CORPORATE SOCIAL RESPONSIBILITY AND SMALL-MEDIUM SIZED ENTERPRISES: EVIDENCE FROM GREECE

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Abstract

This paper is a qualitative empirical research of Greek Small and Medium-sized Enterprises (SMEs) and examines their dominant perceptions and attitudes towards Corporate Social Responsibility (CSR). The research was conducted in the Region of Western Macedonia, North Greece, via personal interviews based on a structured questionnaire, which was completed by 420 enterprises, with different business functions, and were randomly chosen from local Chamber registers. The results demonstrated that, as Greek SMEs in the periphery have not decided on a particular strategy for Social Responsibility practices, CSR is frequently defined as sponsorship or charity programmes. The research also revealed the restraining factors for SMEs in implementing CSR policies: financial cost, small size of enterprises, absence of specialized partners, and poor supporting role of public authorities. Whereas, the most significant non-financial goals for the enterprises attempting to implement CSR in Greece are: responsibility and respect to customers, promotion of sustainability, environmentally-friendly practices; human resources and protection of rights are less emphasized. Interestingly, more than 80% of the subjects hold that engaging in CSR practices in the current financial context is vital. With regard to the benefits resulting from CSR, the research demonstrated that: Enhancing ‘corporate image’, ‘business performance’, and ‘customer satisfaction’ are significant. Nevertheless, the research highlighted that implementing CSR strategies are rather positively than strongly correlated with the benefits deriving from CSR.

Keywords: Corporate Social Responsibility (CSR), Small and Medium Enterprises (SMEs), Greek enterprises

1. INTRODUCTION

The given economic recession and the radical changes it has brought, have altered the business landscape. Consequently, many enterprises were compelled to redefine their role in the market. Enterprises, as an active part of society, have the opportunity to prove their socially responsible character towards all stakeholders.

The concept of CSR dates back in the early 20th century when it was introduced and discussed by a number of scholars (e.g. Berle, 1931, Bowen, 1953, Davis, 1960, Dodd, 1932, Frederick, 1960), who demonstrated that large enterprise operations and practices, instead of promoting healthy competition, had a negative social, environmental and business impact. Remarkably, however, the concern with CSR processes has been noticeable only in recent years (Serenko & Bontis, 2009; Wanger, Lutz, & Weitz, 2009), as a result of the financial crisis, since, in times of crisis and economic depression, by engaging in CSR, businesses can enjoy multiple benefits and profits (Barnett & Salomon, 2012; Cheng, Ioannou & Serafeim, 2014; Ioannou & Serafeim, 2015; Story & Neves, 2015).
For these reasons, in recent years, enterprises are increasingly adopting CSR policies and practices. In Greece, CSR is a new, EU-related, concept. Thus, research on CSR is at an early stage, and is mainly focused on the constantly changing role of enterprises in their social context.

According to the EU strategy, which prioritizes small enterprises, the concept, actions and instruments of CSR must be appropriately adjusted to the special circumstances of Small and Medium-sized Enterprises (SMEs), which, due to their less complex nature and powerful role of their owners, manage their social impact on the basis of a more informal perception than other types of enterprises. The research attempted to find out the familiarity of Greek SMEs with the concept of CSR, their engagement in CSR policies and practices, their awareness of the impact of CSR practices, and the motives/constraints in engaging in CSR. The findings will provide the framework of CSR awareness and implementation by Greek SMEs and will serve in further decision making by all the involved stakeholders.

2. LITERATURE REVIEW

2.1 Corporate social responsibility

CSR has emerged as a strategic business process to promote sustainable development in contemporary enterprises. Among the major conducive factors to operating with a CSR perspective, and shaping social, political and economic contexts for enterprises, are globalization with capital market liberalization and increased competitiveness, severe environmental problems and disclosure of financial scandals, extensive use of new technologies and rapid dissemination of information, greater public awareness and consumer influence, impact of the image and reputation of socially and environmentally responsible companies on consumers, and also the weakening role of the state and the establishment of civil society.

CSR has been frequently given many different definitions, mostly congruent and consistent with five key dimensions (voluntary self-commitment, environmental, social and economic issues, as well as internal and external aspects) (Dahlsrud, 2008).

From an EU perspective, the Green Paper of the Commission of the European Communities (COM, 2002, 347) defines CSR 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 also states that companies meeting their responsibilities are involved in actions over and beyond their legal obligations and financial business objectives. The specific actions and operations of this triple direction for enterprises are identified as the "triple bottom line" (3BL), defined as "business solutions and choices which are socially responsible, environmentally correct and financially viable" (McIntosh M., Leipziger, D., Jones K. & Coleman G., 1998). The Commission promotes (COM, 2011, 681) a new definition of CSR as "the responsibility of enterprises for their impacts on society".

2.2. Benefits of corporate social responsibility

Enterprises, which measure and manage their impact on society, have the potential to improve their image among stakeholders, such as customers, suppliers, staff, governmental agencies, consumers, business and labour unions, and non-governmental organizations. In addition, profits from the systematic CSR management can be multifaceted and go beyond by simply improving the corporate image.

Moreover, enterprises can improve their competitiveness and effectively assess and manage business risks by being able to build mutually beneficial relationships and alliances with a wide range of stakeholders and organizations. Also, the adoption of CSR practices gives an opportunity to enterprises to better assess the external environment and bring them into line with a set of regulatory provisions, social requirements and desires that may have escaped their attention in the past.

The implementation of CSR practices has its cost that prevent enterprises from implementing them, especially in times of recession and uncertainty (Femandez-Fejoo-Souto, 2009). Therefore, it raises the question: Why does an enterprise choose to invest money, time and human resources in adopting CSR practices, since the benefits of CSR are long-term? The simplest answer is that CSR is profitable both for the enterprise and its stakeholders as well as for the society itself (Burke & Logsdon, 1996). In addition, Kotler & Lee (2005) respond with a metaphor to the above question. According to their response, as doctors claim that thanks to regular physical exercise the person enjoys better appearance, higher productivity, longevity and he feels better with himself, the same is true for enterprises.

In particular, activation and participation in CSR strategies provides the enterprise with a "better look" to potential investors, consumers, financial analysts, corporate partners, the media, legislators, etc. CSR also helps workers, clients, shareholders and members of the Board of Directors to "feel better". There are also researchers who consider companies with a strong CSR strategy to have a longer life (Kotler & Lee, 2005). The reasons for companies to adopt and implement CSR practices are listed below.

Financial Benefits of CSR

In recent years, more and more studies tend to favour the view that there is a positive correlation between companies with a high degree of integration of CSR strategies and business performance (Cappelletti, 2005; Basuony, Elseidi, Mohamed, 2014). When enterprises are disclosing and investing in social practices, this brings financial and non-financial benefits that are greater than the costs incurred to implement such actions (Emmanuel, Carvalhal, & Avila, 2012).

The meta-analysis by Orlitzky, Schmidt and Rynes (2003) is also a typical example, as they concluded that CSR is positively related to business performance. This conclusion is attributed to the following: a) CSR contributes to the improvement of the administrative capacities of the executives,
increases the level of knowledge for the social, political, technological context and thus improves the efficiency of the company. b) CSR helps the company to "build" a positive reputation and relationship with stakeholders (Orlitzky, Schmidt, & Rynes, 2003).

**Relationship with the stakeholders**

Companies often adopt CSR actions or policies to build and maintain good relationships with stakeholders, such as the local community, customers, workers and their relatives, suppliers, various state and local agencies, other enterprises, media and others. Good relationships with stakeholders ensure the unimpeded operation of the enterprise (Hong & Rim, 2010). However, it is a fact that some companies use CSR as a "showcase" to maintain good relations with pressure groups, usually NGOs. From this perspective, the costs of adopting CSR actions can also be considered a necessary public relations expenditure.

**CSR and Human Resources**

CSR as a way of attracting and retaining employees: CSR initiatives indicate the company's value system, while it highlights the company as a support force for society and not simply as a legal entity with the sole goal of maximizing profits. In short, money "can keep a person as a physical presence in a job, but it is not enough to keep him emotionally." (Bhattacharya, Son, & Korschun, 2008; Morsing & Schultz, 2006; Pereira, 2003). CSR contributes to employee retention. In recent years, there has been a tendency for MBA students to require integration of CSR courses, as they are likely to seek full employment in socially responsible employers (Middleton, 2009).

CSR and Labour Rights: The respect for the fundamental human right to fair access to the labour market is the most basic form of CSR. The enterprise must pay consistently the agreed remuneration for the work of its staff and gradually improve it over the years. It also has to provide and maintain a secure environment for all employees. Enterprises must predict all the possible scenarios in order to avoid a work-related accident in the workplace (Ding, 2010).

**Positive Impact of CSR on Consumer Behavior**

CSR practices contribute to the enterprise's good relationship with the consumer. An enterprise's CSR philosophy may tempt consumers to prefer its products. At the same time, CSR practices improve consumer loyalty (Liu & Zhou, 2009; Lai, Chiu, Yang, & Pai, 2010; Mandhachitara & Poolthong, 2011; Chinomona, Mafini, & Ngouapegne, 2016).

**Reduction of Production Cost due to CSR**

The commitment of socially responsible companies to environmental protection may lead to a reduction in production costs.

**CSR and Risk Management**

CSR is a tool to reduce regulatory pressures. For example, an industry can voluntarily reduce its pollutants emissions in its effort to curb any stricter clauses. Also, the implementation of CSR practices reduces the likelihood of employee accidents or complaints from customers due to the systematic applied quality controls, and thus reduces the risk of damage to the reputation of the enterprise.

**CSR and Tax Exemptions**

In countries such as Greece, Italy, Portugal and Spain, where CSR is a new business endeavor, mainly due to EU directives and incentives offered by the EU (Skouloudis, Evangelinos, Nikolau, & Filho, 2011) CSR is usually interwoven with the logic of tax exemptions. However, only sponsorship actions can benefit from tax exemptions.

**2.3. Corporate social responsibility in Greece & small and medium-sized enterprises**

Although CSR definitions and practices in Europe have been explicitly consistent, the precise nature and characteristics of CSR processes are varied, depending on national or cultural contexts (Vaxevanidou, 2011). CSR in Greece, unlike the EU, is a relatively new concept, which has been increasingly developed since 2001 by entrepreneurs, CSR promoters, and the state, and, thus, rather poorly researched, with emphasis mainly on the societal role of enterprises (Bouga, 2009). However, in contrast to the first key assumption about CSR that it is no longer a "peripheral" activity for enterprises, according to special CSR consultants (Analytis, 2007), Greek enterprises do not seem to have decided on a complete model of action. Thus, in many cases, as most enterprises are small and medium-sized or family-run, and their corporate responsibility is mainly based on their owners' perceptions of charity, occasional sponsorship or charity programmes are frequently defined as CSR.

It is worth noting that CSR definitions describe a phenomenon, rather than discuss any guidelines on managing challenges. Thus, enterprises are encouraged to integrate CSR in business policies rather than attempt to provide definitions, as CSR has to be perceived as a socially fabricated concept in specific contexts.

The concept of CSR has been developed mainly by and for large multinational companies, which have engaged in actions related to global interest issues, such as codes of conduct or corporate policies on human rights, labour ethics, or the climate change (Rasche & Kell, 2010).

In line with the Commission's strategy to endorse small enterprises, the concept, practices and instruments of CSR have to be modified to respond to the specific conditions for SMEs, which make up the vast majority of European businesses (Jenkins, H., 2006). Due to their less complex nature and the powerful role of their owners, SMEs' societal responsibility is more intuitive and informal than in large enterprises. Although many SMEs have already been engaged in socially and environmentally responsible processes, they are rather unfamiliar with CSR or do not communicate or report about
their CSR practices. Small and medium-sized enterprises 'possess several organizational characteristics that are favorable for promoting the internal implementation of CSR-related practices in core business functions, but constrain external communication and reporting about CSR' (Baumann-Pauly et al., 2013). Their activities are rather characterized as local, incidental, and incongruent with business policies, and are mainly motivated by the owner/manager's ethical concerns, rather than the potential business-related benefits, such as better relationships with consumers and the local community. Lack of awareness is the most significant constraint in social commitment, especially in smaller SMEs, followed by limited resources and cooperation with external stakeholders (Lepoutre & Heene, 2006). Small business clubs, funding organizations and networks play an important role in raising awareness by providing information and user-friendly tools and by disseminating good practice.

3. THE EMPIRICAL RESEARCH

3.1. Research methodology

In order to investigate the dominant attitudes and perceptions about CSR in the small and medium-sized enterprises on the Greek periphery, a field survey was organized. The research, carried out in the region of Western Macedonia with four counties (Grevena, Kastoria, Kozani & Florina) and a wide range & variety of business activities, was based on random sampling of enterprises registered in the local commercial chambers. The research was conducted via personal interviews based on a structured questionnaire from June 2016 to January 2017. The questionnaire questions were graded, from general (i.e. familiarity with the concept of CSR) to more specific (i.e. implementing CSR), and the questionnaire structure and content were basically aimed at:

a) the participants' familiarization with the concept of CSR, their awareness of the impact of business activities and effect of CSR practices on the basis of the triple bottom line and, finally, the motives/constraints in engaging in CSR.

b) the implementation of CSR processes in locally defined contexts, and in relation to the environment, labour market, human resources and corporate values and principles.

In detail, the corpus of data was based on 420 enterprises, which answered a questionnaire with 18 questions, mainly closed-ended, multiple choice and graded, focusing on: Business Features, CSR and Enterprises, and Parameter Significance in implementing CSR policies, which includes questions about assessing the significance of particular CSR parameters, namely, enhancing corporate image, business performance, customer satisfaction, employee satisfaction, production costs, social and environmental commitments in implementing CSR strategies, and, finally, intentions to operate CSR.

3.2. The research results

The research analysis demonstrated that the participating enterprises operated in the following business sectors: Industry · Manufacturing (10.80%), Trade (44.84%), Services (23.47%, Other (20.89%). As regards the year of establishment, 22.5% of the enterprises were established between 2011 and 2017, 38.9% from 2001-2010, 20.4% from 1991-2000, 10.5% from 1981-1990 and 7.7% before 1980. In terms of employee number, mean = 48.32, the enterprises are, accordingly, classified as small and medium-sized enterprises (SMEs).

Figure 1. Enterprises by year of establishment
3.2.1. Attitudes and Perceptions of Enterprises about CSR

11.3% of the respondents stated that they engaged in CSR processes very strongly, 11.7% strongly, 31.9% strongly enough, 26.5% not strongly, and 18.5% not at all. It was also discovered that the main reasons for non-implementation of CSR are: lack of information (38.5%), financial cost (25.8%), lack of time (24.7%), lack of staff (9.5%) and other (1.4%).

With regard to CSR implementation in Greece, 3.8% of the enterprises answered that they implemented CSR very extensively, extensively (9.2%), extensively enough (24.2%), less extensively (49.5%) and not at all (13.4%). In contrast, when asked about the necessity of CSR policies in the context of the current financial crisis in Greece, the results demonstrated that most enterprises believe that CSR is very necessary (18.3%), necessary (32.6%), fairly necessary (9%), less necessary (13.6%) and unnecessary (3.5%).

As regards the significance of the following parameters presented as business benefits, it was demonstrated that Enhancing corporate image is very significant (26.3%), significant (37.8%), fairly significant (27%), less significant (7.5%), very insignificant (1.4%), whereas Enhancing business performance is very significant (33.8%), significant (30.3%), fairly significant (24.9%), less significant (9.2%), very insignificant (1.9%). In addition, in terms of Enhancing customer satisfaction, the respondents answered it is very significant (40.1%), significant (30.5%), fairly significant (21.1%), less significant (6.3%), very insignificant (1.9%), whereas with regard to Enhancing employee satisfaction, the respondents’ answers demonstrated that it is very significant (31.5%), significant (30.5%), fairly significant (24.4%), less significant (9.9%), very insignificant (3.8%) Quite similarly, in relation to Reduction of cost production per unit, very significant (23.9%), significant (23.7%), fairly significant (30.5%), less significant (13.6%), very insignificant (8.2%), and finally, in terms of Compliance with social and environmental commitments, very significant (33.6%), significant (33.6%), fairly significant (21.6%), less significant (5.6%), very insignificant (3.2%).

In addition, as far as the Intention to implement CSR, the results demonstrated: Great intention (15.1%), Fairly great (38.4%), Low (27.1%), Rather low (15.3%) and No intention (4.0%). Subsequently, it was investigated whether enterprises would attempt (or continue) to implement CSR practices motivated by the fact that customers favour socially responsible products, which, thus, improves sales. In contrast to the previous question, the subjects answered that they are very willing to engage in CSR (27.1%), fairly willing (37.9%), less willing (22.1%), rather unwilling (8.9%), very unwilling (4.0%). Similarly, percentages ranged in answers concerning enterprises’ motivation to engage in CSR as a consequence of the potential benefits offered (very motivated 28.7%, fairly motivated 39.1%, less motivated 21.4%, rather non-motivated 7.8%, non-motivated 3.01%). Finally, the percentage of enterprises, which perceive that, despite any benefits, it is necessary for Greek enterprises to start implementing such practices, are as follows: very necessary (39.3%), fairly necessary (38.1%), less necessary (16.2%), rather unnecessary (5.2%), unnecessary (1.2%).

Correlations were then made using the Spearman test in order to draw important conclusions on the significance of engaging in CSR. Firstly, the relationship between the variables “CSR strategy implementation” and “Significance of CSR in the current financial situation” is examined. The analysis demonstrated that, although the correlation between the two variables is positive, the Spearman coefficient is \( r = 0.245 \) (\( p < 0.01 \)), which implies that there is no strong correlation. Thus, the “CSR strategy implementation” and the “Significance of
CSR in the current financial situation” are not significantly related.

The following charts, displaying the variable means of "CSR implementation in Greece” and “Significance of CSR in the current financial situation” (x-axis) in relation to the variable “CSR strategy Implementation” (y-axis), demonstrate that for the enterprises which consider that CSR strategy has been integrated in Greek SMEs and is vital, the means of the variable on the y-axis are higher, which implies that CSR strategies are implemented.

Figure 3. Means Plots according to One-way ANOVA

As regards significant CSR parameters, the evaluation of the reliability of the given answers, which was based on the Cronbach’s α coefficient, demonstrated that reliability was satisfactory (0.779) (Nunnally, 1978; Prokop et al., 2007; Qin and Brown, 2007).

Further correlation analyses were, subsequently, carried out between the variable "CSR strategy implementation” and each of the variables emphasizing the benefits of CSR strategies for the enterprises ("Enhancing corporate image” (r = -.295 p < .000), “Enhancing business performance” (r = -
in no CSR practices at all. In addition, the research identified a number of potential constraints in implementing CSR, such as poor information on the content and methods of CSR practices, financial cost, and lack of time to engage in CSR, as the number of employees is frequently limited, absence of specialized partners, and poor supporting role of public authorities. It was also discovered that only a small number of SMEs have specified their corporate values or “code of ethics” in text. Typically, most of them have communicated their values and code of conduct to customers, partners, suppliers, employees and stakeholders only verbally.

Interestingly, more than 80% of the subjects hold that engaging in CSR practices in the current financial context is vital, since CSR is likely to relieve recently caused social imbalances. With regard to the benefits resulting from CSR, the research demonstrated that: ‘Enhancing corporate image’ is very significant (50% of the sample), ‘Enhancing business performance’ is significant (60%), and ‘Enhancing customer satisfaction’ very significant (over 60%). Among the most significant non-financial goals of the researched enterprises engaged in CSR in Greece are: responsibility and respect to customers, promotion of sustainability, and locally and environmentally-friendly activities; human resources and protection of rights are less emphasized.

Finally, the results demonstrated that the intention to engage in CSR is great for almost half of the participating enterprises (53%), whereas for the rest of them intention was low or lacking. In addition, the research highlighted that implementing CSR strategies are rather positively than strongly correlated with the benefits deriving from CSR.

To conclude, the research results are significant both for enterprises and also the stakeholders of promoting CSR on the Greek periphery. The enterprises, which seem to have acknowledged that CSR has increasingly been implemented in SMEs, have been focusing on CSR definitions, the potential problems arising as well as the prospective benefits. The stakeholders of promoting CSR can identify the major concerns for the enterprises and, accordingly, organize special workshops or seminars about methods of implementing CSR practices or joint CSR actions to be able to differentiate SMEs from larger companies.

Further research should be focused on specific business sectors, considering the special challenges for each sector separately. Additionally, it is crucial to explore specific implemented CSR practices, and also investigate how state and non-state stakeholders contribute to facilitating and promoting CSR and cooperation with enterprises in the context of social dialogue.

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