

SOCIAL RESPONSIBILITY PRACTICES AND ORIENTATIONS OF ROMANIAN SMES – CASE STUDY IN BIHOR COUNTY

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Abstract: *This paper investigates the forms, areas and orientations of social responsibility (SR) within small and medium enterprises (SMEs) in Bihor County, Romania. Acknowledging the particularities of SMEs involvement in social and environmental actions, we investigate both the practices and orientations of these firms from our region in SR. Our study, based on the responses of 52 owner-managers of SMEs, reveals interest towards SR practices, yet a limited visibility of such actions. The orientations towards SR can be grouped, based on strategic orientation scale, on three distinct directions: one related to primary stakeholders (law included), one to sustainability issues and one regarding to society. The impact of these orientations on practices still need to be investigated on larger samples.*

Key words: *social responsibility, small and medium enterprises*

JEL Classification: M14

Introduction

Most studies in the area of social responsibility (SR) focus on large companies, however growing attention is given to the social activities as well as the social orientations of small and medium enterprises (SMEs) around the globe. More, given the large number of SMEs in the economy, their aggregated impact on society and the environment is very high (Jamali et al. 2017). Another aspect that reveals the importance of SR carried out by SMEs is given by their closeness to their communities (employees, clients and other groups). Consequently, they both understand the problems better and they may respond in a direct manner to the pressures of these stakeholders (Saveanu et al., 2021).

In our study we focus on describing the actions and orientations of Romanian SMEs towards social responsibility. The first part presents the general theoretical frame for the study of SR in SMEs, and the second presents the methodological frame of our study. The third section presents the analysis on several aspects of SR in SME in Oradea. The last section sums-up the main results, and presents limits and future prospects.

1. Theoretical outline

There are intrinsic differences between small and medium enterprises compared to large companies, that affect also their social responsibility engagement. Some of these differences were systematized by Jenkins (2006) in a review of publications with a special focus on how these differences affect the social and environmental responsibilities of firms. The conclusion of such a systematization of studies brought forwards the following characteristics: while smaller and with fewer resources for SR, SMEs are more flexible and apt to respond to community problems which are also closer to. More, the sector heterogenous and is harder to make all forms fit the same frame. The impact of owner-manager is very strong both regarding the level of involvement as well as the forms and fields of SR. This latter aspect was highlighted also by Spence (2016) from a four- dimensional approach on power and communication and the effect on SR in SMEs. The higher impact of owner-managers in daily operations impacts also its SR involvement.

Comparisons between large and small firms when it comes to social responsibility were carried out by several authors (Baumann-Pauly et al., 2013; Mousiolis et al., 2015; Spence, 2016; Jamali et al., 2017; Harness et al., 2018; as well as Morsing and Perrini, 2009). Essentially these studies emphasize that SMEs are less strategic when it comes to SR, and more reactive in organizing such actions as a response to stakeholder pressures (Morsing and Perrini. 2009; Mousiolis et al., 2015). More, an important stakeholder that can pressure SMEs to adhere to CSR (corporate social responsibility) principles and undertake specific actions, are multinational companies. These can be powerful promoters of SR for their smaller partners (Harness et al., 2018). Even when looking at the strategic level, SMEs will be more flexible and directly connected with the community but will lack the financial and human resources to strategically engage in solving community problems (Mousiolis et al., 2015). While multinational companies (MNCs) are externally oriented and their communication of CSR is often explicit, SMEs are oriented on internal implementation practices (Baumann-Pauly et al., 2013). The influence of CSR on financial performance in the case of SMEs is not clearly supported (Bahta et al., 2020), evidence show rather a bidirectional connection between business performance and CSR. Especially in the case of SMEs this relationship is mediated by reputation (Bahta et al., 2020), innovation (Akzadiali, 2020 apud Bahta et al., 2020) and ethnic diversity (Bocquet, et al., 2019 and 2013).

The formalization and legitimation of CSR communication is a phenomenon that takes place also in SMEs. Companies present, in formal communications towards stakeholders and on their websites, the CSR related actions. Doing this they are legitimizing different forms: legal compliance, philanthropy, employees related programs etc. Through this communication these actions are legitimized in each sector, as the case of petroleum studied by O'Connor et al. 2017. This formalization and legitimation can be seen also as a shift from implicit to explicit forms of CSR (Morsing and Spence, 2019). In this regard, there is evidence that in SMEs, CSR

communication is more often implicit, while in large multinational companies the use of formal CSR reporting are characteristics to explicit CSR communication (Baden et al., 2011 apud Morsing and Spence, 2019: pp 1922). The challenges raised by managers for employing formal SR reporting include the loss (commercialization) of authenticity, control over values and identity disruption. These aspects may hinder socially responsible behavior or the display of such behavior by small businesses, and imposing of explicit reporting may reduce the support for such actions.

There are several factors analyzed as promoters of CSR in SMEs: size, internalization, innovation, commitment to the community, branding, as well as social and environmental concerns of firms' managers (Morsing and Perrini, 2009). The predominant role of entrepreneurs' values and attitudes towards CSR is attested also through a qualitative study conducted on CSR active SMEs by Morillo and Lozano (2006). This source of CSR commitment is supported also by external motivations such as maintaining a good reputation in the community and responding to stakeholder requests.

2. Methodological aspects

This study is based on quantitative data gathered using a questionnaire focused on several aspects of SR in SMEs: actions, domains, formalization of SR, understandings of SR and perceived benefits, strategic organizational SR scale. In total it was composed by 12 questions related to social activities and strategic orientation, 7 questions about the firm and 4 about the respondent. The questionnaire was administered online and on-paper in June-July 2021. We send the questionnaire to partners of the Faculty of Economic Sciences – University of Oradea and through the Association of Bihor' Firms however the response rate was very small. There are 51 valid responses from managers of SMEs.

The sample was composed by small and medium enterprises active in Bihor County, Romania. Most of the responses came from firms located in Oradea (46). From the other 5 firms, 4 are located in the Oradea Metropolitan area (villages around the city) and only one is from another village from Bihor County. There is a high diversity of domains of activity of these firms: from shoe factories to showbiz, consultancy, medical care, and transportation

Regarding the sizes of the enterprises and their age, also a wide range was captured in our sample. This information is presented in the following table. Given the effects of the Covid 19 crises, and its impact on the activity of SMEs, in order to assess the size, we asked both the current number of employees, but also the maximum number of employees during the whole activity of the firm. It can be seen than in most cases the number of employees at the date of the study is smaller than its maximum, indicating downsizing. One of the firms was previously a large company with over 250 employees. Details regarding the sample is presented in Table no. 1. below.

Table no. 1. Firm sizes and ages in the sample

	No. of employees currently	Max. no. of employees	Turnovers in lei	year of establishment
Mean	16.76	30.43	2837874.71	2007.37
Median	4.00	5.00	366433.00	2007.00
Std. Deviation	35.242	69.765	11387962.514	7.609
Minimum	0	0	0	1991
Maximum	176	330	79000000	2019

Source: authors' own processing

3. Results

3.1. SR reality

We first asked our respondents if they organized actions that they consider as social responsibility, the results being presented in Figure no. 1. The responses indicate a small propensity of such actions, smaller than in similar studies. In the last three years 51% of the firms in our samples organized such actions, while in last year this percentage dropped to 47%. This might be due to the economic situation imposed by the COVID 19 pandemic, as many SMEs needed to reduce their activity.

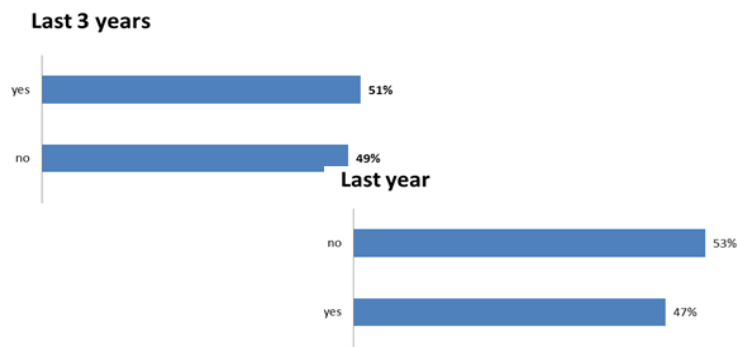


Figure no. 1. SR activities carried out in the last year and the last three years.

Source: authors' own processing

The main domains of interest are charity (19 firms) and community development (19 firms), followed by education (17 firms). Culture was supported by 16 firms, while environmental protection by 13. In the last year sport was a domain that received the smallest support (12 firms). This may be due to the pandemic context that limited such actions, so the opportunities for these activities were fewer.

Regarding the preferred actions, respondents were asked to choose from a list the activities that were carried out in the last year, in the last three years or not at all. The most frequent type of activity is offering financial support – 24 out of the 51 firms in our sample got involved in this type of activity. The second form is represented by the involvement in social-community projects: 20 firms got involved in this in the last year, and other 8 were involved in this type in the last three years. Promoting

social causes comes next as these types of actions were more and more visible in the public space in the region. The detailed results are presented in Figure no. 2.

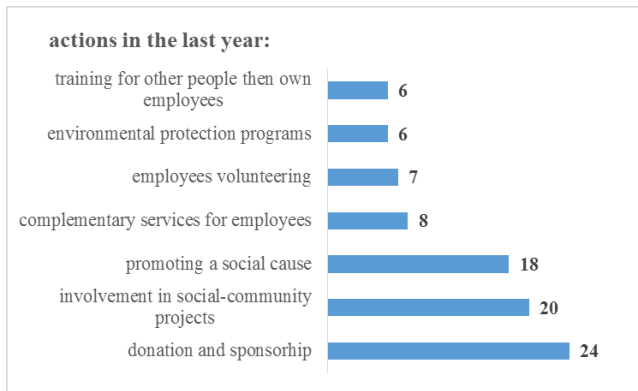


Figure no. 2. Number of SMEs undertaking different types of SR actions in the last year

Source: authors' own processing

Also, a measure of the propensity of SR involvement is analyzing how much money firms spend on such activities, as presented in Figure no. 3. In this regard we asked the respondents to choose the category of amount spent in the last year. The results, as presented in the next figure show that most spend below 1000 lei/last 12 months (including the ones that responded to the open "other" choice with "0"). 26 of the firms in our sample spent sums above 1000 lei on SR actions.

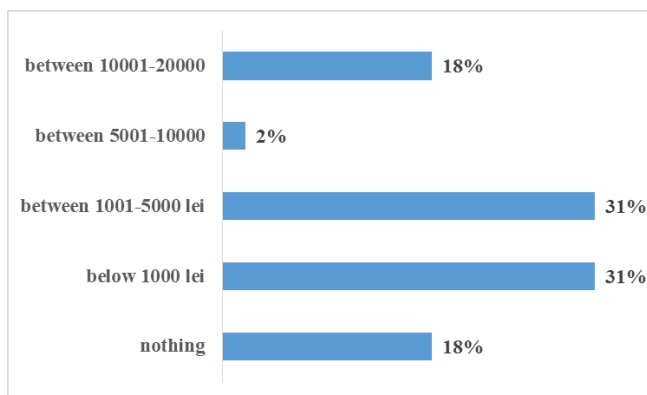


Figure no. 3. Amounts spent on social responsibility

Source: authors' own processing

3.2. Meanings, benefits and opportunities

The main interest was to understand the adherence to different definitions by entrepreneurs. Consequently, the question asked was: *What is social responsibility of firms for you?* Respondents needed to state their agreement with each of the

statements listed. The average agreement to each question is presented in the Figure no. 4. below.

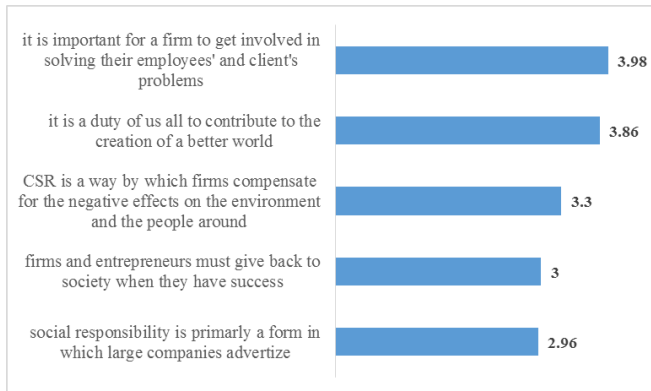


Figure no. 4. Understandings of SR by owner-managers in the sample.
Source: authors' own processing

As shown in figure no. 4, most respondents agree with a stakeholder perspective on SR, as the average response on the 5 steps Likert scale (where 1 was *I do not agree*, and 5 – *totally agree*) scale is 3.98, followed by the ethical perspective: it is a duty to contribute to a better world. Less agreement is given to the critical view on SR, considered as *façade* for large companies' behavior. The average response on the same 5-point scale is only 2.96. Though this statement resulted from our interviews, has less support among managers of SMEs.

Looking at the understating of the role of businesses in providing social welfare, it was interesting to notice that on this sample, the average response is only a bit over the mean. On the 10 points scale, were 1 meant that *the collective welfare is solely the responsibility of governments*, and 10 - *collective welfare should be a priority of the business sector*, the mean was 5.31 and the median 5 (std. dev. 1.892).

The perceived benefits of SR are considered one of the sources of such involvement. Consequently, the respondents were asked about their agreement regarding different benefits, as resulted in the literature. For an easier presentation of this data, we recoded the answers in just two categories: rather agree and rather disagree. The first category is presented in the following Figure no. 5.



Figure no. 5. Perceived benefits of SR involvement by the owner-managers in the sample (number of responses for very high and high agreement)

Source: authors' own processing

As resulted from previous studies on this topic (Saveanu et al. 2021), one of the factors that promote social involvement is being part of groups that promote such involvement. It was the case of the Oradea Community Foundation in the interviews. In this study, few questions were asked about membership in professional associations, and whether that association facilitate SR activities. The results are presented in Figure no. 6.

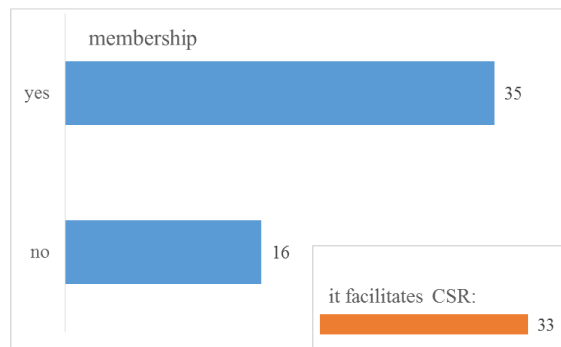


Figure no. 6. Membership in professional associations (number of responses) and facilitation of SR involvement by these associations (number of responses for yes)

Source: authors' own processing

Most of the firms in our sample (26) are members of the Association of Bihor' Firms (Asociatia Firmelor Bihorene), as they facilitated the administration of the questionnaire. Other two are members of another large association that promotes businesses in the region – Bihor County Employers Federation (Federatia Patronilor Bihor). Other six firms are members of more specific associations linked to their domain of activity (accounting, transport, tourism etc). The fact that 33 out of 35 firms that are members of different associations, consider that these facilitate the social involvement is an important result. These associations may act as promoters of SR but also as mediators in the organization of actual social actions. This is particularly important for SMEs, as they rarely have their own personnel dealing with social responsibility aspects. A closer look to the actual activities of these

associations, with a focus on their SR engagement may reveal important insights regarding the reality of SR in our region.

3.3. *Visibility and formalization of SR*

Most of the firms in our sample do not promote their social activities at all. Filtering out the firms with some social actions, one can see that the preferred mechanism for promoting SR is social media and website, as shown in the following Figure 6

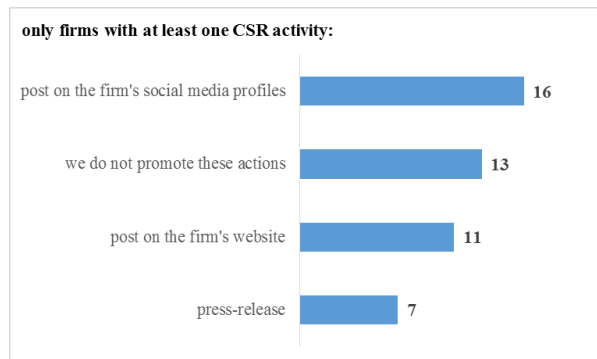


Figure no. 6. *Visibility of SR action from firms that declared such activities*

Source: authors' own processing

We can note that there is sometimes reluctance to promote such activities to the large public – 13 firms do not promote these actions. It is considered that the information disseminated by the beneficiaries is sufficient.

3.4. *Strategic organizational SR scale*

The strategic approach and understanding of SR were addressed through a scale for measuring SR, translated and adapted from Turker (2009). A similar set of items were validated as SR scale on European countries by Maigan and Ferrel (1999, 2000 and 2011). Similar scales were also tested by Lindgreen et al. (2009) and Acar et al. (2001). This scale was previously tested and validated on Romanian sample (Badulescu et al. 2018; Saveanu et al. 2019) The 18 dichotomous items are presented in Table no. 2.

Table no. 2. Description of responses on the strategic organizational SR scale

	not at all	to a little extent	to a high extent	totally
Our company participates in activities which aim to protect and improve the quality of the natural environment.	16	20	10	5
Our company makes investment to create a better life for future generations.	9	21	18	3
Our company implements special programs to minimize its negative impact on the natural environment.	14	22	10	5
Our company targets sustainable growth which considers future generations.	6	14	27	4
Our company supports nongovernmental organizations working in problematic areas.	8	11	24	8
Our company contributes to campaigns and projects that promote the well-being of the society.	9	14	20	8
Our company encourages its employees to participate in voluntarily activities.	5	11	22	12
Our company emphasizes the importance of its social responsibilities to the society.	5	12	21	13
Our company policies encourage the employees to develop their skills and careers.	3	4	25	18
The management of our company is primarily concerned with employees' needs and wants.	2	9	20	20
Our company implements flexible policies that allow a good work-life balance.	2	13	15	21
The managerial decisions related with the employees are usually fair.	2	2	26	21
Our company supports employees who want to acquire additional education.	1	3	20	27
Our company respects consumer rights beyond the legal requirements.	1	6	16	27
Our company provides full and accurate information about its products to its customers.	1	0	15	35
Customer satisfaction is highly important for our company.	1	1	10	39
Our company always pays its taxes on a regular and continuing basis.	2	1	10	38
Our company complies with legal regulations completely and promptly.	1	2	10	38

Source: authors' own processing

Based on the theoretical insights, the intention was to explore the dimensionality of the scale. Both Turker (2009) and Maigan and Ferrell (2011) along with other authors emphasized that SR is not a linear, unidimensional concept. The many facets, approached and type of stakeholders that shape the concept of SR, affect also the concrete actions, orientations or policies of the firms. Consequently, on our scale there were highlighted different dimensions of strategic organizational SR scale using factor analysis, principal component matrix. The results are presented in table no. 3 below, showing that SR is constructed on three components.

Table no. 3. Results of the Factor analysis for the dimensionality of SR strategic organizational scale.

	Component		
	1	2	3
Our company participates in activities which aim to protect and improve the quality of the natural environment. (1)	.105	.849	.099
Our company makes investment to create a better life for future generations. (2)	.093	.807	.359
Our company implements special programs to minimize its negative impact on the natural environment. (3)	.119	.879	.204
Our company targets sustainable growth which considers future generations. (4)	.117	.810	.185
Our company supports nongovernmental organizations working in problematic areas. (5)	.335	.317	.755
Our company contributes to campaigns and projects that promote the well-being of the society. (6)	.059	.581	.657
Our company encourages its employees to participate in voluntarily activities. (7)	.264	.266	.814
Our company emphasizes the importance of its social responsibilities to the society. (8)	.325	.396	.670
Our company policies encourage the employees to develop their skills and careers. (9)	.763	.025	.456
The management of our company is primarily concerned with employees' needs and wants. (10)	.684	.162	.482
Our company implements flexible policies that allow a good work-life balance. (11)	.677	.179	.445
The managerial decisions related with the employees are usually fair. (12)	.762	.146	.308
Our company supports employees who want to acquire additional education. (13)	.593	.135	.470
Our company respects consumer rights beyond the legal requirements. (14)	.743	.115	.343
Our company provides full and accurate information about its products to its customers. (15)	.908	.112	.156
Customer satisfaction is highly important for our company. (16)	.934	.111	.012
Our company always pays its taxes on a regular and continuing basis. (17)	.876	.038	.097
Our company complies with legal regulations completely and promptly. (18)	.922	.125	.080
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.			
a. Rotation converged in 6 iterations.			

Source: authors' own processing

Based on the items comprised by each component we will define them as follows:

- The first component (constructed on items 9-18) is based on statements related to interest towards employees, customers/clients, as well as compliance with the law. It explains the highest proportion of the variability in the data – 36%. We will call this the dimension on SR towards primary stakeholders.

- The second component (first four items) reflects the interest towards sustainability, focus in the environment and on a better life for future generations. It explains 20% of the variability of responses. We will consider this the *sustainability dimension*.
- The last component (items 5 to 8) is constructed on statements related to people and society, including the volunteering of employees. It explains 19% of the variance of the data. We could define this as the *society dimension of SR*.

4. Discussion of results

The data regarding social responsibility actions and orientation of small and medium enterprises from Bihor County collected in 2021 was limited in number of answers. Nonetheless it allowed us to present insight regarding this type of activity in the region.

The data supports previous findings regarding the forms and domain of actions, perceived benefits and attitude of managers regarding the role of the business sector in providing collective welfare. There is increasing involvement in social and environmental related actions by SMEs. These firms are mostly interested in donating money in areas such as charity and community development. The main motivation is contribution to solving community problems along with client and employee retention.

Regarding the orientation of businesses towards SR aspects, the Turker SR scale was applied to SMEs and was validated also on this data. The dimensionality of this scale of strategic organizational SR, highlighted the existence of three factors: one related to primary stakeholders (law included), one to sustainability issues and one regarding to society. However, in order to develop more this scale and conduct more analyses on the dimensionality of this scale, more responses are needed.

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