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ESG4SMEs Management Framework



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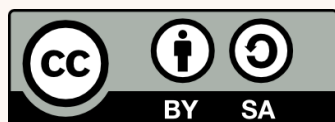
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1. Introduction

This document aims to establish the foundational elements for creating ESG managers within small and medium enterprises (SMEs), with a particular focus on the Agri-food sector. The framework presented here consolidates consensus on the critical components necessary to develop one or multiple ESG managers within SMEs. This framework is constructed based on the "ESG4SMEs Summary Needs Analysis Report," which compiles perceptions, challenges, and needs of SMEs in rural areas regarding ESG practices. It has been contrasted with the EntreComp and GreenComp frameworks and incorporates the expertise of the project consortium.

The main purpose of the framework is to map out the essential variables that should be considered when profiling an ESG manager and to create content that can train ESG managers at different levels according to the European Qualifications Framework (EQF). This ensures that ESG managers are well-equipped to perform their roles effectively, fostering sustainability and responsible governance within their organizations.

1.1. Definition of a framework

To develop the ESG management framework, it was essential to approach to the concept of "framework" and to identify the definitions from related literature that better align with the project's objectives. Thus, to define a framework that could be the foundation for the development of the main project deliverables, the ESG manager profile and the curriculum for the training course. The key definitions of framework considered were:

- a. A framework outlines the crucial elements and variables, highlighting their connections and visually depicting the logical organization of related ideas within a complex concept (Grant & Osanloo, 2014)
- b. In management, a framework comprises a collection of concepts and methods designed to offer guidance for making informed decisions. (Singh & Sarkar, 2019)
- c. In research, a conceptual framework covers the logical arrangement of ideas and connections that shape the foundational thinking, plans, methods and execution of a research project. (Kivunja, 2018)

Combining these definitions, for ESG4SMEs project, a framework refers to a set of elements that need to be consider for SMEs (in the Agri-food sector). to identify or create an ESG manager or leader within the company.

1.2. Methodology

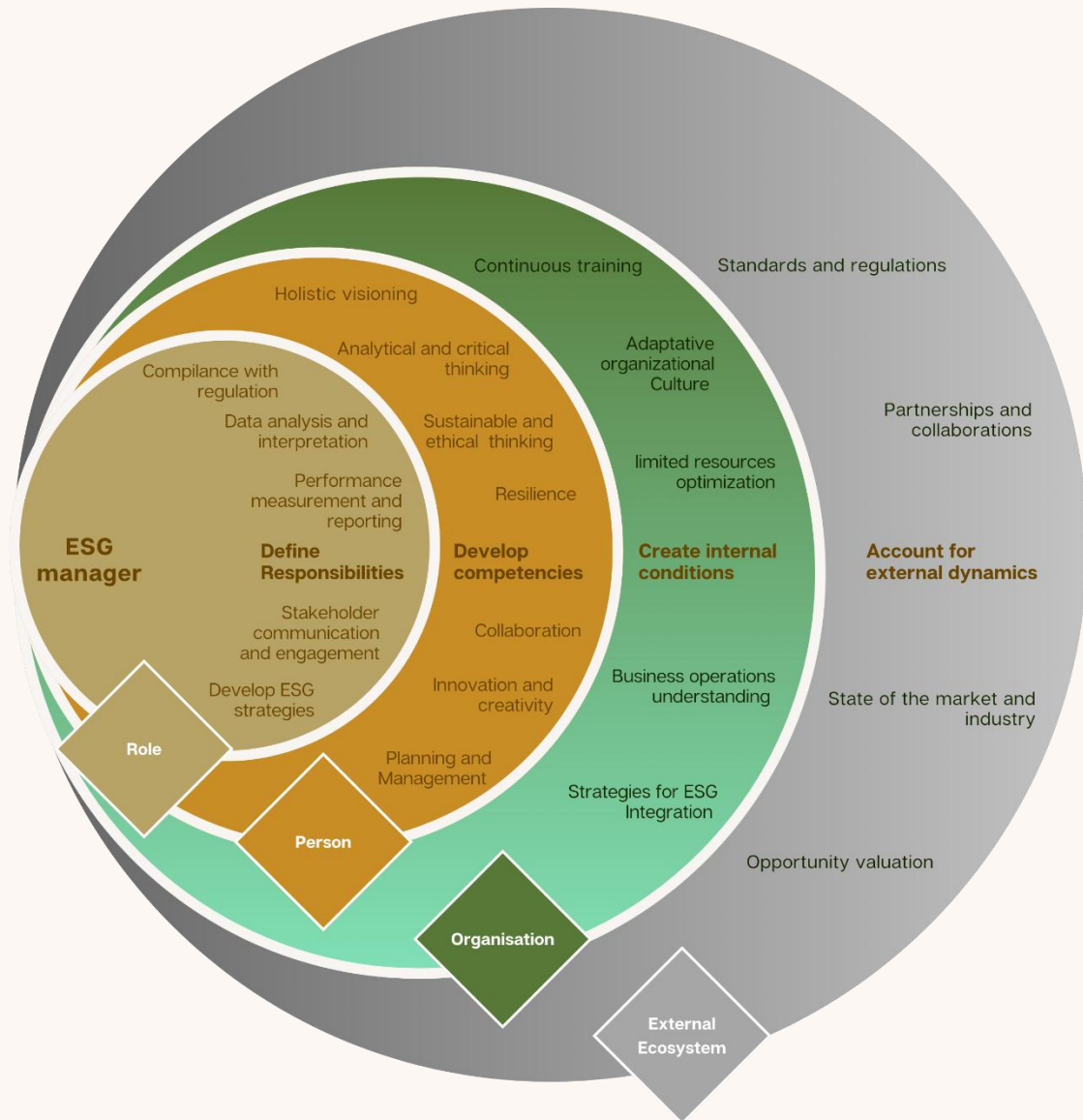
The creation of the ESG management framework followed 4 stages. The first stage involved analysing the county results from a desk and field research conducted by the consortium partners. Information compiled in the Summary Needs Analysis report on EGS in Rural SMES which puts together information about the perceptions, challenges and needs of SMEs in rural areas regarding ESG practices. Through a thematic analysis, this staged produced a set of common themes around the ESG manager role.

In the second stage, the consortium partners engaged in discussions and completed a survey to rank the competencies an ESG Manager should possess, using EntreComp and DigiComp as primary references. This co-creation phase leveraged their expertise in the Agri-food sector and ESG practices in SMEs. These activities served as a collaborative platform for exchanging ideas and knowledge. The discussion and survey resulted in a ranking of 13 competences extracted from the 15 competencies from EntreComp and 12 from GreenComp.

In the third stage, the outcomes from the thematic analysis and the survey were compared and conceptualised into the dimensions of the framework, with competencies being one of them. This stage combined the insights identified during the thematic analysis and survey. The dimensions and elements identified were represented in a visual structure diagram to facilitate easy understanding of the created framework.

Finally, in the last stage, the consortium assessed the framework and dimensions. This involved a review during a progress call and a peer review conducted by 2 of the partners, to ensure that the result aligns with the objectives of the ESG4SMEs project. The feedback provided by the partners was incorporated to improve the Framework clarity and applicability to the upcoming project deliverables.

2. ESG Management Framework



The ESG Management framework outlines the key elements defining the ESG Manager role, understanding "manager" in a broad sense. This term could encompass various roles, from trainees graduating from VET programs to professionals and leaders. The framework was created to support SMEs managers in a way in which they can identify in each of the four dimensions, role, person, organization and the external ecosystem, the elements need to

identify to create an ESG manager role, both for the creation of an internal position or open to the labour market.

In this sense, the framework will be de foundation basis for the ESG4SMEs project to create the ESG manager profile and to design the curriculum that fits the manager(s) needs and their characterisation, such as content proficiency, personal values and teaching methods.

2.1. Dimensions and elements of ESG Management Framework

The framework presents the principal elements surrounding an ESG manager in an SME, it is organized into **four** main dimensions starting from a microlevel (role and person), to a macro level (the organization and the external ecosystem). Within each dimension, core activities are defined that the SMEs manager should address to effectively create the ESG manager roles(s). The four dimensions are:

- I. **Role:** To establish the role is needed to define core responsibilities of the ESG manager. These five responsibilities reflect the main areas in which the manager should be proficient. Depending on their position in the organizational hierarchy (Intern, junior professional, senior, manager) and their qualifications, they will undertake different tasks associated with each responsibility. The responsibilities are as follows:
 - 1) **Compliance with regulation:** Understand, stay updated on, and comply with regulatory frameworks such as CSRD, ESRS, and the EU taxonomy. Provide guidance and support on integrating ESG considerations and regulations into daily operations, including reducing energy usage, promoting sustainable agriculture, and improving employee well-being.
 - 2) **Data analysis and interpretation:** Extract insights, raw data from various sources and understand the relationship between the data. Understand the relationship between different data points and interpret what the data means within the organizational context, thus providing the foundational insights required for performance measurement and reporting.
 - 3) **Performance measurement and reporting:** set key performance indicators (KPIs), monitor, asses and communicate the organization performance to right stakeholders. Use the data to drive internal improvement and facilitate external communication about the organization's efforts.
 - 4) **Stakeholder communication and engagement:** engage effectively with internal and external stakeholders including colleagues, supply chain actors, investors. Advocate for ESG awareness, commitment and collaboration among all stakeholders.

- 5) **Develop ESG strategies:** Collect data on industry best practices, assist in the implementation of ESG strategies and initiatives. Coordinate and provide direction for ESG strategy and development that aligns with their business goals and supports sustainable development in the local community.

II. **Person:** Considering the responsibilities described previously, in the personal level ESG managers should develop certain competencies. The framework shows the competencies identified and which combine competencies extracted from the EntreComp and the GreenComp, and are described as follows:

- 1) **Holistic visioning:** It results from the combination of the Vision (EntreComp) and Systems Thinking (GreenComp). This involves imagining, thinking strategically, and understanding and working towards a vision that considers the complex interactions between systems, as well as how time, space, and context influence the interaction of elements within and between these systems.
- 2) **Analytical and Critical Thinking:** It is derived from the merging of Critical Thinking and Problem Framing (GreenComp). Involves assessing information and arguments, identifying assumptions, and challenging the status quo. It includes understanding how personal, social, and cultural backgrounds influence thinking and conclusions. This competence also requires formulating sustainability challenges, considering factors like difficulty, stakeholders, and scope, and identifying approaches to prevent, mitigate, and adapt to these problems.
- 3) **Sustainable and Ethical Thinking:** It is a product of the integration of Valuing Sustainability (GreenComp) and Ethical and Sustainable Thinking (EntreComp). " involves assessing the impact of ideas and actions on communities, markets, society, and the environment. It requires reflecting on the sustainability of long-term social, cultural, and economic goals and acting responsibly. This competence includes understanding personal values, recognizing how values differ among people and over time, and critically evaluating their alignment with sustainability principles.
- 4) **Innovation and Creativity:** It results from the combination of Creativity, Spotting Opportunities and Valuing Ideas (EntreComp). involves developing ideas and opportunities to address challenges, exploring and experimenting with innovative approaches, and combining resources for impactful results. It includes identifying and seizing opportunities, establishing connections, judging value in social, cultural, and economic terms, and recognizing and maximizing the potential of ideas to create value.

- 5) **Collaboration:** it is also known as Working with Others (EntreComp). It refers to working cooperatively with others to develop ideas into actionable plans. It includes networking, resolving conflicts positively when needed, and fostering a competitive spirit where appropriate.
- 6) **Resilience:** It results from the integration of Motivation and Perseverance (EntreComp) and Adaptability (GreenComp). Implies the determination to turn ideas into action and the drive to achieve goals, both individually and in groups. It includes being patient and persist under pressure and adversity. It also encompasses managing transitions and challenges in complex sustainability situations, making decisions related to the future despite uncertainty, ambiguity, and risk.
- 7) **Planning and Management:** it is a single competence from the EntreComp. It involves setting long-, medium-, and short-term goals, defining priorities and action plans, and adapting to unforeseen changes.

III. Organization: For the ESG manager to perform their responsibilities and to either apply and/or develop necessary competencies the organization must create and offer supportive conditions. The key conditions identified within SMEs include:

- 1) **Continuous Training:** Ongoing conceptual and practical training on ESG topics is essential. This includes understanding ESG definitions, significance, principles, manuals, reporting, and integration into daily activities.
- 2) **Adaptative Organization Culture** Fostering a culture that embraces change, flexibility, and adaptability to new circumstances is crucial. This culture should anticipate the potential outcomes and opportunities of implementing ESG practices.
- 3) **Limited Resources Optimization:** Awareness of existing resources, (human capital, financial, time, and technical) and strategies to optimize their use for implementing ESG practices is necessary.
- 4) **Business Operation Understanding:** A clear understanding within the company of its structure, business objectives, internal dynamics, standards, and regulations is essential.
- 5) **Strategies for ESGs Integration:** Assessing the company's current state and developing strategies to integrate ESG practices in alignment with business objectives, performance metrics, products, and services is key.

IV. External Ecosystem: Finally, there it is needed for the ESG manager to account for the external dynamics that influence the correct implementation of ESGs practices. These include:

- 1) **Standards and regulations:** Continuous updates on regulations, labour laws, and corporate governance guidelines related to ESG at industry, local,

national, and international levels. This also involves staying informed about common ESG reporting standards and frameworks.

- 2) **Partnership and collaboration:** Identifying opportunities for collaboration with SMEs, local governments, NGOs, industry associations, and academia. Building and maintaining a robust network.
- 3) **State of the market and the industry:** Staying informed about best practices and trends within the industry.
- 4) **Opportunity valuation** Actively seeking out opportunities for funding, recognition, and growth. Assessing and valuing potential opportunities to enhance ESG practices.

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