

Overview on Corporate Social Responsibility in Small and Medium Enterprises
Overview on Corporate Social Responsibility in Small and Medium Enterprises: The European context

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Abstract

Corporate social responsibility (thereafter CSR) is an issue that has increasingly gained the interest of company managers around the world. It emphasises that companies should serve the community in which they operate as well as the other stakeholders (employees, consumers, suppliers, competitors, etc.) and make the world a better place to live. Although this concept has primarily been the concern of large companies, it is increasingly involving small and medium enterprises (SMEs) as they have significant impacts on society. SMEs have different needs and operate in their own context which offers them unique opportunities to contribute to sustainable development, and unique challenges too. Therefore, they have their own specifics regarding CSR. Focusing on the European context, this article aims at giving an overview about the CSR opportunities and challenges in SMEs, the European initiatives to foster CSR among SMEs, CSR implementation in SMEs. Furthermore, it brings some examples of CSR practices in the European SMEs.

Keywords: corporate social responsibility, small and medium enterprises, initiatives, challenges. Europe.

ملخص

يجوز مفهوم المسؤولية الاجتماعية للمؤسسات (الم الاج م) وبشكل متزايد على اهتمام مديري المؤسسات في جميع أنحاء العالم. وهو مفهوم يؤكد أن المؤسسات يجب أن تخدم المجتمعات التي تعمل فيه وكذلك أصحاب المصالح الآخرين (العمال والمستهلكون والموردون والمنافسون، وغيرهم)، وأن تجعل العالم مكانا أفضل للعيش. وعلى الرغم من أن هذا المفهوم كان الشاغل الأول للمؤسسات الكبيرة، فإنه يشمل وبشكل متزايد المؤسسات الصغيرة والمتوسطة (الم ص م) لما لها من تأثيرات كبيرة على المجتمع. لدى الم ص م احتياجات مختلفة، كما أنها تعمل في سياقها الخاص الذي يوفر لها فرصا فريدة للمساهمة في التنمية المستدامة، فضلا عن تحديات فريدة من نوعها. لذلك، فلدى هذه المؤسسات خصوصيات اتجاه الم الاج م. وبالتأكيد على السياق الأوروبي، تهدف هذه المقالة إلى إعطاء لمحة عامة عن فرص وتحديات الم الاج م في الم ص م، والمبادرات الأوروبية لتعزيز الم الاج م في الم ص م، وطرق تنفيذ الم الاج م في الم ص م. كما تقدم بعض الأمثلة عن ممارسات الم الاج م في الم ص م الأوروبية.

الكلمات المفتاحية: المسؤولية الاجتماعية للمؤسسات، المؤسسات الصغيرة والمتوسطة، المبادرات، التحديات، أوروبا.

Introduction

Companies play a significant role in society, whether positively by producing products and services that are fulfilling real needs in society, or negatively by causing pollution. Companies are being aware of this fact and they are increasingly challenging to make the world a better place to live for people now and in the future. Consequently, they are evermore engaging in social and environmental issues.

The concept of corporate social responsibility (thereafter CSR) is, in fact, an issue that has increasingly gained the interest of company managers around the world. It makes companies shift from thinking in profit as a major goal to think in serving the community and all parties with whom the companies have direct or indirect relationships (stakeholders). It, therefore, involves that companies consider the interest of society by taking responsibility for the impact of their activities on the stakeholders and the environment, focusing their efforts on economic, legal ethical and philanthropic dimensions.

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Although CSR has primarily been the concern of large companies, it is increasingly involving small and medium enterprises (SMEs). SMEs cannot be excluded from being sustainable and responsible as they have significant impacts on society. They are, in many countries, at the core of the economy. It is, therefore, crucial that they carefully integrate CSR into their business strategies. SMEs have different needs and operate in their own context which offers them unique opportunities to contribute to sustainable development, as well as unique challenges. SMEs then have their own specifics regarding CSR.

Thus, this article, focusing on the European context, tries to give an overview about the opportunities and initiatives of implementing CSR in SMEs, the challenges and obstacles the SMEs encountering, in addition to the implementation of CSR issues into the daily activities of SMEs. It also brings some examples of CSR practices in European SMEs.

CSR definition and Conceptual development

CSR is a concept that has known different definitions over time. Carroll's definition is seen as the well-known one by academicians and scholars. Carroll (1979) states that *'The social responsibility of business encompasses the economic, legal, ethical, and discretionary [later referred to as philanthropic] expectations that society has of organizations at a given point in time'*¹. He used an approach of identifying the different categories of CSR and sorting out companies' activities in terms of these different types, classes or kinds of CSR. The four categories of CSR address the motivations for initiatives in the category and are also useful in sorting out specific kinds of benefits that flow back to companies, as well as society, in their fulfilment².

According to Michael Hopkins *"CSR is concerned with treating the stakeholders of the firm ethically or in a responsible manner. Ethically or responsible means treating stakeholders in a manner deemed acceptable in civilized societies. Social includes economic responsibility. Stakeholders exist both within a firm and outside. The natural environment is a stakeholder. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for peoples both within and outside the corporation"*³.

The European Union considered CSR to be voluntary when it said: *"CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis"*⁴. However, In October 2011 the EU Commission redefined CSR as *"the responsibility of enterprises for their impacts on society"*, and encouraged enterprises to have a process in place to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close cooperation with their stakeholders⁵.

In contrast to this approach, some European countries are debating on the compulsory implementation of CSR practices. In Spain, for instance, most public authorities and business associations consider that CSR actions should be basically voluntary, whereas trade unions and some civil society foundations argue that CSR should be to some extent obligatory for companies. In Norway too, many aspects widely understood as CSR are regulated by legislation or agreements, hence, leaving less room for voluntary activities⁶.

Despite the different definitions of CSR, it has been widely accepted that ***CSR is based on the integration of economic, social, ethical and environmental concerns in business operations. The major social concerns include the welfare of the key stakeholders in the business, both internal (managers and employees) and external (consumers, suppliers, the community, etc.).***

Over time the concept of CSR has known a development. At the beginning, this concept was narrow and confined to being an act of charity and philanthropic initiatives carried out by

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companies voluntarily towards the community in which they operate. Later on, this concept began to evolve and expand to become deeper and more inclusive. The global evolution is a schematic adapted from the United Nations Industrial Development Organization (UNIDO)⁷. It is shown in the **figure 1**.

Figure 1: The global evolution of Corporate Social Responsibility to its current position as a core sustainable business enabler.



Source: John Aston, and Cristiana Anca, **Socially Responsible Small and Medium Enterprises (SMEs): Guide on Integrating Social Responsibility into Core Business, The road to competitive and sustainable development**, the National Association of Romanian Exporters and Importers (ANEIR) 2011, P.11.

This schematic points out that CSR shifted from *profit focus* where the shareholders were the only stakeholders for the company, to *philanthropy* where passive donations were given to charities when requested, to *community affairs* where strategic giving was linked to business interests, then to *corporate community investment* where companies/ stakeholders start to get engaged in strategic partnerships, and finally to *sustainable business* where CSR becomes an integral part of companies strategy and culture.

SMEs: Definition and Importance

What is an SME?

The term SME encompasses a heterogeneous group of business, ranging from a single artisan working at home and producing handicrafts to sophisticated software-producing firms selling in specialized global niches. As a result, there is no single definition of SME that is accepted globally. The definitions of SMEs are based on some criteria such as the number of employees, size of annual turnover, value of assets, formal or informal status of the enterprise and ownership structure. Due to its ease of collection, the most commonly used variable is the number of employees. The EU and a large number of OECD, transition and developing countries set the upper limit of number of employees in the SMEs between 200-250, with a few exceptions such as Japan (300 employees) and the USA (500 employees)⁸.

The focus of this article is on the European SMEs. SMEs are defined in terms of the number of employees and either in terms of turnover or total balance sheet. As for the European Commission(2003)⁹ “the category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding euro 50 million, and/or an annual balance sheet total not exceeding euro 43 million. Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million. Within the SME category, a microenterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million”.

The importance of SMEs

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Despite the international differences in definitions and classifications, there is however a wide consensus about the positive role that SMEs play in the process of economic development. A large part of the literature as well as empirical evidence emphasize, in fact, the significant contribution of SMEs to employment generation and poverty reduction.

Entrepreneurship and SMEs have emerged as the engine of economic and social development throughout the world. The role of entrepreneurship has changed dramatically and fundamentally, so that it is now seen as a requisite ingredient generating employment, economic growth and international competitiveness in the global economy¹⁰. Around 90% of all companies that exist around the globe can be classified as SMEs. They are increasingly responsible for the creation of the majority of jobs, as they account for between 50 and 60 % of employment at national level, and contribute to the development of a favourable environment for innovation¹¹.

Latest research shows that SMEs continue to form the bedrock of the European economy, with some 22.2 million companies employing 90 million people; and accounting for more than 99.8% of all enterprises¹². In 2003, there were about 19.5 million enterprises in the European Economic Area (EEA) and Switzerland, providing employment for almost 140 million people. 92 % of these enterprises were micro, 7 % were small, less than 1% were medium-sized and only 0.2 % were large enterprises. Within SMEs, the major share of employment was in micro enterprises (56 %)¹³. In 2012 (see **table 1**), SMEs (mostly micro-enterprises) employed approximately 86.8 million people. This represents 66.5% of all European jobs for that year. The SME sector as a whole delivered 57.6% of the gross value added generated by the private, non-financial economy in Europe.

Table 1: Enterprises, Employment and Gross Value Added of SMEs in the EU-27, 2012

Size	Micro	Small	Medium	SMEs	Large	Total
No of Entreprises						
Number	18, 783,480	1, 349,730	222,628	20, 355,839	43,454	20,399,291
%	92.1%	6.6%	1.1%	99.8%	0.2%	100%
Employment						
Number	37, 494,458	26, 704,352	22, 615,906	86, 814,717	43, 787,013	130, 601,730
%	28.7%	20.5%	17.3%	66.5%	33.5%	100%
Value Added at Factor Costs						
Million €	1, 242,724	1, 076,388	1, 076,270	3, 395,383	2, 495,926,	5, 891,309
%	21.1%	18.3%	18.3%	57.6%	42.4%	100%

Source: Annual report on European SMEs 2012/2013, P.10

According to the Annual Report on European SMEs 2013/2014¹⁴, the share of SMEs in total employment was 67% compared to 33% in large companies. In the EU28 economy in 2015, just fewer than 23 million SMEs generated €3.9 trillion in value added and employed 90 million people¹⁵.

CSR for SMEs

In comparison with large companies, research with regard to CSR and SMEs is generally lacking. This lack of attention on the SME sector leaves considerable knowledge gaps within the literature¹⁶.

However, this concept is being increasingly involved within the SMEs. Academics and researchers tackle the topic from different perspectives. For instance Jenkins (2004); Kussyk and Lozano (2007); Lepoutre and Heene (2006); Spence (2007); Vives, (2006), argue that CSR motives and initiatives often take different forms than those of larger firms¹⁷. Spence et al. (2000); Graafland et al. (2003); Perrini et al., (2007) state that they make less use of CSR

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instruments than larger firms, have less formal CSR strategies, are less likely to report CSR activity, and have fewer resources to invest in CSR activity¹⁸.

Smart Kolektiv¹⁹ states that tough larger companies have been the primary drivers of CSR for a number of reasons; this does not mean that CSR is irrelevant or not practiced by SMEs. Since many of the pioneering practices that are now part of mainstream of CSR were pioneered by SMEs and community enterprises driven by strong personal ethical commitments.

Often with limited resources and despite constant commercial pressures, many SMEs are striving to achieve commercial success that incorporates a commitment to social and environmental sustainability²⁰.

According to the European commission (2015)²¹ a large proportion of SMEs have always done things that could today be called CSR, even if they do not know or use the term themselves. What is new is the growing attention given to CSR by policy-makers, consumers, trade unions and non-governmental organisations. These actors should all give more recognition to what SMEs already do in this field. CSR in SMEs is less formal and more intuitive than in larger enterprises, but that does not make it less valuable. The challenge is to get more SMEs to do more CSR. In studies that compare the CSR of larger and smaller enterprises, SMEs generally 'score' less highly. But this may reflect a lack of formal policies and CSR language on the part of SMEs, as much as actual differences in performance²².

When referring to CSR in SMEs the European Commission often uses the term "responsible entrepreneurship"²³ but in its reports and brochures it prefers to use the term CSR since it is well recognised.

CSR areas in SMEs

The priorities of CSR activities may differ from one country to another. For instance, the EU prioritises sustaining welfare, health, and labour standards in a global economy. The USA defends public health accessibility, social security or corporate governance. Latin America focuses on the rich-poor divide, infrastructure or fighting corruption. Companies also focused on different themes depending on their country of origin. While US firms were focused on external issues including globalization, Japan and EU companies were more linked to consumers²⁴.

SMEs as their counterparts can practice CSR activities in different areas including *workplace* (Personnel), *marketplace* (Products, services and the supply chain, Customers, etc.), *Society* and *the environment*. These areas are explained in the table below.

Table 2 : the areas of CSR in SMEs

<u>Workplace (Personnel):</u>	<u>Society and the local community:</u>
<ul style="list-style-type: none"> - Employee training and skills development - Staff participation in decision-making - working towards improved occupational health and safety, and improving working conditions - supporting the balance between work and personal life - promoting unbiased and equal opportunities, diversity and tolerance - fair and just wages that act as an incentive to employees, or other types of benefits, such as pension systems and staff well-being vouchers. - giving donations. 	<ul style="list-style-type: none"> - providing financial well-being, jobs and opportunities - 2 to improve skills - co-operating with educational institutions, and offering trainee positions - promoting diversity - contributing to society in a wider sense, such as helping people in developing countries, or reducing poverty - Responsible investing

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<ul style="list-style-type: none"> - Providing support in non-financial ways such as providing the enterprise's products or services to selected organisations and events. 	<u>Environment</u> <ul style="list-style-type: none"> - Taking systematic account of environmental issues in business activities
<u>Products, services and the supply chain</u> <ul style="list-style-type: none"> - Development of products and services that meet the expectations of the customer for sustainable development of production processes and services, and availability of information on the origin of products and services - exercising voluntary environmental, social and economic responsibility, and following ethical guidelines and standards throughout all phases of the supply chain - Responsible actions throughout the subcontractor chain - Continuous and sufficient R&D activity as anticipation for future needs - Innovative solutions for developing environmentally and socially responsible products and services - The ability to describe the aspects of responsibility included in the enterprise's business activities to the main supplier 	<ul style="list-style-type: none"> - Planning innovative and environmentally friendly products and production processes - Taking account of the environmental impacts of products and services throughout their whole lifecycle - Encouraging customers, personnel and business partners to adopt environmentally friendly practices - Reducing the use of materials, energy and water, and making their use more efficient - Reducing the production of waste, and reusing and recycling waste components - Conducting suppliers' environmental assessments - Favouring environmentally friendly products and services in all acquisitions.
<u>Customers and the markets</u> <ul style="list-style-type: none"> - Improving the quality and safety of products and services, and making them more environmentally friendly - Paying due attention to consumer protection and the accuracy of consumer information - Informing openly about product and service features to customers - Fair and transparent pricing - Voluntary services, such as recycling and maintenance - Efficient customer feedback system - Taking care of payments to suppliers and business partners on time - Complying with ethical principles in advertising - Avoiding the grey economy and corruption - Reporting on corporate responsibility activities 	

Source: adopted from Ministry of Employment and the Economy –Finland- **Corporate responsibility in the SME sector. Best Practices. 2009** PP. 8-18

The rationale of being socially responsible

CSR is a strategic method by which all SMEs can enhance their competitiveness, meet the challenges of sustainable development and develop their business activities. It creates win-win situations, in which everyone benefits. A key motivation is improving the long-term profitability and operating conditions²⁵. Adopting CSR strategies can bring significant long-run benefits for SMEs and have a positive impact on their competitiveness. These benefits involve the following key points²⁶:

- **Cost savings:** CSR can lead to operational savings such as, less waste, energy and material inputs, higher efficiency in resource use, resulting from environmental and productivity improvements within an eco-efficiency perspective.
- **Enhanced staff loyalty:** Companies with advanced human resource development programmes (e.g. high investment in training, family-friendly policies, incentives, reward schemes, etc.)

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enjoy higher levels of loyalty and lower levels of absenteeism, and will also find it easier to recruit, develop and retain staff.

- **Innovation and learning:** Engaging in stakeholder dialogues makes companies more sensitive to their operating environment and often results in enhanced capacities for risk management, anticipation of challenges and ultimately, introducing viable process and product improvements.

- **Enhanced reputation:** In particular for companies with a high-value retail brand, the positive image effects of CSR can be a decisive actor for future market development.

- **Consumer response:** While responsible consumer behaviour is still somewhat confined to niche markets, it appears to be growing rapidly. In European countries (one of the most significant export markets for developing country producers), around 25 % of all consumers respond to a company's social image when deciding to purchase a product or service. At the same time, two thirds of Europeans see involvement in social issues as a growing responsibility for private business.

- **Better alignment access to new markets:** CSR can help companies gain specific contracts or trading relationships with Transnational Corporations (TNCs) or companies in OECD markets. However, export-oriented CSR can only succeed if it is matched by product quality and service, which meet international market standards.

- **Partnership opportunities:** SMEs can establish closer links with TNCs with which they share values but also through business associations and the closer involvement of multilateral organizations.

- **Improvements in productivity and quality:** Greater efficiency and better management encouraged by CSR can help companies to improve the quality and productivity of their output.

CSR intrinsic opportunities

SMEs are subject to different distinctive and intrinsic characteristics that make them different from their larger counterparts. Therefore, affecting, the nature and the extent of SMEs' CSR activities²⁷. Some of these characteristics of SMEs which are highlighted below can be turned to opportunities for SMEs to act in socially responsible manner. At a closer look, SMEs are not only naturally pursuing socially responsible behaviours, but are better situated in relation to social responsibility than large companies are. Compared to their counterparts, SMEs start at a very good position when it comes to pursuing responsible business practice:

- They have fewer employees; therefore it is easier to develop a corporate culture within the company.

- They have more flexible operations: With a less formal and bureaucratic organizational structure than large companies, SMEs can identify and respond to new ideas and market opportunities more easily and quickly, and achieve CSR integration without as much administrative burden.

- Many SMEs already conduct themselves in a socially responsible way, so integrating CSR is not about redefining what they are already doing, but about maximizing the impact of the existing practice by seeing its business benefits, by integrating it into the core business and raising awareness among important internal and external audiences in a way that will help them become more competitive²⁸.

- Their relatively simple organizational structure, SMEs are found to be quicker, flexible and more responsive to the dynamics of the environment. Research suggests that small businesses are comparatively more innovative, even though the implementation of innovations is often slowed down due to a lack of resources²⁹.

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From this standpoint, CSR is no longer an extra burden to SMEs. It is in fact an improved way that reflects what they are already doing and effectively using it as a competitive advantage.

CSR challenges facing SMEs

Generally speaking, many factors make it hard for SMEs to implement CSR initiatives. For instance, lack of resources (human, material and financial) is a major factor. Additionally, SMEs differ from their larger counterparts in the diversity of the products/services available to customers. Jenkins (2006) and Spence (2000)³⁰ note that the lower resources lack of these firms limits their ability to focus on strategic gains or deal with issues from a marketing or public relations perspective.

In practice, and more precisely, SMEs face many challenges that may affect their ability to be sustainable and socially responsible. In its reports on SME Sustainability Challenges³¹, the Network for Business Sustainability (NBS) pinpointed the priority challenges that SMEs currently confront. These challenges were identified by the SME Council which is a group of sustainability leaders from diverse sectors. The term sustainability used as an alternative to CSR. Some of these challenges are expressed as follows:

- *Lack of expertise in sustainability/CSR:* Sustainability sometimes entails major changes within the companies that choose to subscribe to it. It requires reviewing the operational procedures and the business strategies to redefine the role in society and toward the sustainability of natural resources. Limited time, finances and human resources, combined with a lack of expertise in sustainability make it difficult for SMEs to choose the right CSR initiatives and tools for their organizations. With respect to coaching, they also find it difficult to identify whom to address to start the process (calling a consultant, government, employees).

- *How to position CSR as a competitive advantage:* SMEs can achieve both tangible and intangible benefits from CSR initiatives. Translating the intangible benefits (such as improving corporate image or strengthening reputation with clients and suppliers) into monetary value remains a real challenge for SMEs. Leaders and managers of SMEs need help assuring their stakeholders that their sustainability initiatives are credible and have value. For many companies, “going green” is not merely a nice-to-do but a strategic focus grounded in core business activities. But how can they convey this value? How can SMEs capture and communicate the returns on their sustainability investments?

- *Integrating sustainability into the company's long-term strategy:* A long-term sustainability strategy often emerges through a series of disparate projects, each with various connections to sustainable development. The more those projects: show results; are concrete, ambitious and realistic; and progress step by step, the more likely they are to receive buy-in from employees and senior managers. They are also more likely to succeed. However, the term “project” denotes an activity conducted over a finite amount of time. SMEs want to know how a succession of projects can lead to long-term integration of sustainable practices into their companies' overall strategies.

- *Promoting the creation of coherent and efficient sustainability regulations:* SMEs feel excluded from regulatory decision making processes and find that new sustainability regulations can limit their efforts. More specifically, they are critical of the prescriptive nature of regulations as well as the planning and monitoring of these measures. SMEs feel this leads to counter-productive consequences for them – and also for society.

- *Embedding sustainability actions in the organizational culture:* to optimize their activities, SMEs seek to establish a culture of sustainability that creates a cycle, which reinforces sustainable habits and values in the workplace. In fact, SMEs face organizational realities such as a high turnover and disparities in employee awareness levels or willingness to act, which

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make it hard for them to establish a corporate culture of sustainability. The challenge is to remain focused on sustainability within a dynamic context.

- Driving concrete financial results through the investments in sustainability: SMEs want to integrate sustainability into their core businesses, but find that sustainability objectives pull them in different directions (investing in environmental certification or allocating funds to promotional campaigns that grow the company's client base). SMEs seek to harmonize environmental and social objectives with the bottom line. They endeavour to improve understanding of the impacts and benefits of their sustainability initiatives, so they can translate their investments into concrete financial results.

- Quantifying the benefits of sustainability activities: this challenge addresses measurement. In part, the problem is due to the difficulty in quantifying actions that are not taken into account by the market, and are thus considered economic externalities. In a context in which operational efficiency is especially important, SME managers are looking for clues to help them make informed decisions about which sustainability measures they should adopt. Having more quantifiable measures will help them more easily convince decision makers to invest in and implement sustainability processes.

- Effectively managing requests from foreign markets regarding responsible procurement: Exporting SMEs must comply with the environmental regulations in the regions they want to export to and must meet the rising demands of their clients who use responsible procurement policies. Having to deal with multiple suppliers themselves, SMEs sometimes feel helpless, given the complexity and the high costs of operations. To ensure that the raw material used does not come from conflict zones, for example, one must be able to assess the quality of the information received from suppliers.

- Increasing the communication strategies to target responsible consumers: SMEs generally have more limited resources for communication activities than large corporations. How can they increase the impact of their communication strategy while maintaining the key message about the socially and environmentally responsible properties of their products and services? What types of message will resonate with the greatest number of consumers? Or is it better to have different messages for diverse target markets? What networks and media should be used? Which communication methods can be suggested to SMEs that want to reach the greatest number of consumers with their responsible products and services?

- Improving the position regarding the proliferation of sustainability certifications: The level of confusion about certification among SMEs mounts as the number of certifications multiplies. While they are sometimes needed to respond to market and consumer demands, they do not always correspond to the capacity of the companies undergoing the process. To prove that a product can be considered responsible or that a business operates under good environmental management, often requires several certifications. This increases the costs and complexity of the process for an SME.

- The price elasticity of demand for a certified responsible product/ service: SMEs are concerned about the value of sustainability certifications and by how much attention consumers pay to them. Certified products/ services are seen by some as being more expensive, but also providing a tangible guarantee of responsibility. SMEs would like to better understand consumer behaviour with respect to certification to help them better evaluate the benefits of such a process. SMEs seek to answer questions like: Under what conditions does confidence trump price with regard to responsible products and services? What price are consumers willing to pay for a certified product or service?.

- Influencing consumers during the responsible purchasing process: Responsible consumption is a process that implies that the consumer is conscious of the social and environmental risks associated with the manufacture or delivery of the products and services that they purchase. By

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making conscious and informed decisions, consumers have the power to both reward and punish businesses by purchasing their products or boycotting them. This should result in more responsible purchasing. In practice, SMEs note that while their clientele may express more concerns about sustainable development, they do not always act accordingly. How can this gap between attitude and purchasing behaviour be explained? How can we close the loop and influence purchasing behaviour with respect to responsible products and services? Is it a problem of confidence; etc.

- Prioritizing the sustainability activities of growing SMEs: A period of growth and innovation within an enterprise can be a good time to begin or to develop a sustainability process. In fact, a changing working environment may be more receptive to the type of new management process required when undertaking sustainability measures. Being more informed their progress toward sustainability has greater chances of success and could be used as an example for other SMEs. This growth, however, implies that decisions be taken more rapidly and not necessarily with all the information at hand. Thus, SMEs believe that it would be useful to develop tools in order to easily and more quickly prioritize sustainability actions for growing SMEs.

European initiatives to fostering CSR activities among SMEs

In Europe, promoting CSR amongst SMEs is becoming one of the priority areas of EU policy on CSR. Hence therefore, great deals of efforts have been done by the European Union to identify the challenge of making the CSR agenda more relevant for SMEs. Some of these efforts and initiatives are indicated below:

- The Commission endorses the UN Guiding Principles on Business and Human Rights, which contribute to EU objectives regarding specific human rights issues and core labour standards, including child labour, forced prison labour, human trafficking, gender equality, non-discrimination, freedom of association and the right to collective bargaining. It has endorsed the UN Guiding Principles in its 2011 CSR strategy³² and has committed to supporting their implementation. The Commission intended to Work with enterprises and stakeholders in 2012 to develop human rights guidance for a limited number of relevant industrial sectors, as well as guidance for SMEs, based on these Principles. It expected all European enterprises to meet the corporate responsibility to respect human rights, as defined in the UN Guiding Principles.

- The European Commission's Green Paper on CSR- In its first green paper (2001), the European commission proclaimed that wider application of CSR in SMEs including micro-businesses is of central importance, given that they are the greatest contributors to the economy and employment. Although many SMEs already take up their social responsibility, particularly through community involvement, further awareness raising and support to disseminate good practice could help promote corporate social responsibility among them³³. The paper highlighted the need to involve SMEs in the debate and to promote CSR among those enterprises throughout Europe. This strategic direction is also important to countries that are interested in joining the EU.

- Project on "Mainstreaming CSR among SMEs"—aims at assisting entities that support the uptake of CSR among SMEs (small business advisors, SME representative organisations, trade/sector organisations, chambers of commerce, larger companies that work with SME suppliers, as well as public authorities, trade unions and NGOs)³⁴.

- Project on 'Responsible Entrepreneurship—launched in 2002 by the European Commission — compiled a collection of case studies from SMEs across Europe, providing evidence that small businesses can and do practice CSR, and that doing so helps them to become more successful³⁵.

- 'Pan-European Awareness Raising Campaign on CSR for SMEs'— Supported by the European Association of Chambers of Commerce and UEAPME³⁶.

Overview on Corporate Social Responsibility in Small and Medium Enterprises***- European multistakeholder forum on CSR. Report of the round table on 'Fostering CSR among SMES' (2004)³⁷:***

underlined that CSR is relevant for businesses of all shapes and sizes. Just as the best of SMEs are a source of innovation for business generally, so it can be assumed that the best of environmentally and socially responsible SMEs will offer CSR innovations. Efforts to engage more SMEs in CSR should be mindful of this fact. They should reflect the daily realities of SME life. The case studies and discussions showed that many SMEs believe that CSR if effectively internalised could be a source of competitive advantage for individual firms, as well as benefiting society as a whole (P.4). The focus of the RT discussions has been about how to spread the message: to understand what motivates those SMEs already involved; what might motivate other businesses; how best to reach SMEs and how most effectively to support more SMEs to internalise CSR into the way they operate.

- EUROPEAN MULTISTAKEHOLDER FORUM ON CSR, Brussels Belgium(2015³⁸):

The Forum emphasised that CSR can create real advantages for SMEs. The latter can better reap these advantages, by integrating CSR in a more strategic and conscious manner. The aim of the session devoted to SMEs sector was that of identifying ways through which the European Commission can help SMEs achieving a major engagement in CSR. These ways include promoting the potential of integrating good practices that boost business, greatly supporting the development of innovative sustainable products and services to help smaller companies change business models progressively, reinforcing visibility and social recognition of CSR through a CSR awards scheme for SMEs, helping in mitigating administrative burdens, targeting SMEs indirectly as part of society and through education, starting with technical and vocational training schools.

- European Enterprise Promotion Awards³⁹: The European Enterprise Promotion Awards reward those who promote entrepreneurship and small business at the national, regional and local level. Initiatives from all EU countries, as well as Iceland, Serbia, and Turkey can take part in the competition. Since 2006, over 2,800 projects have entered the awards and together they have supported the creation of thousands of new companies. This initiative involves the promotion of CSR among SMEs and entrepreneurship among disadvantaged groups such as the unemployed, legal migrants, disabled, or people from ethnic minorities. As well as the support for SME to access to green markets and help to improve their resource efficiency through, for example, green skills development and matchmaking, and funding.

These initiatives and non-mentioned others greatly contribute to help SMEs get more in touch with CSR concept and activities and clarify the confusions that might be occurred.

The implementation of CSR in SMEs

There is no "one-size-fits-all" method for pursuing a CSR approach. Each company has unique characteristics and circumstances that will affect how it views its operational context and its defining social responsibilities. Each will vary in its awareness of CSR issues and how much work it has already done towards implementing a CSR approach⁴⁰. Aston and Anca⁴¹ argue that there is no standard strategy for responsible entrepreneurship. All strategic thinking requires an approach tailored to an enterprise's core values, mission and vision. However, no matter the particularities of enterprises, responsible entrepreneurship (CSR for SMEs) is built on two core foundations: the recognition of the enterprise's social responsibility (and where it can add business value) and engaging with stakeholders to build shared business value and minimize stakeholder and business risks.

- The recognition of the enterprise's social responsibility (and where it can add business value): make your commitment!:

The enterprise is naturally positioned in a larger context, including relationships with its environment and resource base. It is seen in its larger, connected context, and in which a sustainable solution is designed in relationship to other entities. Thus, if enough SMEs can act responsibly, a significant difference can be achieved on a much larger

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scale. The characteristics of ownership and leadership (for instance, passion, involvement in every aspect of the company, closeness to employees, a considerable capacity to adapt to change) make it easy for SMEs to uptake CSR practices. The first step toward responsible entrepreneurship is making a commitment. The best social responsibility strategy for an SME is simple and not excessively time-consuming to operate. An SME does not have to think overly complex processes that are above its capabilities. Instead, it has to set realistic goals. Ideally, a social responsible strategy for SMEs should be linked to, or should integrate, existing management systems (e.g. ISO 9000 Quality Management System and ISO 14001 Environmental Management System). The end purpose is to integrate responsible entrepreneurship into day-to-day business operations.

- Engaging with stakeholders to build shared value and minimize stakeholder and business risks: Stakeholder engagement is “An organisation’s efforts to understand and involve stakeholders and their concerns in its activities and decision-making processes.” It is then about relationships and dialogue between the company and stakeholders. Many SMEs have close connections to many of their stakeholders but not all of them are of equal importance to every business. Therefore, in a strategic stakeholder dialogue SMEs have to determine which stakeholders are of most importance to the continued existence of their business and give them top priority.

The business benefits of stakeholder engagement involve:

- More equitable and sustainable development by giving those who have a right to be heard the opportunity to be considered in decision-making processes;
- Better management of opportunities, risks and reputation;
- complementary pooling of resources (knowledge, people, money and technology) to solve problems and reach objectives that cannot be reached by individuals, groups of individuals or organisations acting on their own;
- understanding of the complex operating environments, including market developments, political and cultural dynamics;
- Learning from stakeholders, resulting in product and process enhancements and innovations;
- Inform, educate and influence stakeholders to improve their decisions and actions that will have an impact on the organisation and on society; and
- Contribute to the development of trust-based and transparent stakeholder relationships.

Examples of CSR practices in European SMEs***1- Monnalisa SpA (Italy)⁴²***

Monnalisa SpA (by Piero Iacomoni and Barbara Bertocci who today are respectively the Chairman of the Board and the Creative Director. It operates in over 50 countries.

- ***Monnalisa's Values***

Monnalisa's Values include respecting skills and competencies, diversity, pace of life and work; Dialogue and participation meaning a stimulating work environment, connection with the territory and growth together with the connected industries and services; Fairness meaning acknowledgement of everyone's dedication to the relationship with Monnalisa and transparent decisions; and finally, Acting in a responsible manner towards customer satisfaction, efficient and effective use of all resources as well as transparent reporting of policies and strategies.

- ***Main CSR practices***

The company considers **workplace health and safety** the essential right of every worker. No dangerous activities are carried out; therefore, the control of this aspect goes beyond the law

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and covers softer yet not less important aspects such as workplace climate or policies on work-life balance.

Since the end users of the offered items are children, the aspects of health and safety are given a great attention by the company. All materials used and finished products purchased are tested for dangerous substances; similarly, during the design and industrialisation of the product the company follows the laws concerning the physical safety of children wear. Through the code of conduct, these aspects have been formally included in the relationship with suppliers. Due to this fact, to this day there have been neither cases of criticality on products nor the need to recall any items.

The company has approved a management policy which has led to the creation of an Ethics Committee. It reports to the Board of Directors and to the CEO all critical issues that can occur in relation to social and environmental responsibility, as well as on all notices and complaints received by the stakeholders.

- ***The company reputation***

Monnalisa's collections, as well as image and communication activities, are positively perceived by customers. The surveys periodically published on Fashion, based on a significant sample of Italian customers; show that the market holds Monnalisa in high regard. The company is always at the top in both seasons as best seller and most sold accessory brand.

It is a leader among SMEs due to its philosophy which is based on the unique combination of entrepreneurship, innovation, search for new markets, unique styling and a specific attention to the development of company resources and abilities.

- ***Certifications and awards***

Monnalisa adheres to the main sustainability standards and integrated business management (ISO 26000, SA8000, ISO 9001, and ISO 14001). This commitment entails ongoing work for the improvement and careful management of activities and processes, regularly assessed by external independent bodies. Beginning from 1999, the company has gained great number of Certifications and awards as they are shown below:

1999 : ISO 9001 SGS Certification

2001 : SA 8000 SGS Certification

2003 : Best Practice CSR

2005 : Annual Report Oscar

2007 : Label of the year

2008 : Goodwin Award

2009 : First Annual Report SGS Certification

2010 : Annual Report Oscar

2013 : Joins Elite Borsa Italiana : opportunity offered by Borsa Italiana to companies showing positive economic and capital information as well as a credible growth project.

2014 : Warner Bros Award, and International Fox Homey Award

2015 : ISO 14001 SGS Certification, Elite Borsa Italiana Certification, and First Annual Report Certification by Reconta E&Y.

2- SEALOCK (France)⁴³

SEALOCK, created in 1996 in Sallaumines (French Pas de Calais département), operates in the business to business market, and is specialised in formulating water-based adhesives and

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hot melting adhesive products intended for manufacturers of packaging, graphic arts, woods, construction products and high technologies. As a chemical production company, some of the human rights risks most relevant for SEALOCK concern health and safety. In human rights terms, this means the right to a safe and healthy work environment, the right to physical and mental health, and the right to life. Workers' human rights are also important, as is the case of any enterprise with employees.

- **CSR Policies and processes**

Rooted in its territory, Sealock is committed to respecting and maintaining the highest levels of Social and Environmental Responsibility within all its processes. It aims at integrating CSR into the values of the company to ensure its long-term viability, improving the well-being of employees, and getting involved on its territory of establishment.

SEALOCK considers compliance with the law as a key concern and is included in its general policy statement. The company aims to respect all relevant laws, including labour and environmental laws. It has undergone an evaluation against the ISO 26000 guidance standard on social responsibility. It has a "Quality, Safety, Environment" management plan, with an accompanying training program. Since 2003, Sealock has implemented Management System of the Quality in which the Environment aspect was integrated in 2012 and the Social aspect in 2012. This system is based on the following framework:

- The ISO 9001 standard for the Quality section
- The ISO 14001 standard for the Environment section
- The ISO 26000 standard for the Social section.

There are regular safety briefings recalling the essential rules on health, safety and environment. Furthermore, SEALOCK has developed quantitative key performance indicators (KPIs) for health and safety. It tracks these KPIs on a monthly basis, and communicates the results to its employees, and when required also to public authorities.

- **CSR contribution to company performance**

Here are the main CSR benefits Sealock has achieved:

- ISO 9001 and ISO 14001 certified company, and 1st company in its sector to be assessed ISO 26000
- Fully involved employees: everyone on an equal footing.
- In 2010, SEALOCK was already awarded the *Regional Trophy of the Environmental Performance*, and in 2011 signed the Environmental Charter of FIPEC (Federation of Industries of paints, inks, colors, glues and adhesives) but also the Charter "Mediation of the Subcontracting" in the context of SME / Large Groups with ComMedia Observatory.
- 0% staff turnover in 2012
- Loyal customers.

3- Caran d'Ache (Switzerland)⁴⁴

Since its foundation in 1915, Caran d'Ache has followed a course of uninterrupted quality, based on Swiss reliability criteria, manufacturing being concentrated in Geneva. The company constantly integrates good practices related to social, environmental and economic life in its internal structures, but also during regular exchanges with its suppliers and partners.

- **CSR practices**

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Through its commitment and ethical responsibility, Maison Caran d'Ache is constantly working to preserve nature and its resources, giving great importance to respecting the environment and placing the human being at the heart of its development.

In Switzerland, the vast majority of schools are equipped with drawing equipment Caran d'Ache. This long tradition has led the Geneva House to create an educational service to actively support the teaching profession in the use of its products. A project that comes to life in 1973 with the publication of the very first pedagogical folder entitled "Techniques d'impression avec peintures couvrantes". This service offered free of charge by Caran d'Ache has been part of a philanthropic approach since 1973 which focuses mainly on educating teachers and, consequently, their students about the optimal, creative and ecological use of the brand's products.

Respect for the environment is translated into actions for the optimization of energy and the treatment of metals in closed circuit. Similarly, the manufacture renounces the use of solvents for varnish to volatile organic compounds (VOCs), replaced by new water-based varnishes developed.

Following this long-term vision, Maison Caran d'Ache ensures the balance between ethical living environment and quality perpetuity.

- ***The company certifications***

Caran d'Ache now holds several labels essential to its sustainable development, such as the ISO 9001 and ISO 14001 quality management and environmental management standards, FSC® and PEFC™ certifications for compliance Sources or the Kimberley Process for the non-conflict origin of diamonds.

Conclusion

Nowadays, corporate social responsibility is no longer the concern of large companies alone, it also involves SMEs. SMEs have some specifics regarding CSR issues as they have different needs and operate in their own context. Their particularities offer them unique opportunities to contribute to sustainable development yet unique challenges too. Though the full scale and impact of CSR amongst SMEs is not exactly known, it cannot be assumed that all the expertise and good practice in CSR lies with the large companies.

The issues of CSR are becoming the concern of SMEs due to the fact that the latter have significant impacts on society; therefore they cannot be turned away from being sustainable and responsible. Additionally, for SMEs, CSR is often simply part of how they operate as good citizens. Their flexibility, small size and simplicity make it easy for them to practice CSR activities in different ways, aiming at satisfying their employees, shareholders and customers, and respecting the expectations of all people that they affect or are affected by.

Nevertheless, integrating CSR into SMEs business strategies, through addressing social and environmental concerns within their core activities, is confronted by some challenges and obstacles, like the lack on in house expertise and the lack of dedicated CSR resources.

The efforts made by the European commission can have a significant impact on fostering CSR among SMEs through which it contribute to creating a healthy environment marketplace, and mitigating the challenges the SMEs encounter. In practice, and according to real SMEs experiences with CSR, the implementation of CSR practices is becoming vital for SMEs in order to succeed.

Successfully engaging many more SMEs requires more serious initiatives and efforts that take into account the peculiarities of this kind of companies and reflect their realities. Therefore, the approach to CSR should be adapted to the SMEs needs, circumstances and priorities. The type of supports required by SMEs may also be different from that required by larger companies.

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It is recommended that SMEs should build an active and continuous dialogue with stakeholders (such as employees, suppliers, customers and consumers) through meetings, workshops, written communication, etc., to continuously improve existing products and services, and to explore and develop new markets.

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