



The CSR: a big challenge for small business.

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The traditional business view – which assumes that the main contribution of companies to society is the creation of economic value – is being surpassed by a growing awareness of other values, including social and environmental ones. The recent diffusion of CSR derives from the Triple Bottom Line Approach, based on economic, environmental and social performances.

Most of the existing key concepts and tools addressing CSR issues have been developed by, and in the context of large enterprises. The multitude of EU SMEs remain at an early stage of environmental and social management, limited in most cases to local activities, characterized by an occasional approach unrelated to the business strategy. However, due to increased pressure from stakeholders, environmental and social concern is gradually growing in SMEs as well. Nevertheless, CSR initiatives developed by large companies frequently fail when they are adopted by SMEs.

The aim of this paper is to delineate efficient ways of promoting CSR, considering SMEs' specific profiles and needs. The state of the art of CSR in Italian SMEs is also described, including an outline of the main drivers and barriers to be implemented.

1. Introduction

From the middle of the 1970s the production world of industrialized countries has had to face a large array of problems related, initially, to continuous increases in the price of energy. The need to find both technological and organisational solutions have been necessary.

Moreover, the first worrying signs on the “state of health” of our planet have emerged. In fact, scientific research has revealed and confirmed this situation over time.

In the decade to follow, the energetic problem no longer represented a threat to productive activities. Instead, environmental problems acquired increasing importance.

The most diffused acknowledgement of the lack of resources and the limited carrying capacity of our planet has notably launched both public politics as well as company strategy in this direction. Both aim at “changing route” and facing a new challenge: the creation of production and consumption systems capable of combining economic growth needs to environmental protection.

Evolution of the socio-economic context highlighted, by the end of the 1990s, some innovative elements which have led companies to face further urgent and necessary challenges. These can be traced back to ethical and social needs, which have matured as a result of a multitude of interrelated factors. These include market globalisation,



constant cutbacks of the obstacles in international exchange and the emerging standardization phenomena of production and consumption models.

The production world needs to establish a more widespread sustainability in which important survival factors and the capacity to go beyond those factors which had characterized the previous decade. This type of sustainability is fundamentally centred on the company's moral responsibility and based on socially ethical principles.

Moreover, an efficient approach towards sustainability is orientated towards Corporate Social Responsibility (CSR), defined as the voluntary integration of social and environmental concerns in the enterprises' daily business operations and in the interaction with their stakeholders.

CSR is strongly linked to the *Triple Bottom Line Approach* which is based on the concept that an organization is sustainable, in the long run, if it is financially secure and capable of minimizing its negative environmental aspects as well as acting in conformity with social expectations (1).

The aim of CSR is to encourage businesses to operate in such a way as to meet or exceed the ethical, legal, commercial, public and environmental expectations, investing on human resources, on environment and relationship with stakeholders. In particular, the EU has shown a strong interest on the diffusion of policies, strategies and actions¹, highlighted in the *Green Paper* publication on CSR (2) and the European Multi-stakeholder Forum².

2. CSR: some preliminary considerations

In recent years, major companies have felt the need to work on CSR and progressively defined and adopted a wide range of instruments such as codes of conduct, process standard, environmental management standard, cause related marketing, corporate social reports, sustainability reports, etc. These instruments more than often represent the final result of experiments established by large sized organizations, often operating in distant countries, which have decided to satisfy the multiple requests from the always more turbulent and complex context in which they operate. Many large companies, therefore, have orientated themselves towards the accomplishment of new objectives centred, not only on gaining profit but, moreover, towards the creation of values: a more extensive value better known as "pluri-dimensional" shared by all the stakeholders within a new inter-dependent dynamism and inspired by a multitude of references, such as UN Global Compact, AA1000 Guidelines, Global Reporting Initiative (GRI), SA 8000, ISO 14000, etc.

Most of the existing key concepts and tools addressing CSR issues have been developed by and in the context of large enterprises and are difficult to adopt within the complex

¹ At the European council in Lisbon in March 2000 the UE highlighted the CSR as a use instrument in order to reach strategic objectives and allow Europe to become more competitive and socially cohesive. The European Commission's communication in 2002 called for EU governments to define and actuate strategies and actions aimed at promoting the diffusion of CSR culture and policies.

² The European Multi-Stakeholder Forum on Corporate Social Responsibility (CSR EMS Forum), chaired by the Commission, brings together European representative organisations of employers, business networks trade unions and NGOs, to promote innovation, convergence and transparency in existing CSR practices and tools. The Forum's mandate was approved at the launch on 16th October 2002.



world of SMEs³. Their intrinsic characteristics, no doubt, make them very different from larger companies (3).

However, about 90% of all the businesses in the world are SMEs, and they total about 95% in OECD countries. Although they differ from each Member State, they constitute the most important part of the productive sector of all of Europe- counting for more than 25 million companies. In Italy, 95% of the entire industrial system is made up of micro companies with less than 10 employees. This data demonstrates the great cumulative impact of SMEs, that in the Italian scenario, moreover, is characterised by a number of peculiarities regarding their still very small average size, their patrimonial and financial weaknesses, notwithstanding their prevailing family type structure.

3. CSR in SMEs: shortcomings and opportunities

An analysis of the national and international dynamics highlights that orientation towards CSR reflects the companies' size, as adoption of the relative instruments is extremely small. In fact, it is still to be considered an almost exclusive prerogative limited to large sized companies (4).

The motivations can be traced back to a multitude of factors, moreover divided into two macro-categories: on the one hand, lack of know-how on behalf of PMI of the instruments and the opportunities they offer; on the other hand, the strong commitment necessary for adoption of such instruments, not only from a financial point of view, but also in terms of specialist competence, highly elevated organisational capacity and marked attention to communication policies.

As known, such factors are generally absent, or not very diffused, in smaller sized organisations.

Moreover, SMEs major economic vulnerability make them less inclined to invest in situations distant from their own core-business and, even more, in a more widespread perspective, with medium to long term returns.

Nevertheless, in the light of these weaknesses, some peculiar characteristics of SMEs represent their true strong points.

It is important to consider the businessman's easy identification and recognition and his ability to centralise decision making, his flexibility and capability to accept changes in the referring context, his inter-personal relationships - characterized by a deep participation with strong emphasis on human values - but, above all, on the deep rooted local socio-economic context.

In other words, SMEs often conserve, more than larger sized companies, a strong relationship between company and territory, based on the "modus operandi" preceding globalization. A tie which is based on informal relationships and forms of mutual health. Moreover, from a more detailed analysis, and on information collected over the EU and national territory, based on "true behaviour" rather than on "formal adoption" of instruments, it becomes clear that SMEs often present forms of socially responsible behaviour (5). These descend, more than often from the system of values which guide the businessman-owner to take action. Substantially, they represent a marked attention towards the worker's needs and territorial requests.

³ The European Union categorizes SMEs as "micro" from 1 to 9 employees; "small" up to 49; "medium-sized" up to 249. Moreover, it is useful to note that for the OECD "very small" are companies with up to 19 employees, "small" those with up to 99 and "medium" those with 100 to 499. Another parameter used to classify company size is based on company earnings.



From the above-mentioned considerations it becomes clear that social commitment in such a fragmented context already exists, even if only at an initial stage and not formalized in CSR specific instruments. Frequently, it is expressed through a *pragmatic, intuitive and informal* approach, mostly centred at a local level, characterized by an occasional nature and, above all, without any connections to overall company strategy. Initiatives such as sponsorisations, donations and actions supporting sports and recreational activities as well as religious communities highlight and confirm this type of attitude.

Fundamentally, SMEs are characterized by a rather concrete yet less visible social commitment, based on an almost “intimate” mark, expression of the businessman’s ideal incentive to intervene socially. These are to be considered expressions of his personal sphere, rather than based on a company’s social strategy.

4. Some conclusive considerations

It is clear that currently there is still space to introduce best practises in a systematic way and to adopt the correct CSR instruments in SMEs. Moreover, these must become an integrated part of the managerial strategies, in reference to the internal and external dimension of companies.

In reference to the internal dimension, possible interventions principally regard management of human resources (in terms of continuous education and formation, flexibility of working hours, equal opportunities) and environmental management (in terms of energy saving, co-generation, emission reductions, use of recycled materials).

In reference to the external dimension, the relationship with the main local communities, commercial partners and suppliers are taken into consideration.

Moreover, at this point the necessary fundamental directives are outlined for SMEs in order to trace an individual route towards CSR.

Besides adopting a simplified use of language - which is currently far too technical and full of neologisms - it is important for small-medium sized companies to adjust the already existing instruments to their specific needs and necessities or to create innovative ones, even at a territorial and /or sectorial level of associations. These should be able to contemplate aspects which could seem superfluous in some realities, such as those tied to disloyal competition and /or to the real respect of legislation.

These aspects constitute a necessary starting point above all, in domains characterized by a “hidden economy”, the consequence of a diffused culture based on systematic normative and contributive evasion.

Secondly, it is essential to support SMEs in the acquisition of knowledge to valorise social commitment. That is feasible through the creation of a stable, systematic and planned connection between socio-environmental commitment and the search for visibility on what has been created. The scarce attention of communication towards the outside often hides, today, SMEs’ social commitment, characterizing them as “silent operators” of CSR.

Moreover, for SMEs to acquire competence and capacity in terms of CSR they should promote forms of collaboration and exchanges of experience, perhaps with large sized companies which have already established significant knowledge and know-how in the field of CSR.

Finally, considering the scarce financial availability, it could be opportune for SMEs committed to CSR to foresee forms of public intervention- for example, preferences for



contracts, fiscal help, easy access to credit, deductibility of costs sustained for the adoption and certification of social balances.

Major diffusion, transparency and communication of proper procedures and of socially responsible behaviour could represent an important multiplier, capable of generating a type of “domino effect”, in a SMEs context, where imitation and re-interpretation constitute important factors of managerial and organizational innovation.

The success of CSR in small-sized Italian companies could have an important role in the light of their new position within the global scenario. In fact, the significant presence abroad - i.e. the thousands of companies in Rumania - could allow them to have the appropriate critical mass necessary in order to export a renewed image of “Made in Italy”, founded on a system of credibility and reputation.

In this way social commitment could represent a real competitive and differentiating factor.

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