has a visible impact in order to gain more attention, such as measuring the generated amount of waste or the usage of paper in a given period of time and compare it with one-month results. This approach can raise awareness for environmental issues in the company.
- Green products or services: review your current products and services and analyze the market potentials in changing or creating green products or services.

4. Society/Community:

On the community level, SMEs can contribute to social activities without many additional efforts. They only need good networking skills to connect with the chosen organizations. Here are some advices on CR activities related to society and community.

- Support local and civil organizations: supporting local non-profit or civil organizations, which have an activity related to the profile of the company and the motivations of the management, can be very powerful internally and externally as well. Non-financial and financial supports are both useful, whether it is a voluntary work or charity. These organizations are great partners in longterm strategy planning. Think globally, act locally – this is the key to sustainability.
- Joining industry groups or relevant associations: to gain more experience and share best practices, SMEs could join in special associations (FBN, BCSDH, etc.) or working groups (Action 2020, etc.). In Hungary, there is no existing platform or forum for SMEs to share their practices, nor an online support, only platforms for all type and size of businesses.

Further to the stakeholder groups, companies need to take action in terms of economic prosperity. In Hungary, the most relevant issue that an SME must do is to comply with the laws, be accountable, pay corporate taxes properly and create workplaces.

During the fourth step of implementation, these are the key areas to focus on:

- Creating goals for each stakeholder group
- Specify activities: always go for quick wins in the beginning
- Communicate the actions to the relevant stakeholders

4.2.5. Measure, measure, measure

As the last part of the implementation process, companies need to measure their impacts in a given period of time, for example in every quarter. To measure the activities, we need to specify key performance indicators (KPIs) for the relevant issues, so we will be able to easily follow the changes. This can be a simple Excel worksheet where we collect the data. Knowing our KPIs, we can set exact targets and deadlines, which will help in the implementation process to be more accurate and easy to follow. Evaluate your result from time to time in order to make sure, that the CR strategy implementation process impacted the company's core business on the maximum level.

During the last step of implementation, the following suggestions are made:

- Create KPIs for the relevant issues
- Set targets and deadlines for the implementation
- Measure the results and evaluate the performance

4.2.6. Summary of the Framework

In the following table, there is a summary about the CR strategy implementation framework for SMEs in Hungary with the recommended steps that need to be undertaken at each stage.

Commitment of the CEO

- Identify CEO commitment level
- Make a move for increase the level of commitment
- Review the business strategy to identify core values

Assess the Impacts

- Find the key person or team for the implementation process
- Find and use the best assessment tool for your company
- Communicating transparently

Engage the Stakeholders

- Identify key stakeholder groups
- Start a dialogue and set common goals
- Evaluate the potential opportunities and risks

Take Action

- Creating goals for each stakeholder group
- Specify activities to undertake
- Communicate the actions to the relevant stakeholders

Measure and Evaluate

- Create KPIs for the relevant issues
- Set targets and deadlines for the implementation
- Measure the results and evaluate the performance

Table 16 - CR Strategy Framework summary

5. Conclusion

As it was mentioned in the beginning of my thesis, the goal of this thesis was to find the best solutions to build a sustainable business with the help of a CR strategy implementation. The literature component of the thesis helped me to understand what it means to be a responsible and sustainable business, what type of regulations are existing related to this issue and what are the current resource efficiency and eco-innovation trends at SMEs. With this background knowledge, I could prepare for the best practice researches and interviews, which is the empirical part of my thesis. The empirical part of the thesis opened my eyes in many aspects, but also helped me to see the other side of the mirror.

The main hypothesis that was stated in the beginning of the thesis was supported more and more as I got into deeper details of the topic. The thesis demonstrated that international guidelines are indeed too complex for SMEs and they are not willing to use them for implementation processes. The interviewed SMEs in Hungary also confirmed this statement; they are rather using their own agendas than reaching out for international templates.

The interviewed SMEs and the consulted associations confirmed my second additional hypothesis. It is clear now that there is a need for a CR platform for SMEs, which will help them in experience and best practice sharing, and setting common targets. As a representative of a Hungarian SME, I will attempt to establish this platform first online, then create workshops and forums on the topic. This could help SMEs in their future business transformation.

The third additional hypothesis was confirmed by several studies in the topic included in the literature component, also by the interviewed companies. Personal motivation of the CEO and the higher management is the real key factor to start transforming a company. Initiatives from the top are going through smoother to the bottom than when it is starting from the bottom to the top. Implementing CR strategy in the day-to-day operations and in the business strategy will support the development of a new organizational culture as well.

With all the background information and research on the topic, I assume that the created draft framework for SMEs will be a great starting point for companies who are interested in CR strategy implementation. The paper showed real life examples and activities, which needs only a limited amount of budget. My further plans are to finalize the framework and test it on SMEs. As our family business is the part of the Hungarian chapter of the FBN-i network, my plan is to join forces with the Hungarian family businesses to create a forum for sustainable business strategy implementation. This platform can be a great opportunity to test my framework in real life and also to encourage companies to take into consideration the environmental and social sustainability of their business, not only the economic sustainability.

I could not agree more with the statement written in a Harvard Business Review article in 2006⁸², which highlights that corporations are not responsible for all the world's problems, nor do they have the resources to solve them all. However, they have all the responsibilities to serve as an exemplary to their employees, partners, and communities, overall to their stakeholders. This is the greatest CR goal of the companies nowadays, to open more eyes.

⁸²<https://hbr.org/2006/12/strategy-and-society-the-link-between-competitive-advantage-and-corporate-social-responsibility>

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Appendix

1. *SME size factors*

According to the EC⁸³, the main factors determining whether an enterprise is an SME are:

1. staff headcount and
2. either turnover or balance sheet total.

Company category	Staff headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

2. *Hungarian Interviewees*

- Magnet Hungarian Community Bank: Mr. Csaba Molnár (CEO of Community Development)
- Eisberg Hungary: Mr. Zoltán Gazsi (CEO)
- Folprint Green Press: Mr. János Fodor (Trade Director)
- Ladybird Farm: Mr. János Handó (Founder/CEO)
- p2m Consulting: Ms. Ágnes Patonai (Founder/CEO)

⁸³ http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition/index_en.htm

Affidavit

I, Brigitta Deák, hereby ensure that:

1. I wrote the present Master thesis myself, "One size fits all? – Challenges in sustainable business strategy implementation for SMEs", 66 bound pages, that I have only used the given sources and resources and have not been assisted by an external party that is disapproved of.
2. I neither presented this Master thesis at home nor abroad in a format other than the research paper.
3. This Master thesis is the same as the research paper evaluated by the examiner.

May 12, 2016

Date

Signature