

## CSR IN SMEs- SOME TERMINOLOGICAL DISTINCTIONS

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### ABSTRACT

*Corporate social responsibility (CSR) was traditionally considered a prerogative of large companies. In recent years, in practice and in the literature, specific activities of CSR have also been implemented in SMEs.*

*Unfortunately (both in practical and theoretical dimensions), things are far from being clarified. More precisely, it seems that there is a gap between theory and practice, a transplantation of theory in practice not accurate enough.*

*In the present paper, we intend to do some conceptual delimitations regarding the corporate social responsibility approached in small and medium enterprises. More specifically, we raise the question: to what extent can the CSR term be used to define actions at an SME level? Our opinion, that we will try to argue using a relevant literature in this domain, is that the term is not quite adequate and has to be better defined. Therefore, there may be better solutions to avoid confusion and to overcome some reluctance at a pragmatic level.*

**KEYWORDS:** *SMEs, social responsibility, corporate social responsibility, social capital.*

**JEL CLASSIFICATION:** *M14, L26*

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### 1. INTRODUCTION

Social responsibility is an issue that has been studied for over 50 years in foreign literature (if we take H. Bowen's work since early 1953, *Social Responsibilities of the Businessman*), as it may seem paradoxical to Romania, where CSR is an area that appears to have been in an early stage forever (especially the pragmatic level). We would add that any study of CSR in the SME is not a new issue (see Fischer and Groenveld, 1976; Gomoka, 1978; Chrismann and Archer, 1984).

However, particular aspects of CSR activities in SMEs have not been fully identified, the two theoretical areas interconnection has many areas of penumbra. In practice, uncertainties are even larger (especially in an economy like the one in Romania, where many concepts, taken mainly from the Anglo-Saxon literature, are simple forms without substance).

In our view, there are two issues that led to the neglect of a study of CSR for an SME: CSR activities were regarded as large consumers of financial resources (limited in the case of SMEs), SMEs were seen (in some studies still are) as "little big firms," and, in such conditions, the CSR does not require a specific approach to their case.

The most important problem that we believe has not found an acceptable solution is about terminology. CSR (Corporate Social Responsibility) is not, in our view, an adequate term due to the presence of the word "corporate."

In what follows, we try to bring a series of arguments to support our point of view (inadequate term), and we also try to debate the possible objections that can be brought to our approach.

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The topic of controversies and meanings of social responsibility concepts, although intensely discussed (most often indirectly), at least in the last 15 years, is, in our opinion, far from being devalued, respectively irrelevant for an academic debate (a proof is represented by the periodical review from researchers – see Van Marrewijk, 2003; Baden and Harward, 2012; Nejati and Azlan, 2013). Focusing on issues of social responsibility within SMEs, (and) in a Romanian context, provides an additional element of our approach.

## 2. CSR – CLASSIC NOTION?

The term “corporate social responsibility” is often used with SMEs, such as scientific papers and reports of reputable international organizations.

We will focus first on the analysis of documents emanating from various international bodies. Thus, in the UNIDO report, 2002, “Corporate Social Responsibility: Implications for Small and Medium Enterprises in Developing Countries” is a direct association between corporate social responsibility and SMEs.

However, in the first endnote of the paper it is stated that the same semantic area can be used: “corporate responsibility,” “corporate social and environmental responsibility,” “corporate citizenship,” “corporate accountability” and “socially responsible business.” It adds, however, that the preferred term is “corporate social responsibility”.

The same terminology is also found in the European Commission. The report “Promoting a European Framework for Corporate Social Responsibility” (2001) shows that:

*„Whilst so far corporate social responsibility has mainly been promoted by a number of large or multinational companies, it is relevant in all types of companies and in all sectors of activity, from SMEs to multinational enterprises (MNEs).”*

At the beginning of the material the following statement, which is somehow related to terminology, is made:

*“The corporate social responsibility concept is mainly driven by large companies, even though socially responsible practices exist in all types of enterprises, public and private, including SMEs and co-operatives.”*

In the report “European SMEs and social and environmental responsibility” (2002), in the first part, CSR is often used (referred mainly to scientific reference works).

In the second part, starting from defining CSR as “*the integration of social and environmental concerns in the enterprises' daily business operations in the interactions with the stakeholders, mainly on a volunteer basis,*” it uses the concepts of “*socially responsible activities*” and “*environmentally responsible activities*”.

Given that such important international organizations use the term CSR in combination with SMEs, it is difficult for this term to not pass (in translation) in regulations/recommendations in different member states in these organizations and then in every day language (the businessmen, the academics, politicians, journalists, professionals of various categories).

Turning to specialized literature, Castka et al (2004) argue that the term “corporate” has a broader range of coverage, which allows incorporation of all entities regardless of structure, ownership, size. On the same lines, Perschke and Preuss (2010) believe that beyond the strict literal interpretation, CSR does not apply only to corporations but all companies, regardless of size. Synthesizing a pretty strong current in the existing literature, the two authors show that a new term – for example business social responsibility – could point out that any firm would have responsibility towards society, but could be a source of confusion, in the myriad of already-known terms with similar signifiers. More than most articles aimed at the issue, they use the term CSR, without producing confusion in their opinion.

### 3. WHAT WOULD BE THE ALTERNATIVES?

A first solution to replace the term CSR, to its suitability to the specific context of SMEs, is to replace the term "corporate" with "business" (do not forget that in his very famous article of 1970, Milton Friedman used the term "social responsibility business").

Lapoutre and Heene (2006) use the term "small business social responsibility" (SBSR) when referring to the application of CSR in SMEs. The term is correlated with that of the "responsible entrepreneurship" ("implementing environmentally and socially responsible practices without being familiar with the CSR concept"). From our point of view, such a term can cause confusion, for least two reasons: there is (and is increasingly circulated) the term social entrepreneurship (with which we can make some approximation), entrepreneurship can occur within a big company (intrapreneurship). In the European Commission's approach, a responsible entrepreneur is one who: "treats customers, business partners and competitors with fairness and honesty; cares about the health, safety and general well-being of employees and customers; offers his workforce training and development opportunities as a means of motivation (acts as a good citizen in the local community, and is respectful of natural resources and the environment" (European Commission, 2003).

Avram and Kuhne (2008) also believe that using the concept of CSR is not just right in terms of SMEs. They indicated as an alternative the term "responsible business behaviour", which can help SMEs understand their social, economic and environmental responsibilities. The preference for this term is motivated by the fact that it allows a holistic approach, stakeholder-oriented, suitable regardless of any company size.

Moore and Spence (2006) assume that the link between SMEs and social responsibility can be analyzed at three levels: macro, meso and micro. At this last level, the two authors opt for the "responsible business practice".

On the same lines, Worthington et al (2006) consider that the concept of "social capital" can be more accurately understood and analyzed more closely the social responsibility of small and medium enterprises (taking an approach of Spence et al, 2003, 2004). To insert in the community where they operate, SMEs engage in activities of social responsibilities that contribute not only to the "common good" but also to building an individual social capital for the business and the community.

Perrini (2006) considers that stakeholder theory is more appropriate for understanding CSR in large corporations, while CSR-SME relationship can be properly understood, analyzed in terms of social capital theory.

Perschke and Preuss (2010) consider that the two terms complement each other. CSR is an organizational approach aimed at social and environmental externalities of economic activities, while the social capital focuses on the individual, with its multitude of interactions within and outside the organization.

With all these approaches, the term "social capital" is not (and we did not intend to induce the idea of the possibility of using them interchangeably) synonymous with "social responsibility" (Fuller, Tian, 2006). The review of a literature, which has two terms connected, had as object the understanding of the social responsibility approach of SMEs (especially given the differentiation from large companies) that can help select the most suggestive terminology.

Another useful approach for our approach belongs to Matten and Moon (2007) and it distinguishes between two forms of CSR, implicit and explicit. Explicit CSR refers to "corporate policies which assume and articulate responsibility for some societal interests." Implicit CSR refers to "the corporations' role within the wider formal and informal institutions for society's interests and concerns" (a specific form, usually for SMEs). Somewhat along the same lines used in the literature and "sunken CSR" (Pierrini et al, 2006) or "silent CSR" (Jenkins, 2004). Beyond decoupling elements, they capture a less formal implementation of CSR, and not necessarily less effective.

Moving from the Anglo-Saxon literature (as language of writing) to the French language, the issue seems obsolete. The term "responsabilité sociale de l'entreprise" (RSE) is no longer sent to large companies. Chauveau and Rose (2003) bring into question the term "social". As the two argue that the term "societale" correctly translates the American term in the phrase "social responsibility." The same approach is found in Dejean and Gonda (2004). The preference for the term "societale," widespread in French literature, meanwhile, is due to the fact that it can define the responsibility of the enterprise for all stakeholders, not just employees.

#### 4. ROMANIAN SOLUTIONS?

In the Romanian literature, the term societal is rarely found (we recall here the work of Glavan, 2009), somewhat unexpectedly in view of the rapprochement between French and Romanian.

Remaining at the Romanian literature, the term CSR was the most frequently taken as such, without any debate, without any identification and comparison of alternatives (if we were very hard, we would say indiscriminate). Modifications are quite rare and accompanied, in general, by justifications: the organizational social responsibility, companies social responsibility (Ionescu et al, 2006), firms social responsibility (Daianu, Vrânceanu, 2006).

Schiopoiu-Burlea A. (2007) uses the term "social responsibility of business." The author also states that the terms BSR (business social responsibility), RSE (responsabilité sociale d'entreprise) and CSR (Corporate Social Responsibility) do not have the same meaning "because they are concepts that relate to different cultural patterns, even if it is based on universal principles developed by international organizations".

Somewhat at the opposite, in a guide for implementation of social responsibility at SMEs level, published in 2012 and developed in the project "Strengthening the Romanian companies' ability to develop social partnerships – RSC", coordinated by the National Association of Exporters and Importers from Romania (NAEIR), Agency for Implementation of Projects and Programs for Small and Medium Enterprises (AIPPSME) and United Nations Development Programme (UNDP) Romania between "corporate social responsibility" and "social responsibility", there is a sign of equality, the term/terms being followed by the statement: "it refers to the responsibility of companies for their impact on society".

The same undifferentiated approach is also found in "National Strategy of Promoting Social Responsibility 2011-2016," approved in the governmental meeting from September 2011. According to this paper, "the concept of social responsibility used within the strategy is related to ethical standards of organizations and means «moral responsibility». CSR/SR designates activities and concepts that organizations voluntarily apply, beyond the responsibilities that they have, according to the current legislation. Social responsibility requires that organizations (public or private) integrate issues referring to the environment and society in their current activity" (we overcome other problems that arise from this definition – see Ducu, 2011 – and retain only the undifferentiated approach CSR/SR).

In 2012, we conducted a mini-survey among ten specialists in business ethics, professors in the main university centres in the country (Academy of Economic Studies Bucharest, Faculty of Economics and Business Administration Iasi, Faculty of Economics and Business Administration Timisoara, University "Constantin Brâncoveanu" from Pitești, University "Lucian Blaga" from Sibiu) and independent consultants.

In a questionnaire sent online, there was also included the question "Do you think that the term of corporate social responsibility (CSR) is appropriate when referring to SMEs?" One of the consultants answered "I do not know". Five answered that the term is not adequate, three of them also offering some explanations or alternatives:

*"The term could be «organizational social responsibility», corporation being perceived as an organization of large dimensions."*

*“«Social responsibility of enterprise» seems correct.”*

*„I consider that the term, in its theoretical acceptance, is too strict to describe the social involvement of SMEs from Romania.”*

Four of the respondents answered that the term is appropriate, two of them arguing as follows:

*„Corporate responsibility is no longer an area of interest just for the large corporations. Even though, naturally, this concept was «confiscated» by great corporations, this gets specific meanings within SMEs. These can also adopt and adjust socially responsible practices from large companies, thus participating in the creation of society’s welfare, although their impact may be less than for large organizations. In the context of globalization, corporate responsibility began to become a concept more deeply included in issues of competitiveness and competition, security, financial stability and good relations with the environment.”*

*“The term is adequate, but it is not understood and accepted.”*

## **5. WHAT DO MAIN ACTORS, THE PRACTITIONERS, SAY?**

Moving from the theoretical to the practical approach, there is perhaps an even more nebulous situation. In support of this, we present the synthesis of several studies that have investigated the issue (and terminology) on the CSR for SMEs.

A study (Jenkins, 2006) conducted over 24 companies in the UK revealed that 17 companies were reluctant to use the term CSR, which is seen as an abstract jargon difficult to understand. The seven companies did not approve the use of the word “corporate,” considered suitable only for large companies.

Murilo and Lozano (2006) present a qualitative study conducted in four companies in Catalonia. One of the objectives of the study was the analysis of the way in which CSR is perceived (the terminology used). The authors found that in most cases they need further explanation, additions to the understanding of CSR issues. The two authors consider that poor knowledge and problems of understanding of the word may affect the specific practices architecture. Their conclusion is that for SMEs, CSR terminology may be considered “distant and possibly even inoperative or counterproductive”.

Chetty (2008) conducted a similar study on a sample of SMEs in the province of Kwazulu-Natal (South Africa). One of the questions on which the questionnaire survey was conducted, aimed at ascertaining the term that best describes the activities in respect of their employees, the community and the environment.

Only 62% (131 respondents) of the sample components have answered this question. Of these, 40 (30.5%) indicated the term “social responsibility,” 9 respondents (6.8%) – “business responsibility”, 8 (6.1%) – corporate social responsibility, 5 (3.8%) - business ethics/morality. Others provided answers which included the term “social” that “economic and social responsibility,” “social and environmental responsibility,” “social awareness.” The author believes that the part of the 80 subjects who did not answer this question practice social silent responsibility, and are unaware of what they do, while another part may not know the term and its meanings (or others close).

Șerban and Kaufmann (2011), following a study conducted over three SMEs in the region Bamberg –Forchheim, Germany, conclude that CSR is not an appropriate term for use in small and medium sized enterprises, the reasons are: the concept of CSR is difficult to understand, the level of acceptance is quite low, because organizations are concerned with daily survival on the market and not with the understanding of theoretical and abstract concepts; and the term “corporate” is not suitable for SMEs. Respondents preferred to use the terms “common sense” and “the right thing to do” instead of CSR

## 6. CONCLUSIONS

For many (specialists or non-specialist) the use of the term CSR, including for SMEs, can be regarded as peremptory. For others (similar in number with the previous group) it may seem minor (names are less important than the content). We do not adhere to any of these points of view. Firstly we believe that the term CSR and the actions involved at the organizational level require a level of formality that SMEs find difficult to reach. Secondly, there are significant differences in terms of justification (theoretical) and understanding of the concept in large versus small firms: stakeholder theory versus social capital theory. Thirdly, we believe that language is not a negligible factor, as "a language already bears in it a vision of the world that shall necessarily adopt those who speak" (Rocher, 1970). In a recent article published in the Wall Street Journal (July 30, 2010), Lera Boroditski pointed out that "new cognitive research suggests that language profoundly influences the way people see the world." A term misused, wrongly understood, can cause a wrong behavioural design.

In these conditions we propose the term "socially responsible business practice" ("practică de afaceri responsabilă social"). We do not claim that it is the best solution, and we would appreciate if the material will generate a debate among specialists in Romania.

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