

# Aspects Regarding the Development and the Integration of the Corporate Social Responsibility Concept in Firms' Behaviour. Particularities for Small and Medium-sized Enterprises

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***Abstract.** Starting from the concept of Corporate Social Responsibility (CSR), the purpose of this article is to highlight some of the particularities, at Small and Medium-sized Enterprises (SMEs) level, regarding: socially responsible behaviour and participation in actions related to CSR; type of CSR strategies adopted by SMEs as compared to larger firms; the motivations, benefits and constraints of the social involvement. The ultimate question refers to the existence, nature and implications of a link between the firm size and the aspects mentioned above. These aspects will be presented according to the conclusions of the previous studies conducted in this area of research, the present paper representing therefore a theoretical synthesis of the existant literature.*

**Keywords:** corporate social responsibility; socially responsible behaviour; CSR initiatives; firm size; small and medium-sized enterprises.

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## 1. Developments of the concept of corporate social responsibility

The enterprise concept is one of the key concepts of the capitalism, which, according to Schumpeter, represents, essentially, a process of change, of economic progress and the key that starts the engine and makes it work is innovation (McCraw, 2006). In his opinion, the forces that drive and sustain innovation are the entrepreneur, the new enterprise and the entrepreneurial profit (McCraw, 2006). It becomes obvious, therefore, the relationship between enterprise and profit, the maximization of the last one representing, according to the classic view of the enterprise, its main goal, statement so well-known that it needs no references.

In the last decade yet, there has been much talking about the social valences of the enterprise, about its involvement in managing some social problems, involvement that often goes beyond complying with regulations. To designate this social behaviour of the enterprises and their involvement in the social sphere there have been introduced into the common language, terms as: *corporate responsibility*, *corporate citizenship*, *social enterprise*, *responsible enterprise*, *sustainable development*, *corporate social performance*, *triple-bottom line*, *corporate ethics* and, in some cases, *corporate governance*, all of them pointing to the increase of the role that enterprises are expected to play within society (Castka et al., 2004, Besser, 1999, The CSR Initiative). But further Moir (2001) asks the following

legitimate questions: „for what, to whom and who asks firms to be responsible?“ Regarding the second question, it is stated that, out of the classic view, an enterprise, an organization, in general, should be responsible to all whom its activity has an impact upon, they being designed by the term *stakeholders*, term that became known by the work of E. Freeman<sup>(1)</sup>, and including, alongside shareholders, employees, customers, suppliers, local communities, policy makers and society as a whole (The CSR Initiative, Wikipedia).

The term of corporate social responsibility came into the common usage at the beginning of 1970, leading, during the years 1980 and 1990, to an increasing interest for business ethics, both in academic and business environment (Wikipedia).

At international level, companies and not-for-profit organizations, alongside of governmental organizations have advanced definitions of the CSR concept that reflect their own approach regarding the socially responsible behaviour. According to an exhaustive approach of CSR, it is necessary to understand that all of the enterprise' activities determine effects both within and outside the enterprise, effects that have a triple impact upon the society, namely at social, economic and environmental level<sup>(2)</sup>. *The Corporate Social Initiative*, a multi-disciplinary and multi-stakeholder programme, defines CSR from a strategic perspective, stating that it has to do not only with the way firms utilize their profits, but also the way they obtain those profits (The CSR Initiative). In WBCSD' vision, CSR

represents the ongoing commitment of the company to behave in an ethic manner and to contribute to the improving of the economic development, by improving the quality of life for employees and their families as well as of the local communities and society as a whole (WBCSD, 1998). Given the high visibility and the great impact of the provisions and recommendations of the European Commission, it cannot be ignored its vision regarding CSR. Thus, the European Commission views CSR as “a concept by which companies integrate social and environmental concerns into their businesses and interaction with their stakeholders, on a voluntary basis” (European Commission).

A definition concise but consistent which, together with that of the other organizations and programmes mentioned above (WBCSD, The CSR Initiative), reflects the preoccupation of the enterprises to integrate social, economic and environmental aspects alike in their activity and to behave responsible in all these three domains. The CSR has been analysed and explained by the intermediate of different theories (Udayansankar, 2008, Moir, 2001), namely: the firm' stakeholders theory (Udayasankar, 2008, Freeman, 2004, Moir, 2001); the social contracts theory (Moir, 2001) and the legitimacy theory (Udayansankar, 2008, Moir, 2001). Among these, the stakeholder's theory constitutes a key framework for the understanding of the way in which SMEs perceive the CSR (Jenkins, 2006). We will refer to this category of enterprises in the following sections of this paper.

## 2. Aspects regarding SMEs in the European Union

Within the corporate sector, a segment of particular importance, economically and socially, is that of small and medium-sized enterprises (SMEs). At the EU level, in 2005 (Romania and Bulgaria included), from about 20 millions of active enterprises, the great majority is represented by SMEs, with a weight of 99.8% from total. Although less, their contribution in terms of wealth creation and employment remain important, SMEs offering jobs for 67.1% from the total workforce employed within the non-financial sector and contributing with 57.6% to the generation of the value-added within the same sector (Schmiemann, 2008). In spite of the relevance of these statistic arguments, SMEs face difficulties that the EU and national laws try to correct by providing different advantages to SMEs. In this sense, and in order to avoid distortions in the Single Market, it has been adopted at the EU level a common definition for SMEs (European Commission, 2003). According to this, the category of SMEs include enterprises that employ less than 250 persons and that have an annual turnover which does not exceeds EUR 50 millions and/or an annual balance sheet total that does not exceeds EUR 43 millions. Within the SMEs category, a small enterprise is defined as an enterprise that employs less than 50 persons and that have an annual turnover and/or an annual balance sheet total that does not exceeds EUR 10 millions, and the micro-enterprise is an enterprise that employs less than 10 persons and that have

an annual turnover and/or an annual balance sheet total that does not exceeds EUR 2 millions.

### 3. Involvement of SMEs in CSR field

The research regarding the CSR has received a particular attention in the last decade (Ortiz Avram, Kühne, 2008, Jenkins, 2006, Luetkenhorst, 2004), certain researchers arguing that it has focused and gain its legitimacy on the larger firms case, the undertaking of the CSR being considered as their prerogative, the smaller firms, micro-enterprises included, receiving less attention (Ortiz Avram, Kühne, 2008, Perrini et al., 2007, Castka et al., 2004). But, due to the importance of SMEs, according to the arguments presented earlier, there is a need for further in-depth research regarding the relationship between SMEs and CSR (Russo, Tencati, 2009), the organizational culture, difficulties and perceptions of CSR within SMEs (Murillo, Lozano, 2006), as well as the active and sustained commitment of SMEs in order to implement an CSR agenda (Castka et al., 2004, Jenkins, 2006). The increasing importance of the SMEs sector has lead to the highlighting of their social and environmental impact, as illustrated by the increase of the number of initiatives designed to engage SMEs on CSR agenda (Jenkins, 2006). According to Murillo and Lozano (2006), in the last few years, the public attention and the governmental actions in order to promote the CSR have been pointed particularly toward SMEs, but

these lack a deep understanding of what means the CSR language and practices, although Van Auken and Ireland (1982) have been stated, more than a decade ago, that social responsibility applies also to small enterprises but not to the same extent as in case of those considered large.

In the rest of the paper it will be presented some aspects regarding the undertaking of CSR initiatives by enterprises, with a special focus on SMEs.

#### **Entrepreneurship – premise of a socially responsible behaviour**

One of the first questions that need to be asked is if entrepreneurship can constitute a premise for undertaking a socially responsible behaviour. The European Commission defines the entrepreneurship as representing “the attitude and the process by which take place the creation and the development of the economic activity by combining risk, creativity and/or innovation, within a new or existing organization” and it has to do with people, their choices and actions regarding the initiation and the managing of a business or with their involvement in the strategic decisions of a firm. Although entrepreneurs are an heterogeneous group, the entrepreneurial behaviour could be characterized by common traits, such as: willingness to undertake risks, taste for independence and self-achievement (Green Paper, 2003). Entrepreneurship is not only a way to stimulate job creation, competitiveness and economic growth but also a possibility for self-development and for dealing with some social issues. As a

proof, it is now heard about *social entrepreneurship*, *social enterprise* and *social entrepreneur*, the last one term designing a person who recognises a social issue and uses the entrepreneurial principles in order to organize, create and manage an enterprise to produce social change (Baron, 2005, Wikipedia). Given the fact that, at the SMEs level, lack of awareness and expertise necessary constitute, usually, the principal obstacles for building a business strategy (Perez-Sanchez et al., 2003), recognising the existence of a social problem precedes and conditions the involvement of SMEs in social responsibility initiatives (Lepoutre, Heene, 2006). Although some researchers believe that small firms are more adequate for socially responsible behaviour than large firms, and that they have a so-called “natural propensity” to socially responsible behaviour and that the entrepreneur, as owner-manager of a small firm, is associated with character traits that increase the likelihood of undertaking a socially responsible behaviour, Lepoutre and Heene (2006) state that entrepreneurship in itself does not constitute a guaranty in this sense.

### **Relationship firm size – corporate social responsibility**

Research regarding the existence and the consequences of a relationship between firm size and its participation in the social responsibility sphere has determined lively debates in the last years, one of them contradictory (Russo, Tencati, 2009, Udayansakar, 2008, Perrini et al., 2007, Lepoutre, Heene, 2006). These opposite opinions regarding relationship firms size

– CSR is not a classic one, dichotomous, that argue, for example, that the degree of involvement of a firm increases proportionately with its size (direct link). The consequence of this conclusion would be that CSR constitute the exclusive appanage of big firms, as it has been often stated in the literature, due to public visibility, economic power and their links with various interest groups (Ortiz Avram, Kühne, 2008, Perrini et al., 2007, Castka et al., 2004, Van Auken, Ireland, 1982), while the society expects that small firms to undertake limited roles on the social stage, given their low economic power and limited managerial means (Van Auken, Ireland, 1982). Actually, it has been proven that small firms are prepared for responsible behaviour and for undertaking social roles, but that the relationship between firms size and CSR depends upon a number of conditions (Udayasankar, 2008, Perrini et al., 2007, Lepoutre, Heene, 2006), that we will refer to in the following.

Firm visibility, resource access and scale of operations are the attributes that served as a basis for investigating firm size – CSR relationship (Udayasankar, 2008). These attributes are called level attributes, because it is expected that a firm of large dimension to operate on a large scale, to have a high access to resources and, obviously, to beneficiate from a high visibility. At the opposite, according to the general perception, small firms have a low scale of operations, they often face constraints that limit their access to resources (financial, first of all, but also human and material) and they have a low

visibility in the public environment. Udayasankar (2008) starts from a set of hypotheses according to which, contrary to the general perception explained above, those three factors can be, each of them, both positively and negatively associated with firm participation in the CSR sphere. The conclusion drawn by Udayasankar is interesting and innovative alike: in terms of visibility, resource access and scale of operations, very small firms and very large firms are equally motivated to involve in CSR initiatives, although their motivations can be different; firms of medium size are least motivated to undertake a socially responsible behaviour. The innovative feature of this conclusion derives from the fact that the author, Udayasankar (2008), proposes also a form for the function that illustrates the relationship between firm size and its social involvement, the function being U-shaped. Eventually, concludes the author, not firm size in itself is important, but those three features of the firm that derive from this (visibility, resource access and scale of operations) and the various configurations found within enterprises, these differences being the ones able to explain the variation in the level of firms participation in CSR (Udayasankar, 2008). A given configuration can offer the stimulus for a firm to engage in CSR or, on the contrary, can justify the lack of stimulus and the non-participation of the firms in this sense.

#### **Firms size and the CSR strategies**

If it has been proved that big firms and small firms can be equally motivated to involve in CSR programmes, the next

question refer to the existence of any difference between them regarding their manner of involvement and the strategies they use for this purpose. Do small enterprises use the same strategies as the large ones? If the size in itself does not matter, regarding the degree of involvement, does this make any difference in the way of involvement and strategies chosen?

By CSR strategies researchers understand those tools and activities implemented by SMEs and large firms to promote the socially responsible behaviour to internal and external stakeholders (Russo, Tencati, 2009, Perrini et al., 2007). In order to identify the CSR strategies used by firms it has usually used a multi-stakeholder analysis framework, that takes into account the interests of various stakeholder category (employees, owners and financial community; customers; suppliers, financial partners; government; local authorities and public administration; community; environment), affected by firms behaviour, regardless their size (Russo, Tencati, 2009, Perrini et al., 2007). Due to the fact that, according to the general perception, large firms are associated with a high degree of formalism, while the small firms are associated with the character often informal of their organization and management, the hypothesis of the studies regarding the CSR strategies implemented by firms is as follows: there is a positive relationship between the firm dimension and the formal character of the decisions referring to CSR (Russo, Tencati, 2009, Perrini et al., 2007). The general conclusion



of these studies, although there a considerable number of gradations worthy of being considered, is that, as it was expected, among large firms prevail the formal strategies, while the decisions made by SMEs in order to integrate the CSR in their behaviour have, especially, an informal character (Russo, Tencati, 2009, Perrini et al., 2007).

SMEs seldom use the language of CSR to characterize their own activities (Russo, Tencati, 2009), they being more adequately characterized by the concept of “tacit CSR” (Perrini et al., 2007). Given the fact that, as it was mentioned above, the framework used for investigating this aspect was a multi-stakeholder analysis, the conclusion regarding the specific strategies adopted by firms of different size is the following: the large firms are more inclined to adopt strategies in domains as the environment management, workforce employment, local communities, controlling and reporting, whilst the SMEs are more willing to promote the socially responsible behaviour along the supply-chain; both categories of firms grant little support for the volunteering within the community (Perrini et al., 2007). An important role in the decision-making process regarding social and environmental strategies, within the SMEs group, it has been proved to be held by the values of the owner-manager of the enterprise (Murillo, Lozano, 2006).

#### **Motivations, benefits and constraints of involving SMEs in CSR actions**

There are opposite opinions as regard to the existence of a social responsibility of

the enterprise, some of them extreme, as it is the one that belongs to M. Friedman (1970), arguing that “the only social responsibility of the enterprise is to increase its profit”, but also as regard to the forms and the benefits of such an involvement in social actions (Moir, 2001). Regarding the last aspect mentioned, the proponents of the CSR claim that enterprises can benefit on multiple ways, as the result of operating on the basis of a broader perspective and on the long run, as compared with the narrow view of pursuing their own interests, on the short run (Wikipedia), in economic terms inclusively (Murillo, Lozano, 2006). The support that enterprises, especially the small ones, are giving to the local communities where they are operating and their commitment to the community, are positively influencing their success; this is due to the fact that the residents, having different positions, are recognizing and rewarding this support, which confer strategic value to these forms of social involvement (Udayasankar, 2008, Besser, 1999).

The objective to remain well positioned in the market, to improve the corporate image, along with more pragmatic aspects, such as improving the work climate and employees motivation and the competitive differentiation, and not only purely ideological motivations, that derive from moral values, as a result of the pressure exerted by the external stakeholders, especially customers, constitute plausible reasons for actively engaging in CSR (Jenkins, 2006, Murillo, Lozano, 2006). Moreover, SMEs are considering that the

CSR have to be mutually beneficial, in order to have success in a business environment, which implies the fact that enterprises are placed in a framework limited by “the social priority” and “the enlightened self-interest priority” (Jenkins, 2006). It may appear surprising but the best way for stimulating SMEs to undertake the CSR is represented even by educating them as regard to the tangible and intangible benefits of CSR (Jenkins, 2006). The increasing pressure from customers (Perez-Sanchez et al., 2003), the improvement of firm performance by reducing costs and ameliorating efficiency, motivation justified by the fact that SMEs operate within a decisional framework based on market (Williamson et al., 2006), as well as the request of complying with regulations, that supply minimum standards for a great part of the activities embraced by CSR, represent very essential factors for undertaking environmental strategies by the SMEs (Williamson et al., 2006, Perez-Sanchez et al., 2003).

Udayasankar (2008), as it was mentioned in a previous section, has argued that not firm size in itself matters, but the configuration resulting by combining those three level attributes (visibility, resource access and scale of operations). O given configuration for an enterprise, by the view of those attributes, can offer sound incentives for a firm to involve in CSR or, on the contrary, can justify the lack of its social involvement. The same author (Udayasankar, 2008) presents in his study a synthesis of the way in which the different combinations of those level attributes of the firm, visibility (low/high), resource access

(low/high) and scale of operations (small/large), lead to a certain level of firm participation in the CSR field (low/moderate/moderately high/high) along with the driving factors in this sense.

In order to have a complete picture it is necessary to consider also the constraints and difficulties that firms must face in their intention of behaving socially responsible. The involvement in CSR not leads only to benefits but implies also facing some difficulties, more evident for small firms rather than for the larger ones (Ortiz Avram, Kühne, 2008, Lepoutre, Heene, 2006), a smaller size of firms, according to one opinion, limiting their possibility to action in a responsible manner (Lepoutre, Heene, 2006). The lack of human and financial resources, that limit the ability of SMEs to engage in CSR activities that do not lead to immediate benefits, together with their reduced power that makes them dependent of the socially responsible behaviour of the owner-manager and the impossibility of discretionary behaviours, represent the difficulties that SMEs must face in undertaking their social role (Ortiz Avram, Kühne, 2008, Lepoutre, Heene, 2006). These barriers act, especially, in the case of those issues of social responsibility that involve external stakeholders or natural environment (Ortiz Avram, Kühne, 2008, Lepoutre, Heene, 2006).

#### 4. Conclusions

The research regarding the relationship between firm size and CSR has enriched considerably in the last few years, but still



remain some aspects that necessitate further research. The particular attention granted to this relationship can be judged on background of an increasing interest to SMEs, from governmental organizations and business professionals, but also from academics. Regarding the above-mentioned relationship, the studies conducted have proved that SMEs are able of socially

responsible behaviour and that they involved in CSR programmes, but their participation has a different profile comparatively with the large firms, not the size in itself being the one that matters. The particularities are evident at the level of strategies adopted, of benefits, motivations and constraints that limit the socially responsible behaviour of SMEs.

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## Notes

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<sup>(1)</sup> See Freeman, R., „Strategic management: a stakeholder approach”, *Pitman*, 1984, cited in „Corporate Social Responsibility” (Wikipedia).

<sup>(2)</sup> See Andriof, J.; McIntosh, M., „Perspectives on corporate citizenship”, *Greenleaf Publishing*, Sheffield, 2001, cited in Foley and Jayawardhena (2001).

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