

## Chapter 5

# Sustainable Balance Scorecard as a CSR Roadmap for SMEs: Strategies and Architecture Review

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### ABSTRACT

*The purpose of this chapter is to review and establish a theoretical framework that creates a systematized method to help SMEs willing to adopt a sustainability strategy. There is an increasing interest in SMEs to incorporate CSR and CS as a strategy, but they need a tool that would lower the entry barrier for SMEs struggling to adopt said objectives, such as the sustainable balance scorecard (SBSC). The chapter aims to provide a support tool and guide for SMEs interested in developing a CSR and sustainable strategy. To develop it, a literature review was performed, and the approach proposed by Hansen and Schaltegger was deemed to be feasible for adoption and implementation. As a result, an SBSC hierarchy is proposed for SMEs. Further evidence is necessary to validate the current proposal.*

### INTRODUCTION

There is a noticeable increase in interest concerning Corporate Social Responsibility (CSR) among organizations from all sizes and sectors, as well as among academics and researchers. Moreover, this interest has become a demand from more educated consumers who value the need to keep a healthy balance between consumerism and the environment which provides the raw material or elements used as input to elaborate any product or service (Castejon & Aroca, 2016; Medel-González, García-Ávila, Pamplona, Marx-Gómez & Toledo, 2016).

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The current greatest challenge resides in how to incorporate this responsibility at a business level. This interest has developed new concepts which try to encompass all the elements associated with the topic at hand. As a result, new concepts arise, such as development, sustainability, and social responsibility. By integrating these concepts, they begin to evolve towards what is now known as Corporate Social Responsibility (CSR). This concept is the result of trying to translate Sustainable Development (DS) in a business context, one where DS should echo in everyday operations. However, the same integration of conceptual elements gives place to a multidimensional and complex term to understand. Therefore, it is difficult to find ways to incorporate it into the company's development strategies, without neglecting the new demands of society to obtain sustainable growth in the long term.

Many companies have found that activities related to the implementation of this type of strategies can consume a considerable amount of time if they are not clearly defined in their operations and indicators. It is necessary that the progress made in this area be recognized by the decision-makers, in order to establish adequate criteria for their evaluation (Vanleer, Jain, & Squires, 2016).

There is still a considerable gap about such evaluation as part of internal processes in organizations. It is, therefore, necessary to enable a decision-making process based on key indicators related to conducting that is consistent or reflects the commitments of a responsible and sustainable corporate/organizational development (Medel-González et al., 2016). However, most studies in this area have been oriented towards large corporations, without paying attention to small and medium-sized companies (many of them operated by families) which comprise the bulk of the economy (Castejon & Aroca, 2016).

SMEs are heterogeneous in size, resources, management style and personal relationships (Jenkins, 2006) which make it difficult for them to adopt large firm practices, like CSR. A key difference between large and small enterprises is that in the first ones, ownership and management functions are not as separated to the same degree as they are in large more prominent firms (Spence & Rutherford, 2003). Control remains in the hands of the owners, enabling them to make personal choices regarding the allocation of resources (Spence, 1999). For this type of business, the relationship with local authorities is closer and more direct than in the case of a large business (Longo, Mura, & Bonoli, 2005). Thus, SMEs are more sensitive to experiencing the problems associated with social responsibility: the small entrepreneur is exposed directly, along with its family and employees, to face adversity on business grounds; he or she shares with them both satisfaction and worries. Besides, the inclusion of CSR depends mostly on the personal disposition of the owner or manager (Perez-Sanchez, Barton, & Bower, 2003). This is a theme reiterated throughout the SME and CSR literature (Davies & Crane, 2010), and referenced by Linh (2011).

Therefore, it is important that SMEs realize that it is not enough to make known their values, goals, and objectives in a code of ethics or conduct, expecting that only with these statements of good business practices and standards they will contribute something positive to society. Currently, the population demands more than a statement of ethics. Today, SMEs must understand the implications of acting ethically and prove to society with facts and actions what they do for the world.

In this way, a CSR management model is considered a useful strategy for SMEs. It exposes the benefits that can be obtained if CSR actions are carried out through the implementation of a model that facilitates the task. From this overview, it is imperative to generate suitable tools to manage CSR, specifically ones oriented to support SME that does not know how to implement these strategies. Some of these businesses develop sparse empirical CSR activities, but most of them think of these activities as a burden for their basic day-to-day operation.

Along with the identification of this gap between "wish and execution," a proper CSR strategy comes along with the necessity to provide a useful tool which enables SMEs to implement it. A mechanism

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