

# Social and Economic Sustainability from the Perspective of SMEs

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*Abstract: Sustainability has been identified as an essential area of development for listed companies due to the corporate law initiative presented by the EU in 2021. This paper aims to grasp how SMEs can respond to stakeholders' economic sustainability and responsibility demands. Regarding social responsibility, this study adopts the United Nations SDG declarations that implementing human rights forms the basis of social responsibility. In the Finnish context, economic responsibility has been referred to issues such as preventing corruption and a grey economy. This is supported by the recent EU Whistleblower Directive (2019/1937), which aims to facilitate anonymous reporting of abuses. This paper is based on the project of Green Responsibility's case study research. As a result, we present a sustainability service model for SME accounting firms and their customers that provides neutral sustainability data or reports, e.g., for SMEs to gain a competitive advantage.*

*Keywords: corporate sustainability report, service model, SME, sustainability*

## 1 Introduction

Sustainability has been acknowledged as an essential area of development for listed companies. So far, sustainability reporting has been obligatory for listed companies that employ more than 500 people in the EU. In recent years, small and medium-sized enterprises and SMEs' stakeholders (i.e., customers, employers, financiers) have also started to require sustainability actions. In addition, if SMEs want to grow and collaborate with public companies, their partners will likely require sustainability verification or documentation in the future due to the corporate law initiative presented by the EU in 2021. Regardless of the increasing responsibility demands of SMEs, sustainability reporting has been optional for small and medium-sized companies. In addition, sustainability scholars have been mainly focused on investigating the environmental impacts of larger firms (e.g., pollution, recycling, energy, water, textiles), while SMEs' economic and social sustainability has received less scholarly attention. Moreover, scholars still need to find solutions regarding how SMEs can respond to the various demands of sustainability issues. Noteworthy, according to Chowdhury and Shumon [1], smaller firms account for most businesses in all countries worldwide. For example, more than 99 percent of European enterprises are SMEs, generating more than 85 percent of new employment in Europe. Thus, it is evident that achieving social sustainability in SMEs will be vital for society. It has also been argued that socially sustainable companies generally perform better than other companies that need to adequately maintain these practices, as these non-participating firms suffer from a negative reputation and a loss of brand value. Therefore, implementing social sustainability is essential for SMEs to maintain their competitiveness. [1] and create social capital [2], which is also crucial for SMEs [3].

The main objective of this study is to understand how SMEs can respond to the various stakeholders (e.g., large corporations) sustainability and responsibility demands. In more detail, we focus on economic and social responsibility in SME business as they are great enablers and drivers of environmental responsibility. Moreover, environmental sustainability is researched more substantially than economic and social sustainability why this study focuses on economic and social sustainability in SMEs. The theoretical framework of this study is based on the published and cited scientific research [11] [12] [13] [16] [17] [19] on both economic and social responsibility. Regarding social responsibility, this study adopts the United Nations SDG declarations that implementing human rights (e.g., equality, education) forms the basis of social responsibility. In addition, corporate purpose defines a company's ground and execution in economic responsibility. Moreover, economic responsibility has been referred to issues such as preventing corruption and a grey economy. This is also supported by the recent EU Whistleblower Directive (2019/1937), which aims to facilitate anonymous reporting of abuses.

The questions related to economic and social responsibility are linked to the firm's corporate purpose, which can vary between enterprises. The limited company's operations aim to generate profit for the shareholders unless the articles of association stipulate otherwise. Moreover, an SME can decide its corporate purpose, e.g., in Finland. However, this aspect has not been much acknowledged in the scientific and societal discussion, as most people assume that profit maximization is the firm's sole purpose. [5] [6].

In designing sustainable service models for accounting SMEs, several sustainability frames such as ESG (Environmental, Social, Governance), GRI (Global Reporting Initiative), and ESRS (European Sustainability Reporting Standards) were compared to have a more comprehensive understanding of their emphasis on social and economic sustainability in this study. Findings disclosed the need for more precise, transparent, and unanimous comparable principals with social and economic sustainability as frames emphasize slightly different angles from SMEs' perspectives.

## **2 Theoretical background**

Hart [4] pointed out that ensuring sustainability is on enterprises' shoulders at the same time when patterns of policy innovations and consumptions move to sustainability. He refers that companies lead the way and pursue sustainability by helping to shape public policy and driving consumers' behavior.

As Herzig et al. [7] state, the company's stakeholders demand information about the economic, ecological, and social goals. It can be said that the stakeholders determine the company's purposes. Therefore, the company should be able to provide information about sustainability-relevant issues by giving a corporate sustainability report (CSR reporting). There are many essential goals of sustainability reporting. One of them is informing stakeholders about non-financial issues that secure the legitimation of corporate activities that create environmental and social impacts. Another goal is to gain a competitive advantage. The third important goal is to increase corporate reputation and brand value. [7]. Currently, when there is no mandatory legislation to produce a comparable sustainability report, comparing the impacts between the companies is difficult.

When considering the possible economic effects of corporate sustainability reporting, we should also reflect on the impacts of mandatory reporting – if and when corporate sustainability reporting becomes compulsory for all companies. Christensen et al. [8] found the economic consequences of corporate sustainability reporting. These consequences include effects on capital markets and company behavior. The study suggests that mandatory corporate sustainability reporting can potentially improve information to investors and other stakeholders. [8]. The report content and the sustainability indicators should be standardized to make the

sustainability information comparable between companies. This leads to better decisions by investors.

Mandatory corporate sustainability reporting can also change the companies' business operations; stakeholders' demands can cause pressure on companies with a high reputation to expand and adjust their sustainability activities. Mandatory corporate sustainability reporting tends to improve a company's sustainability performance. Therefore, stakeholders can have a significant effect on companies' behavior. [8]. The sustainability and responsibility of companies' supply chains must also be reported to prevent the transfer of harmful activities abroad.

Regarding social responsibility, this study adopts the United Nations SDG declarations that implementing human rights (e.g., equality, education) forms the basis of social responsibility. In addition, economic responsibility has been referred to issues such as preventing corruption and a grey economy, and solid financial responsibility forms the basis of the responsibility of SMEs. EU's Corporate social reporting directive [9] drives SMEs to have comparable corporate sustainability reports to describe social and economic sustainability levels and vision for the future of SME's business and as a strategic management tool. The equitable reporting sustainability model enables reporting objectively, confirming transparency.

## **2.1 Economic responsibility**

Traditionally, business education and universities have taught that the primary purpose of a company is always to generate as much profit as possible [10]. And only from this perspective, the financial responsibility of companies is considered to override issues related to social or environmental responsibilities [11]. The financial responsibility of companies clearly and consistently discloses the company's reliability. The company's financial success and good economic indicators strengthen its image and reputation in the direction of its stakeholders. As per the findings of the Bank of Finland [12], businesses are concerned about inflation and rising expenses, including loan interest rates. According to Statistics Finland [13], energy costs are a significant cause of worry for companies and the decreasing purchasing power of customers and consumers. In companies, it is necessary to update cash flow calculations and forecasts and to take sufficient measures in time for adequate cash flow. Companies that have managed their financial responsibility will have priority in the availability of skilled labor. According to Sirkiä [14], companies should offer up-to-date personnel training to update skills and achieve new competencies, thus supporting the company's competitive advantage. The company's responsible operation and reporting enable a broader interest of financiers and investors, thus allowing more significant investments and the company's growth and success.

Every company aims to operate its business cost-effectively. This ensures the company's survival and satisfies its owners. However, as with any business, obstacles involving stakeholders must be identified and resolved. The upcoming

Corporate Responsibility Act is seen as a mandatory challenge for companies brought by the public authorities. This has been seen to cause cost pressure in companies. The company often perceives the legislation as unfavorable, making it difficult to survive in the competition. However, the company competes for customers' euros with companies in the same industry. The Corporate Responsibility Act treats all entrepreneurs in the industry in the same way. Thus, it does not weaken the position of an individual company and creates identical boundary conditions for all companies. The company's management has a significant impact on the company's responsibility. If the company is managed responsibly, it is usually managed well anyway. Responsibility starts from the company's strategy and the values of the management and the board representing the company's owners. In addition, the company's culture plays a significant role in responsibility: how does responsibility appear in the company's culture [15]?

## **2.2 Social responsibility**

Human rights form the foundation of social sustainability. According to the United Nations [16], human rights mean that people have a right to be treated with dignity, and human rights are inherent in all human beings, whatever their nationality, place of residence, sex, national or ethnic origin, color, religion, language, or any other status. Every individual is entitled to enjoy human rights without discrimination. These rights are all interrelated, interdependent, and indivisible. [16]. The first six of the UN Global Compact's principles focus on the social dimension of corporate sustainability, of which human rights are the cornerstone. Social sustainability entails the human rights of specific groups: labor, women's empowerment, gender equality, children, indigenous peoples, and people with disabilities, as well as people-centered approaches to business impacts on poverty. In addition, social sustainability encompasses issues affecting them, for example, education and health. (United Nations) [17].

Supply chain social sustainability is concerned with the human side of sustainability. It refers to the practices and ways firms address issues related to the health, safety, career progression initiatives, freedom, and welfare of the people associated with the supply chain [1]. According to Wolf [18], nine leading indicators of social sustainability are (1) a healthy and safe work environment, (2) an acceptable minimum wage, (3) the specification of maximum work hours, (4) freedom to join an employee union, (5) a policy for child labor, (6) suitable living conditions, (7) non-discrimination, (8) a clear policy for corporate disciplinary practices, and (9) a policy for forced labor. In addition to the organizational side, social sustainability is also concerned with advocating for the local community and culture. SMEs' Social sustainability practices can include community development programs, poverty reduction programs, ethical and fair employment policies, and childcare and healthcare facilities [1].

Noteworthy, even though the stakeholders of SMEs and the legal initiatives by the EU have indirectly started to require sustainability issues from SMEs, SMEs face various challenges regarding measuring and implementing social sustainability. For example, a lack of resources and awareness and external problems, such as the non-existence of a tailored social sustainability standard for SMEs and lack of institutional support, are the challenges SMEs face regarding their society [1]. However, research has disclosed that social sustainability is also critical for SMEs.

### **2.3 Whistleblower Directive (2019/1937)**

The Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law (the “Whistleblowing Directive”) was introduced to establish secure internal and external reporting channels in different organizations. According to the Whistleblowing Directive [19], private and public organizations must offer whistleblowers a safe channel for reporting. One of the critical aspects of EU directives is accountability, transparency, and risk prevention. In promoting these principles, the task and role of the Whistleblower directive [19] has become significant. Responsibility is one key value that EU directives aim to promote. The Whistleblower Directive’s anonymous reporting service can be used to reveal activities that are against ethical principles or environmental standards. The possibility of reporting detected abuses and illegalities in companies and organizations helps ensure that companies and organizations follow responsible practices. Protecting whistleblowers and encouraging them to report unethical activity is essential to promoting accountability.

Transparency is another important aspect of the implementation of EU directives. The role of the whistleblowing service in promoting transparency is emphasized, as abuses revealed through the service can play a significant role in the public review of the organization’s operations. In addition, the importance of risk prevention is substantial, as employees can detect and report potential risks in time. Notification channels offer the opportunity to report, for example, security deficiencies, environmental harm, or data security breaches that might otherwise go unnoticed. This helps organizations react quickly and effectively before risks cause more serious financial or other harm.

## **3 Empirical case study**

The research group defined the first preliminary research methods to achieve the goals set at the start of the project in autumn 2021. In that definition, qualitative and applied design science research methods were used. This analysis focuses on corporate responsibility for small and medium-sized enterprises (SMEs). Using a design science research method, we aim to determine the importance and influence

of corporate responsibility factors on SMEs' current operations and future profitability. In this context, the aim is to understand and describe the needs of SMEs under natural conditions.

When a situation is crucial, a case study is appropriate for reinforcing, challenging, or broadening the associated theory. It is also useful for analyzing deviations from norms, investigating everyday occurrences, and exploring previously inaccessible revealing phenomena. Case studies cover holistic and embedded models. In holistic planning, the global nature of the case is checked, and in embedded planning, several subunits are studied. [20] The applied design science research method aims to provide practical solutions to real-world problems by testing theories and considering the culture of the object being studied. Its results include an explanatory section that outlines the research's framework, objectives, process, and legitimacy. [28].

The qualitative research method is characterized by timelines, locality, and process flow, and participants are selected appropriately, or the research may have other limitations. By collecting data, the researcher gives a clue about the subjective thinking used in the study. [20]. The qualitative research method has many traditions, approaches, and ways of collecting and analyzing data. The analysis is based on real-life experiences, opinions, and visions. It is holistic data collection, where the researcher acts as a tool in phenomena and filtering real-world results through the researcher. [23]. Using the qualitative research method, the author actively creates knowledge in the data collection context. The data collected in this way is context-specific, which means that the same reality may appear different to the respondents, i.e., there may be several realities. Participants are asked open-ended questions, and the topic may change based on the answers. [20] [22] [23].

Qualitative research using a positivist approach is well-suited for examining complex and elusive phenomena arising from globalization. The contextualized nature of qualitative research allows for unexpected events to be accounted for, resulting in comprehensive descriptions of reality that consider various variables, relationships, meanings, and processes. Qualitative research is contextualized, which means it can account for unexpected events and provide comprehensive descriptions of reality. This type of research considers various variables, relationships, meanings, and processes. It focuses on the epistemological identification of regularities and generalizable observations of this reality. Ontologically, it assumes that external reality is difficult to measure but observable. Methodologically, it emphasizes carefully designing and implementing theoretical models and proposals. Positivist qualitative research produces new concepts and theories based on several data forms on complex current phenomena. The challenge in positivist qualitative research is the long time, commitment, and access to research objects for in-depth analysis. [22].

The challenge in qualitative research data collection methods is impartiality and forming the basis for accurate and reliable data. The subjectivity of group methods can be problematic, so group methods are often limited to new phenomena about

which little is known. [24]. In the case of an interview, the primary form of the question is an open-ended question. Questions can be asked by discussing the theme, as there are no critical points in the qualitative research method, but the interpretation is divided along the study's timeline. [21]. This study utilized various data collection methods to gain insight into the SMEs' perspective on directives, including document analysis, observation, unstructured surveys, thematic interviews, group interviews, and workshops. Research methods were used to answer questions on increasing SMEs' awareness and understanding of corporate responsibility. This study focuses on the question of how SMEs could respond to the demands of economic and social responsibility.

The research team and the authors occasionally defined and specified the research question set in the first phase. During the discussions, the authors emphasized the importance of refining and iterating the research question. Their goal was to gain fresh insights into how SMEs can respond to the demands of corporate responsibility, considering both the social and economic aspects of responsibility. The primary method was to compare and benchmark the responsibility and evaluation models related to the topics, such as ESG and SDG. In addition, sustainability reporting surveys already in use by other organizations were compared and analyzed, including questions concerning economic and social responsibility factors. From a national perspective, national laws and decrees indirectly related to responsibility, such as the Accounting Act and the Waste Act, were examined and analyzed. After analyses and comparisons, co-creation methods were chosen, focusing on the service design method. First, a survey of SMEs' current state of responsibility awareness was carried out using an unstructured survey. The current state survey charted how corporate responsibility currently affects the business operations of similar SMEs, how SMEs define green financial statements, what SMEs know about the Corporate Responsibility Act and the Sustainability Directive, and what sustainability reports SME accounting firms offer to their clients.

Based on the preliminary study, the research group decided to use group interviews to map the needs and requirements of SMEs related to corporate responsibility in more detail—the group interviews aimed to reach at least 40 participants from different companies focusing on accounting companies. In December 2021, the first group interview workshop was held. Seven group interview workshops on corporate responsibility, green financial statements, and sustainability reporting were held by the end of 2022. Research and development are often combined in business development and university project cooperation, for example, because research-oriented action is needed. Considering both parties' goals, research-based development is halfway between research and development. Research-based service design fits into this field of research-based development. [26].

Service design can be used to implement internal and external business challenges, such as strategic initiatives or operational challenges, from a research perspective. In this approach, the objective is to solve business challenges, balance them with



the organization's capabilities, and clarify the view of the phenomenon or challenge to achieve the objectives. The starting point of service design is an external perspective to achieve actual business goals, considering the organization's capabilities. [25].

Based on the group interview workshops and the preliminary studies, the research group developed a corporate responsibility service for accounting firms aimed at SMEs and to increase awareness and understanding of corporate responsibility to meet the needs of SMEs. The service was designed using the co-creation service design method. Service design method workshops have been held five times for SMEs. The service designed with the help of service design (service descriptions and blueprints, which include, among other things, the customer's service path) was tested by SME accounting firms. Feedback was collected from the testing, based on which the service model was further developed. Subsequently, to describe the economic and social responsibility of the service model from the perspective of SMEs, sections were formulated for a corporate responsibility survey that SMEs could use as part of the financial statements to describe the level of economic and social responsibility. Group discussions and small group workshops were utilized in the iteration of the corporate responsibility survey to obtain as comprehensive feedback as possible and to specify the service model related to the corporate responsibility survey.

## **4 Results**

The study is based on a case study research based on the project of Green Responsibility by LAB University of Applied Science and the Laurea University of Applied Science. Our project team has thoroughly analyzed various methods for measuring and evaluating sustainability, focusing on transparency and comparability. One of the tools we tested was the SDG assessment tool. The SDG framework has proven to be a valuable assessment tool for governments and global corporations, as it has contributed to improving sustainability levels in developed countries regarding poverty and hunger. However, the guidelines for SMEs need to be more comprehensive. Communicating sustainability data to stakeholders is crucial as it can transform into a competitive advantage. One way to do this is by publishing a sustainability report that consolidates all relevant data into a single document. Economic and social responsibility elements can also provide a competitive edge for SMEs. Our study proposes a sustainability service model for SME accounting firms and their clients, which aims to provide objective and unbiased sustainability data to enhance competitiveness.

During autumn 2021, a survey was conducted by sending open-ended questions on responsibility to 120 accounting firms. The survey had a response rate of 22.5%, with a total of 27 respondents. The study aimed to determine what types of

sustainability reports accounting firms to provide to their clients and assess SMEs' awareness of the upcoming EU Corporate Responsibility Act, which would define green financial statements. Additionally, the survey aimed to gather the respondents' views on how corporate responsibility impacts a company's operations and services. According to the study, only five accounting firms provided sustainability-related information or reports to their SME clients, and each report was unique. Respondents were more aware of the upcoming EU Corporate Responsibility Act, with 16 having some knowledge, but only five had detailed knowledge of the subject. About 12 respondents had an idea of what a green financial statement could be, while others needed more information or were still waiting to provide an answer. Four respondents claimed that responsibility did not affect their business, while the remaining respondents acknowledged the importance of stakeholder responsibility in business development and promoting social responsibility. The study found that considering sustainability positively affects future services and stakeholder cooperation. However, the price increase has raised concerns about the effect of responsibility on companies' profitability and future growth. In the spring of 2022, a survey was conducted for clients of accounting firms. Unfortunately, only five responses were received. Of those five, two respondents were aware of the development of the EU Corporate Responsibility Act and Directive. At the same time, the remaining three had varying opinions on the definition of green financial statements and their impact on operations. One respondent felt that sustainability-related reports were unavailable, while the other four highlighted environmental, social, and business impacts. Based on the provided answers, the research group conducted thematic interviews to understand better SMEs' needs and perspectives on added value, including social and economic responsibility.

During the first group theme interview workshop, 24 participants discussed responsible financial statements that could benefit everyone and the sustainability needs of SMEs. They examined various aspects such as taxation, employee well-being, training, personnel financial statements, working conditions, and internal and external responsibility development. As the discussion progressed, the participants delved into responsibility risk management, taxes, information security, wages, indirect logistics costs, financing support mechanisms, and personnel financial statements from an economic perspective. They also highlighted the importance of social responsibility, including training plans, collective agreements, employee well-being, fair treatment, labor market effects, and personnel responsibility.

In February 2022, a group theme interview was conducted to discuss the added value of responsibility. This was a follow-up to a previous discussion on the same topic. From the perspective of SME financial responsibility, the group identified competitiveness, improved risk management, taxes, and investors' shares as essential factors. On the other hand, the added value of social responsibility was seen as meeting stakeholders' demands for transparency, boosting employment, promoting equality and social justice, and setting a positive social example.

During the third workshop of the group theme interview, the focus was on how sustainability impacts the future of Small and Medium Enterprises (SMEs). It was discussed that considering responsibility in business operations is an excellent way to influence society, giving companies an advantage in recruiting a skilled workforce. Achieving this requires training for SME personnel and a change in attitude. Additionally, expert services should be produced to ensure better customer service.

During the fourth group theme interview, the discussion revolved around risk management and how to measure economic and social responsibility in terms of sustainability for SME stakeholders. The conversation highlighted various business risks such as inflation, financial challenges due to the coronavirus, personnel engagement, and sick leave. Existing factors that determine responsibility were identified, including energy consumption, sick leave, waste management, accidents, procurement, and the shadow economy. Seven companies participated in a survey regarding green financial statements, where the most important social responsibility indicators were staff absences due to illness, staff turnover, and training days. The most critical measurable factors of financial responsibility were taxes paid, investments, and the proportion of women and men in top management. Respondents also suggested measurable economic and social responsibility factors that SMEs could report, such as sickness absences, occupational accidents, the proportion of women and men in the workforce, fixed-term employment contracts, age structure, and training days. For financial responsibility indicators, the current systems could report taxes paid by tax type, state subsidies, gender diversity in senior management, and corporate fines paid.

During the autumn of 2022, the fifth group theme interview focused on the requirements of accounting firms to meet the sustainability needs of small and medium-sized enterprises (SMEs). Personnel's responsibility and competence were emphasized as customers sought expertise. This is particularly relevant to SMEs, who are increasingly interested in sustainability training and the risk of greenwashing. To address this, it is necessary to implement a responsible service model that incorporates economic and social responsibility perspectives, enabling SME personnel to communicate the benefits of responsibility. However, there are challenges related to uncertainty around sustainability reporting, upcoming directives, regulations, and legislative amendments. Furthermore, the sustainability awareness and needs of various SME stakeholders vary. As a result, financial and social responsibility reporting sections can serve as essential tools for strategic business planning.

The research group conducted group theme interviews, surveys, and benchmarking of previous responsibility frameworks, models, and sustainability reports to create a corporate responsibility survey. They held a mutual group workshop to define economic and social indicators, key figures, and questions for the survey. The workshop considered responses received since autumn 2021 and the impact of ESG, GRI, SDG, and especially CSRD. Using responsibility models and tools, the group

analyzed what SMEs should prioritize in their corporate responsibility survey to meet stakeholder demands. The research group focused on questions supporting SME responsibility, which can be answered using existing systems. This information allows SMEs to set development targets and monitor their sustainable development. The survey questions were divided into themes and data collecting.

Financial responsibility involves information on paid and unpaid enterprises, direct and indirect taxes, and fulfilling statutory commitments. The section on financial obligation emphasizes transparency and proper management of corporate governance to increase stakeholder trust. It also considers factors such as employee salaries, benefits, opportunities for input on company administration, redundancies, and profitability. A corporate responsibility survey evaluates the company's profitability, liquidity, and solvency, along with social responsibility factors such as equality, employment terms, working conditions, education, safety, and diversity. Based on survey responses, the company can develop a social responsibility strategy, set goals, and adjust its development plan to strengthen its responsible business practices.

Green Sustainability is a project to support small and medium-sized accounting companies in implementing sustainable practices. Through co-creation, benchmarking, and service-design tools, the sustainability service model enables companies to assess their current sustainability levels and develop plans for improvement in areas such as human rights, equality, financing, and funding. To achieve this, the project includes a corporate responsibility questionnaire with 50 questions that help companies assess their current sustainability practices and set goals for the future. Based on assessments and analyses conducted by a survey firm, vital data about social and economic sustainability levels and progress can be effectively presented through comprehensible and straightforward maps. This enables the identification of sustainability objectives and targets for the future. Moreover, interpretive factors serve as more comprehensive and in-depth explanations of sustainability and its reporting, such as the reasons behind the current state of sustainability and what needs to be addressed to enhance its level soon.

## **Conclusions**

The importance of economic and social responsibility is emphasized as the EU Corporate Responsibility Act and the Sustainable Development Directive develop more precisely and expand to include the SME sector. Currently, SMEs in the value chains of large companies must present sustainability factors to stakeholders and members of the value chain. The social significance of SMEs as promoters of responsibility is significant through their large number and employment. By identifying and developing economic and social strategic priorities, SMEs can identify their significance and set sustainability goals for their business. By acting proactively in areas of responsibility, an SME can create a competitive advantage

in recruitment, for example. When economic and social responsibility is well implemented, it will likely affect both environmental responsibility and profitability positively.

Different responsibility frameworks, evaluation models, and tools for assessing financial and social responsibility exist. Currently, the most effective of these in the EU is the Sustainability Reporting Directive adopted by the EU in December 2022. In the future, it will be modified to cover a broader range of enterprises in 2025, 2027, and 2028, according to current information. The Directive's due diligence will focus on the number of people affected and how to remedy the situation in areas such as human rights, fundamental freedoms, gender equality, pay gaps, and accessibility measures so that social responsibility information will be presented, for example as part of SME reporting, will increase.

The Green Sustainability project formulated the factors to be emphasized regarding economic and social responsibility in the Corporate Responsibility Survey for Small and Medium-sized Enterprises. The aim of preparing the economic and social questions of the corporate responsibility survey was to focus on factors that can be answered with existing data. Both sections contain factors that focus on quantitative data related to economic and social responsibility, and factors that explain the data are presented in the responsibility reporting. Numerical factors contributing to SME sustainability data can be categorized as green financial statements, and factors explaining quantitative sustainability data can be classified as matters included in sustainability reporting. With the help of these, an SME can draw up a responsibility development plan, set economic and social responsibility goals, monitor responsibility development, and compare sustainability development within the same industry. This will increase awareness and development opportunities in the areas of responsibility, economic and social responsibility. In addition, SMEs reporting on responsibility gain added value for their stakeholders from their responsible operations. This allows them to improve their customer service in a more versatile way. Corporate responsibility issues, directives, laws, and regulations are incomplete and continue to evolve.

It should be noted that the research is limited to the needs of small and medium-sized enterprises in one EU Member State and EU and national regulations. However, the EU Sustainable Development Directive's due diligence obligation covers the value chains of prominent companies operating in the EU, extending to subcontractors in non-EU countries and indirectly linked stakeholders. Furthermore, the UN 2050 Programme and its associated SDGs have a global impact. Cultural differences must also be considered as constraints both nationally and within companies.

Some potential research areas to explore could involve expanding the scope of similar research within and beyond Europe while considering the requirements of EU directives regarding uniformity and comparability. Additionally, it could be beneficial to investigate different analytical models, processes, and data mining

techniques that can help collect and use clear, consistent, and comparable data to support the attainment of the 2050 Agenda.

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