

CORPORATE SOCIAL RESPONSIBILITY OF SMEs¹

The paper generalizes the results of literature review about corporate social responsibility and peculiarities of CSR implementation in SMEs. The paper provides comparative analysis of definitions of CSR, investigates meaning of CSR practices, CSR stages, «formal» and «informal» CSR. The paper generalizes the results of literature review about cause of difference in CSR activities in big companies and SMES, describes factors that influence peculiarities of CSR implementing in SMEs. The paper concludes that the main factors of this difference are lack of financial resources in SMEs, short-term orientation of SMEs, problems connected with nature of ownership and size of business. The research points out that the results of this are the less variety of activities and directions of CSR in SMEs, giving the preference to less costly activities and engaging volunteers.

Keywords: corporate social responsibility, SMEs, CSR practices, CSR stages, “formal” and «informal» CSR

Introduction. In Ukraine concept of sustainable development and CSR didn't became an essential part of strategic management of enterprises, especially of SME's. Most of the managers haven't got deep understanding of the problem and opportunities they would have if the problem will be solved. In Ukraine we can see real CSR activities only from big enterprises. Instead of this in European Union countries the concept of corporate social responsibility is much more implemented into everyday life activities and strategy of enterprises. According to the Flesh Eurobarometer 363 research «How companies influence on society: a citizen view», 2013, Europeans consider that most of SME's make efforts to behave in social responsible way (European Commission, 2013b). Also more than half of European respondents who are the company employees say their companies behave responsibly towards society.

Literature review. CSR conception has started its history in 1953, when Bowen first introduced his idea of an obligation for companies to consider certain factors in their decisions and activities. As the role of the private sector in civil society establishing has been increased numerous

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conceptions of CSR have sprung up all over the world. The most famous of them are the «CSR stakeholder» theory (Freeman, 1984) and the «CSR pyramid» (Carroll, 1991).

As a result of practical and scientific focus on CSR range of definitions has emerged. The difference between them is mostly in perception of main dimensions of CSR. Common dimensional approach of CSR include social, economic and environmental. In some researches we can find specific types as four dimensional approach which deals with formal CSR «practices, constituted by (a) the physical environment, (b) the working environment and (c) labour standards/working conditions, including standards and systems, and (d) informal practices, constituted by informal arrangements between management and employees (loans, leave) and donations to the local community and the like» (Jeppesen et al., 2012, p. 11)

The environmental dimension was more in focus from the 1970s and then changed toward social and labour conditions by the late 1980s. From the 1990s also the internal or working environment in CSR research started to exist. The shift was so strong that to the mid-1990s it became to play leading role and external environmental dimension tended to be nearly forgotten. But appearing the strong focus on sustainable development in national and international policies renewed the interest to environmental dimension of CSR.

One of the CSR definitions, wide spread among scientists is: «an umbrella term for a variety of theories and practices all of which recognize the following: (a) that companies have a responsibility for their impact on society and the natural environment, sometimes beyond legal compliance and the liability of individuals; (b) that companies have a responsibility for the behaviour of others with whom they do business (e.g. within supply chains); (c) that companies need to manage their relationship with wider society, whether for reasons of commercial viability, or to add value to society» (Blowfield and Frynas, 2005, p. 503).

Also we can find a great number of CSR definitions designed by international organizations, especially by the World Bank, the EU, UN Global Compact, World Business Council for Sustainable Development, Global Reporting Initiative and others, which represent practical approach to CSR. These definitions accentuate on company contributions to sustainable development on different levels (from micro to global) and the increasing significance of CSR strategic focus (Porter and Kramer, 2006; Zadek, 2001).

In our research we will use such definition of CSR as «practices of the corporation that, as part of the corporate strategy, complementary and in support of the main business activities, explicitly seek to avoid damage and promote the well-being of stakeholders (clients, suppliers, employers, financial resource providers, community, government and environment) by complying with current rules and regulations and voluntary going beyond those requirements» (Vives, 2005).

Purpose. The research is dedicated to the sustainable development on the micro-level, in particular, to the improving of corporate social responsibility (CSR) of SME's. This investigation deals with studying European experience of sustainable development management and solving the problem of implementation of this experience into the activities of Ukrainian SME's. The objective of this project is to provide careful study of the background and necessary conditions of improvement of sustainable development in Ukrainian SME's. In common sense sustainable development is ensuring that today's growth does not jeopardize the growth possibilities of future generations and has three dimensions: social, economic and ecological. All of these dimensions are important but the first, social, play determined role. Based on habits, values and culture of individuals, social dimension formed requirements for responsible business and leadership.

Results. A key reason for business attention to CSR have been basing on win-win understanding CSR policies as activities with positive economic effects especially in long-term perspective. Obviously, improvements in working conditions and salary policies leads to increasing of labour productivity, positive shifts in market and environmental policies contribute to products quality, demand and brand growth.

Deeper understanding of CSR requires distinguishing the terms in some research frames such as: «formal» and «informal» CSR; commitment to CSR, external collaboration, internal structures and procedures as CSR fields of actions; denial, compliance, managerial, strategic and civil stages of CSR.

Term «formal» CSR hold internal social and both internal/external environmental dimensions, while «informal» consists of ad hoc practices related to firm values and culture (Jeppesen et al., 2012, p. 28). Formal CSR activities are voluntary but regulated by number of international standards and initiatives (SA8000, OHS18000, ISO 26000, UN Global Compact, GRI guidelines, Ethical Trading Initiative, AccountAbility and Transparency International) and in some cases – by national standards.

CSR fields of actions include commitment to CSR, external collaboration, internal structures and procedures (Baumann-Pauly et al., 2013). The dimension of commitment to CSR means integration CSR into strategic policies and leadership practices through documents (organizational codes of conduct, human right policies as well as using global documents like ten principles of the UN Global Compact or eight Millennium Development Goals), creating special job functions or departments for management and implementing CSR (Wickert, 2011). The dimension of internal structures and procedures holds different CSR supporting processes and actions like trainings, evaluation, reporting and also daily practices and organizational culture (Wickert, 2011). The last, external collaboration dimension includes all possible means aimed to interacting with external stakeholders in order to implement organizational CSR agenda, for example collaborations with

civil society institutions, involvement in CSR-related network and actions (Baumann-Pauly et al., 2013; Wickert, 2011).

The approach of CSR stages is based on Zadek's organizational learning model (2004) and is defined as follows: denial stage means company denial to implement CSR principles into its activities; compliance stage represent emergence of company's activities focus adequate to legal rules; managerial stage starts the process of understanding company's responsibilities and implementing CSR in managerial practice; strategic stage marks deeper firm involvement in CSR practices, integrating CSR in company strategy and understanding it as competitive advantage; civil stage means the qualitative new level of CSR activities including industry and civil society collaboration, and other forms of proactive CSR behaviour (Baumann-Pauly et al., 2013; Wickert, 2011).

In our research we used recognized European Union definition for Small and Medium Sized enterprises implemented the 1st of January 2005. According to this definition, enterprise to be consider a SME have to meet the requirements of number of employees and either turnover or balance sheet total (Table 1).

Table 1

The factors determining whether a company is an SME

Company category	Employees	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

Source: EU recommendation 2003/361

More than 20 million European SMEs play a significant role in the European economy (Table 2). European SMEs employed more than 86.8 million people (66.5% of all European jobs) and delivered 3,395,383 million euros of the gross value added generated by the private, non-financial economy in Europe (57.6%) during 2012. Most of SMEs (92.1% of total enterprises number) are micro firms which provided approximately one third of that total employment and delivered one fifth of the gross value added.

Table 2

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

Indicator	Micro	Small	Medium	SMEs	Large	Total
Number of Enterprises						
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 Euros	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: Eurostat, National Statistical Offices, DIW, DIW econ, London Economics

For a long time CSR activities were mostly distinctive of large companies so their CSR practices formed the basis of international standards and became a benchmark for SMEs (Jenkins, 2004; Jenkins, 2006; Supino and Proto, 2006; Cici and Ranghieri, 2008). At the same time SMEs have a number special features differ them form large companies. Thus there is a necessity to generalize these peculiarities and find out special CSR procedures and activities appropriate to SMEs conditions. Such approach will give us the opportunity not only to determine CSR activities of large companies which can be put into practice in SMEs but also point to specific CSR activities which actually take place in SMEs but absent in big firms.

The main features which differ SMEs form large companies is connected with lack of resources, first of all financial resources (Lepoutre and Heene, 2006; Roberts et al., 2006; Revell and Blackburn, 2007; Spence, 2007). This includes liquidity problems, complexity in access of financial resources, SMEs director perception that CSR activities require too much resources which not be compensated, higher potential negative impact on SMEs of general state of the economy. As a rule these statement will be true to most of SMEs notwithstanding their business performance. The lack of financial resources does not allow SMEs to apply for environmental and social legislation (Kechiche and Soparnot, 2012), to have the capacity for collecting and analysing necessary information related to sustainable development (Lepoutre and Heene, 2006), to introduce formal management standards and procedures (Jenkins, 2004), to use CSR as risk-management tool (Jenkins, 2004; Jenkins, 2006), to identify and involve main stakeholders (Princic and Floyd 2003).

The next group of problems is connected with nature of ownership and size of business of SMEs. This means that business in SMEs is more personally and CSR activities depend much upon the personality, values and culture of owner and director which in most cases are the same person (Jenkins, 2006, Vyakarnam et al., 1997, Cambra-Fierro et al., 2008).

As a result of mention above features of SMEs their CSR activities also acquire specific characteristics as following: less variety of forms and directions of CSR activities, giving the preference to less costly activities and engaging volunteers, paying more attention to such groups of stakeholders as employees and local community – groups which is more tied and known by SMEs.

According to the EU CSR strategy “the further development of CSR requires new skills as well as changes in values and behaviour. Member States can play an important role by encouraging

education establishments to integrate CSR, sustainable development and responsible citizenship into relevant education curricula, including at secondary school and university level” (European Commission, 2013a). Number of scientific research issues report about a positive connection between organizational learning and organizational effectiveness, important role of knowledge management in increasing competitiveness and contributing to improvement of HR management, shared vision, leadership and customer orientation (Spicer and Sander-Smith, 2006; Choi et al., 2008; Curcovic et al., 2000). According to Chen et al. (2005), companies with limited resources (as SMEs) should invest in human capital to have more competitive advantage.

There is a big difference between staff training in SMEs and large firms as SMEs spend much less money, time and efforts to employees’ education. The reasons for this are high training costs and deficiency of trainings importance understanding. Some research issues show that SMEs managers believe that educational costs will exceed the level of expected return, as well as they accentuate on lack of time, human and financial resources. Moreover, managers are not aware of the importance of staff trainings to SMEs performance (Westhead and Storey, 1997), especially if the firm competitiveness is based on low labour costs (Hendry et al., 1995) or managers are unable to define properly the needs of the necessary learning (Johnson, 2002). Besides this, many SMES are short-term oriented and have negative attitude to staff learning of SMEs, so they try to search easy and quick problems solutions (Matlay, 1999). One more reason is because of SMEs employees as they see neither new opportunity to develop their career after training nor possibility of appropriate remuneration and encourage (Johnson, 2002).

Conclusions. So there is a big difference between CSR activities and approaches of CSR implementing in big companies and SMEs. The main factors of this difference are lack of financial resources in SMEs, short-term orientation of SMEs, problems connected with nature of ownership and size of business of SMEs. As a result we can see the less variety of activities and directions of CSR in SMEs, giving the preference to less costly activities and engaging volunteers.

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ХАРЧИШИНА О. В. КОРПОРАТИВНА СОЦІАЛЬНА ВІДПОВІДАЛЬНІСТЬ У МАЛИХ ТА СЕРЕДНІХ ПІДПРИЄМСТВАХ

Узагальнено результати досліджень бібліографічних джерел щодо сутності корпоративної соціальної відповідальності та особливостей КСВ у малих та середніх підприємствах. Проведено порівняльний аналіз визначень КСВ, досліджено сутність КСВ практик, КСВ стадій, «формальної» та «неформальної» КСВ. Узагальнено результати досліджень щодо причин відмінностей у КСВ практиках між великими та малими і середніми підприємствами, систематизовано причини, які впливають на запровадження КСВ у діяльність малих і середніх підприємств. Зазначено, що основними факторами є недостатність фінансових ресурсів, короткострокова орієнтація малих та середніх підприємств, а також особливості форми власності та розмір бізнесу. Вказано, що в результаті дії зазначених факторів спостерігається менша різноманітність діяльності і напрямів КСВ у малих та середніх підприємствах, надання переваги менш затратним заходам та залученню волонтерів.

Ключові слова: корпоративна соціальна відповідальність, малі і середні підприємства, КСВ практики, КСВ стадії, «формальна» та «неформальна» КСВ.

ХАРЧИШИНА Е. В. КОРПОРАТИВНАЯ СОЦИАЛЬНАЯ ОТВЕТСТВЕННОСТЬ НА МАЛЫХ И СРЕДНИХ ПРЕДПРИЯТИЯХ

Обобщено результаты исследований библиографических источников относительно сущности корпоративной социальной ответственности и особенностей КСО на малых та средних предприятиях. Проведено сравнительный анализ определений КСО, исследовано сущность КСО практик, КСО стадий, «формальной» та «неформальной» КСО. Обобщено результаты исследований относительно причин отличий в КСО практиках между большими и малыми и средними предприятиями, систематизировано причины, которые

вливают на внедрение КСО в деятельность малых та средних предприятий. Обозначено, что основными факторами являются недостаточность финансовых ресурсов, краткосрочная ориентация малых та средних предприятий, а также особенности формы собственности и размер бизнеса. Указано, что в результате действия обозначенных факторов наблюдается меньшее разнообразие видов деятельности и направлений КСО в малых та средних предприятиях, предпочтение выбора менее затратных мероприятий и привлечение волонтеров.

Ключевые слова: корпоративная социальная ответственность, малые и средние предприятия, КСО практики, КСО стадии, «формальная» и «неформальная» КСО.