



Examination of Corporate Social Responsibility and Sustainability Indicators in Small Brazilian Metallurgical Enterprises

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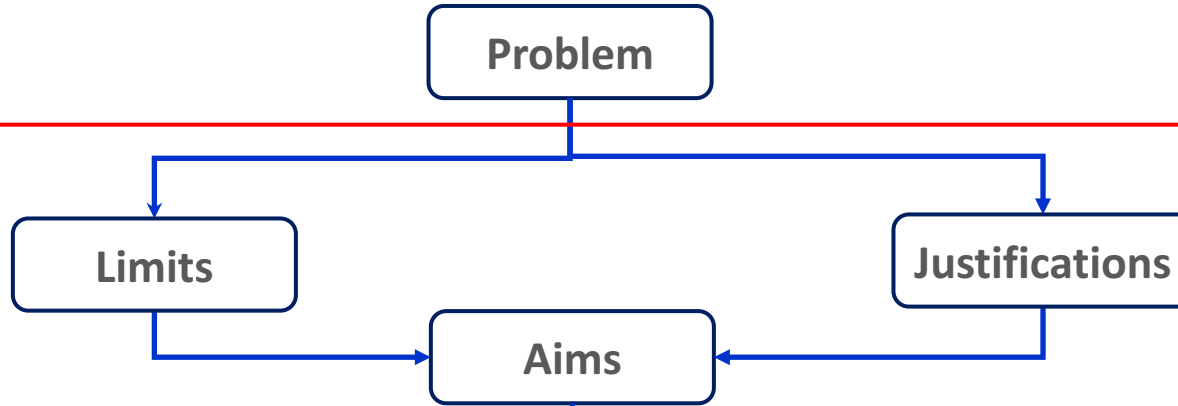


Introduction

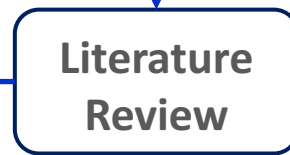
- **Presenter:** Doctor in Chemical Engineering by State University of Campinas, São Paulo, Brazil.
- **Background:** over 15 years acting as Professor for Engineering and Administration courses.
- **Main Activities:** Professor and Researcher since 2013 at UNIFAE in the interdisciplinary master course on Education, Environment and Society.
- **New Line of Research since 2013:** core topic “Governance and Socioenvironmental Management”.
- **Related Themes of Interest:**
 - corporate social responsibility/sustainability;
 - public and private corporate governance;
 - environmental management systems and social responsibility;
 - CSR indicators (GRI, Ethos) impact on the sustainability of enterprises;
 - socioenvironmental frameworks: regulatory and normative;
 - socioenvironmental technologies.

Research Design

Step 1

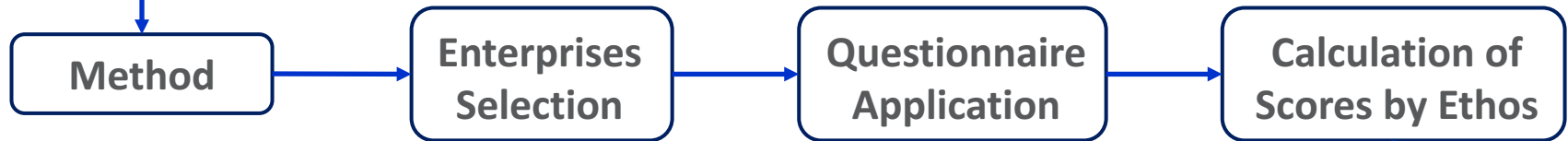


Step 2

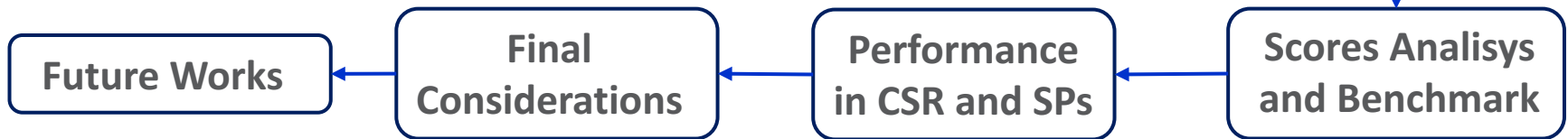


- CSR and SPs
- Ethos model for CSR
- Application Examples

Step 3



Step 4



Research on Corporate Social Responsibility (CSR) and Sustainability Practices (SPs)

• The research problem:

- What is the level of CSR and SPs in small enterprises (SMEs) in the metallurgical segment of cutting and mechanical conformation of metals in the region of São João da Boa Vista, São Paulo State, Brazil?

• The research aim:

- To map CSR and SPs levels, the research focused in 4 SMEs with less than 100 employees, which answered the questionnaire "Ethos Indicators for Sustainable and Responsible Business".

• Example of the main findings:

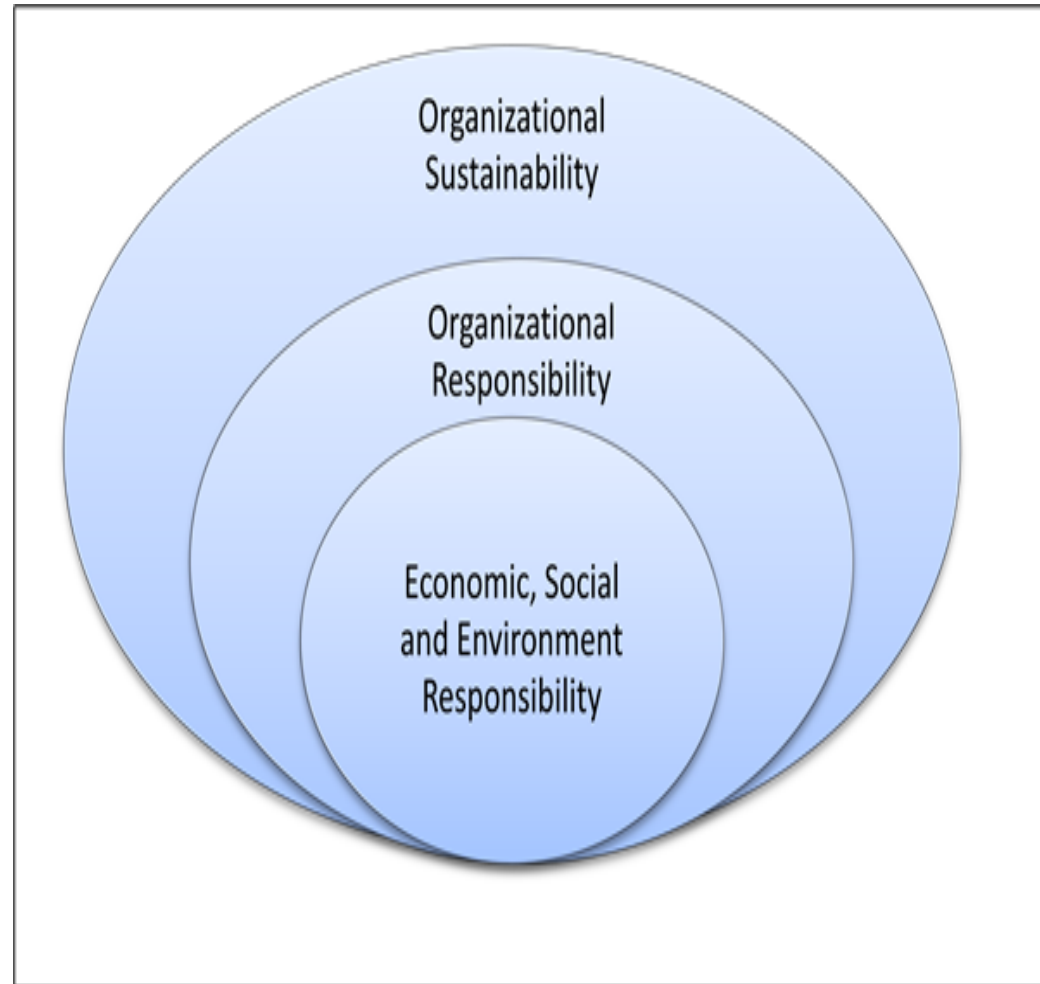
- The participating SMEs in this study have a long way to go in the path of excellence in CSR and SPs.
- The SMEs have serious difficulties in understanding and implementing routines to meet compliance with Ethos model requirements.

• Significance of this research:

- Who cares with the level of CSR and SPs in SMEs?

Sustainable Development (SD) and Corporate Social Responsibility (CSR)

- **Sustainable Development:**
- Enterprises that want to participate and contribute to SD must adopt the concept of economic, social and environmental equity in their management practices.
- The SD should be the main objective of the companies, but the CSR should be considered the best choice.



Source: Adapted from Barbieri, 2012.

Fusion between Sustainable Development (SD) and Social Responsibility (SR)



Evolution of social expectations.

Source: Adapted from Hitchcock e Willard 2006, p. 12.

Triple Bottom Line, SD and CSR

- **Triple Bottom Line - People, Planet and Profit**

- **Perspective:** enterprises could reach a state of business equilibrium that would satisfy simultaneously the social, economic and environmental demands from stakeholders. (Elkington, 1997)
- **CSR** once supported by 3 P's, a successful performance on the three dimensions can assure solid business sustainability. (MARREWIJK, 2003)
- **Triple bottom line** accounting and related frameworks fail to emphasize the foundations of sustainable prosperity in continuous and competitive entrepreneurship and innovation. (Cambridge Leadership Development Ltd, 2013)

Quadruple Bottom Line - People, Planet, Profit and Progress

- **Perspective:** this model is capable of providing the basis for a more comprehensive framework for developing measures of sustainable prosperity. (Cambridge Leadership Development Ltd, 2013)
- **Focus:** quadruple (not triple) bottom line performance standards. It is necessary to perform well in financial, environment, and social terms, besides the way of handling employees. (LAWLER III, 2012)
- **Ethos Indicators for Sustainable and Responsible Business:** it is possible to identify all elements of “quadruple bottom line” in the 2014 version .

Choice of “Ethos Indicators for Sustainable and Responsible Business” model

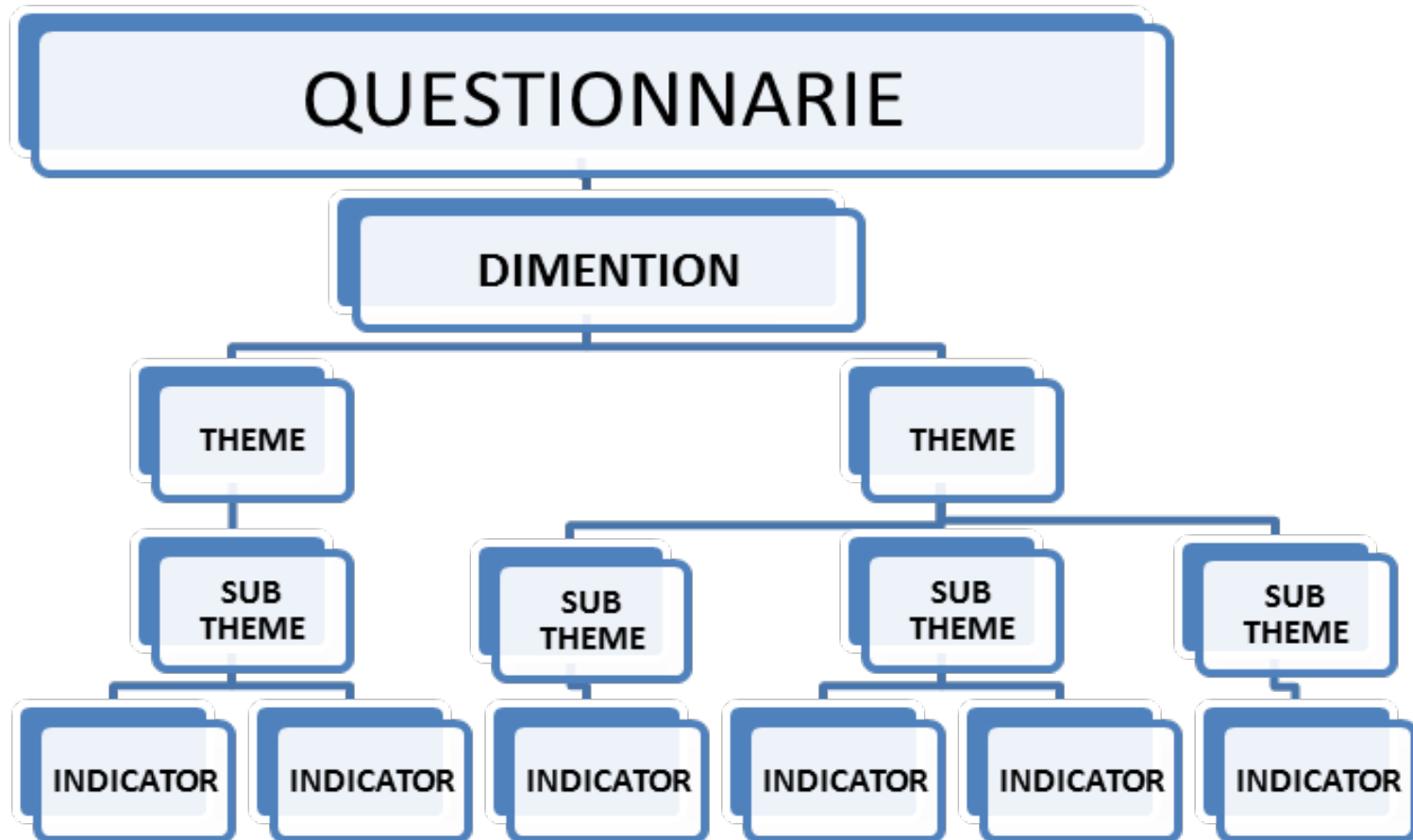
- **Ethos framework:**

- Environment, Human Rights, Sustainable Management, Economic and Social Responsibility.
- Dissemination of CSR and SPs in global, small and micro enterprises through conferences, networking, campaigns for the publication of social balances and sustainability’s results, besides guidelines publications on CSR and SPs.

- **Ethos’ Model Structure:**

- **Emphasis:** on norm ABNT 26000 - Social Responsibility (2004), and guidelines "G4" for Sustainable Reports elaboration from Global Reporting Initiative – GRI (2002).
- **Intention:** permit major comprehensiveness to the main advances on CSR and SPs in Brazil and worldwide.

“Ethos Indicators for Sustainable and Responsible Business” Questionnaire



Source: Elaborated by the Authors, 2017.



“Ethos Indicators for Sustainable and Responsible Business”

Essential Category Questionnaire

DIMENSIONS	THEMES	SUB-THEMES
D1 - Vision and Strategy	Vision and Strategy	Vision and Strategy
D2 - Governance and Management	Corporate Governance	Governance and Behavior
		Accountability
	Operation and Management Practices	Fair competition
		Anti-Corruption Practices
D3 - Social	Human Rights	Human Rights Risk Situations
		Affirmative Actions
	Work Practices	Work Relationships
		Health and Safety at Work and Quality of Life
	Consumer Issues	Respect for Consumer Rights
Involvement with the community and its development	Community Impact Management and Development	
D4 - Environmental	Environment	Climate changes
		Management and Monitoring of Impacts on Ecosystem Services and Biodiversity
		Impacts of Consumption

“Ethos Indicators for Sustainable and Responsible Business”

- **Essential Category Questionnaire:**

- Composed by 24 indicators, it brings relevant questions to enterprises with the perspective of different stakeholders. It represents what traditionally is known as “minimal agenda” of CSR and Sustainability.

- **Enterprises’ Maturity:** enterprises opted among five stages of Ethos Indicators Questionnaire, according to their organizational reality.

- **1st Stage:** the enterprise complies with present legislation when applicable, and or treats the theme in an incipient way.
- **2nd Stage:** the enterprise develops initiatives and implements current practices of CSR and Sustainability.
- **3rd Stage:** the enterprise adopts formalized policies and programs to promote its values.
- **4th Stage:** the enterprise measures the benefits of its management and considers them in the processes of decision takes and management risks.
- **5th Stage:** the enterprise passes by transformations and innovations processes to create values and promote an up to date of its practices.

EXAMPLE: Indicator 17 - Health and Safety of Employees

1st STAGE	COMPLIANCE - INITIAL TREATMENT	Yes	Not
<p>The company strictly complies with its legal obligations and has the supporting documentation updated.</p>	<p>1.1 The enterprise maintains all legal documents related to Occupational Health and Safety (SST), such as Occupational Health Reports, Environmental Risk Analysis, Incident Reports and Accidents, among others.</p>		
	<p>1.2 The enterprise meets the requirements of the Regulatory Standards or has a plan of action to ensure compliance, especially with regard to emergencies and fire hazards.</p>		
5th STAGE	PROTAGONISM	Yes	Not
<p>The company implements a program of monitoring and training of the value chain with indicators and goals that exert influence in the sectoral discussion, and or in the society.</p>	<p>5.1 The enterprise is recognized in the market for its health and safety practices.</p>		
	<p>5.2 The company organizes campaigns aimed at improving the health not only of employees and their families, but of society in general, whether as a sponsor/active agent of a campaign.</p>		
	<p>5.3 The company encourages the industry sector to improve the level of health and safety management and involves, in addition to companies, government agencies in that goal, when applicable.</p>		

Sampling

- **SMEs Selection Criteria:**

- Belonging to São João da Boa Vista Region, which includes 16 cities.
- Workforce composed by less than 100 employees.
- Sector: metallurgical segment of cutting and mechanical conformation of metals.
- Agreed to participate in the research.
- 7 enterprises met all the criteria and were formally invited to participate in the research.
- 4 enterprises accepted the invitation and 3 declined (they alleged lack of accessibility to information, due to organizational restructuring and shifting in business).

Research Results

• Performance in Cycle 2015:

- The scores that represent the enterprises performance were calculated by own Institute Ethos for each indicator according to the subthemes.
- The Ethos calculus process was executed following the steps of an algorithm that take in consideration three steps named: pruning, distribution and aggregation.
- The SMEs performance followed the classification proposed:

Scale Score	Conceptual Performance in CSR and Sustainability
$8.00 \leq \text{Score} \leq 10.00$	Excellent
$6.00 \leq \text{Score} \leq 7.99$	Good
$4.00 \leq \text{Score} \leq 5.99$	Satisfactory
$2.00 \leq \text{Score} \leq 3.99$	Insufficient
$0.00 \leq \text{Score} \leq 1.99$	Bad

Results: enterprises' average scores by dimension x average and best scores

DIVISION		ENTERPRISES				BENCHMARK SCORES	
INDICATOR	DIMENSION	1	2	3	4	Average Score	Best Score
01: Strategy for Sustainability; 02: Value proposition.	Vision and strategy	1,9	2,0	1,4	3,0	2,3	3,4
04: Behavior code; 05: Organizational governance; 07: Engagement of stakeholders; 09: Sustainability reports and integrated reports; 11: Fair competition; 12: Anti-corruption practices; 17: Supply management system; 18: Impact mapping of operation and risk management.	Governance and management	2,4	2,5	2,9	2,7	3,1	4,8
20: Business impact monitoring on human rights; 21: Child labor in the supply chain; 22: Forced labor; 23: Diversity and equity promotion; 24: Relations with employees; 25: Relations with unions; 29: Employee Health and safety; 30: Working conditions, quality of life and working time; 31: Relationship with consumer; 32: Impact arising from the use of the products or services; 34: Management of the enterprise's impacts in the community.	Social	1,7	2,0	1,7	2,5	2,5	4,7
37: Governance of actions related to climate change; 39: Environmental management system; 47: Reverse logistics.	Environmental	1,3	1,3	1,3	2,6	1,5	2,6
	Average	1,9	2,0	1,9	2,7	2,4	3,9
LEGEND	Excellent	Good	Satisfactory	Insufficient	Bad		

Results: enterprises' average scores by dimension/theme x average and best scores

DIVISION		ENTERPRISES				BENCHMARK SCORES		
INDICATOR	DIMENSION/ THEME	1	2	3	4	Average Score	Best Score	
01: Strategy for Sustainability; 02: Value proposition.	D1/Vision and strategy	1,9	2,0	1,4	3,0	2,3	3,4	
04: Behavior code; 05: Organizational governance; 07: Engagement of stakeholders; 09: Sustainability reports and integrated reports;	D2/Organizational governance	3,1	2,3	4,4	2,2	3,2	4,4	
11: Fair competition; 12: Anti-corruption practices; 17: Supply management system; 18: Impact mapping of operation and risk management.	D2/Operation and management practices	1,7	2,8	1,5	3,1	2,9	5,5	
20: Business impact monitoring on human rights; 21: Child labor in the supply chain; 22: Forced labor; 23: Diversity and equity promotion.	D3/Human rights	1,4	1,6	1,8	2,8	2,2	3,3	
24: Relations with employees; 25: Relations with unions; 29: Employee Health and safety; 30: Working conditions, quality of life and working time.	D3/Work practices	2,3	2,0	2,1	2,8	3,1	6,0	
31: Relationship with consumer; 32: Impact arising from the use of the products or services;	D3/Questions related to costumers	1,6	2,8	1,4	2,8	2,9	5,8	
34: Management of the enterprise's impacts in the community.	D3/Commitment with society and its development	1,5	1,5	1,5	1,5	2,0	3,8	
37: Governance of actions related to climate change; 39: Environmental management system; 47: Reverse logistics.	D4/Environmental	1,3	1,3	1,3	2,6	1,5	2,6	
	Average	1,9	2,0	1,9	2,6	2,5	4,4	
LEGEND	Excellent	Good		Satisfactory		Insufficient		Bad
D1 – Strategy and Vision; D2 – Governance and Management; D3 – Social; D4 - Environmental								

Results: enterprises' average scores by subtheme x average and best scores

DIVISION		ENTERPRISES				BENCHMARK SCORES		
INDICATOR	SUBTHEME	1	2	3	4	Average Score	Best Score	
01: Strategy for Sustainability; 02: Value proposition.	Vision and strategy	1,9	1,4	1,4	3,0	2,3	3,4	
04: Behavior code; 05: Organizational governance; 07: Engagement of stakeholders;	Governance and behavior	2,0	3,4	3,4	2,9	3,6	6,7	
09: Sustainability reports and integrated reports.	Accountability	4,2	1,5	5,4	1,5	3,6	6,7	
11: Fair competition.	Legal competition	2,2	1,5	1,5	4,0	4,0	8,8	
12: Anti-corruption practices.	Anti-corruption practices	1,6	3,2	1,2	1,6	2,1	3,2	
17: Supply management system. 18: Impact mapping of operation and risk management.	Management systems	1,5	1,9	1,9	3,7	2,6	4,4	
20: Business impact monitoring on human rights; 21: Child labor in the supply chain; 22: Forced labor.	Human rights risk situations	1,5	1,6	1,6	1,5	1,7	3,0	
23: Diversity and equity promotion.	Affirmative actions	1,3	2,1	2,1	4,2	2,6	4,2	
24: Relations with employees; 25: Relations with unions.	Work relations	2,9	1,4	1,4	2,7	3,2	7,4	
29: Employee Health and safety; 30: Working conditions, quality of life and working time.	Health and safety at work and quality of life	1,6	2,9	2,9	2,9	2,9	4,6	
31: Relationship with consumer; 32: Impact arising from the use of the products or services.	Respect to consumers	1,6	1,4	1,4	2,8	2,9	5,8	
34: Management of the enterprise's impacts in the community.	Community impact management and development	1,5	1,5	1,5	1,5	2,0	3,8	
37: Governance of actions related to climate change.	Climate changes	1,0	1,0	1,0	2,8	1,3	2,8	
39: Environmental management system.	Management and monitoring of impacts on ecosystem services and biodiversity	1,7	1,7	1,7	3,4	2,0	3,4	
47: Reverse logistics.	Impacts of consumption	1,2	1,2	1,2	1,7	1,3	1,7	
	Average	1,8	1,9	2,0	2,7	2,5	4,2	
LEGEND	Excellent	Good		Satisfactory		Insufficient		Bad

Final Considerations

- 1) The main aim of this study (mapping CSR and SPs) were successfully reached.
- 2) The low scores reached by enterprises on Ethos Indicators can indicate certain unfamiliarity with CSR and SPs.
- 3) The companies presented serious difficulties in understanding and implementing SPs to meet the Ethos Indicators for micro and SMEs.
- 4) Considering Ethos Indicators – Essential Category, SMEs have a long way to follow in the search of excellence in CSR and SPs.
- 5) Companies need to be more effective in integrating CSR and SPs in their plan of actions and strategic policies, to improve CSR and SPs performance.

Final Considerations

- 6) Realign the "Mission, Vision, Values and Objectives" of SMEs, including new CSR and SP perspectives.
- 7) Use of Ethos Indicators for micro and SMEs to support the improvement of existing SPs and implement new ones - for this action only commitment, dedication and some minimal financial support will be required.
- 8) Additional alternatives to improve CSR and SPs performance - gradual implementation of ISO 14,000, ISO 18,000 and ISO 26,000 (at least in self-applied way).
- 9) Ethos model is still complex for micro and SMEs.
- 10) Companies' opinions: it is needed to adapt Ethos model for different segments of industrial and commercial activities (they have different specificities) - it could help SMEs to better understand and implement CSR and SPs.

Final Considerations

- 11) It is undeniable the contributions of Ethos Indicators for micro and SMEs, but it is still needed to intensify its dissemination to São João da Boa Vista region.
- 12) Suggestion for future work - to improve the research on CSR and SPs in micro and SMEs for different sectors of activity; use different models, such as GRI.

Main Contributions of this Work

- 1) Make possible the SMEs to find out their real maturity stage on CSR and SPs.
- 2) Provide SMEs with the opportunity to learn about CSR and SP as a real possibility of developing business sustainability.
- 3) Suggestion to SMEs on the necessary steps in the search of continuous improvement on CSR and SPs.
- 4) Feedback on the SMEs opinions about "Ethos Self-evaluation Questionnaire - Essential Category", for the Institute Ethos.
- 5) Proposition of a scale to evaluate the SMEs performance on CSR and SPs.
- 6) Academy update with information on "Ethos Indicators for Sustainable and Responsible Business", applied in Metallurgical Enterprises of Cutting and Mechanical Conformation of Metals.

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