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Chapter

Corporate Social Responsibility and Social Report: A Case Study in the Basque Country

Vincenzo Basile

“Responsabilidad means no perder nunca la capacidad de respuesta”.

José Ortega y Gasset

Abstract

This chapter illustrates the case of the Spanish company *Telefónica SA*, a world leader in the telecommunication industry. The main research question is to understand if social responsibility can play a main role in an uncertain scenario. Or better, understand how Corporate Social Responsibility (CSR) can be organized, managed, and measured to be considered a sustainable choice detached from any greenwashing policy. In terms of the socioeconomic environment with the combination of external social and economic conditions that influence the operation and preformation of an organization, the company should be a system not only capable of generating profits but at the same time contributing to society and environmental protection, integrating social responsibility as a strategic investment in the framework of their competitive strategy, in their management tools and their operations. The analysis of this case study aims to offer a model of CSR analysis and measurement tools such as the social report for managers who will have to face the important challenges of sustainable growth in compliance with the 2030 Agenda and SDGs paradigm (Sustainable Development Goals).

Keywords: corporate social responsibility, sustainability reporting, social report, business ethics, environmental, social, and corporate governance

1. Introduction

If the concept of responsibility could be summed up in a single sentence, surely this quote from the Spanish philosopher would fully reflect its meaning. Responsibility, in fact, “never loses the ability to respond,” both to the challenges of current problems and the new generations. The debate on Corporate Social Responsibility (CSR or corporate social responsibility CSR, according to the equivalent meaning of the English language) has taken on a particular consistency and liveliness in recent years [1]. The CSR dissemination policies adopted by the European

Commission have stimulated the comparison between the different perspectives of the definition and analysis of the concept present on the international scene, offering a multitude of concepts of great interest [2]. The concept of CSR essentially means that they decide on their initiative to help improve society and make the environment cleaner [3]. As the European Union tries to identify common values by adopting a Charter of Fundamental Rights, it is natural to expect that a growing number of companies will increasingly recognize their responsibility and consider it one of the components of their own identity [4]. This responsibility is expressed toward employees and, more generally, all parties involved in the company's business who can, in different ways and forms, affect its success [5]. The choice of *Telefónica SA* is due to the position of primary importance that it has managed to acquire in the last decade on the international political and economic stage, thanks to its continuous and proactive interest in issues such as social responsibility, the environmental issue, and sustainability [6]. It is a concrete case of a *socially-oriented* company in the context of the Spanish one that thanks to the push toward investment and liberalization policies in the last decade have managed to achieve economic growth rates of over 3.5% per year, despite having to address the crisis that in recent years has affected the entire world economy. When CSR constitutes a process of managing its relationships with a whole series of interested parties that can affect its free functioning, the commercial arguments are clear [7]. Consequently, CSR, as well as quality management, must be seen as an investment and not as a cost [8]. Firm roach that integrates financial, commercial, and social aspects, thus developing a long-term strategy that minimizes the risks associated with uncertainties [9]. Sarfraz et al. [10] stated that CSR has a moderating role in project financing decisions and environmental risk management, stakeholder, and credit risk assessment. Companies should realize their social responsibility not only nationally, but globally, including the entire production chain. The future challenge to be met is to determine how CSR can help achieve these objectives, namely, to build a dynamic and competitive knowledge-based economy based on cohesion.

2. Corporate social responsibility at a glance

2.1 Theoretical contribution

The first official input in this regard comes from the OECD (Organization for Economic Cooperation and Development) and the ILO (International Labor Organization), international organizations that, since the second half of the seventies, define the first guidelines for companies' multinationals. In 1992, the Rio De Janeiro Earth Summit was held to discuss the planet's environmental problems and their links with the problems of social development. Here, various documents are approved for the commitment to environmental protection and sustainable development, including Agenda 21, or an action program for the international community (UN, States, Governments, NGOs, and the private sector) and the sustainable development of the planet. From 1994 to 1999, various resolutions of the European Parliament followed one another on specific issues relating to CSR: transparency of company relocations and restructuring and the introduction of social clauses in international agreements, social labels for categories of products, human rights, fair trade and supportive, etc. In 1998, the EU itself defined the first guidelines for large companies operating in its Member States, for more socially responsible

management. The first major codification of guidelines for large companies operating in UN member states dates to 1999, with the birth of the Global Compact, an international initiative in support of nine universal principles relating to human rights, work, and the environment [11]. In 2000, the OECD drew up guidelines aimed at multinationals that contain the main cornerstones of CSR, and that involve the social partners and national governments. Through the guidelines, 30 governments require multinationals to operate in harmony with social and environmental [12] policies and expectations. In March 2000, the extraordinary European Council of Lisbon was held, dedicated to the economic and social issues of the European Union, capable of achieving sustainable economic growth with more and better jobs and greater social cohesion. With the publication of the Green Book¹ “*Promoting a European framework for corporate social responsibility*,” in July 2001, following the European Council of Gothenburg in June of the same year and the Communication of the European Commission relating to “*Corporate social responsibility: a contribution of companies to sustainable development*” of July 2002, the challenge is officially launched in determining how CSR can help achieve the Lisbon objective, opening a wide debate at international level on the very concept of CSR [13], defining the procedures for establishing a partnership aimed at encouraging the development of a European structure to promote this concept and the Community strategy for promoting it, illustrating proposals for actions aimed at the European institutions, the Member States, the social partners, business and consumer association actors, as well as to individual companies and other interested parties. Concerning the ethical notion of company economy, it is possible to identify different theoretical approaches, among which it is necessary first to mention the ethical theory and the utilitarian one [14–16]. According to the ethical orientation, the company should subordinate its behavior to ethical rules, even at the expense of profit [17]. The utilitarian perspective, on the other hand, argues that profit maximization contributes to better achieving collective well-being. The ethical doctrine puts in order the needs of competitiveness and profitability concerning the much nobler aims of a social nature [18]. On a diametrically opposite level, there is the utilitarian theory that refers to the iron laws of the market economy. According to this approach, it is the social ends that must be subordinated this time to economic ends. The pursuit of profit is always and in any case a duty and deserving of approval, regardless of the social repercussions it determines. It is true that the company essentially plays an economic role, consisting in producing wealth, that is, goods and services having a value greater than that of the factors used in the production process; however, for this value to be positive, the company must serve the needs of customers by enhancing and developing the resources at its disposal; otherwise, the value may also be negative, thus giving rise to the destruction of wealth. Thirdly, it would be possible to identify a logic of reconciliation based on a compromise between economic and social issues. Thirdly, it would be possible to identify a logic of reconciliation based on a compromise between economic and social issues. However, even this approach does not seem suitable for correctly identifying the corporate finalism, because it ends up not fully satisfying either type of request. Given that the knowledge first stated is now part of the cultural baggage of management, it is the

¹ The Green Paper is communication with which the European Commission illustrates the state of a particular sector to be regulated and clarifies its point of view regarding certain problems; it is part of the so-called “atypical acts” envisaged but not governed by the EEC Treaty, and this type of communication can have an informative, decision making, declarative, or interpretative nature, and is subject to the advertising regime.

last to be able to constitute a real competitive advantage for the modern company. In conclusion, it seems that the road to take is that of *“an idea of business development to be pursued continuously over long periods, because only in the long term does it become possible to synergistically combine needs that appear to be conflicting in the short term”* ([19], pp. 792, 795; [20], p. 95).

2.2 What is meant by social responsibility today?

The term responsibility indicates the *“congruence to an assumed commitment or behaviour, as it matters and implies the acceptance of every consequence, especially from the point of view of the moral and legal sanction”* [21]. The responsibility, therefore, appears, even before being a category of law, as an ethical and moral category firmly linked to the human person. It must always be borne in mind that the violation of a written norm involves easily identifiable responsibilities, while the same cannot be said in the case of social responsibility where there are no probative norms. However, a plurality of meanings is attributed to the term social responsibility, since its definition changes depending on the historical moment and the environmental context in which the company operates; therefore, over time different configurations of sociality [22] have followed one another [23]. However, it should be emphasized that the problem of CSR does not consist in repairing the damage caused to the company in some way, in repairing those damages that benefit one's interests or even in implementing philanthropic actions [24], and so on; rather, in posing the problem of the interrelationships existing between their purposes, their structures and their organization and the purposes, structures, and organization of the other subjects of the social system considered as a whole. It is also necessary to distinguish the content of social responsibility from the tools that guarantee the morality of behavior, such as external legal regulation, self-regulation, or the creation of an ethical corporate culture [25]. These tools constitute the reference ethical system and based on the latter; the content of social responsibility is judged. Maticena [26] speaks of the life cycle of the social problem and expresses the gradual recognition of the social implications and therefore social responsibility. However, it is important to underline that the problem of CSR does not consist in repairing the damages caused to society in some way, in repairing those damages that benefit one's interests or even in implementing philanthropic actions, and so on, rather, in posing the problem of the interrelationships existing between one's aims, structures, and organization and the aims, structures, and organization of the other subjects of the social system considered as a whole [27]. It is also necessary to distinguish the content of social responsibility tools that guarantee morality from behavior, such as external legal regulation, self-regulation, or the creation of an ethical corporate culture. These instruments constitute the ethical system of reference based on the last one that judges the content of social responsibility. Social responsibilities can be seen under a double aspect, subjective and objective. The area of external responsibility centers on responsibilities toward external groups. In any case, given that the activity of the company is unique and unitary, its responsibility must also be this is how the concept of global corporate responsibility is introduced: The company obtains the consent and legitimacy of its work from its interlocutors based on both economic and social results. Maticena [28] rightly observes that *“if companies do not take on social responsibilities consistent with the intensity and extent of the existing interchange relationships with the environment, the companies themselves could be forced into spaces that are so narrow as to be non-vital. It follows that as the company's economic power grows, the level of the social objectives it pursues must increase.”* Given the undertaking of social responsibility by the company, this must inform third parties

not only of the achievement of the economic objective, thus safeguarding its image as an effective economic transformer, but also of the pursuit of its social equilibrium, so “to use the ‘information as an instrument for the protection and maintenance of a correct social and societal climate, that is, of a state of controlled conflict that does not compromise its legitimacy and therefore its survival’” ([29], p. 76). Accurate mapping and definition of the so-called stakeholders already represent a significant contribution to the management of any organization. The stakeholder (evident the analogy with “stockholder” and “shareholder,” which documents the terms the action terminate) comes from a dated 1963 of the Stanford Research Institute (USA) and defines those groups without whose support an organization ceases to exist [30]. Etymologically, the word stakeholder is composed of “stake,” which means “interest in a company,” and “holder,” which means “owner, holder”; consequently, stakeholders indicate the bearers of the company, that is, those subjects, or groups, who depend on a single individual interest, be it cooperative or competitive, in the business of the company, and which must not necessarily be economic [31]. In essence, the stakeholders are direct and indirect to the overall business of the company, who are affected by the effects of its behavior in satisfying their needs and achieving its objectives [32]. Each organization, according to its nature, therefore, has a plurality of stakeholders, which can be divided into a) primary stakeholders, that is, those without whose continuous participation in the management the company cannot survive customers, capital holders, employees, investors, and suppliers; b) secondary stakeholders, that is, those who influence the company or are known by its but are not involved in transactions with the organization and do not jeopardize its survival [33]. It is possible to represent the relations between the company and the stakeholders in **Figure 1**.

The company, assuming a social responsibility, must therefore proceed as a preliminary step to the detailed identification of its stakeholders, to be able to reconcile their different legitimate interests, to resolve or at least mitigate the conflictual character that distinguishes the different requests put forward by the interlocutors. To this end, in the face of conflicting interests, it is appropriate to adopt a relational logic and negotiation and contractual method, which, by assigning “relative weights” to the requests made by the various stakeholders, allows them to be balanced in the conduct of the business [34].

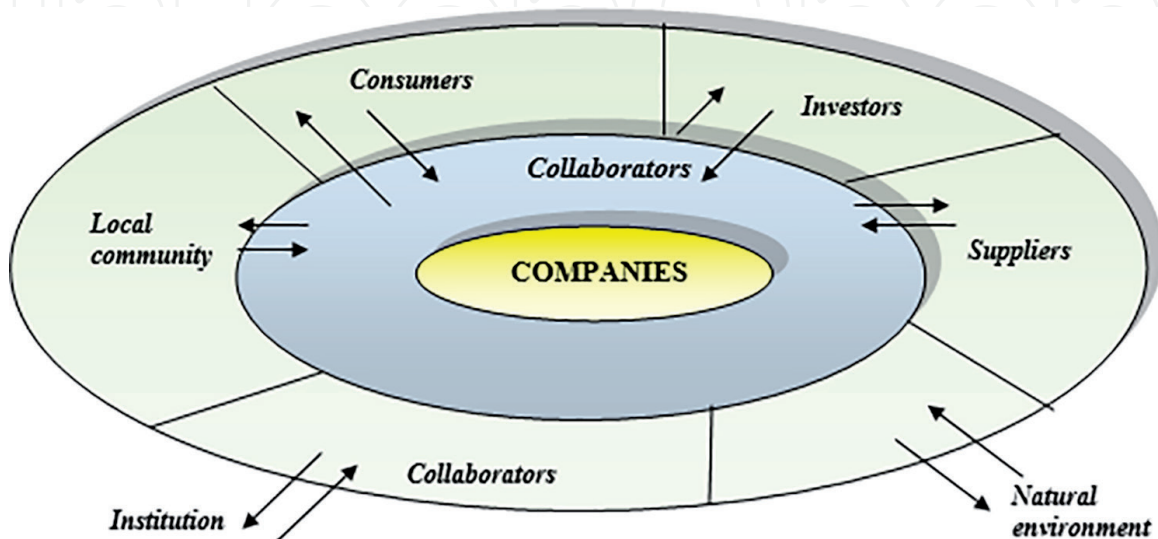


Figure 1. Company stakeholder's representation. Source: Own elaboration.

2.3 Research design and methodology

This chapter investigates the following research question: “*How does the CSR adopted by a leading international company in the telephonic industry?*” The research methodology was qualitative and based on the *Telefónica Sa* case study [35–37] and key informants’ in-depth interviews with the top management [38–40]. The case study represents a strategy for doing research, which involves an empirical investigation of a particular contemporary phenomenon within its real-life context [41]. Furthermore, was considered a secondary source [42] for data collection. Common sources of secondary data for social science include reports, censuses, information collected by government departments, organizational records, and company data. Secondary data analysis can save time that would otherwise be spent collecting data and, particularly in the case of quantitative data, can provide larger and higher-quality databases that would be unfeasible for any individual researcher to collect on their own [43]. In addition, analysts of social and economic change consider secondary data essential, since it is impossible to conduct a new survey that can adequately capture past changes and/or developments [44]. Three semi-structured interviews were conducted in February and April 2010 and lasted for an average of 90 min. However, the authors conducted semi-structured interviews to avoid limiting the interviewees and the possible serendipity of any additional evidence that might be used to revise or strengthen our research. In particular, the authors interviewed: (a) *Director at Telefónica*; (b) *Head of Internal Communications*; (c) *Head of Marketing* (d) *Director of Corporate Strategy*; and (e) *Global Human Resources Manager*. The in-depth interviews [45] concerned questions on the corporate sustainability and organization of *Telefónica SA* activities related to stakeholders. The objective was to shed more light on the role of the company in enhancing sustainable development, and the enablers and barriers to the adoption of social reports [46, 47].

The interview protocol framework is comprised of four stages: (a) *ensuring interview questions align with research questions*; (b) *constructing an inquiry-based conversation*; (c) *receiving feedback on interview protocols*; and (d) *piloting the interview protocol*. The author preserved the conversational and inquiry goals of the research act by including open-ended questions and discussions diverged from the interview guide, and the experts were encouraged to interact. The author collected data through interview notes, and tape recordings were utilized to allow for more consistent transcription [48]. The author adopted the two-pass process for data verification, notated the interview comparisons with audio files, and received written approval of the transcripts from the participants. Finally, after the validation and testing of the *Telefónica* sustainable model by the stakeholders and the questionnaire, the model was applied to another case study regarding different country setting where *Telefónica* operates (e.g., Latino America).

3. The case study *Telefónica*

3.1 *Telefónica* group profile

This chapter explains the strategy that *Telefónica* designed and implemented concerning CSR and the tools it uses. It was chosen for this work, from among Spanish companies, because of the impact of its CSR actions and the strength and

coherence of its approaches. *Telefónica* is not just a “plant” of strategies, policies, and CSR actions but also actively participates in the development of tools to support these issues [49]. With the analysis of a company that applies CSR, the vision is complete, and we can draw a systemic picture of the ongoing process. *Telefónica* focuses its social responsibility as a relationship strategy with its stakeholders, and the value of the company [50] largely depends on how to make these contacts. The corporate strategy analysis highlights that the clear goal it wishes to achieve is to increase the trust of its stakeholders and the social responsibility of the companies with which it operates, which is essentially explained by the relationship it has with these external interlocutors. *Telefónica S.A.* is the largest Spanish telecommunications company and operates mainly in Spain and Latin America. It is one of the largest fixed and mobile telecommunications companies and is ranked third in the world after China Mobile and Vodafone. It was created in 1924, and until the liberalization of the market in 1997, *Telefónica* was the only telephone operator present in Spain and held a dominant position, with over 75%, in 2004. The Spanish government privatized the telephone market in 1997 and currently, *Telefónica* is a public company, without a controlling shareholder. Among the largest shareholdings are those of *Banco Bilbao*² and *Caixa*, whose shares of 5.17 and 5.013%, respectively, do not, however, allow control of the company [51]. The year before Movistar was born, the mobile telephony division of the company, the group operates mainly in Spain, the Czech Republic (with *Český Telecom*), the United Kingdom, Germany, the Isle of Man (acquiring *O₂*), Argentina (with *Telefónica de Argentina*), Brazil, Chile (with *Telefónica Móviles*), Peru (with *Telefónica Móviles*), Colombia (with the Movistar brand), Puerto Rico (with *Telefónica Empresas* and *Telefónica Larga Distancia*), China (with a 5% stake in *China Netcom*)- and Morocco (with *Méditel*), while in Portugal and Italy, it is a shareholder of the former monopolists *Portugal Telecom* and *Telecom Italia*. The internationalization strategy of the *Telefónica* group provides 40% of revenues from abroad and it operates in many countries that are developing. Today, it has fixed ADSL telephone lines and mobile telephone customers in 16 countries; it has a significant presence in Latin America and does business with nearly 50 different countries. The countries in which it operates are 1) Europe: Spain and Germany; 2) America: Colombia, Mexico, Peru, Guatemala, El Salvador, Nicaragua, Ecuador, Chile, Argentina, Uruguay, Brazil, Panama, and Venezuela; 3) Africa: Morocco. Establishing a precise and unambiguous strategy for managing relations between the interested parties of the *Telefónica* group is a difficult undertaking, and in fact, many actors participate in this process, as the following table shows (**Table 1**).

The methodology used to conduct this study was an empirical analysis of *Telefónica* and the direct observation and study of the documentation on CSR plans and verification of the annual corporate responsibility reports [52]. The development

² Banco Bilbao Vizcaya Argentaria (BBVA) is a Spanish multinational banking group with a strong regional origin (Basque Country). Its origin dates to the merger of Banco Bilbao Vizcaya and Argentaria in 1999, which led to the creation of the second-largest Spanish bank, behind Banco Santander Central Hispano. It is the 10th European bank by capitalization with 64.6 billion capitalizations and is highly sensitive to issues of social responsibility and environmental sustainability, and in fact, according to the President of the BBVA Foundation Francisco Gonzàles Rodríguez, as well as the Guggenheim and Fine Arts Museum of Bilbao: “There can be no sustainable development without a sustainable financial system.”

Shareholders	€2.7 million
Customers	€182 million
Employees	113,182
Suppliers	18,500
Revenue	€43.076 billion
Operating income	€4.139 billion
Net income	€1.582 billion
Total assets	€105.501 billion

Source: Telefónica S.A. company Web site updated to 2020.

Table 1.
Number and type of interlocutors of the Telefónica group.

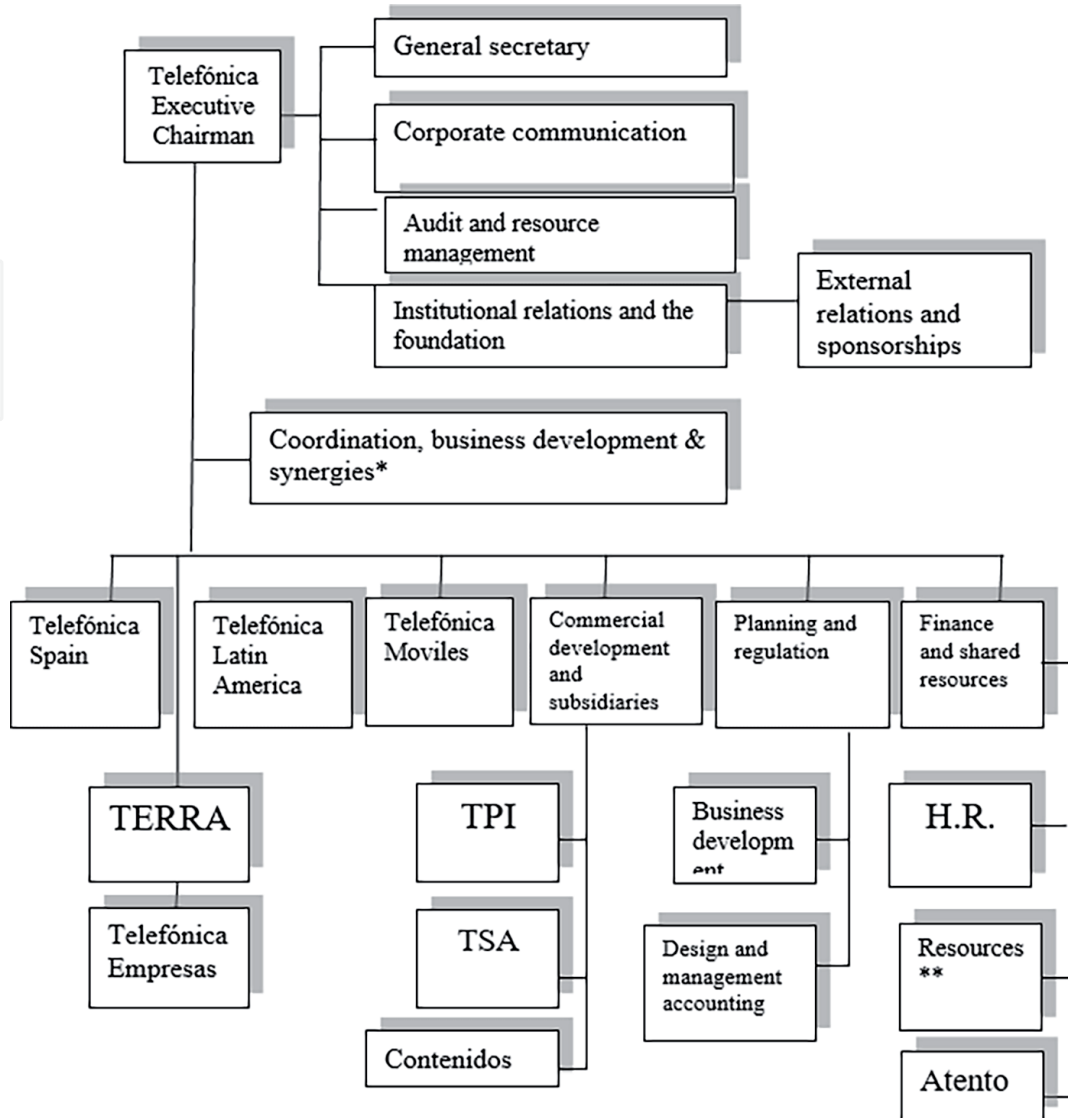
of the guides on AENOR's³ CSR standards starts from *Telefónica*, differentiated into three levels of work where it is possible to study its strategy on social responsibility and the leadership position held by the group in the telecommunications industry.

3.2 Organization of CSR in *Telefónica*

Telefónica has a centralized unit within its organizational structure whose function is to coordinate the CSR strategy. Social responsibility is an integral part of its global strategy for this company. It is relevant that the organizational structure created to design and manage the CSR is integrated within the general management of reputation and brand. This form of organization is also highlighted by the functions of the general manager of corporate communication (**Figure 2**). Furthermore, the profile of the heads of the general management and the communication professionals is relevant in light of the emphasis currently placed on the “brand,” so the choice of these people is made very carefully. In this structure, at the first level of *Telefónica*, there are the presidents of the companies of the group and the managing directors, and the president has significant importance in the four “staff” functions. The Directorate-General for Corporate Communication (with its CSR functions) is one of the components of this staff, and from this position, it supports the whole group, including the branches of *Telefónica* Peru, *Telefónica* Moviles, and *Telefónica* Latin America (Graph 7).

In the representation of the organizational structure of the *Telefónica* group, there are several business divisions and, in addition to those included for personnel, there is the Directorate General on “development, planning and regulation” and one on “finance and resource sharing.” Furthermore, these two directorates-general members are members of the management committee and the presidents of the most important companies. In this matrix structure, the strategies, management systems, and management tools used are common and derived from the top business centers. The work assigned to the general management of reputation, brand, and CSR is to reproduce an idea of leadership, the champion of a specific objective. An important coordinating role is therefore required, due to the multinational nature of

³ AENOR is a private, independent, and non-profit Spanish organization recognized nationally, in Europe, and internationally that contributes to the improvement of quality in companies, their products and services and to the protection of the environment, and, consequently, to the well-being of the company, through the development of standardization and certification of company activities.



* Also responsible for the Secretariat of the Executive and Steering Committee.
 ** Logistics, systems and T-Gestiona.

Source: Telefónica S.A.

Figure 2. Organization chart of the Telefónica group. *Also responsible for the Secretariat of the Executive and Steering Committee. ** Logistics, systems and T-Gestiona. Source: Telefónica S.A.

the company and the diversity of the *Telefónica* Group. The management principles include a focus on CSR, as well as on quality, which must permeate all the processes and activities of the company because its implementation must be transversal, and to be effective the commitment of each unit should be encouraged. In groups of companies such as *Telefónica*, the approach to CSR must be promoted at the central level, even when responsibility is assumed by each of the peripheral units; therefore, the only efficient solution is to have a good organization capable of managing CSR in the companies of the group. However, it must be clarified that in a company of *Telefónica's* size and history and given the territorial vastness in which it operates and the different nations in which it is present, there may be various CSR policies and actions within it. In this sense, the first reference to consider is the activity carried out by the *Fundación Telefónica*. As indicated in the graph, there is a directorate-general (DG) of institutional relations and the social action by the group largely corresponds

to the work of its foundation. Another important organizational unit whose function has been included in the broader field of social responsibility is that of environmental responsibility. In the case of *Telefónica*, environmental developments have been promoted by *Telefónica I + D*⁴, which is one of the group's support subsidiaries and acts as a catalyst for innovation activities.

4. Discussion

4.1 The CSR strategy in *Telefónica*

As already indicated, the CSR strategy in *Telefónica* is an integral part of the reputation strategy. For *Telefónica*'s Director of Corporate Responsibility, the importance of reputation is underlined by the collapse of the stock market in the 90s (twentieth century). The previous system was centered on the creation of value by keeping only two parties in check, namely the investors and the media, which proved insufficient. The different approach to CSR suggests that we must address the entire environment in which the company operates, taking care of its relationships with the community, its customers, employees, and society in general [53]. *Telefónica* launched its Proyecto de *Reputación Corporativa (PRC)* in November 2001, which outlined an operational plan that was then achieved over time and is described and discussed in the following paragraphs of which Andreu⁵ himself became the bearer.

4.2 Proyecto de Reputación Corporativa (PRC)

The PRC has two objectives: 1) to identify the risks that could affect the reputation of the company in its daily relationship with its stakeholders; 2) to identify the common management lines that should be implemented in all business lines and in all countries to strengthen the reputation of the *Telefónica* Group and minimize the potential impact of risks deriving from non-pursuit of the latter. A transversal process was launched to achieve this goal with the group's contribution from all the areas and management. A centralized approach was not considered effective since the reputation of the company is established through the daily activity of all the units. This first objective of identifying the dangers was achieved at the end of 2003, thus obtaining the basic information required to proceed with the PRC [54]. **Figure 3** shows the risk identification process in its five phases, as well as the agents involved in each process and the results achieved.

⁴ *Telefónica I + D* is the innovation company of the *Telefónica* Group. Over the past few years, *Telefónica I + D* has grown within the global market to become a network of centers of technological excellence that extends far beyond the Spanish borders, starting its R&D activity up in its offices located in Barcelona, Granada, Huesca, Madrid, Valladolid, São Paulo, and Mexico. In addition to the numerous technical awards, it has won since its founding, the company received the Príncipe Felipe for Business Excellence Award in 2002.

⁵ Graduated in Law from the Pontifical University of Comillas, he was an MBA from the Instituto de Empresa and at this School of Business he began his career in the research department and went on to become Associate Professor of Organization of Behavior and Communication. He is a member of the Committee of CSR experts of the Ministry of Labour and Social Affairs, of the Spanish Commission of the United Nations Global Compact, of the Patronage of the Chair of Ethics Javier Benjumea of ICADE, on the boards of directors of the Institute of Analysis of Intangibles and the Spanish Forum for the Main Brands.

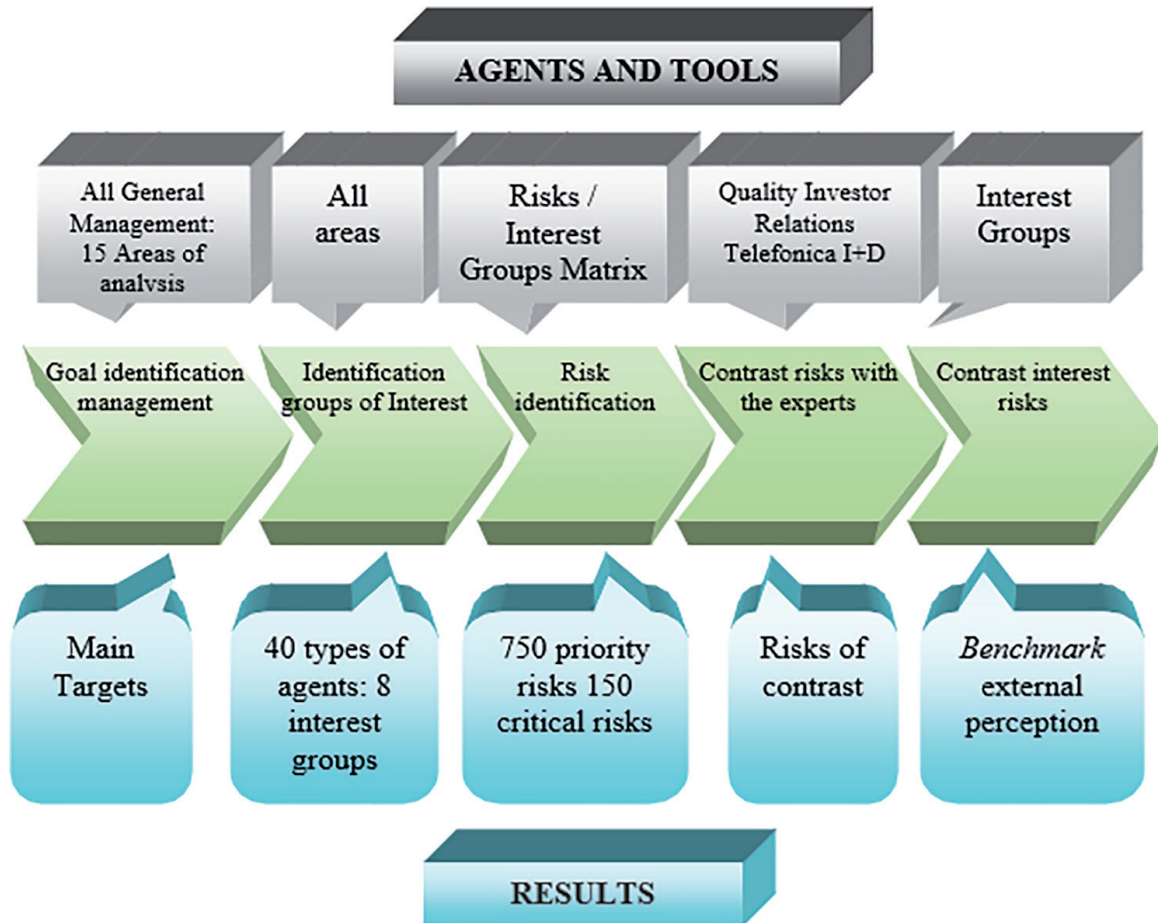


Figure 3.
 Identification of corporate reputation risks in Telefónica. Source: Own elaboration.

All the general departments participate in the identification phase of the management objectives, with a total of 15 areas of analysis, which have identified their main operational targets. In the next phase, identifying the interest groups, the *Telefónica* Group is considered as a whole, identifying the relationships with the 40 types of agents, and the latter are categorized into eight interest groups: *Customers, Investors and Shareholders, Staff, Partners, Regulators, Providers, Agency, Media*. From what we read above, the partners and the media have been included in the list, which indicates the importance that the author of the project has granted them. Each area identifies the main relationships and the main comparison interfaces in the subgroups. The classification of interest groups in *Telefónica* has undergone some corrections, from the first version made in 2003, to the most recent and simplified version of 2005, which is used in the ordinary management. The risk identification phase of corporate responsibility was completed with the construction of a matrix, in which the forces in order are the interest group (the eight indicated) that could be affected by different types of risks, including *Financial, Communicative, and Management, Technological, Social and Legal*. The risks considered relate to the possibility of causing repercussions to the central corporate structure beyond their effects on isolated units. Although risks can be localized so as not to affect other units, such as the brand, one of the ongoing consequences of the global information environment is that, with an ever-increasing percentage of risks, they affect the entire corporate structure. More than 750 risks are identified, of which over 50% are included in the operational management,

corresponding to the daily activities that take place in relationship with the stakeholders. In the risk analysis, 150 were selected, considered critical, with treatment priorities, and the two selection characteristics were damage caused and probability of occurrence. To manage the risks appropriately, they have been grouped according to the intangible element that is affected; eight groups of intangible items were considered as indicated in **Table 2**.

The higher risk of intangible elements affects the strategy and organization of *Telefónica* with 30% of the total, but much importance is also assumed by CSR in controlling these risk factors with a 20% incidence. In the phase of “*contrasting the risks identified by the sectors of competence of the company*,” the relationship between consequences and their criticality was tested with the opinion of the *Telefónica* units that have experience in dealing with these certain risk factors. Thus, to counter the critical issues in the relationship with investors, the analysis was carried out by the Investor Relations Department with particular attention given to the shareholders of *Telefónica*, while the risks associated with the company regarding quality and the environmental issue, as well as the technological risks, were analyzed by *Telefónica* I + D. In the last phase, “*contrasting the risks identified by the interest groups*,” different results are presented about the quality of the work carried out and the variables involved. Through this contrast, we get a) the external perception, which is always of great interest; b) information on the situation concerning other companies in the telephony sector, from which it is possible to obtain a “benchmark” concerning the best; and c) identification of the minimum management municipalities that minimize the reputational risks. To achieve this goal, we are working in three directions: 1. the creation of a self-management model: an integrated model of corporate reputation, *Modelo Integrado de Reputación Corporativa* (MIRC); 2. the definition of an institutional framework for *Telefónica*; and 3. a workshop on corporate responsibility.

4.3 Modelo Integrado de Reputación Corporativa (MIRC)

The MIRC was designed to have a tool capable of organizing work related to reputational risks. The purpose of this tool is to ensure balance in “*bringing value for*

Intangible items affected	%
Ethics	1
Values	3
Company vision	6
Strategy and organization	30
CSR (social action, working conditions and environment)	20
Identity	15
Corporate governance	5
Communication	20
Total	100

Source: *Telefónica S.A.*

Table 2.
Classification of corporate reputation risks at Telefónica.

all stakeholders in the long term... it is a guide to building a risk-proof reputation" ([55]⁶). *Telefónica* recognizes a dual objective in the model: external, which benefits interest groups, and internal, which benefits society because it acts as a shield for possible risks. The MIRC is structured in three levels. The first level is the one that *Telefónica* represents and includes the four elements that represent the foundations of a company: 1) ethics (the only basis on which an organization based on trust can be built) [56]; 2) values (as the ultimate reference of the conduct of a company); 3) the vision and mission (as the ultimate goal of the company); and 4) the strategy and organization (such as the way of working and procuring resources to achieve the mission). The second level is what *Telefónica* does, through the three main elements of corporate responsibility: 1) social responsibility (social action, the social impact of activities, safeguarding the environment); 2) corporate identity; and 3) corporate governance: transparency, control, and monitoring mechanisms on the implementation of *Telefónica's* strategies (Grant, 2006). The third level is what *Telefónica* maintains: "*Communication with all our stakeholders, coherent and transparent, is the greatest capacity of the Group to generate more value than is possible through the economic aspects*" (Trujillo, 2003). In the above description, it is noted that the source of value lies in the communication with all the companies of the group and with the whole community. Similarly, it is observed that the ability to generate value requires communication to adopt the certain characteristics of quality and effectiveness such as consistency and transparency. This is a major challenge for *Telefónica's* communications function, and therefore, for this reason, a great responsibility. For *Telefónica*, the management of corporate responsibility (or RC, *Responsabilidad Corporativa*) presupposes that there is consistency in the three levels indicated and that there are no differences between the three postulates "*what I am, what I do and what I say I do,*" which represent the mantra of the group's basic strategic vision [57].

4.4 Definition of an institutional framework for the group

Telefónica seeks to define a strengthened institutional framework to facilitate the development of CSR and mitigate the risks. With this objective, various projects have been implemented throughout the company: a) development of corporate values; b) code of business conduct—institutional presence; and c) the *Foro de Reputación Corporativa* (FRC). Through these large-scale projects, *Telefónica* implements strategic management, and plans, and integrated them through various actions. This management is reflected in the "discussion forums" organized over the years on CSR, and this has been one of the reasons for choosing *Telefónica* for this job as a harbinger and implementer of active and innovative strategies on corporate responsibility. The central value identified by *Telefónica* for development was the "trust," which each interest group has received and that is reflected in the choices expressed in **Table 3**.

The communication campaign carried out by *Telefónica* in 2004 had the importance of "trust" as its basic value. This means that the company, as has been found in the various media (newspapers, radio, TV, etc.), has given priority to this aspect for the implementation of the MIRC. The relationship between communication and corporate responsibility will be highlighted as an application value in all types of tools used

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Interest group	Basics for building trust. attributes	Effects
Shareholders	Profitability and transparency	Sustainable leadership
Clients	Quality and compliance	Satisfaction
Employees	Clarity and development	Mutual commitment
Society	Contribution and closeness	Respect and admiration

Source: Own processing of information on the Informe Anual de Responsabilidad Corporativa, 2006 by Telefónica S.A.

Table 3.
The basic tools for building trust.

by the group, including periodic reports (annual and semi-annual reporting). The reputation strategy must be established on a real basis of excellence in a service, which requires the considerable effort by the whole organization. CSR plays an important role in empowerment, and in enhancing this effort. *Telefónica*, being a telecommunications service provider, had to manage intangible (non-cumulative) aspects concerning those of the products according to their characteristics [58]. In services, reliability is a determining factor; in fact, more contracts are formalized with operators that from experience can give a better service, full of quality, and transparency. Quality can include the customer's degree of indifference to a repair, the certainty of a billing error, or the fact that the line is operational without interruption. Therefore, customer satisfaction will be the result of compliance with their expectations and the quality of service offered by the company [59]. The Corporate Code of Conduct, like other tools of its kind, is a framework for the integrity of professional relationships. It is inspired by the values of the *Telefónica* Group, which translates into principles, which in turn governs the behavior of the staff and indicates the conduct toward their main interest groups and is based on the concepts of right and duty. Therefore, it is not "compulsory" conduct, but rather, it is embodied in behavior to be followed (Trujillo, 2004). *Telefónica* has an institutional presence in numerous permanent job forums, holding important positions in them. **Table 4** shows some of the main forums in which the company participates, and the role played in each one.

The organizations listed above form the networks that promote CSR, with the different alliance relationships; in these partnerships, each organization is integrated and in close collaboration with the others and makes an important contribution to resolving the idiosyncrasies that may occur over time. The objective of the network is to develop CSR and training tools, such as the AENOR-CTN50⁷ Technical Committee, which can monitor the added results and disseminate them through corporate communication. Looking at the sectoral forums, one observes, first, the diversity among them and their complementarity. Each forum can be defined by six characteristics (areas of implementation), and for each of these, there are two types (national and international). Furthermore, it indicates the characteristics (first column) and the possible types (second and fourth column). It also summarizes the number of holes in each feature (third and fifth column); the nine national forums are thus identified, while the remaining four are international (**Table 5**).

⁷ Comité Técnico de Normalización 50 AENOR-CTN50 Documentación; the main functions of the committee (in the abbreviation AEN / CTN50) are the development and updating of the documentation related to UNE-EN ISO 9001 (the brand used to indicate the certifications issued by AENOR), as well as monitoring the reports on the work of technical committees on quality and safety, proposing opinions and comments through technical documents and nomination experts and national delegates participating in international meetings.

Organization	Workplace	Type of participation
Pacto Mundial	Asociación Española del Pacto Mundial de UN (ASEPAM)	Member of the board of directors of ASEPAM
Ministry of Labour and Social Affairs	Plataforma española Pacto Mundial	
CEOE	Foro de Expertos de la Responsabilidad Social de la Empresa	Member
AENOR	Committee on CSR	Member
Global Reporting Initiative (GRI)	Technical Committee 165-Ethics	Member
	GT2 Working Group	Member
Foro de Reputación Corporativa (FRC)	CSR ad hoc group	Member
	Stakeholders' Council	Member
	FRC	Co-founder
Asociación Española de Contabilidad y Administración de Empresas (AECA)	Committee on CSR	Member
	Business in Society Mission	Member
International Chamber of Commerce (ICC)	Anti-Corruption Commission	Member
	Corporate Reputation Forum	Affiliated to the Spanish network
Reputation Institute		

Source: Own processing of data from Telefónica S.A.

Table 4.
Type of participation of Telefónica S.A.

Characteristics	Typology	N° forum	Typology	N° forum
Scope	National	9	International	4
Homogeneity of members	For businesses only	5	Several agents	8
The endowment of the organizational structure and operational resources	Equipment and autonomy	5	Without equipment	8
			Joined the project	12
Sponsored by <i>Telefónica</i>	Founder	1	Only the study of Corporate Responsibility (CSR)	0
Creators of CSR tools Priority in the use of the concept	Toolmakers (guides, measurements, periodic information reports)	13	Company CSR	11
	Corporate responsibility	2		

Source: Own elaboration starting from Telefónica S.A. data.

Table 5.
Characteristics of permanent job openings with the institutional presence of Telefónica S.A.

It is noted that international organizations can develop subnets, to facilitate the incorporation and integration of corporate culture, so that at a centralized level and with a good information and communication service, it is possible to involve

all interested members. In the case of the *Pacto Mundial de las Naciones Unidas*⁸, a Spanish section has been created; for the International Chamber of Commerce (ICC)⁹, there is a general manager in Paris, which represents all the countries, considered as the “voice of companies” and with a global commercial presence. The greater or lesser success of the centralized or decentralized structure depends on many factors, including finding an adequate leader in each country, or even just the idea of a strong ideology regarding these issues is very important. The two organizations mentioned are among the largest active members in the working groups and are devoting themselves to developing ISO guides. As for the homogeneity of the members that make up the association, there are two types of forums. A plurality of different agents that, in addition to companies, includes the government, NGOs, and research centers is promoted by the UN, MTAS¹⁰, AENOR, GRI, and AECA. On the other hand, it is the forums that respond to purely business problems created starting from the International Chamber of Commerce, the CEOE¹¹, the *Foro de Reputación Corporativa*, and the Reputation Institute. It is interesting to note that there are agents from all interest groups in more than half of the forums described, which is an important sign of the necessary openness to development and awareness in research in the field of CSR. The endowment of a differentiated structure of the promoter is a very important step that organizations give to CSR. Thus, the *Pacto Mundial* has its organizational structure and operational autonomy. However, the working commissions within the International Chamber of Commerce do not have a differentiated organizational structure that allows them to be autonomous. Of the cases analyzed, five forums have their organizational structure and a certain autonomy, while eight do not. Another specific forum was then examined, the Observatory on CSR (*Observatorio de la RSC*), which can be considered the mirror organization of the Corporate Reputation Forum (*Foro de Reputación Corporativa*) mentioned above. In addition to the forums and

⁸ Ethical commitment initiative, intended for companies in all countries of the world that adopt the 10 principles of behavior and respect for human, labor, and environmental rights as an integral part of their strategy and conduct and are working to fight corruption. The idea of a United Nations Global Compact in the field of corporate social responsibility was launched by UN Secretary-General Kofi Annan at the World Economic Forum in Davos on January 31, 1999. In recent years, platforms and local networks in many countries of the world the principles on which the organization is based have been acknowledged and shared by all institutional and corporate members as well as by civil society [60].

⁹ An organization that strives for the global economy as a force for economic growth, job creation, and prosperity. Because national economies are so closely intertwined today, government decisions are much stronger internationally than in the past. The ICC as the only global contact states that it is more determined to express opinions on the businesses in progress. Its activities cover a broad spectrum of functions, from arbitration to dispute resolution, to promote free trade and make the market economy system transparent: from self-regulation to the fight against corruption and commercial crime. The ICC has direct access to national governments around the world through its national and international committees and is based in Paris.

¹⁰ Ministry of Labour and Immigration (Ministerio de Trabajo y Inmigración de España).

¹¹ The specific interests of small- and medium-sized enterprises are represented by the Spanish Confederation of Small and Medium-sized Enterprises, a national organization and member of the CEOE. An organization for progress, the CEOE continuously analyzes the socioeconomic activities of Spain, in order to improve and propose the best competitive solutions for companies. The CEOE is active internationally through the presence of offices in different parts of the world. Another sector activity of the CEOE is that of protecting the artistic heritage and what it represents as well as the interest in the research and development of a country.

permanent working groups mentioned, *Telefónica's* Directorate-General on Corporate Reputation, Brand and Social Responsibility is maintaining a constant presence in the non-permanent CSR forums. This effort of participation and dialog is aimed at achieving the objective of obtaining a “*strengthened institutional framework to facilitate the development of corporate reputation,*” because in this way “*the risks will be mitigated.*” Within CSR, a company aspect of interest is the performance on responsibility in one's own business [61]. So, one of the questions that telecom operators are asking is how they can help promote development and reduce the “*digital divide.*” *Telefónica* based on its experience believes that these cultural and social differences in access to information technologies can be reduced by the following:

- *Network availability and quality*
- *The “democratization” of communication*
- *Development of the information society*
- *Development of new technology*
- *Reduction of the economic gap, which is the basis of availability*

Telefónica's expansion strategy makes extensive use of elements that, as indicated, narrow this digital divide. The concept of social responsibility “*leads to the awareness that we are a powerful force for social, economic and technological development*” [62]. In these statements, the general management on social responsibility and corporate reputation of *Telefónica* highlights the importance of the workers themselves, aware of the social impact of their daily activities. In almost every forum that *Telefónica* joined, the association was already active, that is, promoted by others; only in the case of the FRC (Foro de Reputación Corporativa) did it have a promoting and founding role. This is indicative of the synergy that has been achieved in partnerships between organizations that have a common goal; the creative effort was born from some subjects, while the resulting advantage is shared by all the organizations that ally. Furthermore, the benefits of the network are greater in terms of its breadth and influence, and to this extent, its strength is often found. The relative weight of *Telefónica's* size is the activity carried out by its representatives who are holders of a strategic position and who make a significant contribution to the policies implemented by the company, communicated through the forum. For *Telefónica*, the creation of the FRC responds to a common vision between 11 companies of the group, which makes it possible to obtain synergies through mutual collaboration. The common vision is therefore the following: “*The value of intangible assets in the company is very important and corporate responsibility is a critical component of this aspect.*” The strategy to fulfill this vision consists of “*unearthing intangible assets that generate a better reputation that can increase the perceived value of the company*” [63]. Considering these statements, the actions proposed in 2010 by *Telefónica* to develop a strategy for creating a greater reputation are as follows: a) identifying the best management methodologies for RC (*Responsabilidad Corporativa*), CSR (*Corporate Social Responsibility*), and ethics, which are integral for the FRC (benchmarking); b) promoting and disseminating the knowledge and management of RC; and c) promoting the creation of a stock index (national or European) for “responsible” companies. The actions are outlined to show how large companies have implemented the sharing of experiences and knowledge

of the best management methodologies in the FRC plan, obtaining advantages from this strategic option. And in fact, the information that derives from it would seem more qualified and coherent than that obtained through external “benchmarking,” as used today by many companies. The second action of the FRC indicated by *Telefónica* relates to the promotion and dissemination of knowledge as well as the management of RC. It is therefore a general action for the promotion of RC on management concepts and systems. This type of generic promotion has an impact on all intangible assets, the value of which depends on widespread acceptance [64]. The third action proposed in the FRC concerns the creation of an equity index, in which the criterion of differentiation is CSR. In analyzing the impact that this index can have, it should be noted that this tool, like all those of this type, implies the following: I) the assessment of the reputation achieved by each company; II) the classification of company valuations and the reporting of the levels that need to be included in the stock index; and III) the increase in demand in the stock market and the valuation of the shares of companies that have a good score on the liability index. Once the desired results are achieved, an increase in the value of the company should be achieved through its intangible assets, which is the point of view held and shared by the companies that have implemented the FRC. It is noted that *Telefónica*, as a company committed to full immersion in this field, needs concrete results that allow it to make subsequent efforts by quantifying the results achieved. One of the most revealing findings from the analysis carried out in the previous table is that all the forums in which *Telefónica* participates develop some type of tool for the promotion of CSR. Among these, the *Pacto Mundial*, the GRI, the AENOR, and the Reputation Institute were created precisely for this purpose, or in them, the promotion of the CRS is at the center of the activity carried out. These, once involved in the analysis of the CSR, propose the measurement tools or guidelines to facilitate the implementation of strategic conduct [65]. A special case, different from the others, is the “forum of experts on corporate social responsibility” of the Ministry of Labour and Social Affairs¹², which, although not aimed at developing tools, carries out an information-gathering activity that could be an advantageous opportunity to achieve, shortly, the enactment of a law on corporate social responsibility in Spain. The promotion of a stock index, such as the one described above, did not seem outlined in the previous proposals as key points of application were more general: “*Valuing intangible assets. Definition of development indicators and measurement systems for corporate reputation or related to quantifying the impact of corporate reputation policies: ethics, social responsibility, identity, brand, and corporate governance. Influence and interaction after between are the main intangible variables of corporate reputation*” [55]. These measurement objectives are aimed at verifying the effectiveness of the actions undertaken and selecting the variables with the greatest impact; they are therefore the objectives of improving the methodology before 2004 the *Telefónica Group* was included in the *Dow Jones Sustainability Index* (DISI), after having achieved a score of 75 points for its leadership with sustainability criteria. Moreover, at the European level, the minimum is 72 points and global with the minimum of 70 points and starting from 2004 with the inclusion in the

¹² In the Spanish government, the Ministerio de Trabajo y Asuntos Sociales is managed by the Undersecretary of Labour and Social Affairs of the Ministry of Labour and Immigration, established by royal decree on May 8, 1920.

FTSE4Good¹³ index, which uses, for the selection of companies, ethical, social, and environmental criteria applied through quantitative indicators. The latter consideration is so strong that there is a negative relationship between boardroom gender diversity and a firm's financial performance. According to Ajaz et al. [66], females in boardrooms either cause negative effects or have no impact on the firm's financial performance. Similarly, there is no significant relationship between the presence of women in boardrooms and a firm's reputation.

4.5 Corporate Reputation (CR) workshop

The implementation of the plans described by *Telefónica's* CR requires sharing and implementation by all management areas in the various countries where the group operates. Therefore, the general manager has set up a series of workshops¹⁴ to facilitate the learning of methodologies to promote responsibility in the different areas. This is done through the analysis of "best practices," through the strategic analysis of future growth scenarios in terms of sustainability and development, but also thanks to other more creative techniques such as brainstorming where problems are analyzed to give shared answers that are accepted by the whole organization.

5. Practical implication

5.1 The management of CSR in *Telefónica*

In the CSR management systems in *Telefónica*, two issues are of particular interest for this survey, as they relate to the measurement of progress in the level of CSR obtained and because the relationship with the interest groups depends on the evaluation of the company: a) the interest that progressive accreditation has for society and the types of policies and actions envisaged for the gradual progress toward its objectives; and b) management systems about its stakeholders, with particular reference to suppliers and the introduction of CSR criteria.

5.2 The challenge of progressive accreditation

This section provides a general reflection on the impact that progressive accreditation has on *Telefónica*. The implementation of a gradual and progressive accreditation

¹³ The FTSE Group (FTSE) is a world leader in the creation and management of more than 120,000 stocks, bonds, and alternative asset class indices. With offices in London, Frankfurt, Hong Kong, Beijing, Boston, Shanghai, Madrid, Paris, New York, San Francisco, Sydney, and Tokyo, the FTSE Group works with partners and clients in 77 countries around the world. FTSE is an independent company jointly controlled by the *Financial Times* and the London Stock Exchange. These FTSE indices are widely used by a variety of investors, such as advisors, asset owners, fund managers, investment banks, exchanges, and brokers. The indices are used for the purposes of investment analysis, performance measurement, an asset at the location, risk-hedging profiles, and the creation of fund monitoring indices.

¹⁴ For further study, the Talleres de Reputación Corporativa held by *Telefónica S.A.* can be considered, periodically, the workshop of the Conferencia Interamericana de RSC de la Empresa held in Panama on October 28, 2003, on Reputación y Responsabilidad Social Corporativas.

is highly appreciated by companies and organizations that have become spokespersons for the adoption of a management system based on CSR. It arises as a cumulative process, which makes it possible to maintain a medium-term objective, following an action plan to advance in the implementation of the subsequent phases. In many forums that have been created to promote strategies and actions, CSR highlights the need for elements of verification to ensure the truth of what organizations communicate and advertise. As CSR policies tend to produce greater value in a company's intangible assets (such as brand and reputation), there is a need for effective enforcement and verification mechanisms that are accepted by the organizations represented. The gradual introduction of social responsibility management systems is seen to increase the very feasibility of CSR; the approach with progressive advancement is also valid for relations between interested parties. Although it is a challenge to accept that everything can be divided into distinct parts and that there is a way to advance through a series of distinct stages, it is plausible that each one involves difficulties and costs, such as in justifying the achievement of even partial goals. Those responsible for the implementation of CSR in companies are also interested in "partial recognition" as a clarifying tool, both for themselves and for senior management, that can facilitate their work and increase the probability of giving continuity to the strategic plan pursued. However, important issues to be outlined include the minimum coverage of each stage, the speed of implementation and the type of recognition possible, as well as the conditions for its use. In general, progressive-type solutions are suitable for collaboration strategies, with many interested parties, where each one offers a different contribution, and one crucial factor is the need to go slowly in gaining trust among the participants, while also considering the cost-benefit that everyone gains with the alliance. Furthermore, when the field of action is new or its scope unknown, caution is advised in the implementation of the progressive system. The basic alternatives for progressive implementations are I) partial scope, where the standard is subsequently applied to various parts of the organization [67]; and II) subsequent assumption of principles or requirements and assessment of the degree of conformity. These two basic progression options can be combined in mixed solutions. The two schemes were applied, respectively, for the ISO quality and environmental standardization systems (with subsequent partial certifications) and the excellent management systems (with initial self-assessment and external assessments, as in the case of EFQM¹⁵). The partial field of application can be achieved according to various criteria: 1) structural differentiation of organizational units (departments, business units, subsidiaries of a group, work centers); 2) for the processes of the activities; and 3) for the interest groups involved. An easy way to measure progress is to list the tools and developments that are required for the implementation of the comprehensive, previously known, and accepted management system—for example, the policy approved by the board of directors, the creation of a body in the organizational structure that will be responsible for the process. Some evaluations include not only the results but also giving some evaluation of the performance predictions. This strengthens the systematic organizational commitment to progressive advancement, but it can be at risk of overestimation. This approach was applied in the *"implementation and continuous*

¹⁵ The foundation aims to promote a reference model in order to improve company performance through a more extensive and articulated overall approach than the classic ISO 9000 models. In the EFQM model, the company is analyzed based on many elements, which are then grouped into nine main criteria, each with its own weight. The grade obtained with respect to each criterion then contributes, based on the weight envisaged by the model, to the final evaluation of the company.

Phases	Description
First	First the commitment of top management
Second	Internal analysis
Third	Implementation
Fourth	Measurement of results
Fifth	Communication
Sixth	Control
Seventh	Improvement and excellence

Source: Own processing based on Telefónica data.

Table 6.
Phases of the Modelo de Implantación Progresiva (MIP) in Telefónica.

improvement questionnaire” aimed at organizations that have formalized their adherence to the *Pacto Mundial* in Spain. Some authors¹⁶ also propose another dimension or point of evaluation of CSR strategies and policies: philosophies or attitudes adopted, generated between proactive and reactive. However, it has been observed that if it is claimed that this categorization measures the variables involved in degrees or levels, this can have difficulties and objective aspects that are difficult to evaluate and quantify. Following the “model for the gradual implementation of CSR” designed and implemented by *Telefónica*, we note that it has had a significant impact on the company’s operational strategy and has also served to promote both inside and outside the company’s social policy. It is not intended to convey a summary of the actions taken by the company at each stage, but only to highlight some facts that are considered representative and relevant for the analysis. The comments provided are general in scope and do not refer directly to the *Telefónica* company, but to all the research, and are a good example for observing design variables and problems to be overcome. The MIP model is like other systems designed for management and is a circular, feedback model, such as the PDCA¹⁷ cycle, although it is adapted to the specific interests of the CSR system (**Table 6**).

Phase 1. To make this commitment public, the *Informe Anual de Responsabilidad Corporativa 2003* begins with a letter from the president regarding the requirements of the GRI. In his message to the reader, he indicates that the vision of the company is

¹⁶ In this regard, it is possible to consult the publications on the subject produced by important corporate responsibility scholars Carroll [68] and Joyner and Payne [69].

¹⁷ It serves to promote a culture of quality that is aimed at the continuous improvement of processes and the optimal use of resources. This tool starts from the assumption that in order to achieve the highest quality, constant interaction between research, design, testing, production, and sales is necessary. To improve quality and satisfy the customer, the four phases must constantly rotate, with quality as the main criterion. Edwards Deming in Japan in the 1950s. In those years in Japan, quality production was ensured simply by the testing phases. Post-process inspections only made it possible to discard the defective parts and, following this logic, the increase in quality would have meant an increase in inspections and consequently in costs. Waste and costs were not in tune with the concept of quality sought by Japan. Edwards Deming, to introduce tools to ensure a progressive improvement in quality. The Japanese subsequently reinvented the Deming wheel and called it the PDCA Cycle, constituting a method to be applied to all phases and situations. Now, the concept of constantly spinning the Deming wheel to generate continuous improvement is extended to all phases of management, and the four stages of the wheel correspond to specific activities.

aimed at being a “trusted operator” and that the only way to access this trust is to fulfill one’s commitments and maintain a position of proximity in understanding the needs and the expectations of customers, shareholders, employees, suppliers, or simply citizens. The CSR approach, to be effective, should be promoted as a value and a strategy that starts from the top management, through a plan to be implemented in all company activities. This push from top management must include the provision of necessary resources, how much they will have to compete with other objectives, and the correct priority among objectives for the allocation of resources. Therefore, the level within the organizational structure of the company and those responsible for each process are the important factors in resolving conflicts, but at the end, it will be the top management who will have to decide between the strategies if there are valid operational solutions. The formal organizational structure created for the management of CSR is often a sublevel of general management or corporate management in large companies, as indicated in the case of *Telefónica*. As for the informal structure, its proximity to the presidency and its mandate as the executor of a particular strategy, in practice, increase the level of enforceability. However, the level indicated refers only to the few companies that have bet heavily on CSR, as in many large and small businesses, the functions are shared. CSR managers are often told that their most challenging work begins with the work of internal conviction and in the rest of the structure in responsibility, personal commitment, and effort in resources. This difficulty is like that of the closest management systems such as the quality of the environment. The design of an incentive system for managers and employees is necessary so that they have a utility function consistent with the objectives of the company. However, the incentives can cause unexpected side effects, which can heavily affect the internal balance of the company or firm on the market. For example, stock options have been used to try to reduce the agency problem, which links executive remuneration to the value achieved through shares; however, they were also the cause of an increase in accounting fraud in the main listed companies in the late 1990s. These practices resulted in the loss of reputation of the company in which they were carried out and a significant loss of confidence in the market system¹⁸. It is this loss of confidence that is one of the main reasons why large companies are developing CSR strategies. Phase 2. Given the size and complexity of the company, the activities that the different business units carry out in the field of CSR are brought together, forming a sort of catalog. This collection made it possible to carry out, first, an analysis of the situation, the identification of evident absences, and the assignment of priorities to the initiatives. It also facilitated the identification of best practices, so that they could be exported to other units. The first consequence of this methodology is the internal benchmarking procedure, which is useful in large companies with different operating units and various geographical areas. Among the companies that were consulted in this research, it becomes clear that the initial diagnosis phase presents great difficulties, deriving mainly from the uncertainty of the very concept of CSR, from the presence of various definitions of CSR, relating to the inclusion or exclusion of principles, as well as the degree of participation of the interested parties.

¹⁸ For an in-depth analysis, see the paper “Determinants of collateral” in which the authors conduct an extensive examination of the effects of information asymmetries and of the relationships of the financial and banking market in the various economic cycles: GABRIEL JIMENEZ (Banco de España), VICENTE SALAS (Universidad de Zaragoza and Banco de España), and JESUS SAURINA (Banco de España), February 2004.

The managers of the company have different functions and are often of opposite opinions, and therefore, they are forced to choose one among them to create a common culture and conduct internal awareness campaigns. However, significant progress has been made to clarify the concepts and actions that need to be taken to implement a CSR system. The creation of economic value from the CSR strategy is based on certain requirements or expectations of its stakeholders to allow it to obtain a competitive advantage (Porter, 1985). These include a trust that the customer does not change supplier, proximity capable of decreasing the image of distance that a multinational can have; the issue of human rights compatible with the growing pressure of society against violations of privacy and abuse of a person; the image of efficiency and devotion of the company to reduce the advantage of competitors in the reference competitive sector; and the relationship with public institutions of the state.

Phase 3. Based on this survey, the strategy was defined in *Telefónica*, assessed through the resources for implementation and the necessary organizational structure. It corresponds to the organizational structure to plan the methodology to be applied. If we compare the MIP model with the general management scheme, we see that planning and organization activities are included in the implementation phase. They have been concentrated; this does not mean the realization of a smaller number of phases, but an attenuation of the importance given to the other phases.

Phase 4. The information systems that existed before 2002 in *Telefónica* provided only part of the information required by the new area of CSR, so it was necessary to create a specific information network. An “integrated management system” was launched in the field of CSR and it was necessary to work diligently to systematize the information, which was dispersed and uneven. To select the indicators, the guidelines of the Global Reporting Initiative were used together with the ratios and data pertinent to the specific activity; *Telefónica* itself participated in the development and organization of the GRI as well as in the creation of the reference guides for the telecommunication sector. To ensure the quality of the information, a determining factor has been identified: the accountability that provides information [70]. Furthermore, a double control was used, guaranteed, and made possible by the organizational structure of the company: the participation of the heads of each operational line or corporate center and the involvement of the company departments. CSR must be developed through a transversal management system that penetrates the various activities, integrated with other management systems. Therefore, the variables and results relating to CSR are combined in the management control systems of branches and business units [71]. For standardization, an internal regulation has been developed for carrying out CSR reports and the internal control department has participated in its elaboration. The control phase, which in general models, is usually identified as unique, and in *Telefónica*’s CSR MIP, on the other hand, unfolds in three phases: measurement, communication, and verification. This approach is indicative of the importance that communication plays in the management of CSR since its development is correlated with interest groups. Based on the decision to consider verification as a separate phase, the argument supported by the various companies in the forums could be indicative: There is still little maturity in the field of CSR and it is necessary to proceed slowly and safely, identifying the groups of interest. It should be noted that the difficulty of obtaining homogeneous information on CSR in large companies motivates the choice to finalize the first stages of the implementation of the strategy in the creation of the information system. The same experience described for the telephone operator was compared among BBVA and other large companies.

However, in PYMES¹⁹ this part of the process would be much easier. The responsibility of the information generators is indicated in the sustainability report [72]. Indeed, one of the steps that have been considered most effective since the financial scandals of the 2000s is the clarification of personal responsibility in the information provided, which is institutionally promoted. The result measurement phase is closely linked to the principles of transparency and anti-corruption that accompanies CSR. Likewise, it is also essential in any management system for results and continuous improvement. The strategy and entrepreneurial activity can simultaneously influence relations with the various stakeholders. For example, if anticompetitive practices are used, reference is made to the interest group of competitors, the relationship with the public administration and customers, even if it is only a reflex moment. In many cases, it is not easy to determine where the commercial practice ends and those that are not accepted begin. Phase 5. The “*Annual Report on Corporate Responsibility of Telefónica S.A.*” was released in 2007, 2008, and 2009, and every year, there was a notable improvement in the contents and in the processing of information, as well as in its dissemination. Phase 6. Within the *Telefónica* MIP are the following steps in the verification process: internal audit on the correctness of the information; external audit; certifications; and verifications [73]. All the processes relating to the customers of *Telefónica* and *Telefónica Moviles* in Spain are certified according to the ISO 9001/2000²⁰ standard, and in *Telefónica* America Latina, they were carried out in 2004. Two characteristics can be observed in the design of these certifications: a) The development achieved is measured in proportion to the certified processes; and b) the priority of certification is assigned to the processes closest to the customer, who is the main beneficiary of quality. These continuous quality improvement plans include “service indicators” and “strategic quality indicators, with objectives of improvement and comparison with the quality perceived by the customer.” *Six Sigma*²¹ is the reference methodology for process improvement and staff training. These systems include internal controls. In 1996, *Telefónica* of Spain acquired the environmental commitment of ETNO (European Telecommunications Operators), and in 1999, the development of an “environmental management project” takes the UNE EN ISO 14001 standard as a model. The environmental management system for *Telefónica Moviles* in Spain covers all its activities and is certified by AENOR by the UNE EN ISO 14001 standard. The various collective agreements of the company are applied to more than 100,000 employees of *Telefónica*. It is important to underline a way of expressing and communicating the ISO certifications that were used in the report produced by

¹⁹ Acronym corresponding to the Italian PMI (small and medium enterprises), PyMEs (pequeñas y medianas empresas).

²⁰ The standard that specifies the requirements for a quality management system in which an organization must demonstrate its ability to consistently supply products that satisfy the customer and the applicable regulatory requirements, aiming to increase customer satisfaction through the effective application of this system, including processes for continuous improvement and customer compliance assurance. All requirements of this international standard are generic and are intended to be applicable to all organizations, regardless of the type, size, and product supplied.

²¹ This denomination indicates a quality management program based on the control of the mean square deviation, which aims to bring the quality of a product or service to a certain level that is particularly favorable for the consumer. This variability is so limited that initially the common opinion was that it was impossible to achieve, and many believed that a three-sigma strategy might be acceptable. This guarantees a direct impact on the customer, intended as a user of the process or product.

Telefónica. The reference to the percentage of processes subject to certification is clear information and should be standardized by quality managers (certifiers, consultants, and companies with quality systems). The 2000 edition of ISO 9001 provides for the focus of society as an integrated set of processes, and it is this vision of integration that should be strengthened. And this contrasts with the widespread practice among companies of citing the number of certificates earned (on quality, on the environment) as to their merit, without referring to what they represent for all processes in society. Thus, the reader could interpret a company, A, with four certificates as being in a better position than another company, B, with a single certificate, when the reality may be that company B has certified all its processes, and only some of these.

Phase 7. The improvement phase is seen as the analysis of, and reflection on, the overall path and includes external recognition. This recognition can be evaluated in terms of awards obtained and by other means or methods that the market and institutions can design and use. Finally, in this phase of improvement, and through a DOFA²² analysis, the diagnosis is fed, with which the next cycle begins, before continuing toward excellence. *Telefónica* has received many awards and recognitions for its commitment and its application to the principles of CSR. However, the field of international recognition of the progress achieved in social responsibility will never be complete without a common interpretation and evaluation of information by interest group representatives. There are at least four elements of variation, and they are difficult to interpret: the agent who subsidizes it; the means used for the assessment; the characteristics; and the degree of recognition granted. Concluding the discourse on the progressivity in the analysis of the *Telefónica* case and on the other elements observed, it is shown that the progressive advancement systems for the establishment and accreditation of the CSR are of a mixed nature, including progress in the unity of the organizational structure, in the processes, and in assessing compliance with the principles [74]. As a detail on the possible developments during the evaluation, the improvement in the quality and transparency of the communication is highlighted, which is to report the percentage covered by a certification process, rather than the number of certifications. Progress is also being made in the standardization, measurement, and accounting of the results achieved with CSR, particularly for the improvement and expansion of the reports made by the GRI [75], which with its guides since 2002 has started the elaboration of an articulated reporting on the sustainability [76]. However, it is still a process that requires a lot of development, especially in the use of measurements and in annual and cross-cutting improvement. It is internally validated that the reports are made according to the GRI guidelines, but they are not being carefully checked.

5.3 Focus on interest groups in *Telefónica*²³

Telefónica's approach to its stakeholders is to recognize legitimate interests and try to demonstrate their commitment and earn their trust. The following statement, which

²² The analysis can concern the internal or external environment of an organization. The usefulness of SWOT analysis is not limited to organizations for profit. SWOT analysis can be used in any decision-making process where the desired end state has been defined.

²³ With this expression, *Telefónica* wants to include all the subjects and interested parties who meet the company; this expression could also be translated with the common term of Anglo-Saxon derivation "stakeholder."

is exhaustive of the policy implemented by the Spanish group toward all its interlocutors, is reported on the company Web site on *Telefónica's* corporate responsibility: "A company of this size generates, every day, millions of contacts with groups that, directly or indirectly, maintain a legitimate interest in it: customers, shareholders, investors, employees, partners, media and suppliers. Furthermore, following these relationships, the *Telefónica* Group also maintains close contacts with all the companies and countries in which it operates. Each of these relationships is an opportunity to demonstrate *Telefónica's* commitment to its interest groups ... and therefore it is a chance, whether or not to win your trust."²⁴ The previous quotation highlights a direct relationship with the six interest groups, while the reference to contacts with companies and the countries in which the company operates is presented because of relations with those groups. In the classification of *Telefónica's* interest groups, the following distinctive features must be noted: 1) special mention, to divide shareholders and investors even if it is considered the same interest group; 2) express reference to shareholders and consideration as an interest group; 3) governments (regulators) are excluded from the interest groups; 4) it includes the means of communication (mass media); and 5) no specific consideration of the "company" as an interest group but derivative of the relationships with the seven interest groups. Furthermore, they do not mention the concept of "company," but a plural and diversified "company and countries in which it operates." *Telefónica* has recognized, in its sustainability communication, suppliers as one of its stakeholders. The procurement process is a process that has standardized the *Telefónica* group, with standardization being carried out through the application of a "common management model," already applied by 100 companies from the group, called the *Sistema Avanzado de Compras* (SAC). The SAC is a manual of conduct that states "the importance of intervening with rigour, objectivity, transparency and professionalism in the purchasing function, and which reflects the principles and guidelines that should guide actions with suppliers." This manual is mandatory for all people involved in the procurement process, whether in commercial areas or working in different units. The manual includes 13 general principles, including those most directly connected with the principles of CSR, and the six approaches are as follows: I) customer satisfaction [77]; II) compliance with commitments; III) transparency in the procurement process; IV) equal opportunities for suppliers; V) objectivity in the decision-making process; and VI) contribution to the development of society. To strengthen the implementation of these principles, the manual underlines the "guidelines to be followed in situations deriving from the relationship with suppliers that can generate conflicts of interest" and indicates what to do in the working relationship with *Telefónica* suppliers and in other situations of constraint with a supplier, as well as the prohibition of accepting gifts or personal benefits associated with purchases (**Figure 4**).

The procurement process has five stages or phases, as shown in **Figure 4**; these phases are represented by their principal or actor, and in the same way, it is indicated in each phase how to proceed with the distinctive approach in CSR, resulting from the application of the six principles of the conduct manual (SAC). *Telefónica* has classified the acquisitions necessary to satisfy any type of need in five product lines (network infrastructures, services and works, products, market information systems, advertising, and marketing) in the definition of the requirements

²⁴ The text is taken from the *Telefónica* Web site in the specific section dedicated to RC and sustainability 2009 (www.telefonica.com/es).

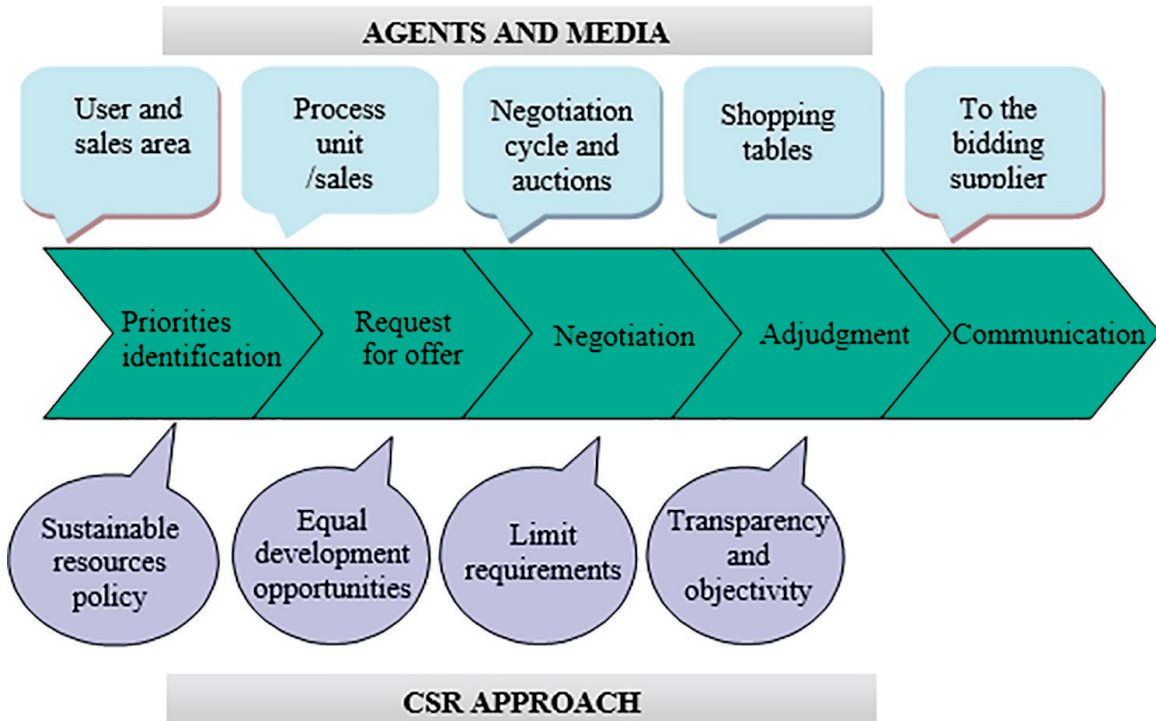


Figure 4.
 The Telefónica procurement process, CSR approach. Source: Own elaboration from Telefónica S.A. data.

considering the global policy of sustainable development of society. Homogeneity is applied in requests for offers so that the information provided to suppliers (through the purchasing area) is the same for everyone to ensure equal opportunities for all interested groups. Another principle is contributing to the development of society, so the policy aims to promote the country’s economic activity, which influences purchases. The whole process up to the tender requires the supplier to be approved. The approval of suppliers is achieved by registering in the “supplier catalog,” which includes a presentation of the company and the opening of a register managed by the corresponding SAC process unit (there is at least one in each of the 19 countries in which *Telefónica* operates), to the verification process after inclusion in the catalog or to rejection. For the approval or rejection of the supplier, among other things, the criteria set out by the CSR are considered. Purchasing management is done through seven purchasing tables, which are in Madrid, São Paulo, Rio de Janeiro, Buenos Aires, Santiago de Chile, Lima, and Mexico City. Some products require technical approval before being used and therefore require a specific approval process. The specifications of the products/services being assessed include elements of social responsibility, such as those relating with respect to the environment. The negotiation phase is governed by a set of guidelines to ensure compliance with the supplier’s treatment, transparency, and objectivity; here are some guidelines for specific situations: a) Limit the requisites required for suppliers, without using the purchasing power of *Telefónica* because the supplier accepts abusive conditions well below the market; b) no offer will be negotiated without any possibility of awarding; c) confidentiality of information obtained from the supplier on offers and other aspects of the purchase tables; and d) there will be no meals or recreational activities during the negotiation period. The trading phase is carried out using the method of trading cycles or auctions. The management of the

purchases of some product categories is carried out through an electronic commerce platform: e-Sourcing Adquira²⁵, with over 4,300 affiliated providers. The ratio of products purchased by these means is not identical in the seven purchase tables and includes a series of items for each of the five product lines. This platform allows the management of bids and negotiation, as well as the implementation and management of purchase auctions. Transparency and objectivity are the principles of CSR that directly affect this phase. It must also ensure that the contract entered reflects what is negotiated with the supplier. In the final phase of contract implementation, the affected areas that they manage must strictly abide by the agreement and check that the supplier complies with its commitments. For the award, the calendar and the specifications of the offer will be considered. As the main aspect of the process analyzed in *Telefónica*, the principles of transparency and objectivity are preferred for the IT solutions that are transforming the company's purchasing system. They point out that there is also an improvement in the efficiency of the system by reducing process costs, which affect both the supplier and the buyer. *Telefónica* is automating all purchasing processes in the value chain with the supplier. Together with the e-Sourcing, the e-Procurement company platform supports all internal procurement cycles (post-purchase), including the delivery of orders.

6. Communication on CSR in *Telefónica*: the annual reports on social responsibility

The first social report published in Spain was that of *Banco Bilbao*²⁶ in 1978, and this was followed by other large companies such as *Telefónica*, RENFE,²⁷ and *Construcciones Aeronáuticas*²⁸. These relationships represent the aspect of social, not economic, indicators referring to customers, employees, the environment, and the community. However, this effort was soon stopped, due to the accentuation of a purely financial approach in the 1980s, which emphasized the relationship with investors, shareholders, and the media. The increase in CSR, as well as the importance within it of the information provided to interest groups, motivated *Telefónica* to decide to present the reports on corporate responsibility, for which it adopted the methodology of guidelines of the Global Reporting Initiative (GRI). *Telefónica* has also undertaken an attitude of active participation in the GRI, forming part of its

²⁵ Adquira is the leading trading and provisioning solutions company in Spain, striving to facilitate business relations between businesses through an integrated e-commerce platform. Its mission is to enable companies to take part in e-commerce, meeting their procurement needs, allowing them to do business with significant competitive advantages and offer reliable solutions. Adquira began operating in 2000 as an initiative of four of the largest companies in Spain: BBVA, *Telefónica*, Iberia, and Repsol YPF; the company has a very full database of more than 4,500 suppliers in Spain, in order to improve the purchasing processes of its customers. Its activity, with almost 10 years of experience in the market, allows it to offer specialization, experience, and guarantee of service.

²⁶ Bank founded in Bilbao in 1857 that gave rise (through subsequent mergers) to the current BBVA group (Banco Bilbao Vizcaya Argentaria, S.A.).

²⁷ The *Red Nacional de Los Ferrocarriles Españoles* is a Spanish state structure of railway transport founded in 1941 and in force until 2004–2005, which was divided into ADIF (Spanish railway infrastructure management body) and Renfe Operadora (the company that deals with the railway service).

²⁸ The *Empresa Construcciones Aeronáuticas S.A.* (CASA) created by José Ortiz Echagüe on March 3, 1923, was the first Spanish company in the aerospace sector.

Stakeholder Organization (SO) and being represented in its Stakeholder Council by its General Management of Reputation, Brand and Social Responsibility. *Telefónica* creates an integrated corporate responsibility report for the whole group, but it has also left certain freedom to the companies that want it to carry out their reports independently on sustainability; in fact, the following five companies appear in the list of Spanish companies in the GRI database: *Telefónica S.A.*, *Telefónica de España*, *Telefónica Móviles España*, *Telefónica Publicidad y Información, S.A.* (TPI), and *Telefónica Investigación y Desarrollo (Telefónica I + D)*. The logic of this plurality of relationships is that companies have considered it as an element of competitive advantage relevant to their strategy in every sector. In other groups of companies (Ferrovial, BBVA, and Repsol YPF), this proliferation does not occur. The GRI database has a temporary delay concerning the publication of the reports on the Web site of each company; this may be due to the request of the GRI to grant the status of “in accordance” with the reports, which implies a review by this organization. *Telefónica’s* reports are increasingly complete and sophisticated in trying to achieve the stated goal of more transparent information. Similarly, the effect of the improvements in the tool used is felt, following the publication of the 2008 edition of the GRI guidelines. *El informe anual de responsabilidad corporativa 2008*²⁹ by *Telefónica* begins with the president’s statement³⁰ and with a specific chapter for each interest group. The information is structured and standardized according to guidelines provided by the group and contains indicators both on the general commitment and on specific areas in the field of telecommunications. The list of indicators (referring to the 2008 report) is shown in its content in the following tables and graphs. In addition to the ratios, the company’s annual report includes the company profile, structure, governance [78], stakeholder engagement, and global policies. It should be noted that there are several indicators of social performance suitable for analyzing working conditions, respect for human rights, the relationship with society, and product responsibility because the company is very committed to this type of policy as also demonstrated by the annual report produced by the OSE³¹. *Telefónica* is a driving force for economic, technological, and social development in the countries where it operates. In 2008, the company generated more than 69,000 million euros in revenue. These revenues made it possible to pay 6,767 million euros to its employees (5% more than in 2007), 10,336 million euros to public administrations (4% more than in 2007), 32,832 million euros to its suppliers (2% more than in 2007), and approximately 6,700 million euros to its shareholders (22% more than in 2007). This is how society has distributed the wealth created. In 2008, *Telefónica* set aside more than 4,600 million euros for technological innovation, which represents a 6% increase compared with 2007. From this amount,

²⁹ *Telefónica* presents in this annual report on corporate responsibility its behavior toward customers, employees, shareholders, suppliers, society, and the environment. The content is part of the company’s CSR strategy and includes information on *Telefónica’s* achievements in this area, its objectives, and challenges for the future.

³⁰ Cesar Alierta Izuel graduated in Law from the University of Zaragoza in 1967 and after 3 years earned a master’s in business administration from Columbia University in New York, United States. Executive President of *Telefónica S.A.* since July 26, 2000, he has contributed significantly to the growing development of the Spanish telephone group in recent years.

³¹ The *Observatorio de la Sostenibilidad en España* is an independent project in operation since February 2005, based at the University of Alcalá, and starts its activities following an agreement signed with the Ministry of the Environment, the Foundation for Biodiversity, and the General Foundation of the University of Alcalá.

668 million euros were invested in research and development (R&D), meaning that *Telefónica* ranked sixth in the world in this category and first among Spanish companies, with an amount dedicated to investments that were four times than those of the runner-up in this *ranking*³². Significant progress in some areas of the group in the field of *corporate responsibility* and the need to improve implementation in others, together with the objectives set for 2011, constitute the reference target for 2009; this is the central message of the 2008 annual report by *Telefónica*. Here are the “milestones”: *Corporate Responsibility* and *Business Principles*. At the end of 2008, about 50% of the group’s employees (excluding Atento teleoperators) had received training in *Business Principles*, which represents 60,219, double the figure for 2007. The aim of promoting dialog with employees on business principles was achieved through the development of forms of internal communication such as publications (e.g., *Somos* magazine), and a variety of presentations in various locations and forums. Abdullah et al. [79] suggest that employees who value CSR campaigns and other practices identify with their company to a greater degree, work with more devotion and loyalty, and show more creativity in their work performance. Or better CSR practices have a significant influence on employee performance in terms of relationships between employee perception of CSR and employee outcome for firms [80]. Training initiatives were launched for employees in Ecuador, while CSR continued its consolidation process in the remaining countries where it had begun to be applied in 2007. Thematic panels

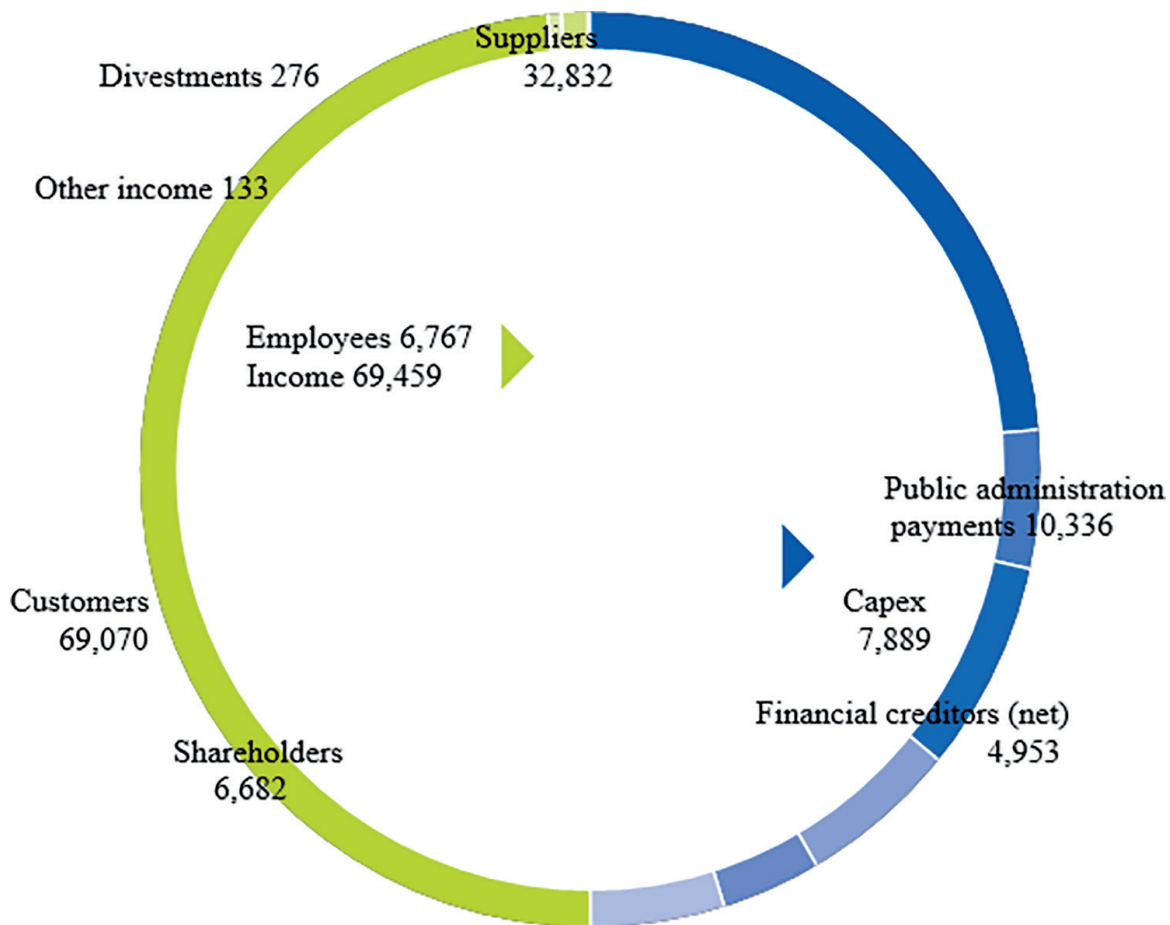


Figure 5. Driving force of progress in *Telefónica*. Source: Annual Corporate Responsibility Report *Telefónica* S.A. 2008.

³² The 2008 EU Industrial R&D Investment Scoreboard.

were promoted in Peru on social inclusion in the sector of telecommunications, the *Intégrame Project*, and the 1st Forum on Antennas and Health. *Telefónica O2 Germany*³³ confirmed its status as the best company in relations within the group and the online dialog issue (**Figure 5**).

To encourage initiatives aimed at ensuring responsible behavior by interest groups and to help consolidate the companies and the good perception of *Telefónica*, the CSR guidelines have been developed for 10 countries, including the 2008 targets. *Environment*: An Environmental Management System has been developed for the entire group based on the ISO 14001 standard. A model that emphasizes the energy efficiency of equipment and products has also been implemented by suppliers in the work area of the OCC. Hang et al. [81] identified a significant and positive impact of CSR and green product innovation on organizational performance. Accordingly, green product innovation positively influences competitive advantage. Competitive advantage mediates the relationship between corporate social responsibility, green product innovation, and organizational performance. Measures aimed at improving energy efficiency, promoting the use of renewable energy and Green IT models, have been developed and implemented as part of the activities of the work area in the *Climate Change Office*³⁴. The year 2008 marks the development of the *Telefónica Environmental Performance Index (EPI)*³⁵ based on a *balanced scorecard*³⁶ of environmental indicators. The rules that are expected to be implemented in 2009 and 2010 in all operations were designed in 2008 as part of the *Global Environmental Management System*³⁷. These regulations cover aspects such as waste management, noise pollution control. *Customers*: Efforts invested in the *Customer Experience*³⁸

³³ *Telefónica O2 Germany GmbH & Co.* The company offers its German private and commercial customers fixed and mobile telephone services with prepaid contracts, as well as innovative mobile telephone and data transmission services based on GPRS and UMTS technologies, thus becoming an integrated high-speed communication provider, the leader in Germany by market share. In it, the communications company provides information on key performance indicators for 2009 and its commitment to customers, employees, and the community, as well as its CSR goals for 2010.

³⁴ The Office of Climate Change was established in September 2006 in the UK to help and support the analysis work on climate change and the development of policies and strategies for the future. The organization's goal is to reduce the environmental impact deriving from "hardly responsible" choices by companies and to promote and raise public awareness of issues of great interest today, such as human health and sustainability.

³⁵ The EPI aims to give the company a more accurate picture of the state of environmental progress, for each company, by providing reliable quantitative information; the index will help evaluate the measures taken so far and facilitate decision making for the future. These indicators reflect characteristics such as environmental objectives, ongoing legal proceedings, and employee training.

³⁶ For an extensive discussion of the BSC as an "integrated dashboard of indicators" see Vigano, "The value of the company. Historical analysis and determination objectives" 2001, chap. 3, pp. 93–101.

³⁷ In 2008, the company designed an Environmental Management System in accordance with the international standard ISO 14001 to set environmental management guidelines for all group companies. The documents that make up the Environmental Management System worldwide are the environmental policy, the Basic Standard, nine specific environmental management standards, and the Environmental Sustainability Index.

³⁸ The CSI is an "average" synthetic indicator, built based on the assessments given by customers on the individual aspects that put the customer in a relationship with *Telefónica* and on the level of importance that the individual aspects have for each customer. For a careful analysis of the index, see Bryant and Fornell, "American Customer Satisfaction Index, Methodology Report," April 2005.

methodology that was introduced in 2007 resulted in an improvement in the Customer Satisfaction Index, bringing it up to 6.92% with an improvement of 2%. According to a pre-established work plan, in 2008, advice was distributed to customers and the public on the responsible use of technologies, with recommendations on safety, recycling, the use of technologies by children, intellectual property, and the use of technology in public places. The analyses include surveys involving approximately 85,000 children from 800 schools in Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Venezuela; the conclusions were recorded in the White Book and will form the basis for the development of future educational initiatives. Ten principles that constitute the golden rules on advertising have been defined and are included in the Agencies Evaluation Model and are applied as part of the contractual conditions with these agencies. *Employees:* The ongoing initiatives have led to an improvement in the Employee Satisfaction and Commitment Index, bringing it up to 69%, three percentage points more than in 2007 and with participation in questionnaires equal to 70.4%. Progress has been made in dissemination and implementation tasks across the internal areas that will constitute the future Diversity Committee. The *Telefónica* Group work accident analysis procedure was developed to establish a set of common criteria to analyze the working conditions in all companies that belong to the *Telefónica* Group. *Providers:* *Telefónica* has more than met its 2008 target of assessing the risks of the value chain of 1,000 suppliers and carrying out 50 audits, reaching figures of 1,100 and 55, respectively. *Community:* Nearly 107,602 children were introduced to primary schools in 2008, doubling the previous year, in Latin America. The *EducaRed*³⁹ model was used to provide teachers, pupils, and families with the technological tools necessary to guarantee access to learning processes and teaching quality. Progress has been made in the following areas covered by the Accessible *Telefónica* Plan: accessibility of *Telefónica* mobile phones, ease of the integration process in the workplace, accessibility of procurement procedures, web accessibility, accessibility in stores, accessibility of digital TV, and accessibility of hardware. In addition to these results, communication actions and consolidation of the network of collaborations have been launched with other interested parties as well as constant support for innovation initiatives. At this point, it appears essential to analyze the strategic system of *Telefónica*; corporate responsibility is considered an integral part of its objectives for the group and how it conducts its activities is based on doing business in the “right way.” Its initiatives are in the correct balance between positive and negative effects to prevent the adverse impacts affecting the value chain for each stakeholder. *Telefónica*’s vision is to “improve people’s lives and business performance, as well as the advancement of the communication technologies in which it operates, offering innovative services based on information and communication technologies” (ICT). The objective of the strategy is to contribute to the sustainability of its business in the long term through the implementation of policies in favor of ethics and honesty, which in turn contributes to improving the satisfaction of customers, employees, shareholders, and, above all, the community, as summarized in the diagram below (**Figure 6**).

The philosophy of *business excellence*, that is, doing business in the “right way,” is the key principle of *Telefónica*’s CR policy and underlies the whole context of its

³⁹ This program, sponsored by the Fundación *Telefónica*, aims to encourage the use of the Internet as a tool for innovation and pedagogical training for teachers, parents, and students of primary, secondary, high school, and intermediate training cycles. To do this, for 10 years, it has operated through a dedicated portal signed by more than 12,000 Spanish centers and holds an international congress every 2 years with an influx of thousands of teachers.

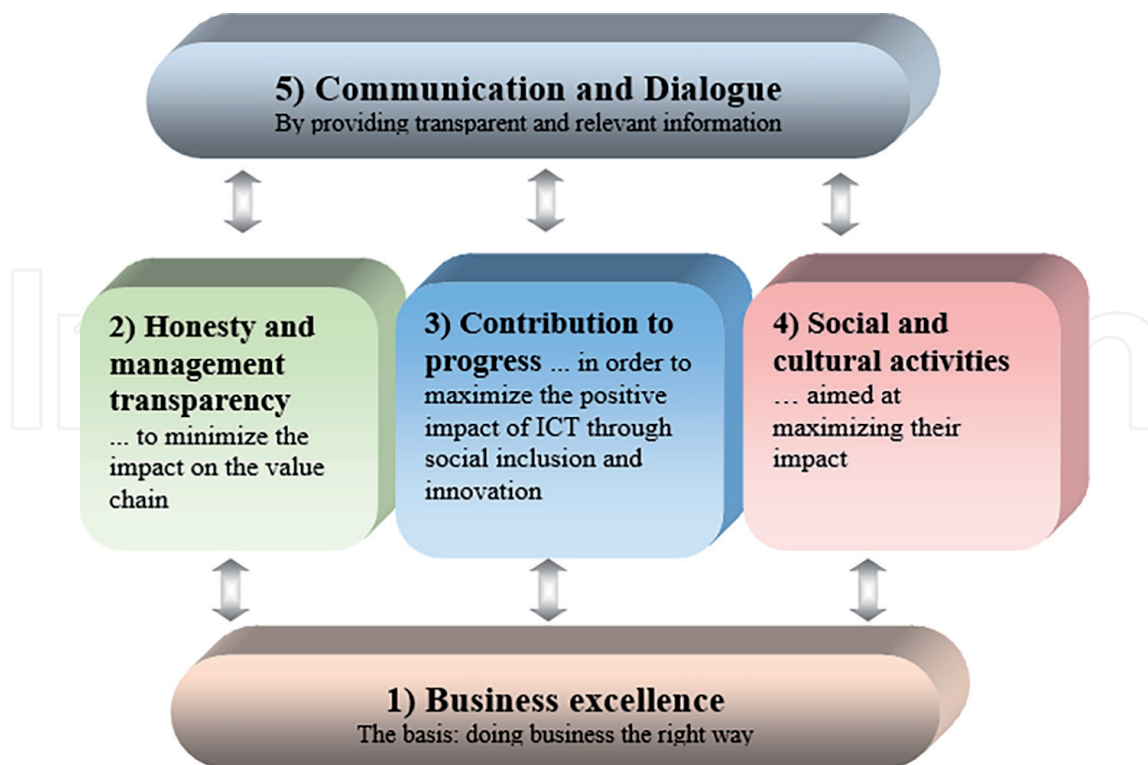


Figure 6. Reference framework for the management of social impacts in Telefónica. Source: Adaptation from the Corporate Responsibility Report 2008, Telefónica S.A.

strategy. The company uses various indicators to measure its degree of implementation in these dynamics: in addition to the *Customer Satisfaction Index*, there is the *Employee Satisfaction Index* and the *RepTrak*^{TM40}, further highlighting the need to keep the focus on excellence, keeping the commitments made with customers. “Honesty and transparent management aimed at minimizing the negative impact of the value chain, through a commitment to ethics and honesty.” This represents the basic set of rules set out in the *Business Principles*, aimed at generating policies and regulatory frameworks necessary for the fulfillment of these objectives. The following graph better defines the role of corporate responsibility in the public and social aspects together with the economic and environmental impacts in a dynamic framework of variables. It must be emphasized that *Telefónica* tends to underline these objectives in its annual report precisely to highlight and guarantee its maximum transparency. *Telefónica* contributes to progress by maximizing the positive impact of its business and thus offering a contribution to improving the lives of people and other companies with which it enters a relationship. Educational programs for the use of ICT also have a positive impact on the environment and the productivity of businesses due to their ability to help reduce the consumption of natural resources and promote the fight against climate change. Social and cultural activities reinforce the impact of

⁴⁰ The tool is used by the Reputation Institute to measure the reputation among stakeholders, interested countries, and industry. The Reputation Institute is involved in an ongoing effort to measure and monitor the corporate reputation of companies around the world. The Global Pulse project measures the overall reputation of the world’s largest companies by capturing consumer data in 27 countries using the core of the RepTrakTM model. In 2006, the RI did a multicenter, national study to understand how reputation had evolved over the previous decade.

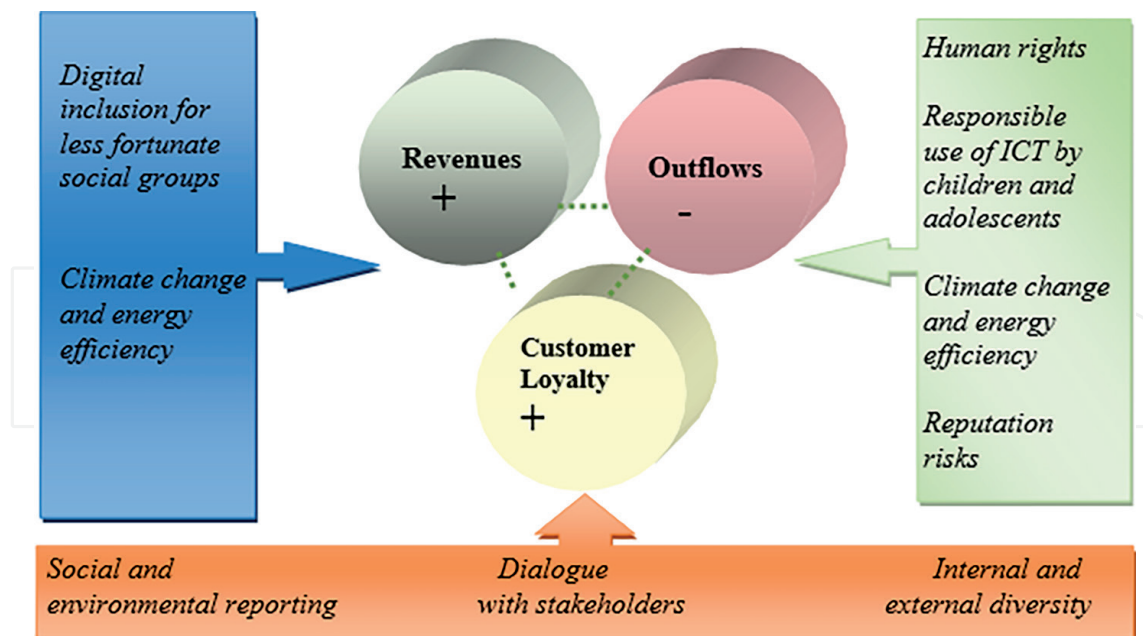


Figure 7.

Interrelations between public and private aspects with the economic prospectus. Source: Adaptation from the Corporate Responsibility Report 2008, Telefónica S.A.

social action, allowing anyone, regardless of social position or cultural condition, to enjoy the benefits of progress. These activities are carried out through the Fundación Telefónica, ATAM⁴¹, the politics and sponsorships of Telefónica Europa, the Proniño project⁴², EducaRed, and other important initiatives such as Telefónica Voluntarios, Debate y Conocimiento, and Arte y Tecnología. Improving the benefits of CSR through initiatives of transparent communication and constructive dialog with stakeholders in Telefónica helps to define a guide and an economic, technological, and social progress force. The Spanish group publishes annual reports on CSR in 17 countries where it operates, which are compiled using the GRI standards, with 12 of these reports also being screened by the AA1000AS standards. In contrast, social and cultural action is evaluated with the LBG standards. To ensure that the initiative keeps pace with stakeholder expectations, an ongoing dialog with these interest groups is essential. The general objective is to move away from a mono-stakeholder strategy to implement a multi-stakeholder approach, which allows the company to develop a closer understanding of the interests of all these groups and to identify the most significant aspects and existing criticalities (Figure 7).

⁴¹ State non-profit association, declared to be of public utility, with the agreement of the Council of Ministers, adopted at the meeting of 09/12/1977. Its purpose is to coordinate and support disability prevention efforts and protect the rights of disabled people by providing resources whose primary objective is the social integration of people with disabilities. It focuses its activity based on the following approach: “... to be the first prestigious reference in the world on disability, as an institution that provides complete assistance for people with disabilities, to offer our beneficiaries a personalized, professional, efficient continuous and fully satisfactory, throughout their life path.”

⁴² The social action program of the Telefónica Group, managed by its Foundation with the mobile phone operators of 13 Latin American countries, contributes significantly to eradicating child labor in the region. The program is aligned with the regional objectives of the Organización Internacional del Trabajo (OCT), seeking to eliminate the worst forms of child labor by 2015, and all child labor by 2020.

7. Study limitation

Empirically [82, 83], it was demonstrated that qualitative research helps entrepreneurs and small businesses understand what drives human behavior. It is also used to see how employees feel about workflows and tasks. However, qualitative research has many limitations that include possible small sample sizes [84], potential bias in answers [85], self-selection bias [86], and potentially poor questions from researchers [87]. It also can be artificial or unusual because in terms of it is not typical to observe participants in focus groups, ask them questions at work, or invite them to partake in this type of research method [88]. The significant limitations of this chapter's contribution are associated with the study's theoretical nature and the qualitative inquiry due to the unique case study analyzed [89].

8. Conclusions

Through this work, we have tried to bring some order to a subject characterized by a strong and constant evolution, in need of certain points of reference, from which to start for a better and more rigorous methodological definition. First, it emerged quite clearly how, at least in the medium to long term, the assumption in the field of social communication of a superficial, or even elusive, attitude toward the expectations of stakeholders can determine unfavorable consequences not only in terms of image but also from an economic/financial point of view, especially in large companies. Based on these considerations, it is necessary to ask what the most effective tools are for communicating the assumption of responsibility of the company. The ongoing debate on the methods and tools most suitable for representing and disseminating corporate responsibility in the social, environmental, and economic fields is going through a crucial phase. After a series of effective initiatives by public or private organizations, the impression is that among business representatives there is a real desire to collect the disjointed results produced so far in an organic project. At an international level, efforts are being made to re-organize the various standards and models developed in the context of economic, environmental, and social sustainability (the so-called "triple bottom line"). The broad process of involvement and consultation of stakeholders is fundamental, as they are the real arbiters of corporate success. Some of these initiatives (such as the AA 1000 of the ISEA or the "Guidelines" of the GRI) are characterized by an appreciable dynamic character, of a "work in progress" one could say, since "they do not foreshadow a final and definitive solution," but rather involve a voluntary and continuous process of verification and review. This is more important the more one reflects on the problematic, and perhaps uncertain, the definition of the areas of responsibility of the company. The hope for the coming years is that principles and general criteria can be defined in a univocal or widely shared way, which can guide any organization, regardless of geographic location, size, and activity, in accounting processes, auditing, and reporting. If the various initiatives in progress converge into a single project, which integrates them efficiently, the dispersion of efforts and ideas on the subject, as happened in the past, could be avoided [90]. It is with this spirit that the study group for the establishment of the principles of drafting the social report (GBS) is working in Italy [91]. Founded in 1998, bringing together the main scholars and operators in the sector, the study group is still working to disseminate and improve social communication, based on certain principles and procedures for creating the social report [92]. The document presented

in last May represents only the first step toward a more organic definition of the controversial subject under consideration. However, we can affirm that some critical problems in the field of social reporting have already been identified; these are the following aspects: a) *poor standardization in content and subsequent difficulty in making inter-company and inter-temporal comparisons*; b) *poor reliability and credibility of social reporting tools*; and c) *difficulties for SMEs (small- and medium-sized enterprises) in adopting these tools due to the scarce economic convenience in drafting them*. About the first point, the solution could be to start from a single aspect (e.g., through the creation of thematic balances), normalize their content by pursuing certain guidelines, and then progressively incorporate the other aspects, to arrive at a more complex and complete tool such as the social report [93]. In this process, the guidelines defined by the GBS and the GRI should be followed: In this way, companies would be stimulated and incentivized to adopt a single reporting model, while those that intend to depart from it would at least be required to explain their reasons. As regards the low credibility and reliability of corporate documents, which for a long time have been translated into simple “books of good intentions,” it is necessary to proceed in the direction of certification (auditing). Both are based on standards recognized by international organizations and by these certificates (HDE index, SA 8000, etc.), and by having external auditing firms certify the social financial statements. About the latter, an important role is played by the added value, which allows the social balance to be anchored to certain accounting data, as it derives from the financial statements. Finally, as regards the last point outlined above, it will be appropriate for SMEs to prepare a simple social report formed, for example, by the added value account and the surplus account; these are immediate processing that even the smallest company can conduct with very low costs since it simply requires a reprocessing of accounting data already collected. In conclusion, it is appropriate to clarify how the various social reporting tools and the social report serve not only to bring out the issues discussed so far in a public and transparent way but also to verify how they have been dealt with (through the comparison of subsequent documents) and what steps have been taken to resolve them. Specifically, it is necessary to encourage correct disclosure among companies of the principles and purposes of the social report, to avoid distortions in its interpretation [94]. It cannot be seen as a simple means of protecting or promoting the corporate image, but rather as an effective communication, management, and control tool that renders an effective service to the management of the company and its stakeholders. From these premises and other observations relating to the issues analyzed during this work such as CSR, sustainable development, and social ethics, *Telefónica* has built within it a “system of values,” based on a structure capable of fully merit understanding and responding to the new economic and environmental challenges of the international scene. The *Telefónica* case, therefore, represents a successful example of the integration of commercial, social, and environmental policies that find their strategic position within the group. This does not create critical issues but becomes the basis for building the “new competitive proposal,” where natural and energy resources tend to run out inexorably; in the not-so-distant future, the only way to be able to compete will be in social and environmental performance.

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Conflicts of interest

The author declares no conflict of interest.

Sitography

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