

CORPORATE SOCIAL RESPONSIBILITY AND THE SMES – CASE STUDY FROM THE SOUTH BOHEMIAN REGION

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Abstract

Corporate Social Responsibility plays a significant role in business in term of competitiveness, innovation, and development for a long time. The importance of Corporate Social Responsibility is emphasized by the European Union in the European sustainable development strategy. Most of the researches focus on Corporate Social Responsibility of large enterprises. However, the backbone of the Czech and European economy is made up of small and medium-sized enterprises. Even though, that SMEs has been started to implement Corporate Social Responsibility activities in their business, there are not many researches on the Corporate Social Responsibility activities of SMEs. Therefore, the author's research focuses on the Corporate Social Responsibility activities of SMEs in the South Bohemian Region. The paper analysis the types of Corporate Social Responsibility activities using by SMEs in the South Bohemian Region. The author's research tries to reveal whether there are statistically significant differences in access to Corporate Social Responsibility activities of companies based on their size or other parameters.

Key words: CSR, SMEs, South Bohemian Region, CSR activities

JEL Code: M14, M19

Introduction

Even though Corporate Social Responsibility (CSR) is not a new phenomenon in today society, CSR has attracted significant attention from researches, academics as well as a business during the last decades. Several decades ago, the financial performance of the company was the primary criterion of companies' evaluation. Companies with more excellent financial performance were obtained higher rankings. The CSR activities weren't taken into account in terms of companies' assessment (Raman, Lim, Nair 2012). However, today more companies understand the importance of CSR and started to incorporated CSR activities in their strategies. CSR plays an essential role in customer satisfaction and customer preferences.

The importance of the CSR is supported by the fact that since the 1990s CSR is incorporated by the European Union (further only EU) in European sustainable development strategy as an attempt to improve business accountability to citizens and public. CSR represents a vital to the EU economy in terms of competitiveness, innovation and sustainable development of the EU economy. Therefore, the European Commission sincerely support CSR activities, responsible and sustainable business in the EU. European Commission has been aware of the significance of CSR activities as a part of the European sustainable development strategy. This strategy is trying to improve the accountability of companies to citizens, as well as public organization (Yıldız, & Ozerim, 2014).

Most researches tend to focus on CSR and large organization. Nevertheless, the SMEs has been started to understand the importance of the CSR for their business. There are only a few types of research on the CSR activities of SMEs, the definition of CSR from the SMEs' point of view or researches on the relationship between the competitive performance of SMEs and CSR. CSR activities of any company must be very closely aligned with a company's strategies. The management concept of CSR applicable to SMEs remains lacking (Mayr 2015). Furthermore, nearly no researches are focusing on the CSR of SMEs in developing countries (Choongo et al. 2017). Since the SMEs represents the backbone of the European economy, the author focus on the CSR activities of SMEs in the Czech Republic – concretely South Bohemian Region.

1 Theoretical background

CSR is considered as one of the essential theoretical frameworks of clarifying the role of the business in society (Taneja, Taneja, & Gupta, 2011). CSR evolved through concepts of stakeholder theory and corporate philanthropy (Battaglia, Testa, Bianchi, Iraldo, Frey 2014). Even though Clarkson stated years ago that one of the fundamental problems of the CSR is the fact that there is no definition of CSR and no model or framework of collecting data relating to CSR, there is no one official definition of CSR till today (Mayr 2015). Therefore, CSR definitions tend to vary according to researcher, institution or country of origin (Vo 2011). The Bowen's definition states that CSR is an "Obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Bowen 2013, p. 6).

First CSR theories tent to interconnect CSR, stakeholder management, Corporate Social Performance, and stakeholder theory (Hansen 2016). CSR is usually associated mainly with social and ecological issues in business (Mayr 2015). However, CSR relates to many different

areas and is connected with large number of companies' activities and dimensions of CSR (Dahlsrud 2008, Carroll 1991) – for example environment, ecology, community, workplace, marketplace, ethics, social issues, philanthropy, economics, legal, and social issues, stakeholder, volunteering, etc.

1.1 CSR and SMEs

As stated Mayr (2015) for SMEs it is important to incorporate CSR activities in their business strategies, since CSR is strategic only at the moment when CSR yields to considerable business-related benefits for SMEs. Implementation of the CSR into the business strategy requires several elements (Mayr 2015) – for example:

- clear definition of CSR strategy,
- alignment of the CSR strategy with the core competencies,
- integration of CSR into the management system and governance of the company,
- developing the metrics for measurement of the impacts of CSR on the company performance.

Since there is a real lack of the strategic vision regarding CSR of SMEs, the main question is how to involve CSR strategies to SMEs management. CSR concept is relatively new for SMEs, and therefore we can face to the lack of understanding and awareness of the CSR among SMEs. SMEs commonly do not understand the benefits of CSR implementation. However, as stated above lots of them have been started to understand that they need to use CSR activities for success in the strongly competitive market.

CSR of SMEs can be characterized by the following facts (Hernández et al. 2012):

- lack of resources and know-how for implementation of CSR,
- prioritization of financial aspects, not social ones,
- lack of marketing activities,
- significant differences among SMEs in different countries,
- ad hoc decisions of CSR without any strategy,
- lack of knowledge of the meaning of CSR, etc.

2 Material and methods

The aim of this paper is to investigate the approach of SMEs to CSR and their CSR activities. Author's research focuses on several aspects connected with SMEs – for example, stakeholder theory, marketing communication, PR and CSR activities. This article deals with CSR activities of SMEs in the South Bohemian Region. For the whole author's research of

SMEs quantitative research was used. A questionnaire that was used as the main research method focused on the CSR activities used by SMEs, existing CSR strategies, understanding of the term CSR, motivation for carrying/not carrying out CSR activities, etc. The author obtained 350 questionnaires, and 38 of them had to be rejected due to the incompleteness. Respondents had to belong to one of the categories (for detail of categories of SMEs see Tab. 1).

Tab. 1: Category of the SMEs

| Category of SMEs | Number of employees | Annual turnover |
|------------------|---------------------|-----------------|
| Micro | <10 | ≤ € 2 million |
| Small | 10-49 | ≤ € 10 million |
| Medium | 50-249 | ≤ € 50 million |

Source: European Union, 2017

Table 2 summarizes the structure of the respondents involved in the author's research.

Tab. 2: Structure of the SMEs in the author's research

| Category of SMEs | Absolute frequency | Relative frequency (in %) |
|------------------|--------------------|---------------------------|
| Micro | 96 | 31 |
| Small | 178 | 57 |
| Medium | 38 | 12 |

Source: author's research

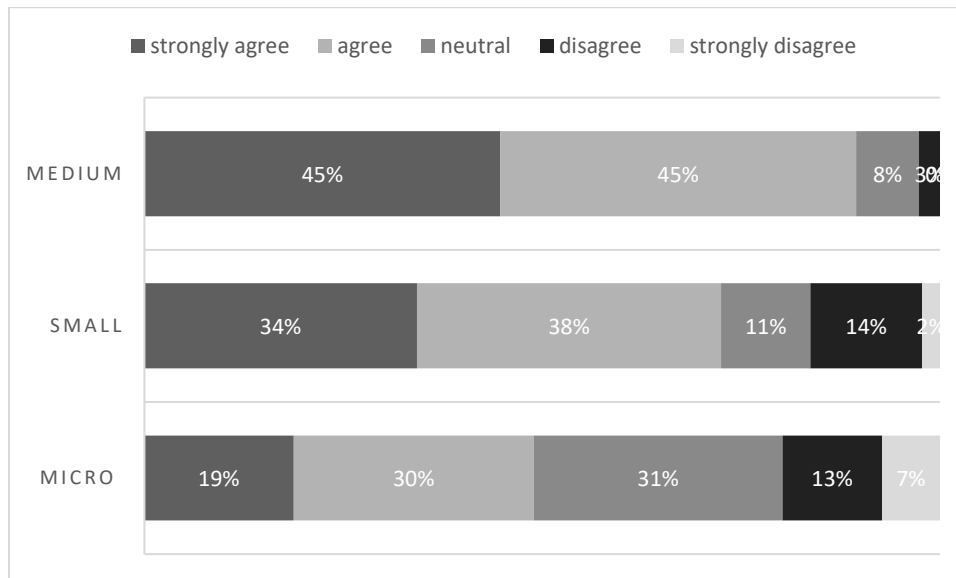
There were 200 SMEs belonging to the service sector.

For the analysis of obtained data, the author used basic mathematical and statistical methods – absolute, relative frequency. For testing differences in access to CSR activities of companies author used the chi-square test.

3 Results and discussion

This part is summarizing results of the author's research. First of all, respondents were asked if they are familiar with the term Corporate Social Responsibility. Most of the respondents stated that they are familiar with the term CSR. Only 5% of the respondents reported that they are not exactly familiar with the term CSR. The importance of the CSR for different types of SMEs is shown in the following figure.

Fig. 1: Is the CSR important for your company?



Source: author's research

The author tested if there a statistically significant difference in importance of CSR among SMEs categories. Therefore, the author established the following hypothesis.

H0: The importance of CSR is independent of the category of business.

H1: The importance of CSR is not independent of the category of business.

Based on the performed chi-square test that determines whether reject or not the idea that variables are independent we can reject the null hypothesis. Since the p-value of the performed chi-square test is less than 0.01 (p-value = 0.0002), we can reject the hypothesis that importance of CSR is independent on the category of business at the 99% confidence level. For detail see the following table.

Tab. 3: Chi-Square Test

| Chi-Square | Df | P-Value |
|------------|----|---------|
| 30,62 | 8 | 0,0002 |

Source: Author's research

The author tried to reveal if there is any statistical difference in importance of CSR between SMEs providing services (service companies) and SMEs from the production area (manufacturing companies). The stated hypothesis follows.

H0: The importance of CSR is independent on the core of the business (on the fact if the SMEs is a service company or manufacturing company).

H1: The importance of CSR is not independent on the core of the business (on the fact if the SMEs is a service company or manufacturing company).

Since the p-value of the performed chi-square test for this hypothesis is less than 0.01 (p-value = 0.0003), we can reject the hypothesis that importance of CSR is independent on the core of business at the 99% confidence level. For detail see the following table.

Tab. 3: Chi-Square Test

| Chi-Square | Df | P-Value |
|------------|----|---------|
| 21,20 | 4 | 0,0003 |

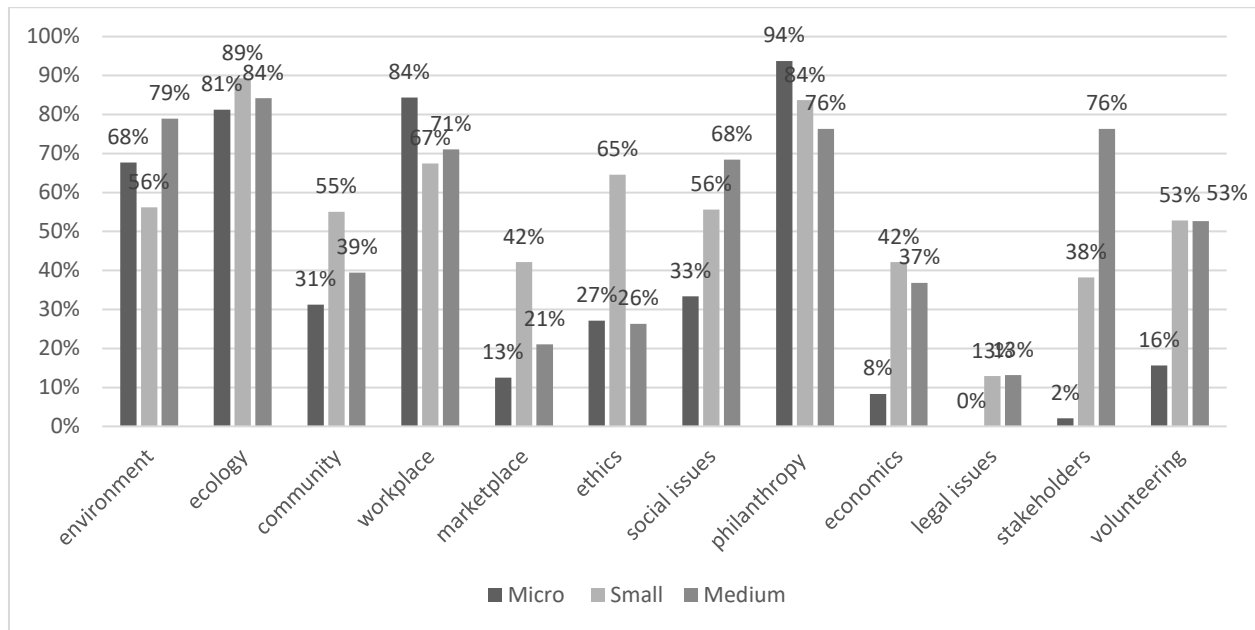
Source: Author's research

Based on the author's research we can say, that in the research sample of SMEs in the South Bohemian Region companies providing services pay less attention to the CSR than manufacturing companies. Respondents should express their agreement with the statement CSR is important for our company on the Likert scale – strongly agree, agree, neutral, disagree, strongly disagree. Only 58,5% of SMEs providing services answered that they strongly agree or agree. In the case of manufacturing SMEs, 83% of respondents strongly agree or agree with this statement.

The last part of the author's research focused on the CSR activities carried by the SMEs.

Most of all SMEs pay attention to the ecology in their CSR activities (more than 80% of all categories of SMEs). The second most important CSR activity is philanthropy and the third workplace, followed by the environment.

Fig. 2: CSR activities carried out by SMEs



Source: author's research

As we can see from Fig. 3, CSR activities carried out by SMEs vary depending on the category of SMEs. This fact was approved by the statistical chi-square test. For detail see the following table.

Tab. 4: Chi-Square Test

| Chi-Square | Df | P-Value |
|------------|----|---------|
| 147,17 | 22 | 0,0000 |

Source: Author's research

Since the p-value is less than 0.01, we can state that CSR activities carried out by SMEs depend on the category of SMEs.

Conclusion

This article focuses on the CSR activity of SMEs, as it has so far received the least attention. CSR is commonly connected with large companies, although SMEs represents the backbone of the European economy. Nevertheless, SMEs understand the importance of CSR activities for their competitiveness. The author's research has revealed that the importance of CSR for the company is growing with the growing number of employees and turnover. So we can state that CSR activities are more important for medium companies than micro companies.

Author's research revealed not only, that importance of CSR activities depends on the category of SMEs, but that there is a statistically significant difference in answers between service provided companies and manufacturing companies at the 99% confidence level. The SMEs focus in their CSR activities mainly on the ecology, philanthropy, workplace, and environment. Author's research revealed that there are statistical significant differences in the answers of different categories of SMEs.

Further author research will focus on the other aspects of CSR activities of SMEs, the motivation of SMEs to carry out the SCR activities, etc.

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