
The SMEs perception on corporate social responsibility: an approach based on empirical mapping in the Czech Republic

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Key words

Corporate social responsibility, Small and medium sized enterprises, Research, Czech Republic

Abstract

The Corporate Social Responsibility (CSR) movement is rapidly growing in signification as a strategic management instrument over the past number of years and the recognition of the growing importance of the small and medium-sized enterprises (SMEs) leads to emphasize their social and environmental impacts. CSR has been a frequent subject of research interest in large companies, but SMEs in this area was neglected. The purpose of this paper is to overcome both of these research gaps and provide deep understanding of the nature of CSR in the Czech Republic. The paper reviews the relevant literature of CSR. Then, through empirical mapping via questionnaire technique with 229 firms, this study analyses CSR from an SME perspective in Czech context. The paper highlights the way in which firms operating use the selected activities of CSR in three pillars (economic, environmental and social). It differentiates between the categories of SMEs and activities of CSR. The research contributes new material to this by analyzing how CSR is implemented in Czech context from an SME perspective through research questions. The results of the mapping demonstrate Czech SMEs approach to CSR and define the problem areas and pinpoints the main barriers, motivations and limitations in the expansion of CSR. Conclusions of this paper demonstrate that SMEs prefer inspiring from companies that already use the concept and see the power in individuals with their motivation, not only for owners, but also for all stakeholders. Finally, the paper is a contribution to the debate on CSR and indicates a future development of CSR with an impact on SMEs.

Introduction

The Corporate Social Responsibility (CSR) movement is rapidly growing in signification as a strategic management instrument over the past number of years. Not only has the issue received academic attention but has quickly moved up the corporate agenda (Knox et al., 2005; Ogrizek, 2002). However, there has been a lack of attention to, and discussion of, CSR in the Czech Republic. Research with regard to SMEs has also been quite scant (Fridman and Miles, 2001; Jenkins, 14). SMEs have been identified as an important strategic sector for promoting growth and social development of countries (Munasinghe and Malkumari, 2012).

The considerable emphasis placed nowadays on the societal role of business is in accordance with the spreading belief that measures of company success must go beyond profit and should also relate to the needs of stakeholders and society at large (Natale and Sora, 2009). According to Carroll (2000) CSR is becoming the defining business issue of our time, affecting corporate profits and credibility, as well as personal security and sustainability of the global economy.

The subject of research paper is to evaluate the use of selected activities of CSR's three pillars (economic, environmental and social) in SME via a cognitive empirical mapping. The research contributes new material to this by analyzing how CSR is implemented in the Czech context from an SME perspective by answering the following research questions.

- How SMEs in the Czech Republic use pillars (economic, environmental and social) of the concept of CSR?
- What are the main SMEs motivating factors for the implementation of CSR?

1 Literature review

One of the factors contributions to the extension of CSR is the lack of consensus as to what the concept really means (Carroll, 1979; Panapanaan et al., 2003). Although the acronym CSR is now well rooted in the business lexicon (specifically in the European approach), a meaning of the term remains a subject of much debate (Roberts).

Dahlsrud (2008) identified 37 of definitions that have variety of significance. It has been described as and subjective (Frederick, 1986), unclear (McWilliams, 2001), amorphous (Margolis and Walsh, 2001), highly intangible (Cramer et al., 2004), ambiguous (Fisher, 2004) or as and concept with unclear speculative boundaries. The majority of Czech authors (Trnková, Putnová, Čaník, Řezbová, Zavřel, Dytrt, Petříková) used a positive approach to the definition based on subjective perspective. One of the most cited definitions could be seen from Carroll (1999) which is constantly being developed by many authors.

CSR has also been characterized as the concept in a variety of ways such as legally complying with the letter of the law, complying with the social and environmental codes of conduct engaging in corporate philanthropy, and the broader impact that business has on society among others (Jenkins, 2004; Khan and Lund-Thomsen, 2011; Prieto-Carron (2006). According to the first authors (dealing with CSR issues) such as Berle, Means or Bowen, the emergence of the concept is due the increase in large companies (Aegerter, 2006). They already define the social responsibility of the businessman as a voluntary integration of social values in the management. A major idea is that CSR can be determined by the consequences of the company's activities on the stakeholders (Ackerman and Bauer, 1977). CSR's issues are focused on a triple bottom line which includes: economical, social and environmental issues (Aegerter, 2006).

The role of business in society is rapidly changing and the companies no longer operate in isolation but are a part of the business environment. The sustainability Performance management is also a new term in the field of entrepreneurship and corporate social responsibility (Kocmanová and Dočekalová). In relation to SMEs, a variety of definitions have been proposed which focus on issues such as number of employees working in the enterprise, annual turnover, ownership types, and formal versus informal economy status (Jamali et al., 2009). For research purpose was used definition of SME according to the EU. Study by Caroli suggests that SME can successfully implement CSR policies and this directly affect their competitiveness (Munasinghe and Malkumari, 2012). SMEs have a similar (Jenkins, 2005) and stronger (Perini, 2006) stakeholder relationship in comparison to large companies. That means SMEs have stakeholders in the common range with large companies and the purpose of stakeholder management is similar, namely to reduce the risk by managing stakeholders

(Jenkins, 2004) and SMEs are used to be very close to their stakeholders like community and employees (Perini, 2006).

Additionally, SMEs plays a significant role in the local community with a high-degree of inter-reaction and acting as benefactor by support to the local economy by creating job opportunities (Munasinghe and Malkumari, 2012). It has been argued that SMEs are constrained by the time and financial resources (Sarbutts, 2003; Vives, 2006). On the other hand, it has been argued that being smaller and flatter, SMEs may be better placed than large firms to take advantage of the changing needs of society (Perez-Sanchez, 2003).

Business ethics and community support play an important role in various business environments, including SME sector. CSR has been a frequent subject of research interest in large companies but the relationship between SMEs and CSR remains poorly understood in the Czech Republic. Above mentioned facts were determined as the basis for the research in SMEs.

2 Methodology

The use of CSR was measured using the selected dimensions in three pillars of CSR as proposed in the literature review. The task of the research was aimed at obtaining the answers of two research questions. The target group for the study were SMEs operating in the Czech Republic. The EU criteria, for micro, small and medium-sized enterprises, were used to define the SMEs.

Two thousand structured questionnaires were sent to the owners/managers of SMEs and responded only by 240 (12%). After the control was excluded 11 questionnaires that were not properly completed and in the survey was included 229 completed questionnaires. The research was conducted during May-October 2012. For sorting and processing of information was used a logical approach and methods. Subsequent shifting information for interpretation we used software procedure for sorting, processing and progressive analysis. The mapping is using in process the in-depth questionnaire but goes further by providing a whole process with an output with valuable qualities. The output can be used as a managerial tool for leaders because of the well known liberating effect of the map and perceived as a tool to help the strategic decisions in group's. It is more a support tool for individual reflection (Aegerter, 2006). Thus it bears to communicate with the others and itself. The mapping process allows a great place for the researcher's subject focused on CSR in SMEs.

The research areas of CSR are based on the requirements of the three basic pillars of CSR - economic, environmental and social. The respondents could choose scale with the values (1-10), the value 10 was represented by the "most important". For illustration we used weights range and frequency of a response, and then the arithmetic average was calculated for all categories of SMEs.

3 Findings

In absolute numbers, research was represented by 104 micro (45%), 73 small (32%) and 52 medium-sized (23%) enterprises. Total number of questionnaires included for the purpose of research was the 229.

Social pillar

It has been measured the importance of SMEs and to behave responsibly towards the environment area, employees and the community in which the company operates. For the interpretation of the output was used an approach that took into account both frequency response and attributed to the weight (range 1-10). It is obvious that micro, small and medium enterprises attach importance to a very similar socially responsible behaviour. Values are dominated by a numerical expression (from 7,30 to 7,46), which expresses the arithmetic average of the number of weights and responses. The values in Tab. 1 indicate the high importance of responsible behaviour towards employees at all companies, particularly in micro (7,2), for small business (value 7,3) and greater importance is placed on medium-sized enterprises (close to 7,8).

Type of enterprises	Points
Micro	7,30
Small	7,48
Medium-sized	7,75
Total SME	7,46

Tab. 1 Level of importance of socially responsible and ethical behaviour towards employees

Order	Selected activities from social pillar	Total SMEs
1	Bidirectional communication between managers and employees	81%
2	Employee motivation and training system	69%
2	Increased health protection and safety at work	69%
3	Possibility of flexible working hours	62%
4	Engaging in public activities	48%
5	Presence of personal policy	45%
6	Granting of holiday beyond the statutory time	36%
7	Anti-discrimination measures	29%
8	Contributions to employees pension	28%
9	Contributions to employees life insurance	25%

Tab. 2 Selected activities from social pillar

Tab. 2 indicated that the most used activity is bidirectional communication between managers and employees represented by 88 % of the total SMEs. This representation was in all three categories of SMEs highest. Activities such as contributions to employee's pension and life insurance recorded the lowest values, which may be due to lack of capital of SMEs. Benefits from the implementation of CSR if the company uses a responsible and ethical behaviour towards employees were also researched. Values according to the proportion of responses dominated by increased employee loyalty and improve customer satisfaction, followed by the improvement in labour productivity and improve the company image.

Only 5% respondents are inapplicable to employee's responsible behaviour. This number was significant especially for micro-enterprises in absolute number of responses of the 26 firms.

Minority interests arising from the survey of small businesses (only 7 responses) and one response from the surveyed medium-sized businesses.

Selected benefits	Total SMEs	Order
Increase employee loyalty	21%	1
Improving customer satisfaction	21%	2
The increase in labour productivity	17%	3
Improving the "image" of the company	13%	4
Improving economic performance	12%	5
Improved relations with business partners	11%	6
Not responsible and ethical behaviour towards employees	5%	7

Tab. 3 The significance of selected benefits of responsible behaviour towards employees

If we summarize the results of the social pillar, as it is important for companies responsible behaviour towards employees, and the resulting value is 7,5 (ten was a maximum), indicating a high interest to SMEs for their employees. In the sub-issues we identified that not all activities are used to such an extent as would be desirable. This suggests that the subjective responses of the respondents have increased, so did not look negatively. We can argue that there are areas where companies have more responsible attitudes in reserves especially for micro and small businesses.

Economic pillar

From economic area was used the selected activities included in Tab 4. The most interesting evaluation is for a factor - timely fulfilment of obligations to employees (91 %). In second place from the perspective of all respondents is timely fulfilment of obligations to business partners (87 %). The data showed that 19% of respondents from micro and 10 % of respondents from medium-sized enterprises do not comply with the timely implementation of commitments in trade. Liabilities to the public sector perform early 83 % of the total number of SMEs.

Order	Selected activity	Total SMEs
1	Timely fulfilment of obligations to employees	91%
2	Timely fulfilment of obligations to trading partners	87%
3	Timely fulfilment of obligations towards the public sector	83%
4	Financial management of the company	72%
5	Planning of sales	61%
6	Systematic planning of economic performance	53%
7	Financial assistance from the state or the EU	37%
8	Charity and welfare activities	33%
9	Existence of risk management	20%

Tab. 4 Selected activities within the economic pillar for the overall SME

The factor of financial management of the company is implemented in 72 % of all surveyed SMEs; lack of control is significant at 43% of micro enterprises. From the perspective of philanthropic third of companies use this opportunity and experience of taking financial assistance from the state or the EU has 37 % of the companies where the main interest in medium-sized enterprises (65 %) and very low experience with nearly 14% has micro firms.

To sum up, the medium-sized companies here are among the most important category of SMEs in the implementation of individual activities within the economic pillar. The values show that the size of the company also increases the rate of use of individual activities.

Environmental pillar

The results show a relatively high importance of responsible behaviour towards the environment for all companies, particularly in micro-enterprise, and greater importance is placed on mid-market. Total results from total SMEs are involved in the Tab. 5. Generally, activities from the environmental pillar are used at least. For all investigated activities medium firms have always the higher positive results, and therefore used the activity to a greater extent compared to the micro-activities that use the least. Medium companies use environmental activities in more than a micro-representation, but are dominated by medium-sized companies.

Order	Selected activities	SMEs
1	The use of voluntary instruments for environmental protection	35%
2	Planning environmental impacts on the consumption of resources and materials	31%
3	Evaluation of waste	31%
4	Optimization of the manufacturing process to minimize environmental impacts	24%
5	There is a staffing environment	22%
6	Planning environmental impacts of energy consumption	22%
7	Planning environmental impacts on water consumption	22%
8	Impact assessment of air pollution and ozone layer	19%
9	Planning environmental impacts on gas consumption	17%
10	Evaluation of quantity and quality of wastewater discharged	10%

Tab. 5 Selected activities from the environmental pillar

The factors of motivation for implementation (included in Chart 1) of CSR were researched by a frequency of responses and their arithmetic average (minimum 0, maximum 5). It has been determined that the most motivating factor is improving the company's image. The other examined motivational factors are in Chart 1. Minimum values were identified as the factors: tradition (2,8), improving relations with the public administration (2,8) or pressure from business environment (2,8).

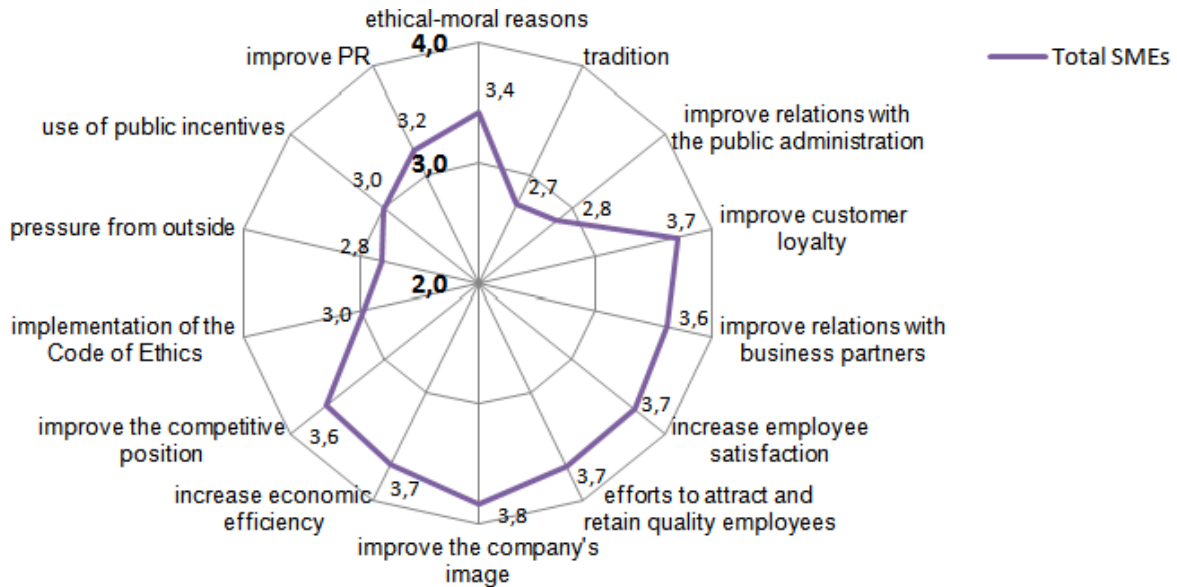


Chart 1 The motivation factors for implementing CSR concept

Discussions and conclusions

In conclusion, this paper contributed to filling the gap in literature in relation to CSR in Czech firms and in particular Czech SMEs. This study involved questionnaire technique with 229 firms to evaluate the use of selected activities of CSR's three pillars in the Czech SMEs. Some of the surveyed companies have already implemented CSR activities. Especially, the smallest companies are not familiar with the concept. Consequently, they are often sceptical towards the concept and do not see the benefits they may derive from an investment in CSR.

Nevertheless, SMEs are in general aware of their social responsibility and in most of the cases not at least reluctant to fulfil it. Either due to intrinsic motivation (the ethical/moral standards of behaving correctly) or because of extrinsic pressures (stakeholder expectations) SMEs are becoming knowingly or unconsciously involved in CSR. Consequently, SMEs could gain the benefits from the positive impact on the enterprise's competitiveness. It has been assumed the basic assumption what could CSR activities do for SMEs in the points: enhance the image of your business; differentiate your business from your competitors; reduce costs through re-cycling and reduced energy consumption; becoming the license to operate; attract ethically conscious customers; and aid the attraction and retention of staff. The volume and diversity of CSR activities was positively correlated with size, in reality the main barrier noted by SMEs was financial constraints and the highest motivation factor for implementation of CSR was determined as improving company's image.

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