

CORPORATE SOCIAL RESPONSIBILITY AS A FACTOR TO CREATE A GOOD MARKET POSITION OF SMALL AND MEDIUM - SIZED ENTERPRISES

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This paper identifies drivers of the corporate social responsibility as a factor to create a good market position of small and medium – sized enterprises. An important challenge for a company in getting success is to respect diverse cultures and workforce environments and start forming a social consciousness. Companies that are investing in employees have as a result a growth of the work productivity and the creation of a new image of the organization in the business field.

Key words: corporate social responsibility, SMEs, image, brand value, customer satisfaction

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Introduction

Corporate Social Responsibility is one of the important ways today in which enterprises affirm their principles and values. The impact of business on the society is often discussed in the context of "corporate social responsibility" (CSR). CSR is already an integral fact of business life for many companies. Origins of CSR are influenced by ethical concepts, religious practice, historical and cultural traditions of each country. Terms used to refer to social responsibility depending on the location. Various terms are used in relation to social responsibility in South Africa, including corporate social responsibility (CSR), sustainable development, corporate citizenship, corporate social investment, and sustainability. In the U.K., the term "CSR" is most commonly used, but some people are increasingly adopting the shorter "corporate responsibility" instead.

The European Commission defines corporate social responsibility as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". It shows that a business must not be concerned only with its profitability and growth but also with its social and environmental impact, and that it must pay more attention to the concerns of its human-resources, local communities, consumers, human rights and global environmental aspects.

The World Business Council for Sustainable Development used the following definition: "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large". Activities included in CSR aim:

- corporate philanthropy;
- customer satisfaction;
- environmental stewardship;
- human rights;
- sustainable development;
- conditions of work;
- health and safety;
- respect for diverse cultures and disadvantaged peoples.

The CSR definition used by Business for Social Responsibility is: „Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business”. Kotler & Lee consider that "CSR is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources". Philip Kotler lists practicing corporate social responsibility as one of 5 factors that help a brand become well respected globally. Others mentioned are having quality products & services, good financial track record, good management or leaders and innovations. Kotler said that the global brands that are best loved internationally have similar characteristics, such as considering the needs of all stakeholders and not just shareholders; executive salaries are relatively modest and they generally have an open door policy to reach top management. These companies seem to be able to keep their costs low while still making better than average profits.

The Organization for Economic Co-operation and Development (OECD) and the International Labour Organization (ILO) have developed various compacts, declarations, guidelines, principles and other instruments that outline norms for what they consider to be acceptable business conduct. CSR instruments often reflect internationally-agreed goals and laws regarding human rights, the environment and anti-corruption.

Philanthropy is the oldest form of corporate social responsibility and is characterized by a limited dialogue between donor and recipient. Social investment represents the evolution of traditional philanthropy from a top-down

approach to a more responsive approach based on social needs. When making a social investment, corporations view their CSR activity as an investment with a social return. In the late 1980s and 1990s, the concept of social investment became prevalent in discussions of external CSR programs. Companies are integrating vulnerable populations into their business processes by developing relationships through trainers, suppliers, distributors and even market competitors.

The concept of social responsibility as applied to business suggests that the corporation no longer has a responsibility only to the stockholder but must make decisions aimed toward balancing the interests of all clientele groups affected by actions of the corporation. These groups include managers, administrators, employees, and the general public. Investing in Employees has as a result a growth of the work productivity, an improvement of the quality and the creation of a new image of the organization in the business field. When companies are global, an important challenge in getting success is to respect other cultures and workforce environments and start forming a global profile or social consciousness. Recognize these differences with a sound Corporate Social Responsibility (CSR) plan that can simultaneously increase shareholder value, boost employee engagement and increase employer brand recognition.

1. Drivers for corporate social responsibility

Because the impacts of the business sector are so large, and with a potential to be either positive or negative, it is natural that governments and wider society take a close interest in what business does. This means that the expectations on businesses are rising; governments will be looking for ways to increase the positive contribution of business. CSR considerations can be seen as both costs and benefits (e.g., of improving brand value).

Since businesses have a role in wealth creation in society, CSR is a central management concern. It positions companies to take advantage of opportunities, especially with respect to their corporate reputation. Businesses are an integral part of the communities in which they operate. It is known that the long-term success is based on continued good relations with a wide range of individuals, groups and institutions. The general public has high expectations of the private sector in terms of responsible behaviour. Consumers expect goods and services to reflect socially and environmentally responsible business behaviour at competitive prices.

Corporate behaviour show increased levels of understanding of the link between responsible business and good business. In addition to building trust with the community and attracting good customers and employees, acting responsibly towards workers and others in society can help build value for firms and their shareholders. CSR should be seen as the way that firms—working with those most affected by their decisions can develop innovative and economically viable products, processes and services within core business processes, resulting in improved environmental protection and social conditions.

World Business Council for Sustainable Development, have suggested that companies might gain a competitive advantage from corporate social responsibility. In much of the developing world, governments and business understand that their competitive positions, increasingly depends on being seen to respect the highest global standards.

CSR is no longer viewed as just a regulatory or discretionary cost, but an investment that brings financial returns for the companies promoting it. CSR promotes trust which sustains long-term relationships. Customers are more loyal and buy those brands which they think are responsible. Companies in all sectors of activity are proving their corporate social responsibility to comply with the society's expectations and to attract a positive implication from all the stakeholders. Business executives are starting to see CSR as a sustainable growth strategy.

As the role of business in society is changing, more businesses are recognising that that they need to do more than just focus on increasing profit margins. Now there is a need for businesses to become good corporate citizens too, in order to meet stakeholders' increasing demands. Businesses are recognizing that adopting an effective approach to CSR can reduce the risk of business disruptions, open up new opportunities, drive innovation, enhance brand and company reputation and even improve efficiency. How they behave is becoming a matter of increasing interest and importance. Even companies which may have a good reputation can risk losing their hard-earned name when they fail to put systematic approaches in place to ensure continued positive performance. The effect of a bad reputation often extends far beyond that one firm: entire sectors and, indeed, nations can suffer. Major corporations suffering a reduced market position as a result of questionable behaviour, with many others subsequently finding themselves to be a part of the collateral damage. These firms frequently expend considerable time and money attempting to regain their reputation, with mixed results.

Consumers and investors are showing increasing interest in supporting responsible business practices and are demanding more information on how companies are addressing risks and opportunities related to social and environmental issues. A sound CSR approach can help build share value, lower the cost of capital, and ensure better responsiveness to markets. Citizens in many countries are making it clear that corporations should meet the same high standards of social and environmental care, no matter where they operate. In the CSR context, firms can help build a sense of community and shared approach to common problems.

2. The role of corporate social responsibility in small and medium - sized enterprises

The concept of Corporate Social Responsibility (CSR) is still new in Romania. The corporations that adopt CSR policies are mainly interested by their image. They want a socially responsible image for their clients. Corporations may include in their CSR policies a specific Human Rights commitment, respect of legal obligations, as well as charity. Romanian consumers are interested in CSR issues but it seems that they are not influenced too much in their choice of products or services by knowledge of a corporation's respect of certain values. This can be explained by the fact that most costumers are focused on price consideration.

SMEs are an important part of the Romanian economy, as well as the EU and global economy. SMEs have different characteristics and generally more restricted resources then larger enterprises (e.g. in terms of relations with their local community and ways to do business etc), hence tougher competition conditions. Small and medium-sized enterprises (SMEs) are defined as any business with fewer than 250 employees.

The motivational factors that may engage SMEs with CSR are not the same as for large companies. While the growing visibility and global impact of large companies and brands has heralded calls for greater transparency and accountability, SMEs remain largely invisible and unlikely to see CSR in terms of risk to brand image or reputation. For SMEs issues closer to home are far more likely to hold their attention such as employee motivation and retention and community involvement.

In recent years we have witnessed an exponential increase of initiatives around the concept of CSR as a direct response to the introduction of new legislations and the increased awareness of the public on societal and environmental issues. As a result, programmes to protect the environment, develop eco-friendly products, support local communities, engage in fair trade activities are now high in the agenda of many organizations.

The public attitude to business responsibility has shifted enormously in recent years, and both employees and customers are voting for companies with an ethical stance they approve of. Large companies have been encouraging smaller companies to be socially responsible, particularly if they are part of their supply chain.

There is a growing recognition that the issues that are important for CSR are as relevant for small companies as they are for large companies. As with other similar type of initiatives the rate of adoption of CSR practices has been slower within SMEs. The reasons for this slower adoption can range from the daily pressures to succeed in the marketplace to the limited amount of resources that SMEs have. In our experience however a key factor is the fact that SMEs often do not really understand the benefits of adopting these new practices.

A 2008 survey by Cone/Duke University of more than 1,000 people found that 79% of consumers were willing to switch from one brand to another of similar price and quality because it was associated with a good cause. This was up from 66% in 1993. But it is not just consumers who prefer socially responsible brands. Investors now look for sustainable businesses too. A company's environmental, social and governance reporting is now among potential investors' main interests, shortly behind financial performance. The same applies to creating a supply chain: more and more companies stick to socially responsible suppliers. Apart from meeting stakeholders' requirements, studies show that companies who adopt CSR strategies also benefit from higher loyalty from employees and enjoy a better reputation.

Research suggests that SMEs that implement CSR related activities are primarily concerned about their public image. Burke and Gaughran 2006 suggest that "compliance with legislation is the key driver" and without adequate support programmes and policies (i.e. financial benefits) sustainability would be difficult to achieve.

It is believed that the lack of rules and legislations with a non voluntary approach may create complacency and encourage companies to do as little as possible, e.g. public relation stunts aimed at increasing profit without actually contributing in a positive way to society or the environment (Pimenova and Vorst 2004).

In order to adopt any CSR practice it is critical for SMEs to understand the potential impact of CSR in business performance. From a SME perspective CSR is generally perceived as a set of activities or policies without a clear measurement process and not as an integral part of the business strategy.

Many research shows that there are plenty of socially responsible activities in SMEs, but that it looks different compared to larger firms. A large firm is likely to have a mission and values statement. The first step is to raise awareness of CSR as legitimate business practice. The best way of doing this is through trade associations.

Most SMEs are only motivated to adopt new forms of operating by legislation and supply chain pressure; in terms of CSR the former is unlikely to be readily accepted by resource constrained SMEs, and the latter in many ways just transfers the large company agenda onto the small company without accounting for the complex and heterogeneous nature of the SME sector.

While there is a great deal of optimism for the role that smaller companies can play in improving business responsibility the main focus of the debate has and continues to focus on the large companies. Despite the best efforts of various SME related organizations, this sector of business is so far way behind in CSR; however, rather than see this as a failure of SMEs to engage with CSR perhaps it is fairer to say that the CSR debate has so far failed to engage with SMEs. Socially responsible activities in SMEs are different compared to larger firms. A large firm has a mission and values statement.

Many SMEs have limited awareness of what CSR is. SME managers and owners often do not fully understand the demand coming from the stakeholders of their customers and therefore do not fully recognize the importance of

CSR to them. SMEs tend to perceive that they cannot devote too much of their management time to CSR issues. This might be a lack of qualified personnel or simply the lack of recognition about the benefits of moving towards a properly structured management system. In most countries in the region there is a lack of trained, qualified and aware staff that would be able to lead and develop CSR initiatives in companies. There is a lack of skills development in this area by most education systems.

There are some SMEs where a greater level of understanding of CSR issues and practices exist. In these cases there is often a lack of understanding about where to begin the process of implementing some kind of CSR programme. Many SMEs seem to have some awareness of the concept therefore but lack awareness of what elements of CSR might be usefully initiated in their own workplace settings. In particular, there is a significant lack of awareness of the benefits that can be derived from good CSR practices.

The reality is that SMEs probably do not have too much money to spend on CSR initiatives, but they can achieve things without spending huge amounts of money. Where money really is lacking for CSR initiatives but where companies would like to explore them, it might be that some sort of government backed fund could stimulate good CSR practice for a modest small grant.

From 2006 to 2008, the European Commission co-financed 14 projects that in different ways supported the uptake of corporate social responsibility (CSR) amongst small and medium-sized enterprises. Besides the immediate impact on the 3000 or so SMEs that participated directly, these projects contributed to increasing the capacity and motivation of many organizations across the EU to work with small businesses on CSR issues.

Conclusion

CSR can play a vital role in detecting how business impacts labour conditions, local communities and economies, and what steps can be taken to ensure business helps to maintain and build the public good. Companies should think twice before saying “no” to CSR in a recession. Those who are now cutting back on their social responsibility activities might save money in the short-term, but in the long-term they are actually holding their businesses back.

In a recession it is more difficult to keep customers’ loyalty, attract new investors and keep growing. Companies that show their commitment to being responsible corporate citizens will be in a better position than those companies that did not stay committed to more than just their bottom line when business economic conditions improve. CSR has to be viewed by companies as a means to make their business more meaningful to customers, hence bringing an additional dimension to customer’s experience.

A successful company has to combine its active presence in technical and professional areas with social and cultural activities. Once it becomes a part of the corporate culture, CSR can be a powerful internal force and lead to increased loyalty and superior service for both customers and associates. Advances in communications technology, such as the Internet and mobile phones, are making it easier to discuss corporate activities. In the CSR context, modern communications technology offers opportunities to improve dialogue and partnerships.

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