

CAPITALISM 2.0

NEW OPERATING SYSTEM

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Conscious Capitalism

In today's increasingly global business climate, organizations are renewing their efforts to improve their ethical business behaviour standards. As a result of corporate scandals, organizational crises, and accounting errors, leadership ethics and organizational justice have grown more crucial. Public outrage about ethics and justice, such as Nike's labour practices, may affect a company's reputation and competitiveness in a world where enterprises and stakeholders interact quickly through technology such as social media platforms. As a result of problematic ethical activities, academics and practitioners have questioned: "what's wrong with our leaders" (Fyke & Buzzanell, 2013).

Whole Foods co-founder John Mackey and marketing professor Raj Sisodia devised the conscious capital concept. Since then, numerous businesses, including Whole Foods Market, Starbucks, The Container Store & Trader Joe, Southwest Airlines, and Google, have incorporated conscious capitalism principles into their business models to encourage ethical workplace conduct and organizational justice (Wang, 2013).

According to the Conscious Capitalist Institute, conscious capitalism is a socially responsible economic and political model which allows enterprises to pursue profitability while remaining ethical (Mackey & Sisodia, 2013). The necessity for long-term, integrated approaches to social responsibility, self-awareness, and intentional decision-making is also emphasized by conscious capitalism (Fox, 2019).

Conscious capitalism has proven to be a successful paradigm for companies seeking to improve their performance while benefiting their stakeholders. The four tenets of the model are:

- **Conscious Leadership:** A conscious leader embraces the company's purpose, creates value for all stakeholders and inspires actions that contribute to a conscious culture in the company.
- **Conscious Culture:** Corporate culture can be defined as the values and principles that form the social and moral framework of a company. A conscious culture promotes a spirit of trust and cooperation among all stakeholders.

- **Stakeholder Orientation:** To develop and optimize value for all its stakeholders, conscious businesses focus on the whole business ecosystem. Employees, consumers, suppliers, investors, shareholders, funders, communities, and the environment are all part of it.
- **Higher Purpose:** Businesses that practice conscious capitalism have a higher purpose than just making a profit. Employees, consumers, and other stakeholders should be inspired and engaged by the goal because it provides a deeper meaning (Sisodia, 2009).

Consumers and investors today are actively pursuing businesses that match moral beliefs with corporate values as they assess the influence businesses have on the environment (Mackey & Sisodia, 2013). Furthermore, conscious companies also treat their stakeholders better, consequently, their suppliers are more satisfied with their contracts. Employees are more engaged, productive, and loyal as a result of their improved work environment. Thus, employee and customer satisfaction are greater. These companies are also more well-viewed in their communities as they improve the surroundings and the environment. All in all, the more conscious companies offer, the more they receive in return (Rauch, 2011).

Many businesses are implementing sustainability principles into their everyday operations in the form of Corporate Social Responsibility (CSR) activities, and many individuals believe that Conscious Capitalism and CSR are two branches of the same tree. The two frameworks do, however, have substantial differences. CSR shares many themes with the idea of conscious capitalism. Compared to conscious capitalism, the CSR business model encourages companies to be socially accountable, operating in ways that enhance or positively contribute to society and the environment. CSR in action usually is in form of philanthropy programs and volunteer efforts, whereby companies can support their communities while simultaneously growing brand awareness (Sisodia, 2009).

Differences between CSR & Conscious Capitalism

While CSR cannot be imposed on businesses, they do face pressure to engage in such activities. Employees and consumers currently want businesses to act responsibly and transparently, address critical issues, and implement ethical business practices. It has to be mentioned that CSR is not legally mandated and there is no set manner for businesses to implement principles, there are guiding principles for businesses to report on how they respect and contribute to environmental and social issues. Since the present legal framework does not adequately manage CSR communications, the market and industry are in desperate need of comprehensive, transparent rules (Aggarwal & Kadyan, 2014).

The significant difference between conscious capitalism and CSR is that the former is a more comprehensive approach to the relations between business and conscious (Mackey & Sisodia, 2013). Conscious capitalism differs from the traditional understanding of CSR, by focusing on self-awareness within the company leadership to understand how their business practices may affect other stakeholders (Strong, 2009). More differences are listed in the table below:

| Conscious capitalism | CSR |
|---|---|
| Integrated into the business model | Voluntarily added on to a business |
| Serves the needs and concerns of all Stakeholders | Views social responsibility as a trade-off between profit and social good |
| Learning from the past and emerging future | Independent of corporate purpose or culture |
| Focuses on impact maximization | Adds an ethical burden to business |
| Incorporates higher purpose and a caring culture | Often grafted onto the traditional business model, usually as a separate department or part of public relations |
| Combines caring and profitability | Sees limited overlap between business and society |

| | |
|--|--|
| Views business as a complex, adaptive system | |
| Shares and sees a common will | |
| Leads to greater citizen awareness and participation | |

Table 1: Differences between Conscious capitalism & CSR

Greenwashing

CSR is frequently used to improve a company's public image, for example, through public relations, marketing, philanthropy, contributions, or corporate assistance to a community group or public cause. As a result, many critics dismiss CSR as a type of "greenwashing." Companies continue to prioritize profits over environmental, social, and governance criteria, resulting in unaccountable and opaque reporting and greenwashing (Aggarwal & Kadyan, 2014).

Greenwashing means to "retain the disclosure of negative information related to the company's environmental performance and expose positive information regarding its environmental performance" (Bezerra Ribeiro, Falcão Sobral, Freitas Netto, & Luz Soares, 2020). Even though it offers benefits to existing stakeholders, it simultaneously harms the society and the interest of consumers. Transparent, clear, and consistent CSR disclosure is the only countermeasure of greenwashing. (Cao, et al., 2020).

"We don't need more standards; we need more transparency," (Robertson & Zandbergen, 2021) says the head of ESG Integration at a global asset management firm. Transparency has been a crucial condition to implement a CSR policy (Dubink, Graafland, & Illederkerke, 2008) as it provides the essential foundation of accountability and verifiability. It is the most important asset in gaining consumer trust and loyalty. It also provides internal and external benefits to your business. Furthermore, there is undeniably a good influence on the targeted communities and organizations (Berry, 2019).

Lyon and Maxwell (2011) developed a framework in which businesses must publish a whole picture of their CSR performance, including both good and negative impacts on the environment, ecology, and society. To prevent greenwashing, the audit should be undertaken regularly, and wrongdoers should be punished. Negative CSR disclosure has been shown to boost consumer and investor trust, which is good for the company's long-term interests.

Issues related to leadership ethics are not new, but the new interest has led to the development of ethical leadership concepts (Fyke & Buzzanell, 2013). Conscious capitalism seeks to develop new values for its internal and external stakeholders in

this respect. Furthermore, according to a Harvard Business Review study, organizations that practice "Conscious Capitalism" outperform their peers by 10 times (Fox, 2019) Issues related to leadership ethics are not new, but a new interest has led to the development of ethical leadership concepts (Fyke & Buzzanell, 2013). Conscious capitalism seeks to develop new values for its internal and external stakeholders in this respect. Furthermore, according to a Harvard Business Review study, organizations that practice "Conscious Capitalism" outperform their peers by 10 times (Fox, 2019).

CEO Obligations and Stakeholder Relationships

Many believe that the main goal of modern businesses is solely to make a profit. Whereas this may be the primary aim, corporations are eventually required to consider the environment and their behaviours toward all stakeholders to survive, succeed, and maintain a positive brand image. This is true even if the outcome of CSR operations cannot be quantified in terms of a specific number or influence on the bottom line. Essentially, businesses must focus on providing a purpose, with profit being a by-product rather than the main aim.

As the overall success of a company often depends on decisions from the top level, the Chief Executive Officer (CEO) or owner of a company is a key figure. However, a survey from Edelman Trust Barometer conducted in 2022 in 28 countries showed that there is a lack of confidence in leadership in CEOs. Only 37% of survey respondents believe that CEOs are somewhat credible. Moreover, more than half of the survey respondents agreed that “a company can take specific actions that both increase profits and improve the economic and social conditions in the community where it operates.” The survey also showed that societal leadership has to become a core function of business: 60% of employees and 80% of the public want CEOs to partake in controversial issues that they care about (Edelman , 2022). Though his or her job position does not necessarily require them to think sustainability or ethically, apart from fulfilling the minimum requirements stipulated by law. Their main tasks should not be the creation of profit but rather the creation of purpose and transparency for its stakeholders while responsibly leading the company as a whole. For this reason, it is critical for businesses to seek conscious capitalism while also incorporating a good CSR framework into their culture, vision, and goal. CSR not only has the ability to attract highly talented and competent individuals, but it also provides a platform for everyone who wants to contribute to a cause that is important to them, even if the purpose takes precedence over the benefits. A survey of MBAs from business schools supported this statement. According to the findings, 90% of highly educated people would choose to work for a firm that practices excellent ethics and social responsibility above earning personal financial rewards (Montgomery & Ramus, 2003).

There are several cases where this has benefited not only stakeholders but also shareholders in the long run. A good example would be paying a reasonable and fair income that allows individuals to live comfortably despite of the country's low minimum wage. Costco is an adequate example of a firm that offers not just a competitive salary package for all its employees, but also a reasonable number of paid vacation days to maintain a healthy work-life balance (Carbo, Dao, Haase, Hargrove, & Langella, 2017).

In their study, Deloitte also highlighted that Millennials and Gen Zs are concerned about a variety of issues including (mental) healthcare, political instability, capitalism, racial discord, severe climate events, discrimination, and inequality. They believe that their personal contribution is needed and can make a positive social impact is the reason why they are more proactive when it comes to donating, volunteering, and voicing their opinions (Graffi-Smith, 2021). The young generations decision on which company or organisation to work for will surely be influenced by taking these issues into account. Therefore, companies should set clever initiatives that can be implemented by big cooperate as well as Small and Medium Enterprises (SMEs) and tackle the aforementioned concerns.

Employees that feel proud to work for a company are more dedicated and personally engaged in achieving the overall business goals. This is backed by a study conducted by the Kenexa Research Institute (Wiley, 2010). Having engaged, highly motivated and proud employees are vital for increasing productivity and overall profits. Another effect that this brings with it is having an up to 50% lower turnover rate as another study reveals (Rochlin, Bliss, Jordan, & Kiser, 2015). Such measures can be implemented in every company regardless of its location, size, and resources. Furthermore, productivity will rise as a result which will automatically help generating profits. Finally, the entire supply chain, as well as stakeholders including shareholders, employees, customers and even governments, would profit from more stable and thriving businesses. Measures like these can be implemented in every company regardless of its location, size, and resources. Furthermore, productivity will rise as a result which will automatically help generate profits. Finally, the entire supply chain, as well as stakeholders including shareholders, employees, customers, and even governments, would profit from a more stable and thriving business.

Companies will gain not only from their highly motivated personnel but also from their excellent image in the eyes of their consumers. According to 2018 research performed in the United States and the United Kingdom, 88% of customers want companies to help them live more sustainably and ethically. However, nearly half of the participants (43%) feel that businesses make it more difficult to do so. Non-eco-friendly packaging, inaccurate or misleading labelling, and the fear of exploitation of labour, particularly slaves or minors, are some of the causes. As a consequence, 96% of the people polled feel that little acts like recycling, shopping ethically, and contributing may make a significant difference in making the world a better place (Townsend, 2018). As a result, it is not only in a company's best interests to strive toward its own goals but also in the best interests of the entire community.

Transparency vs. Accountability CSR

There has been a lack of unanimity among industry players, academics, and others engaged when it comes to proper CSR initiatives (Sheehy, 2015) as existing marketplaces do not currently have consistent and comparable information from all companies (Easen, 2021).

Attempts to standardize reporting were made, for instance, the ESG metrics (ESG, 2022) and Corporate Sustainability Reporting (NFRD reporting) by the European Commission (Directive 2013/34/EU, 2014). However, the biggest issue is that the sustainability reporting framework is voluntary, and most companies are not required by law to disclose environmental, social and governance factors. Self-disclosed reports from companies can lead to misinformation, confusion and non-mandatory reports allow them to mask activities, which are perceived negatively by stakeholders (Easen, 2021).

Nowadays, big corporations often lack a transparent reporting system, there is not sufficient information on where incoming donations land. For instance, from every dollar donated in the USA only a few percent of it gets into the pocket of the given charitable organization. It is suggested that billionaires and today's biggest corporations are not doing enough transparent actions (Archela, Husillos, & Spence, 2011).

Guidelines for transparent metrics to ensure positive sustainable social impact are:

- **Clear definition and numbers:** “Using sustainably sourced renewable materials” is a rather sugar-coated words than an actual transparent metric. We need metrics to measure what “sustainably sourced” means, such as by reference to certifications, origins or processes, and what degree of renewability or recyclability materials should meet in order to be regarded as “renewable” (Chiu, 2022).
- **Consistency:** These metrics also must be consistently applicable, within or across industries, be independently verifiable, and most of all, speak clearly to asset owners and beneficiaries in terms of choice framing (Chiu, 2022).
- **Focus on all stakeholders:** CDP research has found out that supply-chain carbon emissions are, on average, 11 times higher than operational emissions.

More information and innovative ways to generate data on suppliers from around the globe will therefore be crucial (Easen, 2021) For example IKEA – illegally sourced wood in its supply chain twice in the last eighteen months despite sustainability success.

- **Independent sustainability ratings on consumers' responses to companies' CSR communication:** Sustainability ratings thus could act to deter 'greenwashing' and encourage virtuous firms to persevere in their CSR practices (Benoît-Moreau, Larceneux, & Parguel, 2011).
- **Using ESG Metrics** is a tool designed to give institutional investors a broad set of standardized ESG data and simple flagged metrics that are comparable across a broad universe of companies" (MSCI, 2021) are a supplementary measure designed to help investors assess the quality of an investment whilst considering the firm or project's impact on society at large (Alonso, et al., 2020). ESG news about firms can influence the stock value of firms. When positive financially material news emerged, stock value increased. For a positive market response and a modest rise in stock prices, it is essential to improve labour practices and lower products' environmental footprint (Serafeim & Yoon, 2021).
- **Using Existing private sector specialists** in ratings for environmental, social and governance performance, which support the industry of socially responsible investors: Viageo Eiris, Robeco Samand Refinitiv, Index providers have also developed partnerships with ESG rating services (Chiu, 2022).
- **Disclosing a complete overview** of CSR performance disclose a complete overview of their CSR performance: negative & positive as well (Lyon & Maxwell, 2011).

Sustainability and CSR

According to previous studies, CSR has been a generally acknowledged term in organizations during the last three decades (Carroll & Shabana, 2010). Its research focus has shifted from macro-societal analysis to micro-organizational analysis on assessing the impact of organizational performance. The actions, processes, and interactions of an organization with various societal stakeholders are referred to as CSR. For various firms, CSR has multiple meanings, and its definition evolves as society's values and expectations shift (Chatzoglou, Chatzoudes, Amarantou, & Aggelidis, 2017).

Many large and medium-sized businesses have begun to include sustainability goals in their business strategies (Szekely & Knirsch, 2005). In 2015 the United Nations (UN) adopted 17 Sustainable Development Goals (SDGs) that focus on a universal approach to environmental, economic, and social systems. Businesses are driven to implement changes that encourage the ending of extreme poverty, providing people with better healthcare, and reducing inequality, while governments are encouraged to improve the reporting of sustainability.

The 17 SDGs goals:



Figure 1: The 17 Goals of Sustainable Development

(United Nations, 2022)

When a firm decides to pursue sustainability, its goals, vision, and values must all be carefully examined. It must be aware of legal restrictions and evaluate all its management systems starting from the entity's corporate strategy, business strategy, business structures, people's behaviour, and company performance (Szekely & Knirsch, 2005). Without this, investors may not be able to allocate capital investments effectively to support the economy along with sustainability goals (Easen, 2021).

SMEs, especially in this digital economy era, thrive on innovation and are a driving force that contributes to value creation. They can contribute to long-term economic growth by creating jobs and supporting educational and social development (OECD, 2017). Furthermore, SMEs may build and promote decent work standards by adopting rules and legal frameworks, such as against unfair hiring within the firm, by partnering with external partners and investing in their strategic resources. SMEs continue to perform and are strongly devoted to growth despite constraints such as restricted access to funding, a lack of particular ability and knowledge regarding business advancements, and a lack of marketing and strategic management abilities (OECD, 2018).

Despite all the hardships, SMEs are crucial organizations to reduce inequality, especially in underdeveloped areas. They also have the ability to:

- Facilitate economic growth and revive urban & rural areas
- Reduce inequalities by attracting larger companies, therefore, reviving economically disadvantaged areas
- Generate employment and provide entrepreneurship opportunities for low-skilled and lesser-educated people
- Social protection mechanism (payment for life, payment when getting into an accident, payment on leave, unemployment insurance)

Despite the fact that the International Finance Corporation's database reveals that about 9 million women from 140 countries own SMEs, the objective of achieving gender equality worldwide remains a major concern within the OECD countries (IFC, 2014; Costa, Calabrese, Ghiron, & Menichini, 2018). Women-owned SMEs are key contributors to economic growth and sustainability as women who own and run businesses not only provide greater chances for other women but also encourage women's empowerment. They also contribute to a country's per capita income since

they are more inclined to spend their earnings on education, their families, and their community.

To help Micro and SMEs, close the gender gap the UN Women and UN Global Compact recommend seven principles that should be adopted:

1. Creating corporate leadership for gender equality
2. Equal treatment at work for people – respect and support human rights and non-discrimination
3. Ensuring the health, safety and well-being of women and men workers
4. Endorsing education, training, and professional growth for women
5. Implementing enterprise development, supply chain and marketing practices that empower women
6. Endorsing equality through community initiatives and advocacy
7. Measuring and publicly reporting on progress to achieve gender equality

These principles pose as best practices in promoting gender equality and women's empowerment within organizations (WEPs, 2022).

Furthermore, companies can implement gender policies within their organization and their value chains to raise awareness. These integrated policies should guarantee:

- equal payment
- benefits for everyone
- a strategy to end and avoid violence at work
- offer child and dependent care support
- help women, who need flexibility
- encourage women in a management position
- increase a fair amount of gender balance in teams

(UNDESA, 2022).

Another goal of the 17 SDGs is to tackle the challenges in the educational sector. The UN's goal is to create inclusiveness and equitable quality education while endorsing lifelong opportunities for all (United Nations, 2022).

SMEs are considered major creators of jobs which essentially leads to contributing to the GDP and overall economic growth. They generate around 45% of total

employment and roughly 33% of GDP in developing countries (Lessidrenska, 2019). By SMEs actively supporting the education sector they can ensure the accessibility and availability of educational services to the public by implementing programs such as:

- apprenticeship
- career education
- internships
- work-based learning

Moreover, they can offer additional learning opportunities to employees, to further improve their skills (UNDESA, 2022).

Measurable Effects on CSR

In terms of measuring CSR, it may be done in a variety of methods, depending on the aims and objectives of the firm. CSR is usually described as a company's policy that guides its actions to have a beneficial influence on key areas. Local communities, the environment and sustainability, and society as a whole are common examples. Customers will buy from or participate in the activities of SMEs that embrace sustainability because they care about these issues. A company's decision to go green, on the other hand, benefits more than simply its consumers. Two additional key impacts are improved employee morale and staff retention (Chapman, 2018).

CSR programs, yet it is critical since it allows them to (nibusinessinfo, 2022):

- evaluate one's firm against its competitors to see how well it operates and establish goals (ibid.). Benchmarking against rivals allows a faster way to assess a company's CSR performance (Everfi, 2021).
- seek recognition for responsible business practices.
- use key performance indicators (KPIs) to assess its environmental performance

Businesses should set short- and long-term goals to develop successful metrics. The KPIs that a business establishes should be viewed as steppingstones toward reaching the overarching aim. Because each business is unique and each intended goal is distinct, the measurement will be tailored to each circumstance (Everfi, 2021). Some key current metrics for measuring CSR efforts include:

- **Environmental Metrics** focus on factors like greenhouse gas emissions per dollar of revenue or per product generated, the number of wastewater products or materials, and reused or recycled byproducts. Some sub-categories include:
 - a. Energy
 - b. Emissions
 - c. Water
 - d. Materials
 - e. Biodiversity
- **Social Metrics** refer to any aspect of an organization's performance in terms of equity and social justice. However, as compared to environmental indicators, the metrics for this category are far more difficult to track. However, Having,

there are still ways for businesses to track social data. Some of the subcategories include (Schindler, 2019):

- a. Private Sector
 - i. Human Rights and Resources
 - ii. Performance in Products
 - iii. Production and Supply Chain
 - b. Public Sector
 - i. Safety and Health
 - ii. Infrastructure
 - iii. Education
 - iv. Population
 - v. Budget and Expenditure
- **Governance Metrics** keep track of factors like a company's investor responsiveness, shareholder rights, and whether the board of directors is formed properly. Furthermore, comparing CEO compensation to staff salaries is an essential governance statistic that is simple to execute. Some metrics available that are used by organizations include:
- a. Transparency
 - b. Equality and Fairness
 - c. Efficiency
 - d. Corruption

Aside from measures that may be used to assess and monitor a company's CSR efforts, other KPIs are also worth mentioning (CSR Growth, 2021):

Employee Engagement KPIs:

- Employee Satisfaction – the % of employees that are happy with a certain project, overall work, etc.
- Employee Engagement – the % of employees that are engaged in a certain project, activity, or day-to-day work.
- Employee Volunteerism – Number of hours employees engage in voluntary activities
- Employee Turnover Rate – the total number of employees that leave the company in a certain period of time

Sustainability KPIs:

- Participation and Involvement in the Community
- Contribution to the advancement of society and access to technology
- Sustainable Consumption
- The long-term utilization of current resources and the development of superior alternatives.
- Making better use of the resources available

Financial and Profit Returns:

- Profit
- Revenue increase
- Percentage increase in market share
- Healthy cash flow
- Social Return on Investment

The ability to measure and report on a company's social impact may aid in the recruitment of investors, the retention of top talent, the enhancement of the company's reputation, and the enhancement of financial performance, among other things. CSR initiatives have progressed from a nice-to-have to a must-have for any company. It is crucial to track these efforts in addition to these must-haves (Everfi, 2021).

Local CSR Practices for SMEs

CSR has already gained a lot of momentum among businesses of all sizes, as it has a considerable influence on their brand's image and reputation. However, CSR has numerous facets, and if it is not aligned with a company's goal, it can cause various problems (Bianchi, Bruno, & Sarabia-Sánchez, 2020).

Many businesses had previously formed a CSR strategy; although, when it came to large corporations, not all of them were effective. British Petroleum, one of the larger firms that failed to sustain its CSR strategy, was unable to support both financial and social objectives at the same time. After a major oil leak in the Gulf of Mexico in 2010, society questioned how British Petroleum had earned a reputation as one of the world's most responsible firms in the past. It has set a high bar for other corporations to follow, in terms of stronger CSR practices. BP is a prime example of how much disregarding CSR initiatives can cost a business. Superficially conducting CSR, is not the way of doing business, it is a constant matter of doing business at a high standard, acting not only in the company's best interests but also for the good of the community, and accepting responsibility in the aftermath of unfortunate events (MacMillan, 2016).

Benetton, as another example, attempted to apply CSR but failed due to a controversial advertising campaign, and it was never able to reclaim its reputation after that. One lesson is that, in addition to being honest and accountable, businesses must become trustworthy in the eyes of their consumers. Furthermore, in today's aware capitalism, it is critical to assess all potential consequences and anticipate events that might hurt a company's reputation. A poor CSR strategy may result in fewer return customers or even a boycott of the business. Employer branding, brand image, and income all suffer as a result of this. Customers must comprehend the relationship between social aims and long-term corporate strategy in order to get credibility (Pastorelli, 2014).

Europe-based SMEs

So how can companies do public good and be even more capitalism conscious? These two following subchapters are focused on analysing SMEs and their current CSR activities in supporting communities on local but also international levels.

In Europe, SMEs and start-ups had implemented CSR and sustainability-related activities. The CSR action areas can be focused on the following aspects: decent work, consumer issues, environment, community involvement, human rights, business relations, organisational governance, and information sharing (European Commission, 2021).

Based on the document by the European Commission, few local SMEs were selected with a focus on CSR and communities' activities.

Reynaldi SRL is a medium-sized manufacturer from Italy that offers natural cosmetics. The family-run company aims to support communities as they were recognised as *benefit corporations* in Italy in 2016. A *benefit corporation* means that the company aligned its goal of profit with the aim of having a positive impact on the communities and environment. Moreover, the company also provides transparent information and is responsible and sustainable. Reynaldi is helping communities in other ways than donating. It helps people to learn and sustain themselves. One CSR activity to be worth mentioning is collaborations with female employees in Burkina Faso where there were no options for employment. Reynaldi managed to teach them the know-how and provided equipment to produce shea butter for cosmetics from shea trees grown there. Afterwards, Reynaldi was the first client to purchase shea butter at a fair price.

La Financière de l'Echiquier (LFDE) is a French leading asset management boutique which follows ESG criteria when conducting its business. The company has established a foundation that helps to support areas of health, education, and social and professional integration. This foundation aims to give back to the community by engaging in various charities and projects to reduce inequalities in education, enhance social skills and help people to find employment. One of the charities is for example supporting disadvantaged high school students by offering them preparatory classes for university admissions.

Econea is an e-shop from the Czech Republic offering eco-friendly, organic and zero-waste products. The retail company aims to maintain customers' trust and reduce participation in greenwashing in comparison with bigger and international retailers. The company has a blog on their website with an article on how to find out that companies are participating in greenwashing. They are discussing that many firms are

using labels such as “bio” and “eco-friendly” but this may be only a trick. There are showing cases of mislabelled products and what certificates should customers be looking for on the products.

La Comunitaria is a small community pharmacy in Spain that promotes that providing drugs is not enough to solve health problems. Therefore, community health diagnosis was established to better understand the neighbourhood’s needs and to facilitate community resources such as pharmacies, clinics, sports centres and social services centres. Another purpose is to provide a library so that the whole community has access to books on health, food and nutrition, empowerment of women, racism, etc. Also, Black and Latino communities are benefiting from La Comunitaria offering them individual skin and haircare products for their type of skin and hair.

Rifuzi is a small zero-waste shop in Slovenia that provides educational activities within communities on a zero-waste lifestyle. Rifuzi organises these activities for students, lectures, and organisations as store tours by talking about man-made degradation and zero-waste shopping. Additionally, the company organises small suppliers to collaborate and exchange knowledge.

Chrono is a small enterprise based in Serbia that produces mixtures of flour for healthy homemade dough. The company supports suppliers in rural areas for raw materials and helps to employ people with disabilities. Chrono was founded by the Education Centre Leskovac, a local non-governmental organization (NGO) whose mission is to assist socially vulnerable people.

Ekofungi is a small Serbian company that promotes a 100% circular approach to mushroom cultivation. They established Ekofungi School to provide knowledge and motivate other entrepreneurs to participate in agriculture and respect local sourcing and the circular economy approach. The employees share information on mushroom biology, substrate production, bioplastic, and entire mushroom manufacturing for a one-week session.

Other SMEs examples:

Chiroworks in Singapore is a health and wellness company that provides not only pain relief treatments to its patients but also donates to clean water, education or health projects based on patients' preferences on their behalf.

Comabt pest control in Australia operating in household services helps to educate children in conflict areas. Every time pest is eradicated, or a job is paid, the company provides better education to a child in Afghanistan.

Retail company **Patagonia** is a founding member of the FairLabour Association which promotes fair labour practices and safe working conditions. Patagonia also uses eco-friendly materials to produce their clothes. Customers can donate and afterwards, Patagonia delivers donations to local communities (B1G1, 2021)

CSR categories for helping communities

Environmental, ethical, charitable, and economic responsibility are the four basic aspects of CSR. This chapter, however, will be broken into more categories based on concrete actions that businesses might engage in:

| CSR categories | Suggestions on Activities |
|----------------|--|
| Education | Building schools, giving lectures, education donations, contributing to studying materials, providing scholarships |
| Health | Building clinics and health centres, monitoring the health of citizens, providing diagnostic services, enhancing public health, bringing experts |
| Employment | Creating jobs, adapting a good working environment, improving labour policies, providing internships |

| | |
|-------------------------|--|
| Environment | Reducing carbon footprint, providing education on CO2 emissions, collecting garbage, ensuring safety |
| Ethics | Adopting human employee practices, setting a higher minimum wage, guaranteeing to provide all materials ethically, community participation |
| Infrastructure | Construction of developing villages (roads, houses, electricity, water) |
| Collaboration with NGOs | Volunteering and contributing to charity |

Table 2: CSR Categories

Recommendations

Certain recommendations have been made in this section of the paper for SMEs who want to switch from a traditional capitalistic approach to a conscious capitalism framework to improve their corporate performance. Sparo's website may provide these recommendations for partners.

There is a disparity in how large corporations and small businesses report on sustainability and CSR efforts. Despite the fact that SMEs are not required to report on this, society and stakeholders are increasingly expecting firms to act ethically and participate in CSR activities that can be quantified using KPIs.

Employment

Employment sustainability has been changing radically and experiencing economic growth in recent years. Employees have been starting to question the purpose of their work and thus, companies need to prioritize and understand the issues and motivations of their employees (Casey & Sieber, 2016). Conscious capitalism recognizes the moral needs of these employees of wanting to be part of a higher purpose and aims to motivate the employees with intrinsic factors (Férmeaux & Michelson, 2016). Sustainable employment addresses the productivity and satisfaction of the members in a work environment and is created by policies such as providing the employees with a quality work-life balance to maximize their performance. By giving the employees the feeling of being part of a diverse, equal, nurtured, valued, respected, and connected environment in their workplace more sustainable employment can be practised (Karakhan, Gambatese, & Simmons, 2020). Therefore, such policies are key strategies of a company's CSR strategy (Casey & Sieber, 2016). Creating a workforce, giving training for existing and new employees to enhance their abilities, adapting, and investing in the recruiting process and altering compensation will all help companies grow in the long run. Employees need to stay relevant in a changing industry, so businesses that collaborate with community colleges, training programs, or volunteer programs can enhance existing talents or create new ones (Hoffman, 2013).

Goldman Sachs, for example, has launched the 10,000 Women initiative, which promotes female entrepreneurs in small businesses by providing business

management education, mentorship, and networking opportunities (Goldman Sachs, 2022). The Goldman Sachs 10,000 Women program collaborates with more than 80 academic and non-profit institutions and operates by investing in education for women. The program is based on online courses, which cover (practical) business education topics and can be accessed by all women globally. The employees of Goldman Sachs contribute their time and volunteer to mentor them, participate in the selection committee and speak as guest lecturers on-site and online (Kulkarni, 2013).

Recommended KPIs for employment:

- Employee engagement
- Employee satisfaction
- Productivity Metrics
- Voluntary employee attrition
- Training Effectiveness
- Diversity supportive ratio
- Turnover rate
- Revenue per Employee

Working with NGOs

In recent years, as public awareness of social, environmental, and economic issues has grown, a rising number of businesses have partnered with non-governmental organizations (NGOs) (Arenas, Lozano, & Albereda, 2009). Sustainability is mostly practiced by a for-profit organization in the form of CSR performance and reporting (Janggu, Darus, Zain & Sawani, 2014). Most of the time, these adaptations are due to regulatory pressures (Hahn & Kühnen, 2013), pressure from environmental activists, and non-governmental organizations (NGOs) activism (Crespy & Miller, 2011).

Our capitalist society, as well as the way companies operate, is in desperate need of economic and long-term reforms that would push enterprises to pursue goals other than pure profit. Therefore, conscious capitalism might be a strategy to influence people's views about capitalism. Working with non-governmental organizations (NGOs) is one method to participate in the transition from capitalism to conscious capitalism. In the framework of CSR, NGO activities have become increasingly

institutionalized. Following The Body Shop's lead, other companies have included NGOs in their stakeholder involvement since 1996 (Wheeler, Fabig, & Boele, 2002). Conscious companies, thus, should work together with NGOs in a partnership to improve social impact and find new opportunities for their business.

A successful example is the partnership between Swiss Re and Oxfam. Swiss Re, a renowned global insurance business, has partnered with Oxfam, an international development organization, to cover Ethiopian farmers against climate change-related crop losses. There was no insurance policy offered in this industry in 2009. Oxfam sought to work with Swiss Re since it had the skills to create it, and Swiss Re wanted to expand its market to poor nations. Furthermore, it had a strong organizational commitment to combating climate change, and it respected Oxfam's long-term presence in Ethiopia and extensive grasp of the country's environment and culture. The Swiss Re/Oxfam initiative has grown since then. The R4 Rural Resilience Initiative has been renamed, and numerous new governmental, non-profit, and business partners have been added. In Ethiopia, Kenya, Malawi, Senegal, Zambia, and Zimbabwe, it reached approximately 87,000 farmers, or around 450,000 individuals including families, as of 2019 (Oxfam, 2022).

Other successful partnerships are

- UNILEVER AND WWF: The Marine Stewardship Council (MSC) (Unilever, 2021)
- Total AND Pro-Natura: Local development around a production site in Nigeria (Pro Natura, 2022)
- Randstad and VSO: Mobilising volunteers against poverty (Randstad, 2022)

In comparison to multinational corporations, SMEs lack the resources and experience needed to develop abroad. As a result, forming a strategic collaboration with NGOs may assist SMEs in the internationalization process by allowing them to expand their social and international network, acquire international skills, and form bonds with foreign partners (Genc, 2016).

The examples above show clearly that conscious capitalism can be the fruit of a successful expansion, partnership and much more. Corporate-NGO partnerships are

complex and challenging. But they can benefit both the corporate and NGOs. While working with NGOs, a company should nevertheless:

- Embrace the difference
- Assign a conscious leader
- Make NGO engagement part of the core business
- Plan for the relationship to evolve over time

Recommend KPIs for the partnership with NGOs are:

- Donor & Donation Growth
- Donor retention Rate
- Donation Conversions by Channel
- Year-over-Year Growth
- Program Efficiency
- Policy Transparency

Health

The theoretical construct of conscious capitalism is built upon the idea that businesses should align and create value for all stakeholders and society as a whole. A company should not just focus only on improving the health of its consumers, but also on improving society's health. Businesses may achieve this by

- Building clinics and health centres
- Monitoring the health of the citizen
- Developing paths for care and well-being
- Offering mental health management

Healthcare Centres such as Jackson healthcare are implementing conscious capitalism into their business model. Since then, the company has grown to be one of the largest healthcare staffing and technology companies in the U.S. Through their healthcare staffing, search and technology, they impact more than seven million patients in over 1,300 healthcare facilities each year, by working together with preferred partners and employers that share the same vision and goal (Conscious Capitalism, 2022).

Health care also includes the mental health of the stakeholders. The mental health of managers and employees within businesses, especially SMEs, is still a neglected sector. Leadership style, company culture can worsen the mental health of the employees. It is evident that a manager's lack of support and inconsiderate or hostile behaviour contributes directly to employee depression (Sparks, Fargher, & Cooper, 2001). Compared to SMEs, bigger companies offer programmes such as mental health literacy workshops, or stress management training. In smaller businesses, the emotions and mental health of the manager can influence the company's culture and work climate which is a significant determinant of employee well-being within SMEs (Zeichmeister, Kilan, McDaid, & Group, 2008).

SMEs can work together with mental health associations and governments to support the mental health of their stakeholders. For example, the Australian Government's BusinessBalance and Ahead for Business initiatives help small business owners to take measures to improve the mental health of their employees and managers by offering workshops and mental health coaches (Australian Government, 2022).

Recommended KPIs for health are:

- Employee Safety
- Number of Educational Programs
- Management Satisfaction
- Work environment
- Employee retention

Education

Education plays a significant role in conducting CSR activities. A recent study showed that 60% of consumers want companies to invest in education and that CSR activities in education rank above the environment (53%), poverty and economic equality (47%) and the arts (19%). The study also indicated that 66% of the participants see it as a company's obligation to invest in the future through education. (Moyer, 2017). Companies that invest in education benefit from a more well-educated workforce and greater loyalty.

Companies such as IBM, Microsoft and Target are well-known to sponsor in the education sector. While enterprises invest in education by building schools and donations, SMEs can approach investing in education by giving lectures at local colleges and schools.

Recommended KPIs for health are:

- Admission rate
- Attendance rate
- Course completion

Environment

Environmental concerns play a key role in conducting CSR activities. Business performance is highly affected by environmental issues and many companies are already aware of this matter (DEFRA, 2006). The companies are aiming to become cleaner, provide environmentally friendly products and engage in CSR activities. The environmental aspects are recorded in the companies' CSR reports based on GRI

guidelines (Chinie & Pelau, 2017). As companies focus on sustainability, they focus also on reducing the negative impact on the environment (CSR Growth, 2021).

Recommended KPIs for the Environment are:

- Energy and electricity usage
- Usage of materials
- Product return and recycling
- Natural resources usage
- Gas emissions
- Water consumption
- Reduction in waste and packaging
- Biodiversity
- Environmentally conscious construction
- Transportation
- Environmental protection expenditures

Ethics

Only one out of every ten organizations report on business ethics KPIs, suggesting that fewer than ten percent of enterprises around the world report on these measures (Weissman, 2018). While most businesses have anti-corruption policies in place in the form of a code of conduct, just a handful are going the extra mile and adopting internal control measures (Pierre-Francois Thaler as cited in SCM, 2018).

Moral behaviour is likely to decline when a major segment of contemporary society is stagnant or decreasing economically. Corruption has the capacity to hinder economic progress and cause significant losses. Companies spend around \$2 trillion per year on corruption alone. This does not account for the social consequences of increased inequality in society and at work. Clearly, ethical leadership is required for economic and social development to occur. Ethical behaviour is defined as knowing and doing what is right while avoiding what is wrong. As a result, ethical leadership requires establishing an organizational climate and guiding principles that deter workers from participating in unethical activity, such as workplace fraud, corruption, or environmental harm (Wade & ICC Nederland, 2020).

Conscious capitalism has proven to be a successful paradigm for companies seeking to improve their performance while benefiting their stakeholders. Effective evaluation of the four principles of Conscious Capitalism can be used to measure a company's impact when implementing the corporate structure of Conscious Capitalism (Wise, 2020).

SMEs, as noted earlier in the paper, are more adaptable to a Conscious Capitalism approach than large corporations. Owners and managers have a critical role in steering their companies along the path of ethical business practices. Creating a statement of corporate principles can help to provide a clear framework for expected conduct. Moreover, examining and analyzing standard operating procedures and performance metrics such as:

- Training Effectiveness
- Anonymous Reporting
- Brand Sentiment of Customers, and
- Revenue Correlation to Ethics (Winterburn, 2018) to ensure they are not set up in such a way as to encourage unethical behaviour (Editorial, 2020).

Infrastructure

Developing countries suffer from poor transportation, the lack of electricity and other power sources, telecommunications, water shortages, bad housing and living in rural and underserved areas. Their low level of income per capita does not give them much to operate with (Raynard & Forstater, 2002). Because SMEs account for over half of the GDP in developing nations, they play a critical role in regional development. They also help to create jobs and offer essential commodities and services to rural communities. Incomplete infrastructure has an impact on enterprises as well as people's livelihoods in developing and transitional nations. It results in a drop-in entrepreneurial activity and local production in certain areas, putting strain on urban infrastructure and jobs (OECD, 2004). SMEs may build local policies based on local requirements, better operate their projects in terms of conducting business, financing, risk management, increasing productivity, and improving the quality of life by collaborating with local governments. By cooperating with local authorities, SMEs can establish local policies based on local needs, operate their projects better in terms of

doing business, financing, managing risks, increasing productivity and improving the quality of their livelihood (Curtis, 2016).

For example, “Échale a tu casa”, is a social enterprise in Mexico that works with local communities to provide affordable and sustainable housing in rural areas of Mexico. Furthermore, it employs an integrated concept that emphasizes community empowerment, low-cost finance, methodologies, and environmentally friendly materials to enhance housing conditions in disadvantaged regions. Échale also promotes long-term growth by promoting social inclusion and including people. It also guarantees that the employees who work on this project are paid fairly. (Buckland, 2016). Échale works with the public sector housing authorities and other investors, who support the project by co-investing in it. So far Échale has built more than 2,000 homes for families and generated more than 2,500 projects (Échale, 2022).

This is just one example of a small business that is involved in the creation of sustainable community development and demonstrates solidarity for their communities, the environment, and their people. Conscious Capitalism and other CSR initiatives urge small, medium, and large businesses to exhibit solidarity and cooperation with the environment and humanity for a greater world not only for us but for future generations to come.

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