

Responsabilidade social nas PMEs: Vantagem competitiva?

Candidate: João Luis dos Santos Canceira
Supervisor: Prof.Doc. Ana Branca
University: Instituto Superior Técnico

Abstract

The primary objective of this research is to ascertain whether Corporate Social Responsibility policies are seen as instrumental in order to achieve competitive advantage for Small and medium-sized enterprises (SMEs). To accomplish this, it is also desired to investigate which practices exist in Portuguese SMEs that could be related with the concept of corporate social responsibility (CSR), and if the implementation of those practices is intentional and explicit, or not, as well as its frequency.

Related to this main goal, a set of secondary questions were made to which the research may answer. First, evaluate if the fact of being SMEs provides some flexibility, being a facilitating factor for the implementation of CSR practices, or if, on the other hand, the level of resources restricts the development of CSR. This will help to understand which are the inhibiting and the facilitating factors of the implementation of CSR initiatives. Second, to understand the kind of advantages that derive from the implementation of CSR. Third, to realize which are the motivations of owner-managers to implement these practices: if they are "forced" by the customers or suppliers to adopt such practices, or not. Finally, to understand how SMEs communicate these initiatives, internally and externally, as well as the level of formalization adopted.

Key words: *Social responsibility, competitive advantage, SMEs, strategy*

1. Introduction

Nowadays, social responsibility continues to be a very hot topic and companies are increasingly concerned with the social impact of their strategies. SMEs have specific and unique characteristics that may facilitate or undermine the adoption of such initiatives.

The European Commission defines the CSR as the corporate responsibility for the impacts on society (Carroll, 1999), while McWilliams et al. (2005) describe social responsibility as "actions that promote some social welfare, besides the interests of the company and what is required by law." (McWilliams et al., 2005, p. 3).

The World Business Council for Sustainable development defines CSR as "the commitment of the companies to have an ethical behavior and contribute to economic development while improving the quality of life of workers and their families, as well as the local community and society in general." (WBSCD, 1998, p.3).

Social responsibility is often associated with acts of charity, donations and philanthropy that large companies usually do, however being socially responsible goes beyond this reductionist view.

According to Castka et al. (2004), the concept of social responsibility allows firms to conduct profitably organizations, following a course of being socially and environmentally responsible, reaching the sustainability of

business and the satisfaction of all stakeholders. This is a concept that can be applied in all organizations, regardless of size or type; from public to private, from SMEs to multinationals, from industrial companies to service providers.

The European Commission recommends a division of the actions and behaviors of social responsibility in two levels: internal and external.

The internal dimension is based in the areas of human resource management, management of environmental impacts and natural resources, health and safety at work and adaptation to the change. The external level includes the company's concerns regarding not only the employees and shareholders, but also all the people and organizations that are affected by the company's productive activity, such as suppliers, local community and customers, stimulating respect for human rights and global environmental concerns.

1.2 Social responsibility, economic performance and competitive advantage

The profit is the main goal conducting a business. With this in mind, investors should look in their decisions for the maximum profitability and return. In this perspective, Friedman (1970) argued that the companies with CSR incur into competitive disadvantages relative to competitors due to the supported social costs, which decrease the distribution of profits and dividends to shareholders. There are other authors who defend this type of approach between competitive advantage and social

responsibility, such as Alouche and Laroche (2005).

However other authors, like Xiping et al. (2014) defend that the social responsibility practices have significant positive effects on ROA, ROE, indicating that CSR issues can help a company to reduce its costs and improving its profits.

The positive relationship also may be found in the fact that the investment in socially responsible actions can increase productivity, image and profit in the company (Kohers & Simpson, 2002). Gunay (2010) argues that social practices provide competitive advantages in the long term, because it could influence consumers to purchase products from "socially responsible companies."

There are numerous studies suggesting a relationship, positive or negative, between CSR and economic performance, but there isn't a consensus regarding this relationship, as reflected in the meta-analysis carried by Margolis et al. (2007).

According to Toppinen and Li (2011), the CSR initiatives provide companies a better access to markets, a reduction of costs and risks, and the differentiation from competitors through corporate intangible assets (reputation and communication regarding the parties concerned). These factors lead to a relationship between the CSR initiatives and their potential benefit. The adoption of these practices may result in changes of the corporate performance, including increased efficiency and technology, and a better organizational environment.

1.2 CSR in SMEs

The role of social responsibility for SMEs is even more important if we consider that SMEs are the major contributors to the economic development and employment, either in terms of the number of people employed, or of their positive turnover (INE, 2012; Kongolo, 2010).

Harwood et al. (2011) argue that the number of activities at the environmental and social level is lower in SMEs than in large enterprises, relating the number of employees with the propensity for social practices. While SMEs attach great importance to the welfare of employees, large companies, due to their higher number of employees, are concerned far more with social activities.

Santos et al. (2006) recommend the study of CSR practices in three fields: economic, social and environmental. The environmental management comprises the environmental impact. The economic component corresponds to clients, suppliers and business partners. Finally, regarding the social levels at the internal level, it includes practices related to the management of human resources, information, communication, wealth and safety; at the external level, it involves actions related with the community.

1.2.1 Facilitators and inhibitors of CSR

According to Jenkins (2006), although there are limited resources in SMEs, the difficulties these companies face may facilitate the implementation of CSR practices, if the constraints of SMEs act as boost factors for

a better socially responsible behavior. The weakest resources and barriers found, could serve as a lift for greater involvement of all employees and the community.

SMEs have characteristics that can facilitate the implementation of these practices, such as: being flexible and adaptable, and therefore responding more quickly to changes; SMEs are usually creative and innovative, and this innovative behavior can be used to develop new approaches in relation to those policies; the owner manager is closer to the organization which can influence more directly the values, company culture and the development of CSR; the communication on SMEs is more fluid and open, allowing rapid dissemination of CSR information and practices across the entire organization; SMEs have fewer employees, so the benefits of any action taken are felt immediately, particularly with regard to employee satisfaction and motivation. On the other hand, Santos et al. (2006) reported that the implementation of CSR is considered unnecessary because it requires additional time and costs, and so is rarely seen as an investment.

SMEs don't have enough bargaining power to influence CSR practices, because many companies and customers do not assign value to the CSR and because of their size. According to Luetkenhorst (2004), CSR practices are difficult to implement in SMEs because these companies use all their resources in their daily operations and are under pressure to achieve economic targets at the short term in order to survive, with no place sometimes for a long-term investment.

.1.2.2 Advantages of CSR

According to Santos et al. (2006) and Luetkenhorst (2004), the implementation of CSR practices in SMEs is divided into internal and external advantages.

Internal advantages are revealed at the financial level, organizational, and among the company's employees. The financial level includes a choice of a network with reliable suppliers, a rationalization in terms of energy and better planning of raw materials procurement, allowing a reduction of operating costs. At the organizational level, we can think of a better understanding of legislation, better information to the community and the environment, and improving the quality management systems. All these situations lead to better organization of the company. At the employee's level, CSR practices may improve their qualifications and skills, leading to an increased satisfaction and morale. Employee's loyalty can increase because improving the company's reputation may help to attract and retain employees.

External advantages can be seen in the environmental, communication and commercial areas. In environmental terms, CSR practices may lead to an increase in the environmental management quality, improving the overall environmental performance and reducing operating costs. The WBCSD - The World Business Council for Sustainable Development - (2004) states that CSR can be a strong marketing tool. The assessment of the value of companies depends less of their fixed assets, estimating that about 75% of the market value of a

typical company is based on intangible assets such as reputation, brand, ability to work with stakeholders and the capacity to adapt to changing social expectations. Improving the image and reputation of the companies due to CSR practices, makes the companies more attractive for investors by increasing cooperation with the community.

1.2.3 Motivation for implementing CSR

According to the type of environment in which SMEs operate, they may experience diversified motivation to adopt CSR policies. For example, when they are subcontractors in international value chains, SMEs are subjected to minimum conditions for employee remuneration, working conditions and environmental performance, being "forced" to implement CSR practices and other policies (Perry & Towers, 2009).

Besides that, multinational companies are under tighter regulation, which can influence public opinion regarding particular CSR practices, and so they transmit the CSR objectives throughout their value chain (Luetkenhorst, 2004).

Other motivations that can lead an SME to implement CSR practices can also include: the ethical-social values of the owner/manager of the company, and improving the loyalty and favoring the establishment of a good relationship with customers and business partners (Santos et al, 2006; Coppa & Sriramesh, 2013).

1.2.3 Formalization and communication of CSR

This aspect in SMEs has extreme importance. These organizations deal daily with scarce resources, and can't present reports to discriminate CSR policies already implemented or to be implemented, they don't have good formal communication channels. So, often the community assumes that the companies don't execute them. Whenever this happens, the 'no communication of CSR practices', it is called a "silent social responsibility" (Kramer & Porter, 2009; Fassin, 2008).

2. Methodology and sample

The methodology followed is the qualitative methodology of a case study. According to Baxter and Jack (2008), the case study method is a research approach that facilitates the exploration of a phenomenon in scope, using a variety of data sources. This ensures that the issue is not explored through a single source, but from a variety of perspectives for reaching multiple facets of the phenomenon to be revealed and understood. According to Yin (2003) this methodology should be used when: (a) the study's focus is to answer research questions ("how" and "why"); (b) can't manipulate the behavior of the people involved in the study; (c) the study tries to cover contextual conditions that are considered relevant to the phenomenon under study.

According to Yin (2003), the potential data collection sources can be: documentation, interviews, direct observation and participant observation. As this is a subject that

has several dimensions and where many types of behavior by SMEs can have multiple outcomes in competitive advantage, it was considered to be an adequate way to approach the problem. A qualitative study was therefore chosen consisting in interviews to a small sample of SME managers. It was selected a convenience sample, due to time and budget shortages. The case study analysis was made by "thematic analysis", and "coding" (Patton, 2002). To further understand different behaviors, it was decided to study examples of different PMEs' classification, according to IAPMEI's definition ⁽¹⁾. The sample is described in the table below:

Company	Dim	Nº	Sector	Distinction
A	Short	25/30	Baking	Leader 2014
B	Micro	3	Metal	Without
C	Medium	70	Wood	Leader 2014
D (D1,D2,D3)	Short	8	Sales and services	Without
E	Medium	240	Services	Excellence 2014
F	Short	29/45	Services	Excellence 2014
G	Medium	85	Insurance	Without

Table 1- Sample description

(1)- IAPMEI distinguish companies with superior performance based in some indicators like turnover, EBITDA, net profit, number of employees and financial autonomy

3. Results and Discussion

There is some measures and practices social responsibility carried in the companies surveyed, but it isn't considered as a priority issue, it is seen more as something that has to be done but that is not previous-

ly defined. For some respondents, the definition of the social responsibility concept isn't too clear. However with the interviews, it were identified types of practices, although many times these practices aren't immediately associated to "Social Responsibility". The easiest actions for companies are usually measures to promote employee satisfaction and wellbeing, as Harwood et al. (2011) claim.

3.1 Dimensions of CSR

Based on the classification of the European Commission (2011), it appears that CSR is essentially practiced at an internal level and in the field of human resources management. This can be seen by the concern of promoting the social welfare of workers. Another concern evident in this area is the improvement of skills and competencies by all companies for their employees, which corresponds to one of the advantages pointed out by Luetkenhorst (2004). In the area of environmental impact, management also denotes some concern, visible in the sale of scrap metal, implementation of solar panels and waste treatment

3.2 Benefits and inhibitors factors of CSR

For most of the interviewed managers, social responsibility is generally associated with monetary capacity, constituting this an inhibiting factor and an obstacle to these practices as stated by Santos et al. (2006). The permanent involvement in the day-to-day operations does not leave much room

for the development of these practices, an inhibitory factor pointed out by Luetkenhorst (2004). Another factor pointed as inhibitor is the lack of valid requests to the promotion of these practices.

Although some companies of the sample used to sell their waste, it was not significant to influence the financial indicators. For some companies the external communication of the practices could act as marketing agent with a strong commercial component as noted by Luetkenhorst (2004) and WBSCD (2004). Another advantage referenced by companies is the recognition and visibility that appear from such practices as stated by Toppinen and Li (2011).

3.3 Communication and formalization of CSR

All SMEs in the sample admitted that often it is their workers/employees who are involved in the CSR activities, which may constitute a reason for the lack of internal communication, in agreement with Jenkins (2006), which states that the fact that there were fewer workers no longer required any kind of internal communication. Most companies don't disclose these practices internally among their employees in a formal way: just the company G internally discloses the practices by email. From the sample, it appears that as bigger is the organization, the greater is the need for internal communication channels. In terms of external communication, companies A, B, C, D, F don't do it, essentially for two reasons: they consider that the CSR practices aren't related to an external disclosure and because they prefer to maintain the anonymity of the

actions. Companies E and G despite disclosing their practices in a newsletter and the annual accounts report, also reported that external communication is not something that is worrying. This lack of communication proves the phenomenon of "silent social responsibility" described by Fassin (2009).

3.4 Motivation for CSR

Ethical motivations come essentially from the owners, especially from the ethical and social values of the owner/manager or administrator, corresponding to a motivation defined by Santos et al. (2006). It can be seen that there is some pressure, even if "slight", from large companies for SMEs to incur in socially responsible behavior, as referenced by Perry and Towers (2009). Company B said that the training is adjusted to customer requirements and Company D that large companies already assess CSR practices of their subcontractors.

3.5 CSR and competitive advantage

Social responsibility, in almost every interview carried out, was related with the existence of funds to implement such practices, confirming the literature (Luetkenhorst, 2004). However, in the opinion of respondents, the financial indicators didn't suffer many changes, except for company F, that stated that it is possible that people who attend institutions that are helped by the company, become their customers and influence the company's income.

There isn't strategic planning of CSR activities: only companies A and F admit donations in festive seasons and company E has a complementary training schedule previously defined. This fact denotes that CSR activities often arise implicitly without being planned strategically as defined by Jenkins (2006) and Kramer and Porter (2009).

Most companies follow a differentiation strategy, except for company G that adopts both strategic approaches (cost and differentiation). In terms of competitive advantage, companies claim that the CSR does not interfere with economic indicators, cost and revenue, in a relevant way. In companies following a low-cost strategy, social responsibility would have to contribute to the minimization of costs, and no company noted that.

In companies adopting a differentiation or focus strategy, social responsibility would have to influence the differentiation of products or services. Many companies pointed that the promotion of the workers' social wellbeing and the differentiated or further training contribute to a motivational increase, which can be a differentiating factor.

Company	Competitive advantage/Company	Motivational (additional formation and social wellbeing)	Marketing
A	X	X	X
B	-	-	X
C	X	X	-
D	X	X	-
E	X	X	-
F	X	X	X
G	X	X	-

Table 2-CSR and competitive advantage

According to the managers interviewed and subsequent analysis (table 2) competitive advantage could be achieved from two differentiating factors: (1) in almost every company, it is an internal competitive advantage, as the motivational factor of workers with additional training and promoting their welfare, who would therefore achieve higher performance, could act as a differentiating factor of the companies concerned. Only the company F doesn't refer this, and company B indicates it as a benefit but not as a competitive advantage; (2) as external competitive advantage, companies A and B admit that a greater external disclosure could increase their customer base, and become this way a differentiating factor. The companies don't refer the external impact as a competitive advantage, however these practices give greater recognition and visibility to the company, confirming the assumption made by Toppinen and Li (2011) that CSR measures contribute with greater visibility to the company.

In terms of competitive advantage, the analysis of the interviews shows that the social responsibility policies are oriented from inside to outside, the priority in implementing these practices is the welfare of workers and the internal dimension of the company. Despite this, most companies believe that social responsibility policies with the society and the outside community, could also be a potential competitive advantage, because of the impact to potential customers.

Regarding the type of competitive advantage there isn't a pattern in the inter-

viewed companies. Companies A, B, F ensure that is short-term competitive advantage. Company A and B claim that the practices must be repeated to influence stakeholders (customers and employees are the stakeholders most mentioned by most companies), while company F referred a short-term advantage because in the "business world" nothing "lives forever". The enterprises, D, E and G, believe it will be long-term, because the training plans they have are very well designed, and Company C because the degree of familiarity that exists between the worker and the company.

Another aspect to highlight is the fact that the distinctions (Leader and Excellence) don't influence the degree of commitment by the companies toward CSR. For example, the company F (Excellence) admitted that CSR practices are minimal and company G (without distinction) is the one that gives greater importance to these practices. The interviews revealed two factors that are precursors for the commitment of CSR management sensitivity to the theme of social responsibility, and the size of the company.

4. Future Research

Regarding the research study some limitations were detected, that have to be taken into account in the analysis of results and also in the development of similar future studies:

- A convenience sample was used, which limits the potential of research.
- The interview guide was too long which may have discouraged some of the re-

spondents, as well as the theme of social responsibility seems to be a theme somewhat "sensible" for companies. These two factors may explain the high number of refusal for the interviews.

- The analysis carried is qualitative, and it would be interesting to have a quantitative statistical study.
- Equally important would be to select a sample of companies to study the various types of measures and indicators before and after the implementation of a program of CSR. This type of longitudinal study was impossible to carry, for obvious reasons.

It is thought that, anyway, and despite these limitations, the study works as an initial light on the subject and can help to understand how Corporate Social Responsibility is integrated in SMEs' strategies.

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