



RESPONSIBLE MED

Regional Policies for Responsible Development: evaluation of CSR and economic performance in the MED area

Component 4

Pilot: Common Methodology and Tool

Coordinated by: University of Girona

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Executive Summary

The present document details the methodology of the Responsible Med project, a critical juncture in the project in aiming to capture the principal insights from various streams of inquiry in the state of the art and company interviews, as well as serving as a basis for the development of the Responsible Med tool. One distinction to make is that the methodology is not an exact tool description or specification, but rather a platform from which the tool is created. Given several factors, not all aspects of the methodology are operationalized in the tool, and where possible, this distinction is made. Further, the methodology may be used to design a different type of tool in the future, if the exact needs of the enterprise are not fully met by the tool produced in this project. The document is structured as follows. Part 1 includes basic information on the project together with alignment with the new EU strategy on CSR published October 2011. Part 2 includes a top level view of the methodology, with first summary of the main input information to the methodology in the form of the preceding component 3, followed by an introduction to the 4 stages which comprise the methodology, subsequently detailed in part 3. Part 4 includes some concluding remarks on the elements of the methodology which have so far been implemented in the tool.

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1. Introduction

In Responsible MED 9 partners use transnational cooperation to evaluate and capitalise on corporate social responsibility (CSR) as a tool for competitiveness.

Based on regional analyses and comparison, partners develop and test in real life situations a common methodology and tool to evaluate and monitor links between CSR policy and levels of competitiveness.

The starting point is a definition of the determinants of competitiveness. The proposal is to take the definition used by the European Commission and to detail / enlarge it on the basis of the results of Component 3 interviews with companies, where necessary. The 6 determinants of competitiveness, according to the European Commission, are:

- cost structure;
- human resources;
- customer perspective;
- innovation;
- risk and reputation management;
- financial performance.

A further useful point of reference for methodology and tool development is the new EU strategy for CSR for the period 2011-2014, released at the end of October 2011. In it they state that enterprises “*should have in place a process to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders*”. This seems to fit well with the aims of the MED tool, and such alignment should be fully exploited in the capitalization phase of the MED project. The new strategy details an action agenda in 8 main areas as follows, which serves as a useful additional frame for the MED methodology; the fit where appropriate with MED is shown in **bold**:

1. Enhancing the visibility of CSR and disseminating good practices: this includes the creation of a European award, and the establishment of sector-based platforms for enterprises and stakeholders to make commitments and jointly monitor progress. **The MED tool aims to contain information on good practices that may serve to inspire SMEs who use it.**
2. Improving and tracking levels of trust in business: the Commission will launch a public debate on the role and potential of enterprises, and organise surveys on citizen trust in business.
3. Improving self- and co-regulation processes: the Commission proposes to develop a short protocol to guide the development of future self- and co-regulation initiatives. **The tool should include information on the local network, including government and NGOs who may help the SME develop their specific CSR strategy.**
4. Enhancing market reward for CSR: this means leveraging EU policies in the fields of consumption, investment and public procurement in order to promote market reward for responsible business conduct.
5. Improving company disclosure of social and environmental information: the new policy confirms the Commission’s intention to bring forward a new legislative proposal on this issue.
6. Further integrating CSR into education, training and research: the Commission will provide further support for education and training in the field of CSR, and explore opportunities for funding more research.
7. Emphasising the importance of national and sub-national CSR policies: the

Commission invites EU Member States to present or update their own plans for the promotion of CSR by mid 2012. **Regional level specificness for the SMEs CSR strategy is a key element of methodology and tool development.**

8. Better aligning European and global approaches to CSR, including Global Compact and ISO development and frameworks. **Such standards are referenced as part of the available tools to increase CSR maturity.**

The MED methodology is now presented. We stress that the methodology is not the same as the tool, which will be developed as a result of the methodology. The methodology is a standalone document that shows how the tool was derived and which may allow the development of a different tool based on the logic presented.

2. Methodology Content

2.1 Description of Component 3 activities as methodology input

A necessary prerequisite for developing a methodology and a tool for assessing the impact of SME CSR actions on their competitiveness is to understand the needs and the requirements of the SMEs related to: i) the development and implementation of their CSR activities, ii) the identification of barriers and enablers which are relevant to the development of their CSR activities, iii) the way that SMEs are currently evaluating their CSR activities, and iv) the means (in terms of methods and tools) that are currently available to SMEs to assess the impact of their CSR actions on their competitiveness.

The first step of the methodology used was to perform a comprehensive state of the art (SoA) and state of practice (SoP) review in order to determine:

- The motivation of the SME CSR activities;
- The nature of the SME CSR activities;
- The types of CSR activities introduced by SMEs;
- The types of methods used by SMEs to evaluate the performance of CSR activities;
- The indicators used to assess the performance of CSR activities;
- The indicators used to assess the competitiveness of the SMEs;
- Barriers to the implementation of CSR activities;
- Enablers for the implementation of CSR activities;
- Type of assistance provided to SMEs by governmental organisations;
- Stakeholders involved in the development and implementation of SME CSR activities;
- Tools available for assessing the impact of SME CSR activities on their competitiveness.

The results of the SoA and SoP survey were used to: i) develop a survey instrument which was subsequently used to elicit the views and identify good practices of Mediterranean SMEs in relation to the implementation and evaluation of CSR actions and ii) understand the characteristics of the decision making environment within which SMEs are called to implement and assess their CSR actions.

The SoA-SoP and the surveys provide essential input for:

1. The identification of good CSR practices undertaken by SMEs. Over 150 SMEs from six European Mediterranean regions participated in the survey. In total 240 good practices for implementing and assessing CSR practices were identified.
2. The identification of indicators used by companies (and especially SMEs) to assess the performance of CSR programmes/actions.
3. The perceived (by the SMEs participating in the survey) degree of association of CSR actions and competitiveness dimensions. The results of the surveys enable to determine those CSR actions that have the most pronounced impact on the various dimensions of competitiveness.
4. The determination of the characteristics of the decision-making environment for the planning, implementation and assessment of CSR actions. The characteristics of the decision-making environment provide an essential input for determining the characteristics and functionalities of the impact assessment tool.

In parallel to the identification of the characteristics and requirements of the decision making environment relevant to the implementation and assessment of CSR actions, a review of tools available for assessing CSR performance was also performed.

The results of the survey (inventory of good practices, inventory of CSR performance indicators, relationship between CSR and competitiveness, decision-making characteristics) provide input for the identification of the needs and requirements of the tool. In turn, the tool needs and requirements provide the basis for the determination of the tool functionalities and eventually the development of the tool.

2.2 Overview of Methodology Content

On the basis of the activities defined in the application form and the work carried out by all partners until now, it has been concluded that the Methodology should outline a process that can:

1. Help SMEs to understand the level of maturity of CSR actions
2. Propose actions to build on a CSR strategy on the basis of regional characteristics / maturity level / sector and actions from partners and other experiences
3. Help SMEs to evaluate the link between CSR / Competitiveness in order to decide whether or not to undertake an CSR strategy or to continue with a CSR strategy – ex ante evaluation
4. Help SMEs to evaluate effectiveness of strategy on basis of competitiveness variables – ex post evaluation

This structure follows a work flow model that can help SMEs at different stages of CSR implementation. It also caters for both the general level link between CSR and competitiveness and more specific cases, as represented below in Figure 1.

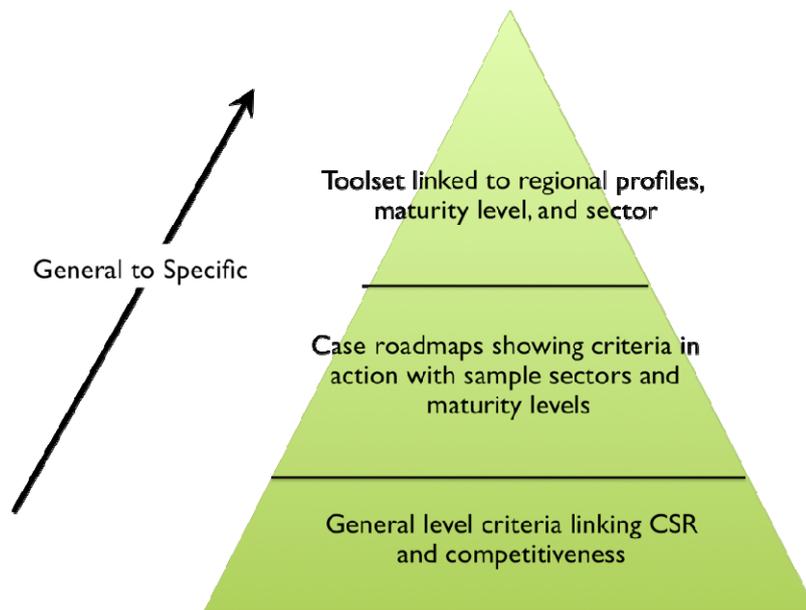


Figure 1: Methodology Pyramid

The proposed methodology is envisaged to cover all stages of the decision-making process for the development, implementation and assessment of CSR actions through the development of methodological stages.

Stage 1 of the General Level methodology (Figure 2 below) involves the diagnosis of the maturity level of the SMEs under examination. The exercise is envisaged to build on previous development in the EU/CSR space, such as self-assessment check, awareness raising questionnaire, and standards for CSR level assessment. Taking into account the CSR maturity level of SMEs, Stage 2 of the General Level Methodology will develop a profile of SMEs based on contextual characteristics such as economic/industrial sector of operation, geographical region and company size, thereby creating a personalized strategy, or depending on the sophistication of the tool, at least details on the most relevant focus areas for the company. This personalised strategy, at the tool level, will combine stages 1 and 2, and constitute the 'output' to the input provided by the SME in terms of their profile information and response to the maturity check questions.

Stage 3 aims to perform an ex-ante evaluation of the perceived impact of alternative CSR actions applicable to the profile of the given SME (proposed in Stage 2) on SME competitiveness and cost. Finally, Stage 4 will perform an ex-post assessment of the actual impact of the implemented CSR scenarios on the SME competitiveness and cost.

Finally, there is some degree of iteration and feedback from stage 4 to stage 1. Although not all steps would be completed on a second iteration, SMEs may again measure their CSR level after the actions carried out in the various steps, following therefore a general continuous improvement approach of Plan-Do-Check-Act. Such an approach allows the SME to begin to take a more strategic approach to business improvement.

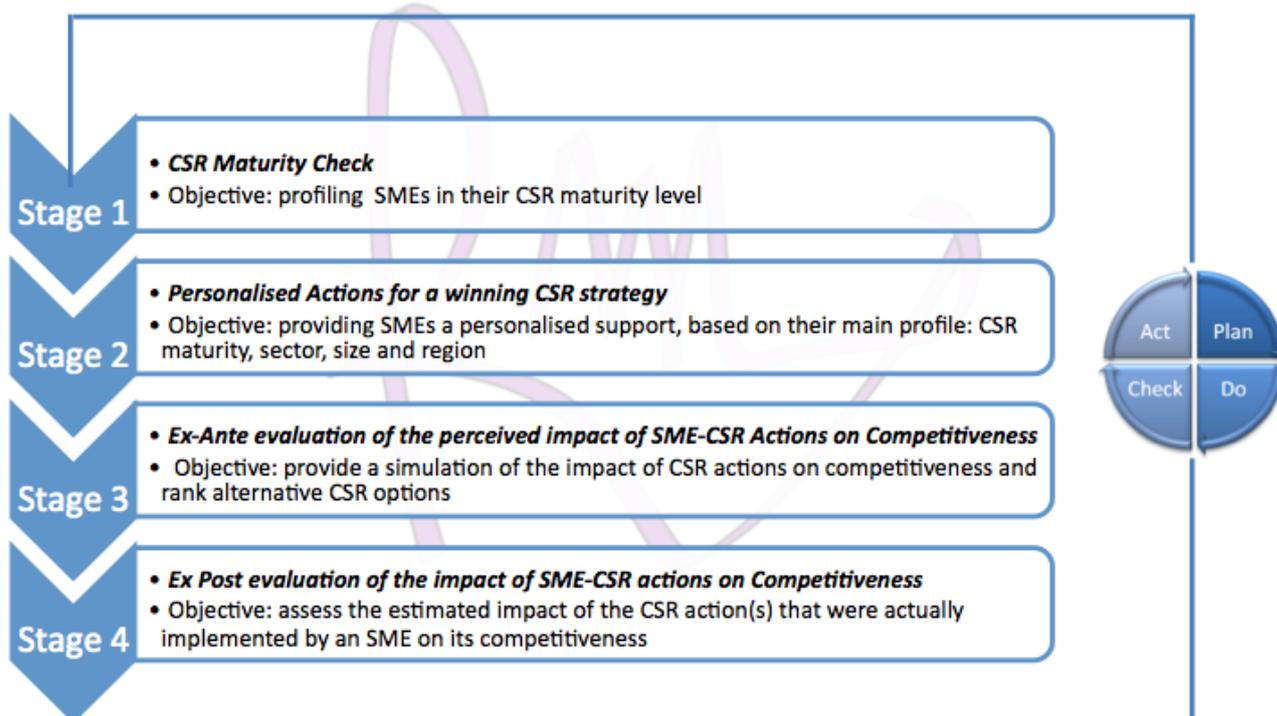


Figure 2. General level Methodology

3. Methodology stages 1-4

3.1 Stage 1: CSR Maturity Check

Based on existing typologies in the literature combined with fieldwork experiences and tool benchmarking, this section of the methodology will specify a **CSR maturity scale for Mediterranean SMEs**.

Although the focus is placed a priori on highly mature SMEs (given the project's focus on the link with competitiveness) the methodology should be inclusive and also cater for the fact that many SMEs may be better or worse performing in CSR than they believe. As such a draft **self-assessment check** for SMEs to self-diagnose their position on the CSR maturity scale will be defined in this section.

The application of CSR practices in SMEs varies widely. Some companies have never heard of the concept but have been applying many good practices for decades, some have started a systematic application of the principal concepts to reinvent their business, while others remain skeptical. We identify here two main ways of evaluating the level of maturity of CSR efforts: the awareness raising questionnaire and formal measuring of CSR level.

Awareness raising questionnaire: This is considered a typical first contact tool with which a company can have a quick scan of where it stand in CSR terms and, by filling in the questionnaire, also gets a feeling of where it could go. It is low barrier, easy to do in about 10 minutes, and requires no additional research or involvement from the company. An excellent example is the one first presented by the European Commission, DG Enterprise. A more extensive self-assessment comes from the UN's Global Compact. Many more (local) examples of varying degrees of complexity are available. In Catalonia for example a simple, 5-minute questionnaire was published by CECOT. This leads to the conclusion there is no need to develop a new awareness raising tool, but instead to adapt one of the existing ones available at international or at regional level.

Measuring of CSR level: There is a wide variety of standards allowing for the measurement of CSR levels of companies. Most of these standards have been initiated over the last decade and have slowly started to be applied. In particular, two are worthy of highlight for Mediterranean SMEs. The first one is the Responsible Entrepreneurs Achievement Programme (REAP) tool by UNIDO. It is a management and reporting tool that supports SMEs in implementing CSR concepts. It is based on the Triple-Bottom-Line approach, 5S methodology, Total Employee Involvement, the ten principles of the UN Global Compact as well as international standards in the social and environmental domains (ISO 14001, SA 8000, OHSAS 18001). Finally it is also based on best practices in Responsible Supply Chain Management. The tool is aimed at SMEs around the world with a focus on developing country as the collaboration is with UNIDO and qualified local experts. The tool provides a structured framework in combination with analytical software, which can be used to gather, process, evaluate and report data to track progress in implementing CSR in SMEs. The work is carried out by local experts. Until today only few people have qualified.

The second relevant tool is the CSR Performance Ladder (Management System Requirements and Certification Standard for Corporate Social Responsibility). It satisfies the need to make sustainable development concrete, objective and demonstrably on the basis of social engagement. It identifies 5 stages of CSR performance:

- i) Preparation and baseline measurement
- ii) Policy implementation and continuous improvement
- iii) Attaining CSR level 3 (a threshold level)
- iv) Elaboration of stakeholder dialogue and (supply) chain responsibility
- v) Achievement of distinctive level (level 5)

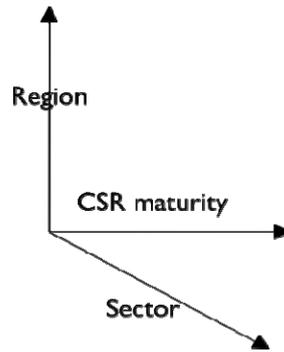
The CSR Performance Ladder certification standard for Corporate Social Responsibility is inspired by international documents and guidelines such as ‘Guidance on social responsibility’ (DRAFT INTERNATIONAL STANDARD ISO/DIS 26000), stakeholder management (AA1000) and the Global Reporting Initiative (GRI). We note that the CSR Performance Ladder is appropriate for certification, which is carried out by external certification agencies, while the ISO 26000 is not a management system standard and not intended or appropriate for certification purposes.

The means by which the above maturity methods may be implemented in a tool, especially when considering the other elements of the methodology leads us to believe that tool development focus should be placed on the awareness raising questionnaire. This allows for a low-cost, time efficient entry to the overall methodology (and eventually tool) for all types of SMEs as described in this opening section. The increased richness or complexity of the REAP and Performance Ladder approaches is present when we combine the CSR maturity vector with additional criteria related to region and sector as described in the following section.

If basing our maturity check on the awareness raising questionnaire a simple scoring method ought to be developed to give respondents a clear quantitative value (say, as a percentage) for their existing practices. At the tool level, a final maturity ‘score’ for the different CSR areas (workplace, marketplace, community, and environment) would then be produced, with the SME directed to either the area where most development is required or the most ‘strategic’ element in terms of their operating context.

The simplest scoring method would then pre-suppose a linear-type progression within the SME, which may develop along maturity paths such as those below:

- informal to formal,
- periodic application to consistent application,



- separate from core business to integrated within core business, and
- satisfying minimum law requirements to moving beyond law requirements.

Figure 3. Three vectors for context specificity

Of course, increasing maturity within the enterprise may include a mix of all of these, yet considering the ‘paths’ is useful as a means of developing the specific content and form for the tool. An example of a possible questionnaire based on the notion of maturity or progression, is shown in the appendix. Each question is given an ideal state ‘maximum score’ which is then averaged across all questions for the CSR area (32 questions in total means there are 8 questions for each CSR area) to give a final % value.

3.2 Stage 2: Personalised Actions for a winning CSR strategy

The state-of-the-art and state-of-practice reviews and the context analysis performed within the framework of RESPONSIBLE MED suggest that the one-size-fits-all approach is not applicable for the development and implementation of SME CSR programmes. Thus, in developing an SME CSR programme, it is important to take into account the contextual characteristics and level of maturity of the SME under consideration. This part of the methodology defines how to develop a profile of SMEs based on the economic/industrial sector in which they operate, their size, geographical location and level of maturity. The outcome of this analysis will provide the background for the execution of the subsequent stages. The recommendation that will be provided to SMEs will be profile-specific.

As a means of supporting personalised CSR action the methodology presents a structure to define the context specificity using 3 main vectors, region, maturity, and sector. This approach allows that an SME operating in a specific sector, with a specific market and interacting with certain local / international stakeholders and competitors, etc, will have determined certain competitive levers on which to base their strategies. Our methodology (on the basis of the analysis carried out) would allow the SME to identify the most effective CSR instrument(s) to respond to the specific characteristics and to boost their competitiveness.

For example, an SME operates in the paper sector, works within an industrial cluster and its market is largely national, etc. The literature says that enterprises working in such clusters should develop relations with local actors, should focus on improving social / relational capital, and in order to satisfy the distribution system, should demonstrate high levels of performance. Possible elements of a personalised strategy would include a label or certification of the process, with a strong element of communication with / participation of the local community.

The maturity vector was discussed in the previous section. We now discuss the other two vectors before a final reflection on how all three combine to produce a personalised strategy.

Region

This variable explains the framework of CSR policies characterizing a specific region. These policies should act as a relevant stimulus for SMEs, in order to influence the selection of CSR tools and practices. The tool should include information on the following levels:

- initiatives of financial support promoted by public bodies and addressed to SMEs. These initiatives should regard specific CSR practices adoption (example: co-financing initiatives for certification processes)
- initiatives to award the firms that demonstrated certain performance regarding the CSR (for example tax relief, extension of the tax cuts, administrative simplified authorizational procedures, Green Public Procurement and Ethical Public Procurement policies, etc)
- initiatives to promote CSR policies foreseeing participation of both public and private sector at a local (and sub-regional) level (for ex: European projects to support the SMEs with a public private partnership, finalization of learning, information and methodology tools for the SMEs to start social responsibility programs, etc.)

Essentially, the key driver or motivation here is to transfer knowledge of the local community or key stakeholders for the SME so that they may engage with them as a means of receiving support and gaining feedback on their development. In other words each initiative will be driven by an entity, be that local government, enterprise or NGO, who have an interest in CSR for that region.

Sector

This vector gives support to the decisional process based on the firm distinctiveness in a given area. Based on what could be learned from the interviews with the firms, it has been possible to render an overall picture useful to link the macro-sectors of activity with the 4 CSR - related areas identified by the European Commission. This also allows us to fully exploit the research carried out so far in the project.

For tool development, partners have pooled the main firm critical factors in each macro-sector. These factors relate to a specific CSR area as shown in table 1 in the appendix. This therefore builds on the richness of the regional profile as well as taking into account sector specificity.

Vector combination for a personalised MED strategy

The personalised strategy is the principal result of stages 1 and 2 giving the SME focused actions based on their specific context. This action strategy will then be used as the main input to stages 3 and 4 which simulate the link with perceived competitiveness. The strategy has three main action areas:

- *Region*: specific tools and areas identified as strategic by public institutions, which can provide benefits to the SMEs, allowing the company to begin to know the local community.

- *Sector*: on the basis of the sector and the priorities chosen by the owner, high priority CSR areas are identified.
- *Maturity*: on the questionnaire basis there will be a preference order among CSR areas related to the maturity level of the firm.

An example of tool content regarding specific CSR actions and related tools is shown in table 2 in the appendix. This may be complemented by good practice examples, especially on a regional level, which may serve to inspire the company in question.

Considering further the tool development, if the action strategy is a combination of three differentiating vectors, **there ought to be a consideration of weighting**. For example, when considering maturity in isolation, the least developed CSR area, say environment, would constitute the focus for an SME. However, if also considering their sector and regional profile, which say states that the SME should focus on marketplace issues, then such an area should be the focus of the strategy even if it is more developed (i.e. has a higher normalised score) than environment-related CSR.

3.3 Stage 3: Ex-Ante evaluation of the perceived impact of actions on competitiveness (AUEB-RC, 2011b)

The objective of the ex-ante evaluation stage is to rank alternative CSR actions, which are selected by an SME, according to the perceived contribution of these CSR actions on the SME competitiveness and the perceived cost of each CSR action. The problem of ranking alternative CSR actions according to their perceived contribution on SME competitiveness and their perceived cost has the following characteristics:

- Multiple impact measures: Every CSR action introduced by an organization may generate positive and negative impacts (benefits and costs, respectively). These benefits can be expressed quantitatively and/or qualitatively. For the case of the Responsible MED project, the expected benefits will reflect the contribution of different CSR actions on the various dimensions of SME competitiveness, while the costs will be associated with the cost of developing, implementing and monitoring the CSR actions.
- Difficulty of assessing the impact of CSR actions: During the ex-ante evaluation, it may be difficult to have accurate and objectively measured values of the potential impacts of the CSR actions on SME competitiveness and cost.
- Multiple stakeholders: The introduction of different types of CSR actions (by an SME) may impact different categories of stakeholders (e.g., employees, society, owner, etc.). These stakeholders may assign different importance to different types of impacts generated by alternative CSR actions.

To achieve the abovementioned objective, the decision-making problem at hand is decomposed hierarchically in two structures: one hierarchical structure assesses the benefits of each CSR action (Figure 4) and one assesses the associated costs (Figure 5).

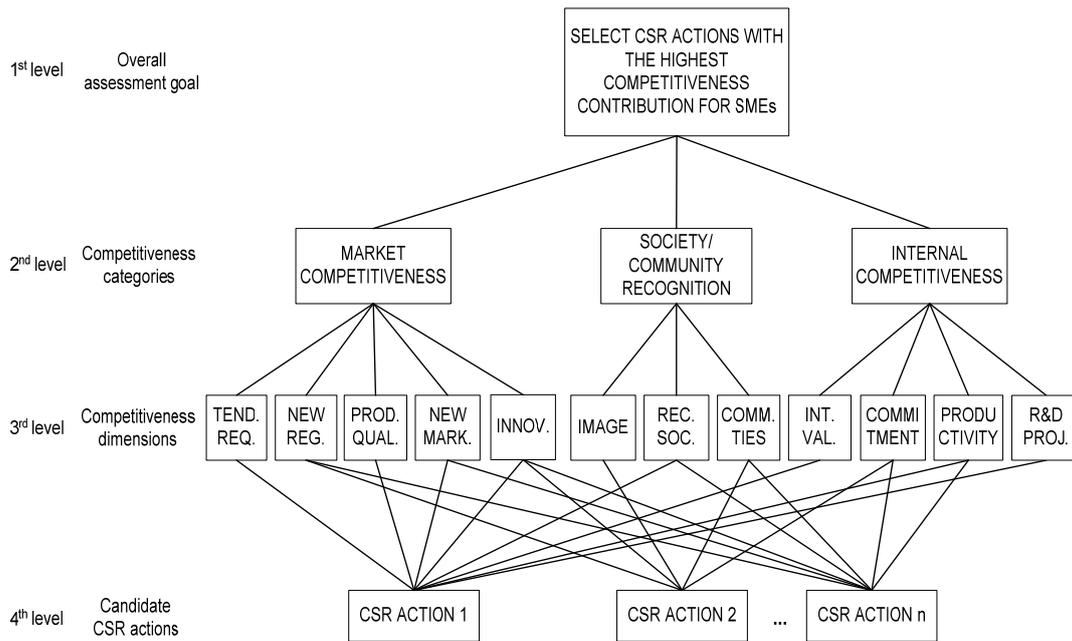


Figure 4: Hierarchical structure for the ex-ante evaluation of the perceived impact of alternative CSR actions on SME competitiveness

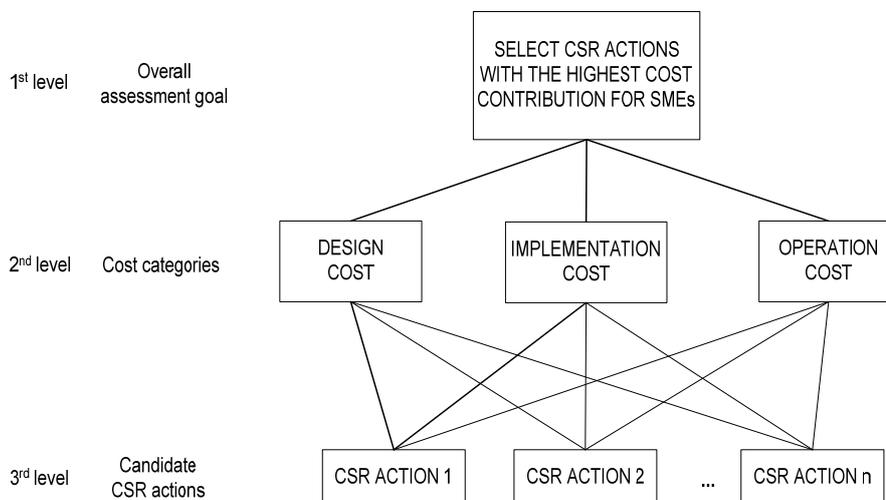


Figure 5: Hierarchical structure for the ex-ante evaluation of the perceived impact of alternative CSR actions on SME costs

The hierarchical structure for the evaluation of the perceived impact of alternative CSR actions on SME competitiveness (Figure 4) shows that several competitiveness dimensions (Level 3) are included under each competitiveness category (Level 2). These dimensions were identified from the results of the state-of-the-art and state-of-practice literature review (performed in Component 3) and were included in the survey questionnaire for SMEs (developed in Component 3). The linkages between the competitiveness categories and competitiveness dimensions are illustrated in Table 1.

Competitiveness categories \ Competitiveness dimensions	MARKET COMPETITIVENESS	SOCIETY / COMMUNITY RECOGNITION	INTERNAL COMPETITIVENESS
Response to tender requirements of clients	+		
Image of company		+	
Employee perception of company's CSR-related internal values			+
Recognition of company by society		+	
Anticipation and adaptation to new regulations	+		
Employee connection to company			+
Community ties		+	
Productivity			+
Product quality	+		
Participation in R&D projects			+
Entrance in new markets	+		
Innovation	+		
Improvement of management skills			+

Table 1: Association of competitiveness categories and SME competitiveness dimensions

The hierarchical structure of the assessment of the impact of CSR actions on competitiveness is composed of the following levels:

- Level 1: Overall goal, i.e., selection of the CSR action with the highest impact on SME competitiveness
- Level 2: Competitiveness categories, which constitute broader categorizations of the various dimensions of competitiveness
- Level 3: Competitiveness dimensions, which constitute the actual characteristics of competitiveness that are influenced by the CSR actions
- Level 4: Alternative CSR actions, which constitute the objects under evaluation.

The hierarchical structure of the assessment of the impact of CSR actions on cost is composed of the following levels:

- Level 1: Overall goal, i.e., selection of the CSR action with the highest impact on SME cost
- Level 2: Cost categories
- Level 3: Alternative CSR actions, which constitute the objects under evaluation.

Given that the ex-ante evaluation takes place at a preliminary planning stage of the CSR action, i.e., Planning phase of the PDCA cycle, the level of detail regarding the potential impact of alternative CSR actions on SME competitiveness and cost is rather limited. Therefore, in this stage the perceived impact (by the SMEs) of alternative CSR actions on competitiveness and cost can only be assessed through the provision of subjective input relevant to the expected impact of different CSR actions on different competitiveness and cost dimensions.

A weighted scoring model approach (see Shtub et al, 2005) has been selected for the operationalisation of the ex-ante evaluation of the perceived impact CSR actions on SME competitiveness and cost and has been integrated in the tool. According to this approach, the SME provides the following subjective input for the assessment of the impact of CSR actions on competitiveness:

- Relative weight of the competitiveness categories (Level 2) with respect to the overall goal (Level 1). The relative weight of each competitiveness category takes decimal values between 0 and 1 and the sum of the relative weights of all competitiveness categories is equal to 1.
- Relative weight of each competitiveness dimension (Level 3) with respect to the competitiveness category to which it belongs (Level 2). The relative weight of each competitiveness dimension can take a decimal value between 0 and 1 and the sum of the relative weights of all competitiveness dimensions belonging to a specific competitiveness category is equal to 1.
- Perceived performance of each alternative CSR action (Level 4) for all competitiveness dimensions (Level 3). The performance of the CSR action is measured on a 5-point ordinal scale, where 1= very low performance and 5 = very high performance. When a CSR action does not contribute to a certain competitiveness dimension, the respective performance value is 0.

In order to assist SME decision-makers in formulating their judgment with regards to the perceived impact of the CSR actions on the various competitiveness dimensions, a table depicting the assessment results of the perceived impact of the CSR actions on the various competitiveness dimensions that were derived from the surveys with SMEs performed in Component 3 is provided to partners (i.e., incorporated in the respective assessment step in the tool software). This table is included in Appendix D of this report. The results depicted in this table are used as indicative default values in the respective step of the Responsible MED tool; however, the users can define their own values based on their judgment.

Following a similar procedure, the SME provides the following subjective input for the evaluation of the perceived impact of CSR actions on SME cost:

- Relative weight of the cost categories (Level 2) with respect to the overall goal (Level 1). The relative weight of each competitiveness category takes decimal values between 0 and 1 and the sum of the relative weights of all competitiveness categories is equal to 1.
- Perceived performance of each alternative CSR action (Level 3) for all cost categories (Level 2). The performance of the CSR action is measured on a 5-point ordinal scale, where 1= very low cost and 5 = very high cost.

In order to assist SME decision-makers in formulating their judgments for the perceived impact of the CSR actions on the various cost categories, a table with default values representing the judgment of Responsible MED partners (measured on the 5-point scale mentioned above) is provided to partners (i.e., incorporated in the respective assessment step in the tool software). This table is included in Appendix E of this report. The values included in this table are derived from the experience of partners in the implementation of relevant CSR actions. As in competitiveness, the users can define their own values for the cost categories based on their own judgment.

Following the assessment of the perceived impact of the CSR actions on SME competitiveness and cost, a competitiveness/cost index is calculated by the tool for each CSR action, assessing the relative benefits for the SME from the implementation of each CSR action over the relative costs that it incurs. The final output of the ex-ante evaluation stage is a ranking of the alternative CSR actions in terms of their competitiveness/cost ratios.

3.4 Stage 4: Ex Post evaluation of the impact of actions on competitiveness (AUEB-RC, 2011b)

The objective of the ex-post evaluation is to assess the impact of the CSR action(s) that were actually implemented by an SME on its competitiveness and costs. To achieve this objective, the decision-making problem at hand is again decomposed hierarchically in two structures: one hierarchical structure assesses the impact of the alternative scenarios “before” and “after” the implementation of CSR on competitiveness (henceforth “before CSR” and “after CSR” respectively) (Figure 3) and one assesses the impact of the same scenarios on costs (Figure 4).

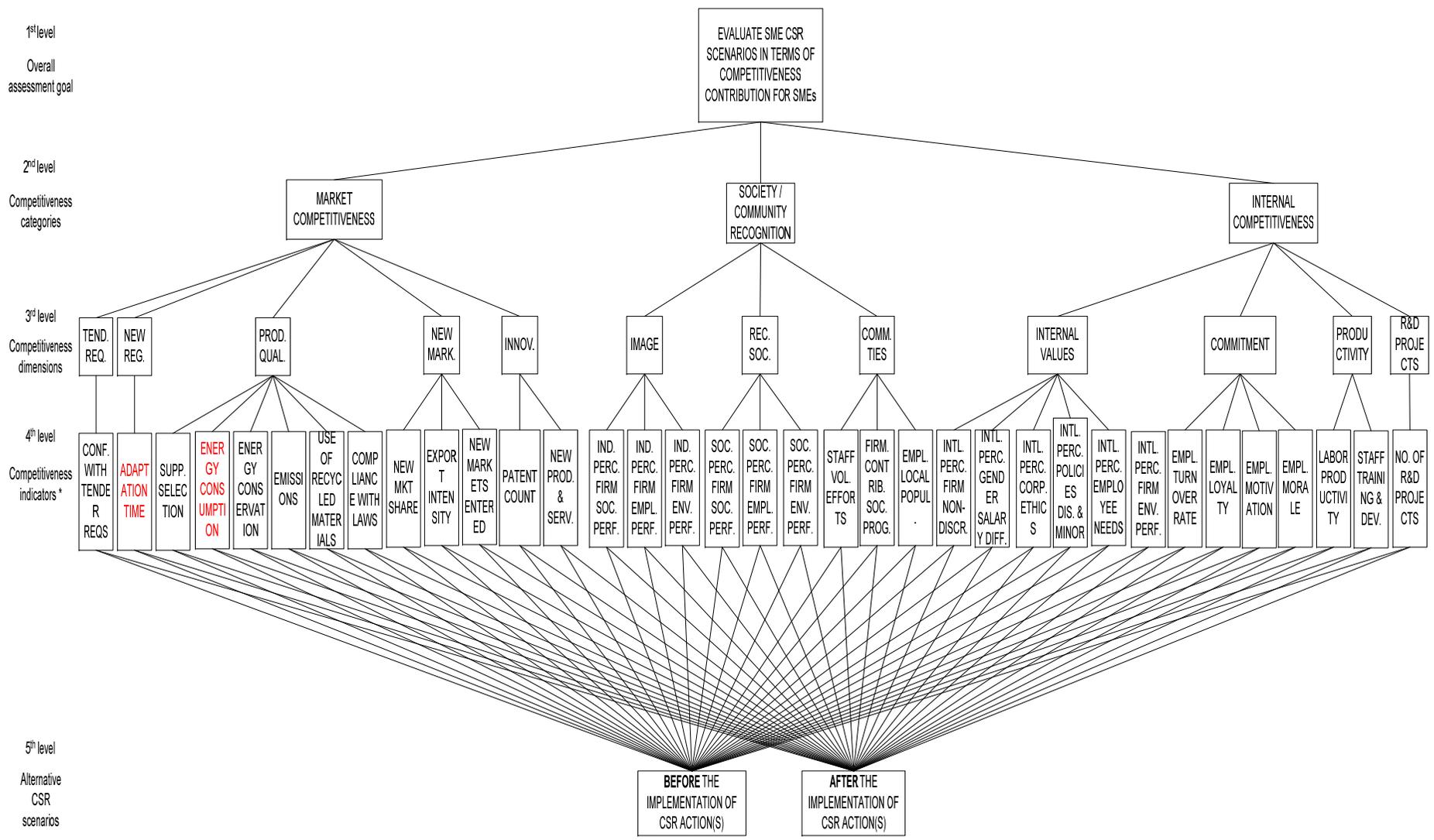


Figure 6: Hierarchical structure for the ex-post evaluation of the impact of alternative CSR scenarios on competitiveness

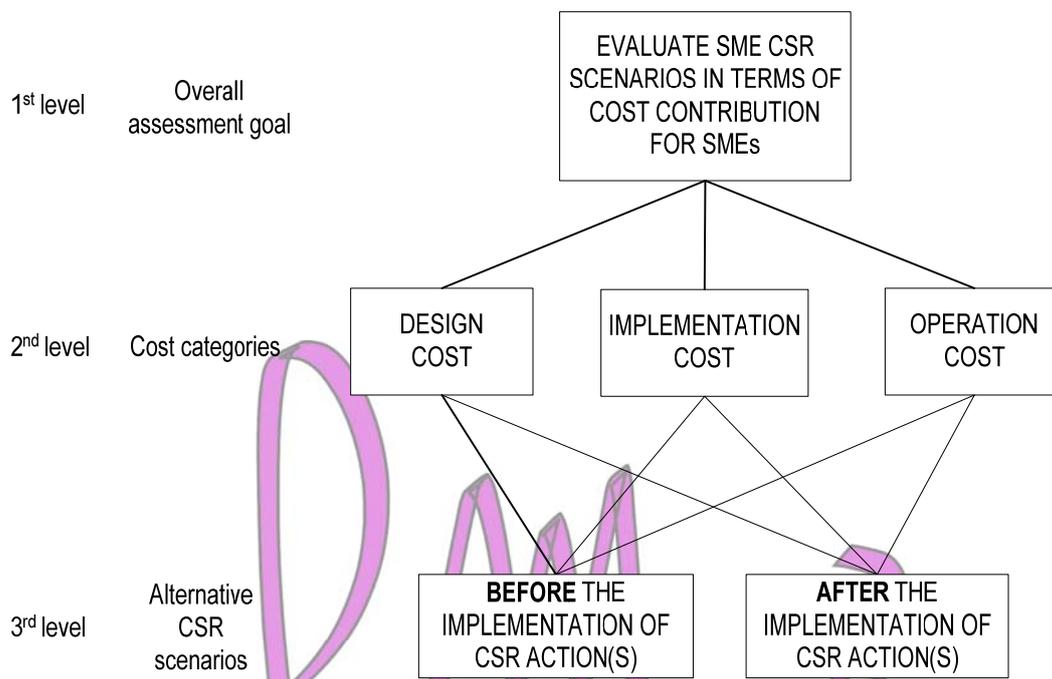


Figure 7: Hierarchical structure for the ex-post evaluation of the impact of alternative CSR scenarios on cost

The hierarchical structure of the assessment of the actual impact of alternative CSR scenarios on competitiveness is composed of the following levels:

- Level 1: Overall goal, i.e., evaluation of the “before CSR” and “after CSR” scenarios in terms of their impact on SME competitiveness
- Level 2: Competitiveness categories: same as in the ex-ante evaluation stage
- Level 3: Competitiveness dimensions: same as in the ex-ante evaluation stage
- Level 4: Competitiveness indicators expressing the abovementioned competitiveness dimensions
- Level 5: Alternative CSR scenarios, i.e., scenario expressing the situation “before CSR” and “scenario expressing the situation “after CSR”.

The hierarchical structure of the assessment of the impact of CSR actions on cost is composed of the following levels:

- Level 1: Overall goal, i.e., evaluation of the “before CSR” and “after CSR” scenarios in terms of their impact on SME cost
- Level 2: Cost categories
- Level 3: Alternative CSR scenarios, i.e., scenario expressing the situation “before CSR” and “scenario expressing the situation “after CSR”.

The problem of the ex-post evaluation of CSR actions shares some of the characteristics of the ex-ante evaluation problem, i.e., multiple impact measures, difficulty in assessing the impact of CSR actions in an objective manner, multiple stakeholders. A major difference between the ex-ante and the ex-post evaluation is that in the latter, the SMEs may be in a position to collect actual (objective) data on competitiveness and cost dimensions. This requires the definition of specific indicators expressing the competitiveness and cost dimensions; the assessment of the

impact of CSR actions on the competitiveness and cost dimensions will be made on the basis of the relevant indicators expressing these dimensions. The set of indicators for each competitiveness dimension and the CSR actions associated with it is illustrated in the table included in Appendix F, while the set of cost indicators is illustrated in the table included in Appendix G of this report.

The indicators expressing the impact of the alternative CSR scenarios on competitiveness are both subjective and objective in nature. For several indicators, the SME is asked to provide a value based on subjective judgment (measured on a 5-point scale), for others it is asked to provide a value derived in an objective manner (using a clearly defined objective metric), while for others it can choose the type of assessment it wants to use (subjective or objective). The indicators expressing the impact of the alternative CSR scenarios on cost are measured in an objective manner (monetary value of cost for “before CSR” and “after CSR” scenarios”.

The weighted scoring model approach (see Shtub et al, 2005) is selected also for the operationalisation of the ex-post evaluation of the actual impact of CSR actions on SME competitiveness and cost and has been integrated in the tool. The SME provides the following input for the assessment of the impact of CSR actions on competitiveness:

- Relative weight of the competitiveness categories (Level 2) with respect to the overall goal (Level 1). The relative weight of each competitiveness category takes decimal values between 0 and 1 and the sum of the relative weights of all competitiveness categories is equal to 1.
- Relative weight of each competitiveness dimension (Level 3) with respect to the competitiveness category to which it belongs (Level 2). The relative weight of each competitiveness dimension can take a decimal value between 0 and 1 and the sum of the relative weights of all competitiveness dimensions belonging to a specific competitiveness category is equal to 1.
- Relative weight of each competitiveness indicator (Level 4) with respect to the competitiveness dimension to which it belongs (Level 3). The relative weight of each competitiveness indicator can receive a decimal value between 0 and 1 and the sum of the relative weights of the indicators of each competitiveness dimensions is 1.
- Performance of each alternative CSR scenario (Level 5) with respect to the competitiveness indicators (Level 4). As mentioned above, each indicator can accept values based on subjective or objective assessment, as per its definition (see table in Appendix F).

A similar procedure is followed for the assessment of the impact of alternative CSR scenarios on cost:

- Relative weight of the cost categories (Level 2) with respect to the overall goal (Level 1). The relative weight of each competitiveness category takes decimal values between 0 and 1 and the sum of the relative weights of all competitiveness categories is equal to 1.
- Actual performance of each alternative CSR scenario (Level 3) for all cost categories (Level 2). The performance of the CSR action is measured in an objective manner (monetary value of each cost category for each alternative CSR action) (see table in Appendix G).

Following the assessment of the actual impact of the alternative CSR scenarios on SME competitiveness and cost, a competitiveness/cost index is calculated by the tool, assessing the relative benefits for the SME from the implementation of each alternative CSR scenario over the relative costs that it incurs. The final output of the ex-post evaluation stage tool is a competitiveness/cost index for the “before CSR” scenario and a competitiveness/cost index for the “after CSR” scenario. The user can then make the comparisons between these two scenarios; the scenario with the highest competitiveness/cost ratio is more preferable than the other scenario.

4. Concluding Remarks

Regarding the methodological elements from stages 1 and 2 which have subsequently been created in the tool, most of these elements are present but not in the integrated, multi-vector fashion as presented here. An awareness raising questionnaire is used to evaluate maturity of the SME, based on a linear progression of company activities aligned with standards and legislation. Regional level information is also provided as part of the specific company response to facilitate local community engagement, but the theme of weighting amongst the three primary vectors has not currently been integrated in the tool, and will be investigated at a later date.

The methodological framework that has been developed for the ex-ante evaluation of the perceived impact of CSR actions on SME competitiveness and cost and for the ex-post evaluation of the actual impact of alternative CSR scenarios on SME competitiveness and cost has been operationalised and subsequently used for the development of the respective modules (i.e., “Ex-ante evaluation” and “Ex-post evaluation” modules) of the Responsible MED tool. A detailed description of the methodology, which includes the mathematical formulas and relevant details for the operationalisation of the methodology has been provided to the tool developers (AUEB-RC, 2011b), together with extensive technical support. Therefore, the Stages 3 and 4 of the Overall Methodology have been fully operationalised and integrated in the Responsible MED tool.

Future steps involve the validation of the tool using the methodology and instrument (AUEB-RC, 2012) that considers the perceived usefulness, ease of use as well as the overall acceptability of the tool.