Corporate Social Responsibility in the supply chain –
The role of small and medium-sized enterprises

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List of abbreviations

ANTRAM: Associação Nacional de Transportadores Públicos Rodoviários de Mercadorias
CED: Committee for Economic Development
CLSCM: Closed-loop Supply Chain Management
CFP: Corporate Financial Performance
CSP: Corporate Social Performance
CSR: Corporate Social Responsibility
CSR₁: Corporate Social Responsibility
CSR₂: Corporate Social Responsiveness
EC: European Commission
ECVM: European Council of Vinyl Manufacturers
EU: European Union
GDP: Gross Domestic Product
GRI: Global Reporting Initiative
GSCM: Green Supply Chain Management
IAPMEI: Instituto de Apoio às Pequenas e Médias Empresas e à Inovação
ICB: Industry Classification Benchmark
ISCTP: Intra-Supply Chain Training Programme
NGO: Non-governmental organisation
PME: Pequenas e Médias Empresas
PVC: Polyvinyl Chloride
RSC: Responsabilidade Social Corporativa
SC: Supply Chain
SCM: Supply Chain Management
SME: Small and Medium Enterprise
SSC: Sustainable Supply Chain
SSCM: Sustainable Supply Chain Management
WBCSD: World Business Council for Sustainable Development
Resumo

O presente trabalho analisa a Responsabilidade Social Corporativa (RSC) em Pequenas e Médias Empresas (PME), bem como o papel das PME na transferência de princípios de RSC ao longo da cadeia de abastecimento. A Literatura revela que é necessária uma abordagem holística que considere todas as dimensões da RSC, e todas as entidades envolvidas, de microempresas a grandes empresas, de montante a jusante na cadeia de abastecimento. Assim, os principais objetivos deste trabalho são: compreender o envolvimento das PMEs portuguesas na RSC, o seu papel nas cadeias de abastecimento sustentáveis e qual o grau de formalização da RSC que é adequado para empresas desse tamanho. Para isso, caso de estudo múltiplo foi realizado, o que implicou entrevistar 15 PMEs.

Os resultados revelaram que as PME estão envolvidas na RSC, tomam medidas principalmente a respeito dos funcionários, comunidade e meio ambiente. Foi encontrada uma correlação entre nível da cadeia de abastecimento e as categorias de RSC implementadas, dado que as PMEs midstream são aquelas que implementaram ações de RSE mais diversificadas, revelando um envolvimento mais consciente na RSC. Impulsionadas tanto por motivações internas como externas, as PMEs são capazes de aproveitar benefícicos da adoção de práticas de RSE como melhor imagem e reputação, e melhoria no bem-estar dos colaboradores. Isto é possível, mesmo sem medir ou escrever em relatório as iniciativas de RSC, o que faz questionar a importância da sua avaliação formal nas PME.

As PMEs desempenham um papel vital na transferência de RSC ao longo da cadeia e apresentam potencial para fazer muito mais. No entanto, são necessários incentivos para encorajar a colaboração entre as entidades na cadeia de abastecimento, uma vez que uma empresa é suficiente para interromper o fluxo de transferência de responsabilidade social ao longo da cadeia. Autoridades legais, associações comerciais e key players nas cadeias de abastecimento são as entidades mais adequadas para a criação desses incentivos.

Key-words: Responsabilidade Social Corporativa, Pequenas e médias empresas, Cadeias de abastecimento sustentáveis.
Abstract

The present work examines Corporate Social Responsibility (CSR) in Small and Medium-sized Enterprises (SMEs) as well as the transfer of CSR principles along the supply chain and SMEs’ role in this. Literature reveals that there is a need for a holistic approach that would consider all dimensions of CSR, and all entities involved, from micro enterprises to big companies, from the upstream to the downstream end of the supply chain. Therefore, the main objectives of this work is to understand Portuguese SMEs engagement in CSR, their role in sustainable supply chains and the degree of formalisation of CSR that is suitable for companies of this size. For this, a multiple case-study was performed, which implied interviewing 15 SMEs. The results revealed that SMEs are engaged in CSR, taking measures mainly concerning employees’, community and environment. A correlation was found between companies’ supply chain echelon and the CSR categories they addressed, given that midstream SMEs are the ones that implemented diversified CSR actions, revealing a more aware engagement in CSR. Driven by both internal and external motivations, SMEs are able to seize benefits from adopting CSR practices like better image and reputation, and improved employee well-being. This is possible even not measuring or reporting CSR initiatives which questions the importance of their formal assessment in SMEs. SMEs play a vital role in transferring CSR along the chain and they present potential to do much more. However, incentives are needed to encourage collaboration among entities in the supply chain, since one company is sufficient to disrupt the CSR transfer flow along the chain. Legal authorities, trade associations and key players in supply chains are the most appropriate entities for creating these incentives.

Key-words: Corporate Social Responsibility, Small and Medium-sized enterprises, Sustainable Supply Chains.
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1. Introduction

1.1. Contextualization

Corporate Social Responsibility (CSR) has been a hot topic. Stakeholders involved in companies’ activities – government, NGOs, consumers, community, suppliers, buyers and supply chain partners – are exerting pressure on enterprises trying to encourage the adoption of sustainable policies. Governments are obliging firms to comply with certain rules regarding sustainability, consumers are becoming aware of the social and environmental impact of products and their concern about it influences consumption patterns, and NGOs and communities are denouncing companies’ irresponsible behaviours.

Fortunately, some important measures are being taken both in European Union (EU) and more specifically in Portugal. For instance, the European Commission (EC) has been implementing actions with specified target dates of accomplishment aiming at: enhancing visibility and disseminating good practice, improving and tracking trust in business, improving self and co-regulation processes, enhancing market reward, disclosure of social and environmental information, CSR in education, training and research, and aligning EU and global approaches (European Commission, 2012). In Portugal, there are already organisations promoting CSR namely Grace, a non-profit organisation that aims to promote socially responsible practices in business context through the creation of partnerships, or Sair da Casca, a consulting company that offers services promoting sustainable development and social responsibility.

CSR is therefore part of the business world and companies cannot ignore the pressure exerted by their stakeholders to incorporate these aspects. The major part of enterprises in Europe and in Portugal is Small and medium-sized enterprises (SMEs). In 2012, they actually represented 99.8% of European companies and 99.9% of Portuguese companies (European Commission, 2013). Despite SMEs being the back-bone of the European economy, there is a lack of research concerning their CSR-related activities, which justifies this project’s focus on small and medium-sized companies.

The final objective of this project is to integrate the role of SMEs in the supply chain context, so that full sustainable supply chains can be achieved.

1.2. Problem’s characterisation

SMEs clearly dominate the European and the Portuguese economies. Due to their size, these enterprises often face disadvantages in terms of competitiveness. This weakness could be overcome with the inclusion of CSR in their strategy, since nowadays engaging in CSR agenda is very important to any firm’s financial success.

Nevertheless, SMEs see many obstacles regarding this issue. Very often they are dependent on large clients that impose strict CSR requirements, not being free to decide on its adoption. There is also a lack of know-how necessary for CSR practices implementation and SMEs’ largest clients rarely provide training. Moreover, SMEs’ scarce financial resources, low bargaining power and absence of economies of scale embody difficulties that make CSR investments hard to afford. On the other hand, from the literature reviewed, SMEs could realise some business benefits resulting from socially
responsible practices if they measure and report CSR practices. However, SMEs see no point in assessing CSR performance and writing reports, perceiving it as a costly burden. Despite all these barriers, SMEs present unique and valuable characteristics. Their small size allows informal relationships based on trust, and consequently, fluid communications. The owner-manager’s personal commitment and SMEs’ flexible structure make these companies quickly adaptable to new macroeconomic circumstances. So, using their ability to innovate and differentiate, SMEs are able to take advantage of unexploited niche markets resulting from new CSR demands, too specialised for large companies.

Another aspect that must not be forgotten is the role of SMEs in sustainable supply chains. SMEs’ involvement in CSR will imply collaboration with their supply chain partners due to the interdependency among all entities in the supply chain. A large company cannot be socially responsible if the companies with which it interacts, including SMEs, are not committed to these issues, and vice-versa. For instance, a paper manufacturer cannot be socially responsible if its supplier of raw materials causes deforestation.

For these reasons, research on CSR in SMEs seems definitely appropriate and urgent. The literature reveals that there are very important voids to be filled. First, most existing frameworks about CSR implementation do not consider SMEs’ difficulties. Second, despite the fact that all supply chain entities are needed to achieve sustainable supply chains, not all of them have been analysed in SSCM (Sustainable Supply Chain Management) context.

Therefore, the present work aims first to investigate the current situation of CSR in SMEs, understanding which are the difficulties and enablers related to it, extending knowledge about frameworks that would help SMEs implementing CSR and examining which aspects need further research. Secondly, the methodology that will be used in the thesis is to be defined in this project.
1.3. Methodology
The present work will follow a list of steps that are presented in Figure 1.

![Figure 1: List of steps defining methodology used in the thesis.][1]

The first task is to identify the problem that will be studied. Once the situation is recognised, it is vital to read about research that has been done on the topic. This step (step 2) includes an extensive literature review that attempts to deeply understand all the important aspects of the subject in study. In this case, it implies reading articles about CSR, SMEs’ behaviour and SSCM. After having sufficient knowledge about the theme, it is possible to identify the objectives of the thesis and write the research questions that will guide the case studies (step 3).

The fourth step is to prepare and make the interviews to the chosen SMEs. Semi-structured interviews, observation and documentary analysis may be combined in the data collection process, aiming to fully characterise the companies and their behaviour towards CSR. It is planned to interview a number of companies. The case studies analysis will require studying and comparing the interviews. Finally, it will be possible to answer the research questions previously written. Combining the theoretical knowledge with the case studies, conclusions will be derived. However, some limitations may be identified and results should be discussed.

1.4. Structure
After the present introduction of the project, the second chapter will describe the main findings in the academic literature about CSR, SMEs and Sustainable Supply Chain Management. Not only the complex notion of CSR and its evolution will be explained but also the incorporation of SSCM and CSR in SMEs’ practices. Chapter 3 elaborates on the research objectives and on the description of the case-study procedures. In chapter 4, the results from the interviews conducted will be discussed,
focusing on the CSR categories that SMEs in the sample implemented, the SMEs characteristics that justify their engagement in CSR and their ability to transfer CSR along the supply chain. The final chapter comprises the conclusions derived from the case-study and pinpoints some aspects that should be deeper studied.
2. Literature review

2.1. Small and medium-sized enterprises’ characterisation

Portugal follows the European Commission’s definition that describes a SME as a company that satisfies the succeeding requirements: the number of employees is lower than 250 and the annual turnover does not exceed 50 million euros or the balance sheet total does not exceed 43 million euros. SMEs can be medium, small or micro enterprises. Small enterprises employ less than 50 people and its turnover or balance sheet total is lower or equal than 10 million euros. Micro enterprises have less than 10 employees and their turnover or balance sheet total is lower or equal than 2 million euros (European Commission, 2003). In section 2.1, the European context of SME is going to be presented. Then the Portuguese panorama will be described in section 2.2 and a comparison between National and European figures is made.

2.1.1. SMEs in Europe

In the European Union, 99.8% of the companies are SMEs, in which 92.1% are micro enterprises, 6.6% are small companies and 1.1% represents medium companies. Moreover, SMEs provide 66.4% employment in the EU (European Commission, 2013). Regarding their economic activity sectors, the Wholesale and retail trade \( ^2 \) (Figure 2) is the one that employs most people (17.7% of persons employed in non-financial business activities), and consists of 28.6% of total SMEs (Eurostat, 2010). This sector is followed by Manufacturing that employs 13.6% of employed people in non-financial business activities and Construction that employs 8.9%.

The value added delivered by SMEs in EU-27 in 2010 is 5 946 968 million euros. The Wholesale and retail trade as well as Manufacturing remain the two most important sectors. The Professional, scientific and technical activities sector is the third most important economic sector, coming before Construction, with 7.3% of total value-added in this sector (Figure 3). Thus despite employing less people, SMEs in the Professional, scientific and technical activities sector generate more value.

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\( ^1 \) For EU-27, not including agricultural, fishing, education services or healthcare.

\( ^2 \) It does not include repair of motor vehicles and motorcycles.
In 2011, there were 1,135,537 SMEs in Portugal, which represents 99.9% of total companies, 53.4% of total Portuguese companies’ turnover and 77.3% of employment creation (INE, 2013). Comparing to EU, the main difference is that in Portugal there are more micro enterprises and less small and medium companies.

From the total number of SMEs, 94.2% are micro enterprises, 5% are small and 0.8% is medium-sized companies (Eurostat3, 2011). Comparing to EU, the main difference is that in Portugal there are more micro enterprises and less small and medium companies.

3Estimates for 2011, based on 2005-2009 figures. The data concerning the number of SMEs by dimension (micro, small and medium) does not include the enterprises in the following sectors: agriculture, forestry, fishing or the largely nonmarket services such as education and health while the data from the Portuguese national institute of statistics (INE) does. Eurostat considers a total of 712,467 SMEs while INE considers 1,135,537.
In what concerns economic activity sectors\(^4\), the majority (21.8\%) of Portuguese SMEs is in the Wholesale and retail trade, repair of motor vehicles and motorcycles sector, which is followed by Administrative and support service activities, with 12.1\% of SMEs. Professional, scientific and technical activities sector that contain activities performed by consultancy firms comes in third place, representing 10.1\%. Construction activities, which include demolitions and equipment installation, is still a very relevant sector concentrating 8.7\% of the total number of SMEs. Accommodation and food services (7.5\%), and Human health and social support activities (7.2\%) are also important economic activities sectors for SMEs. The least important sector is Electricity, gas steam and air-conditioning supply, which may be due to the fact that it is a rather small industry sector in Portugal, with 801 companies in total (INE, 2013), see Figure 4.

Concerning the number of people that SMEs employ (Figure 5), it is clear that the Wholesale and retail trade, repair of motor vehicles and motorcycles sector is the one that employs the majority (17.1\%) of the active population. Despite the Administrative and support service activities sector is in second place in terms of number of enterprises, it only represents 5.6\% of employment created, coming in fifth place. The second economy sector that employs most people is instead the Manufacturing sector, with 14.1\%, which may be due to high levels of workforce typical of economic activities in this sector. It is noteworthy that the top two is identical to the European one (Figure 2). Construction is the third biggest employment creator, representing 9.2\% of total Portuguese people employed. Accommodation and food services is also very important, employing 6.7\% of persons. From Figure 5 it is possible to verify that the sectors Electricity, gas steam and air-conditioning supply, and Water supply, sewerage, waste management and remediation are of very low importance for SMEs in Portugal.

\(^4\) According to CAE (Portuguese classification of economic activities), Rev. 3, which is similar to the European NACE ("Nomenclature statistique des activités économiques dans la Communauté européenne") Rev. 2.
Regarding the geographical distribution of SMEs in Portugal it is possible to understand that it is quite concentrated, being 32.4% in the North, 29.3% in Lisbon and 21.7% in the Centre, according to NUTS II. The remaining 16.6% of SMEs are spread across the rest of the country (Alentejo, Algarve, Azores and Madeira) (INE, 2013), see Figure 6.

Having drawn the demographic profile of SMEs, it seems appropriate to analyse CSR specifically in these companies. Consumers are aware and demand that companies behave in a responsible way, putting CSR issues in the spotlight. Furthermore, SMEs are characterised by idiosyncrasies in managerial style, organisational structure, nature of relations and competitive behaviour, differing very significantly from large companies, which justifies the specific focus on CSR in SMEs. However, first it is vital to understand the CSR concept itself.

2.2. Corporate Social Responsibility overview

Corporate Social Responsibility (CSR) has been a topic of concern for many years, but it has never been static, always evolving to become today’s CSR that is not only about moral responsibility but also about business benefits.

2.2.1. CSR Dimensionality

The concept started to be debated in the 1950s, when Abrams (1951) raised the concern for broader managers’ responsibilities to employees, customers and public at large. According to this perspective, involving stakeholders’ interests in the decision making process is very important. By the 60s, CSR was considered a moral issue. Business’ resources should be used for broader social goals (Frederick, 1960; Eells & Walton, 1961) driving a company beyond economic and legal obligations (McGuire, 1963). However, from Friedman’s (1962) point of view, social matters were not part of business concerns. Friedman (1970) argued against CSR, defending the agency theory. From this point of view, CSR is a misuse of company’s resources that could be better spent. Until the 70s, the definition was still vague and with no practical implications. But this decade was marked by very important developments of the CSR definition. In 1971, the Committee for Economic Development (CED) used three concentric circles (Figure 7) to define social responsibility: the inner circle included the economic responsibilities; the intermediate circle added social awareness; and the outer circle concerned actively helping with social major problems. This definition is the first to add to economic responsibilities and social awareness the necessary action.
Frederick (1978) was the one formalising this distinction between assuming social responsibilities (Corporate Social Responsibility – CSR1), and actually behaving in a socially responsible manner (Corporate Social Responsiveness – CSR2). In an attempt to reconcile these two concepts, Carroll (1979) presented another new notion – Corporate Social Performance (CSP) (Figure 8). The basic definition of CSP (Carroll, 1979) can be divided into four categories: economic responsibilities, legal responsibilities, ethical responsibilities and discretionary responsibilities (a purely voluntary role, analogous to the outer circle in CED definition of CSR). Carroll (1979) also explained that managers should decide on CSP taking into account aspects such as: compatibility between the social need and the corporate ability to help, importance of social need and concern of top executives.

Contrasting with the previous decade, the 1980s introduced few definitions, focusing more on the relationship between corporate financial performance (CFP) and CSR (Carroll & Shabana, 2010). So, the next stage in the evolution of CSR notion dealt with social responsibility practices’ impact in firms’ financial performance. Barney (1991) and Hart (1995) defended the resource-based view that considers that if a firm’s CSR-related resources and capabilities are valuable, rare, inimitable and non-substitutable they can lead to a sustainable competitive advantage.

Several papers elaborating on the effect of CSR in business performance show mixed findings. From 52 studies released between 1970 and 1997 analysed by Roman et al. (1999), 63.5% concluded that there is a positive relationship between CSR and corporate financial performance whereas only 9.6% found a negative impact and 26.9% revealed no relationship or were inconclusive (Roman et al., 1999). Due to the reduced number of papers advocating the negative impact of CSR on financial performance, the present literature review will not describe this perspective.

A neutral effect was found by McWilliams and Siegel (2001), who used a cost-benefit analysis and a supply and demand model to conclude that, in equilibrium, the profit of a company whose product includes a social feature is exactly the same as the one of a company that does not use CSR, assuming that both companies produce identical goods and there is no entry barriers related to the social characteristic.

Since most of the literature focuses on a positive impact of CSR on a company’s financial performance, this point of view will be clarified in a more detailed way. This positive relationship is explained by the business case for CSR\(^5\). In some cases, a direct and clear positive relationship was found but in other cases, only an indirect relationship. For example, Baron (2001) argues that strategic CSR is a means to capture new customers that care about social problems and as a consequence, gain competitive advantage. But sustainability of a competitive advantage derived from CSR practices is debatable since these activities may be perceived as observable and imitable (Hoppe & Lehmann-Grube, 2001).

On the other hand, not only CSR is considered beneficial,

\(^5\) the underlying arguments or rationales supporting or documenting why the business community should accept and advance the CSR «cause» (Carroll & Shabana, 2010, p. 85).
but absolutely necessary for the financial success of a company (Vogel, 2005). Very recently, this position was reinforced by Carroll and Shabana (2010, p.93), that argue that “CSR is evolving into a core business function which is central to the firm’s overall strategy and vital to its success”. Besides acknowledging that the business case for CSR is real, several specific benefits were listed by different authors (Table 1).

Table 1: Benefits of CSR according to different authors.

<table>
<thead>
<tr>
<th>Authors</th>
<th>Competitive advantage</th>
<th>Better financial performance</th>
<th>Greater brand loyalty</th>
<th>Improved investment attractiveness</th>
<th>Viable for business success</th>
<th>Reputation building</th>
<th>Costs and risks reduction</th>
<th>Higher efficiency</th>
<th>Win-win outcomes</th>
<th>Better market position</th>
<th>Increased sales</th>
<th>Improved trust and understanding</th>
<th>Improved organisational culture</th>
<th>Improved stakeholders’ engagement</th>
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<td>Wernerfelt (1984)</td>
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<td>Russo and Fouts (1997)</td>
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<td>Baron (2001)</td>
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<td>Vogel (2005)</td>
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<td>Jenkins (2006)</td>
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<td>McWilliams et al. (2006)</td>
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<td>Kurucz et al. (2008)</td>
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<td>Carroll and Shabana</td>
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Based on the literature, one may say that the diverse findings on the relationship between CSR and CFP are due to (1) methodological differences, interpretation biases or existence of mediating variables and situational contingencies not usually considered (Carroll & Shabana, 2010), (2) immeasurable character of CSR effects (Jenkins, 2006) and (3) the impact depends on the company (Barnett, 2007).

Today, two formal definitions of CSR are widely recognized. The World Business Council for Sustainable Development (WBCSD) explains: "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" (WBCSD, 1998, p.3). Differently, the European Commission (2011) defines CSR as “the
responsibility of enterprises for their impacts on society” and states that in order to fully meet their social responsibility, enterprises “should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders” (European Commission, 2011, p. 6). This may be considered a very complete definition since it integrates the stakeholders’ interests with the need for including CSR into day-to-day operations while considering it as part of the strategy of a company. The evolution of the CSR concept throughout the years is summarized in Figure 9.

The evolution of the CSR notion is illustrated in Figure 9. Source: author.

The contribution of many important authors to the CSR definition is summarised in Appendix A. A company interacts with many stakeholders, upstream and downstream the supply chain. Since CSR covers all areas in a company, it also affects the area of Supply Chain Management. As a consequence, CSR adoption includes introducing sustainability principles in the supply chain. According to Fassin (2008), the practice of CSR in the supply chain is the most overlooked area of CSR ethics. Nonetheless, its significance is clear since “to be effective in terms of CSR, companies need all firms in their supply chain to act in a socially responsible manner” (Ciliberti et al., 2008, p. 1579). This means that to fully analyse CSR, SSCM needs to be studied too.

2.2.2. CSR and Supply Chain

The interaction between social responsibility of companies and the supply chain aspects they need to manage results in SSCM, which is a recent concept. Several authors have described it but there is not a universal definition yet. From the different definitions of SSCM proposed in the literature, there are common aspects such as: the required inter-organisational cooperation, the aim for a better overall supply chain performance and the consideration of stakeholders’ interests are some common aspects. Before presenting a definition on SSCM, there are significant concepts that will help to understand what SSCM is. Firstly, Supply Chain Management (SCM) should be defined. Based on an extensive
literature review, Mentzer et al. (2001, p.18), define it as “the systemic, strategic coordination of the traditional business functions and the tactics across these business functions within a particular company and across businesses within the supply chain, for the purposes of improving the long-term performance of the individual companies and the supply chain as a whole”.

Given the increasing awareness about environmental problems, these concerns were introduced in SCM. For instance, the Closed Loop Supply Chain Management (CLSCM) adds to the conventional SCM the following stages: acquisition of returns; reverse logistics; sorting, testing, and disposition; remanufacturing; and remarketing (Guide et al., 2003). Closed loop supply chain management aims to creating value throughout the entire life-cycle of a product (Guide & Wassenhove, 2008). Thus CLSCM is able to align the business objective of creating value with concerns about sustainability and therefore resolve the trade-off between financial and sustainability performances (Guide et al., 2003).

Another example and, more explicitly addressing the environmental topic, is the Green Supply Chain Management (GSCM), which is defined by Srivastava (2007), as incorporating an environmental logic into the SCM including sourcing, manufacturing and delivery to the end customer. Tsoufas and Pappis (2006) say that it encompasses principles like product design, packaging, collection and transportation, recycling and disposal, greening the indoor and outdoor environment and other management issues. One can see that the conventional SCM focuses on economic and financial business performance and the GSCM concentrates on environmental concerns, while the Sustainable Supply Chain Management (SSCM) explicitly integrates three dimensions – economic, environmental and social (Seuring & Müller, 2008) – that constitute the Triple Bottom Line (TBL) principle. This principle was popularised by Elkington (1998), who explained that the TBL accounting is an attempt to define the social and environmental impacts of a company's activities, in a measurable way, and to assess its economic performance to show improvement or to make evaluation more in-depth. The economic dimension is easily understandable, comprising organisations’ survival and profitability. Environmental sustainability regards the use of energy and other resources and consequent footprint. The social dimension concerns fair opportunities, involvement within and outside the community and responsible governance structures (Gimenez et al., 2012), being tightly related to CSR. These three TBL dimensions are the dimensions of sustainability, whose meaning was clarified by the World Commission on Environment and Development (1987, p. 1) when it defined Sustainable Development as the “development that meets the needs of the present without compromising the ability of future generations to meet their needs”.

Emphasising stakeholders’ interests, Seuring and Müller (2008, p. 1700), define Sustainable Supply Chain Management as “the management of material, information and capital flows as well as cooperation among companies along the supply chain while taking goals from all three dimensions of sustainable development (...) into account which are derived from customer and stakeholder requirements”. A more recent definition combines the desired performance with the stakeholders’ interests: “the management of supply chain operations, resources, information, and funds in order to maximize the supply chain profitability while at the same time minimising the environmental impacts and maximizing the social well-being” (Hassini et al., 2012, p. 70). A diagram correlating the aforementioned concepts is presented in Figure 10.
“The introduction of sustainable supply chain objectives needs to be an integrated and planned process, not one bolted onto existing supply chain practice” (Brindley & Oxborrow, 2013). This represents changes involving many entities in the supply chain, which is a huge challenge. SSCM demands a broader view than the traditional supply chain, determining a need for cooperation among partnering companies (Pedersen, 2004; Seuring & Müller, 2008). Producing a sustainable product requires a deeper information flow, in which suppliers have to understand in detail the stages of the product life-cycle as well as of the supply chain. This information enables them to fully understand why their facilities’ improvements and training are necessary. To turn a supply chain (SC) into a sustainable supply chain (SSC), cooperation and integration is needed at all stages: from raw materials purchase to end customers’ consumption. The quality of what is being produced will be dependent on the operational processes that will have to perform in social, environmental and economic dimensions (Seuring & Müller, 2008).

Partnerships and strategic alliances are extremely important. To ensure that the materials purchased were produced in a sustainable manner (e.g. apparel produced in a plant with child labour), criteria for improvement do not only relate to the final products. Also, not all criteria can be tested (Seuring & Müller, 2008), which represents a huge difficulty that can only be overcome through partnerships based on trust.

A study performed by Gimenez et al. (2012) concluded that supply chain collaboration has a significant positive impact on economic, environmental and social performance of a company. The cooperation between the supply chain’s entities enables the creation of inimitable attributes that certainly contribute to competitive advantage. Moreover, internal environmental programmes have a positive effect on economic performance since waste and resources reduction and higher efficiency lead to costs savings; and result in better social performance due to the better working conditions, community’s quality of life and improved reputation (Gimenez et al., 2012).
A company in a sustainable supply chain should seek a strategy aiming win-win(-win) situations that will be beneficial in terms of social, environmental and economic issues, dealing with trade-offs between these three dimensions and establishing minimum requirements for suppliers (Seuring & Müller, 2008).

The complex topic of SSCM has triggered research. However, as it is possible to conclude by Figure 11, most of the papers published focus on environmental issues, while sustainability is a more recent topic of concern. Also, one can see that social issues are much less covered by the literature.

Figure 11: Proportions of papers published in the field ‘sustainable development’ by issues discussed – social, environmental and sustainable (both social and environmental) – between 1994 and 2007. Source: Seuring and Müller (2008).

In order to understand if sustainability is nowadays a widespread topic, it might be interesting to consider a sectorial analysis. In a literature review performed by Brandenburg et al. (2014), the authors concluded that the industry sectors emphasised in papers regarding sustainability were transportation, textile, consumer products, electronics, energy, agriculture and macroeconomic sectors. Thus, there are many sectors in which companies still need to introduce sustainable practices in their operations, even if apparently they do not have much impact on society’s well-being.

About the entities considered, manufacturers are the most frequently analysed, followed by legal authorities. Carriers, distributors and retailers are studied in few papers while warehouses and wholesalers are completely neglected in the literature reviewed. Hence it is possible to verify that not all the entities in the supply chain have been given the same attention, which may explain the difficulty in achieving sustainable supply chains.

Distinguishing between the three dimensions of sustainability is also relevant since it clarifies which issues are lacking further research. From the model-based research papers considered by Brandenburg et al. (2014), 41 were about environmental issues only, 4 about social issues exclusively and 28 integrated the three dimensions, out of which 15 were published within the last three years. This proves how recent SSCM model-based studies are (Brandenburg et al., 2014).

The fact that research focused on environment (e.g. GSCM) and overlooked social issues increases the importance of filling this void. Also, many studies about CSR and sustainability have been limited to a single company, ignoring the supply chain partners involved. Therefore there is a prominent need
to analyse all the dimensions of sustainability along the entire supply chain, with a special highlight on SMEs.

2.2.3. SMEs in CSR and their supply chains

“SMEs are evolving to play a significant role within the modern global economy” (Moore & Manring, 2009, p. 279). As suppliers, SMEs can use their innovation potential to communicate sustainable practices, in an attempt to motivate their customers to do the same. However, SMEs are also buyers from upstream suppliers. In that condition SMEs are able to exert more pressure towards a SSC (Moore & Manring, 2009) by championing CSR and encouraging partners to adopt a socially responsible behaviour (Ciliberti et al., 2008). Furthermore, strong relationships between the SME’s owner-manager with customers and suppliers might drive emerging CSR strategies along the supply chain (Russo & Perrini, 2010). According to Jenkins (2009), most SMEs are actually very pleased to promote the CSR agenda and encourage others to become more socially and environmentally responsible. The role of SMEs in global value chains brings certainly potential opportunities, initiatives and risks which will be explained next.

Opportunities for SMEs in sustainable supply chains

For SMEs, potential benefits of their integration in global supply chains include technology upgrades, improved technical and managerial skills, and easier and stronger market access (Luetkenhorst, 2004). Instead of simply complying with regulation or following clients’ requirements, SMEs can use social responsibility principles to generate competitive advantages. They are able to invest in sustainability exploring scenarios like being acquired by a multinational company, or becoming networked with other SMEs in markets where large companies are less successful (Moore & Manring, 2009).

Multinational companies that are willing to sell a sustainable product should innovate through SMEs. This way, it could be achieved a faster development of technologies and penetration in markets that are disruptive (Moore & Manring, 2009). SMEs can therefore serve as an experiment for large companies testing sustainable strategies and technologies. After, the capabilities gained can be integrated into large companies via acquisition. This represents a win-win situation in which SMEs enable benefits that large companies would not enjoy alone and the small company’s capabilities are empowered, leaving the owner-manager with capital to invest in a different company (Moore & Manring, 2009).

Furthermore, there are also emerging opportunities for SMEs to become proactive members of a sustainable supply chain such as: accelerating cycles of technological innovation; fast globalization of networked communications; extended and interrelated supply chains; and highly dynamic markets. Globalization of communication technology is enabling the creation of SME networks (Moore & Manring, 2009). These are decentralised and fluid, consisting of SMEs pursuing mutually efficient transactions. SME networks are characterised by interdependency between entities involving SMEs as well as governments, NGOs and other stakeholders. The advantages derived from SME networks are abundant: 1) strategic partnerships; 2) market penetration through synchronized competency building; 3) behaviour in the marketplace similar to the behaviour of a single large company; 4)
continuous updating of organisational learning and knowledge bases; 5) communities of sustainable knowledge; 6) efficient cooperation; 7) analogous market capital and access comparing to large companies; 8) the fact that the network is formed by small companies that are more agile and creative, makes it easier for them to leverage these advantages; 9) better economic performance in markets that multinational companies do not exploit much (Moore & Manring, 2009). Actually, according to Russo and Perrini (2010), the long-term survival of a SME is related to its ability to start and preserve network relations with its stakeholders. Networking, trust and openness are key factors for sustainability and they are deeply present in SMEs culture even though they are not exploited as they could.

Either by becoming attractive to be acquired by a large company or by networking with other SMEs, these companies have definitely potential to become sustainable and to profit from it. Although the benefits of CSR strategic plans for SMEs are different from those realised in multinationals, a review of business cases recognises SMEs’ ability to take advantage of opportunities quickly and more competitively than multinational corporations (Moore & Manring, 2009).

Initiatives

There are a number of guidelines and initiatives related to CSR and sustainable activities that are important to mention, because they place an important role in SMEs success.

Sustainability of enterprises is finally seen as a successful business paradigm, reinforcing the idea that “CSR is a not just a rich man's luxury” (Luetkenhorst, 2004, p. 166). The success of this paradigm is proven by: the development of the World Business Council for Sustainable Development (WBCSD) and other organisations aimed at training and informing business leaders on sustainability issues; the creation of sustainable stock indexes like the Dow Jones Sustainability Index (DJSI); the increasing paid advertisements promoting sustainable efforts; and the audited sustainability reports of several leading firms that have used the Global Reporting Initiative (GRI) as their guideline (Moore & Manring, 2009).

Furthermore, some programmes have been created to boost developing countries’ SMEs’ capabilities as partners for local sourcing like UNIDO Business Partnership Programme or UNIDO Business UN Global Compact, working as a moral compass (Luetkenhorst, 2004).

Not only third entities are important in supporting the implementation of CSR practices, but companies themselves are encouraged to cooperate with each other, developing partnerships. Partnership programmes give emphasis to training and demonstration of business benefits, broadening SMEs’ managers’ perception about CSR, which encourages them to engage in CSR agenda (Luetkenhorst, 2004). In addition, linkage programmes have been very important in facilitating SMEs’ access to financing and skills development programmes. Particularly, technical support and business management skills are of great relevance for SMEs (Esteves & Barclay, 2011). Technical and management support must be seen as a crucial complement of requirements and codes (Luetkenhorst, 2004) and these programmes and initiatives make it possible. However, these business linkages and partnerships are only feasible if companies are truly responsible, replacing mere
compliance with true engagement, moving from harm minimisation to value creation (Luetkenhorst, 2004).

Risks and challenges
Despite all the opportunities and initiatives promoting CSR, SMEs still face many risks. As mentioned before, SMEs may either play the role of buyers or suppliers. Clearly SMEs are in a more advantageous position when they are buyers, being able to stimulate sustainable practices. However, as part of global supply chains, SMEs may be considered as mere suppliers of parts or components, highly dependent on their large clients (Luetkenhorst, 2004; Fassin, 2008). For example, according to Moore and Manring (2009), the major driver for CSR adoption in SMEs in developing countries is the pressure exerted by customers or supply chain partners.

Many times, large companies impose inflexible requirements, not giving support to their suppliers (Luetkenhorst, 2004). They do not take into account that time and money are required so that their small suppliers are able to meet the new demands. As a consequence, many subcontractors state they follow the new requirements even if they do not, behaviour commonly known as mock compliance (Fassin, 2008). A solution may be large companies helping subcontractors to gradually reach the new rules. However, great barriers to this collaboration exist such as Transnational Corporations’ (TNCs) lack of information about local partners; small producers’ restrained access to capital; and lack of incentives for SMEs (Luetkenhorst, 2004). To overcome these hurdles, Fassin (2008) suggests that assessment bodies should assess how effectively large companies are helping subcontractors to reach the norms.

Moreover, there is an issue about social reporting that undermines good relations between large companies and small businesses. Sound CSR reports disclosed by big companies are very often in contradiction with real practice, particularly in what regards the supply chain, which is the most relevant interaction point between SMEs and large companies (Fassin, 2008). From experience, SMEs’ leaders say that ethical behaviour in business is decreasing, despite the nice reports their clients write. Inconsistencies show that CSR is being implemented driven by shareholder value instead of by concern about social issues (Fassin, 2008). As a result, smaller companies that truly try to be sustainable feel both frustration and reluctance in writing those reports since they do not reveal the real practice.

2.2.4. Conclusion
The previous sections leave no doubts about how the concepts of CSR and SSCM are intimately linked. In this global world, companies cannot be isolated. Instead, they rely on each other, in particular on their supply chain partners. As a consequence, the entire supply chain must be analysed in order to understand how CSR principles can finally be part of SMEs’ core strategy. So, when one refers to CSR, sustainable supply chains are implicitly considered.

On the other hand, frameworks about sustainability in the supply chain have mainly been addressed to large companies. Therefore, the lack of research on SMEs could explain why Sustainable Supply Chains are not yet possible. Given the vital role that SMEs play in supply chains, they should be given attention because this might be the piece that is missing. For that reason, SMEs’ peculiar
characteristics need to be analysed in detail and their own perception of CSR should be understood so that CSR can be fully incorporated in the whole supply chain.

2.3. Integrating CSR in SMEs

2.3.1. SMEs' management characterisation

SMEs are generally very different from large companies in terms of organisational structures, reactions to the environment, managerial styles and in how they compete with other enterprises (Man et al., 2002; D’Amboise & Muldowney, 1988).

The relationship between supervisor and subordinate is informal, relationships with suppliers are long-term traditions, and relation with local community is a strong integration (Ma, 2012). Opposite to corporations, SMEs may sacrifice some profits to serve a greater purpose (Vives, 2006). Large companies are focused on strategy, procedures, and results while in SMEs the human element is at the core of their work (Ma, 2012). They are strictly linked to business partners and local community, which is reflected in informal relations with key stakeholders (customers, employees, suppliers, environment and community (Coppa & Sriramesh, 2013; Jenkins, 2006). These relationships are characterised by personal engagement, trust, instead of accountability and intuition, instead of careful planning. SMEs are commonly more focused on topics closely related to them such as motivation and retention of employees (Jenkins, 2006).

Table 2: Characteristics of large and small businesses compared (Ma, 2012).

<table>
<thead>
<tr>
<th>Managerial characteristics</th>
<th>Corporate</th>
<th>Small business</th>
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<tbody>
<tr>
<td>Order</td>
<td>Untidy</td>
<td>Informal</td>
</tr>
<tr>
<td>Formal</td>
<td>Informal</td>
<td>Trusting</td>
</tr>
<tr>
<td>Accountability</td>
<td>Personal observation</td>
<td>Overlapping</td>
</tr>
<tr>
<td>Information</td>
<td>Overlapping</td>
<td>Trusting</td>
</tr>
<tr>
<td>Clear demarcation</td>
<td>‘Tactically strategic’</td>
<td>‘I do it my way’</td>
</tr>
<tr>
<td>Planning</td>
<td>Intuitive</td>
<td>Ambiguous</td>
</tr>
<tr>
<td>Corporate strategy</td>
<td>‘Tactically strategic’</td>
<td>‘I do it my way’</td>
</tr>
<tr>
<td>Control measures</td>
<td>‘I do it my way’</td>
<td>Personally monitoring</td>
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<tr>
<td>Formal standards</td>
<td>Personally monitoring</td>
<td>Ambiguous</td>
</tr>
<tr>
<td>Transparency</td>
<td>Holistic</td>
<td>‘Freely’</td>
</tr>
<tr>
<td>Functional expertise</td>
<td>Holistic</td>
<td>‘Freely’</td>
</tr>
<tr>
<td>Systems</td>
<td>Owner-managed</td>
<td>Customer/network</td>
</tr>
<tr>
<td>Positional authority</td>
<td>Owner-managed</td>
<td>Customer/network</td>
</tr>
<tr>
<td>Formal performance</td>
<td>Owner-managed</td>
<td>Customer/network</td>
</tr>
</tbody>
</table>

Whereas, in a corporation, information is reported, in small businesses, personal observation is usually sufficient. In what regards control, SMEs are not very demanding while large companies
employ control measures. Perhaps because of the typical untidiness, SMEs are less transparent than large companies. There are several other differences among large and small companies, summarised in Table 2. In addition, while SME managers are attracted by CSR agenda motivated by personal and religious beliefs, multinational companies’ managers are motivated by the guidance of mother companies and legitimacy concerns (Ma, 2012).

Furthermore, SMEs are usually directly managed by owners, which leads to a more peculiar approach (Jenkins, 2006). The owner-manager’s demographic, psychological and behavioural characteristics, managerial skills and know-how are repeatedly cited as the most important factors influencing a SME’s performance (Man et al., 2002).

The owner-manager may be responsible for many different tasks simultaneously and thus be less aware of issues beyond daily concerns (Jenkins, 2006). Hence SMEs’ strategy is more tactical.

Commonly, small businesses resist adopting voluntary regulation and are suspicious of bureaucracy (Jenkins, 2006). So they are less responsive to institutional pressures (Jenkins, 2006). Moreover, SMEs’ financial resources are often lacking. SMEs’ dimension implies lower bargaining power and stricter access to capital (Ciliberti et al., 2008). Additionally, there are no economies of scale which results in less competitive prices. Perhaps due to these and lack of ambition, small and medium-sized enterprises are usually young and do not last long (Aras & Crowther, 2009).

On the other hand, companies of this size tend to be more flexible so they are able to react quickly to changing situations in market dynamics (Jenkins, 2006; Murillo & Lozano, 2006). Due to this fact, SMEs may promptly take advantage of new niche market opportunities (Jenkins, 2006).

2.3.2. CSR features in SMEs

Many SMEs do not feel represented by the concept of CSR (Aras & Crowther, 2009; Murillo & Lozano, 2006). The term may be working as a rejection factor for SMEs and might explain the lower involvement of SMEs in global business sustainability agenda (Murillo & Lozano, 2006). Although the concept is not recognised by SMEs’ managers, the practices related to it are actually undertaken but seen simply as good citizenship (Aras & Crowther, 2009). SMEs are therefore able to embrace the CSR agenda since they often have innovative qualities to develop products/services that incorporate social/environmental benefits. This way, SMEs reveal not only societal concern but also a market-oriented approach taking advantage of niche markets that are too specialised to attract large companies (Jenkins, 2006). CSR in SME is very different from CSR in large companies, because of the different characteristics already described. In SMEs, CSR is informal and it is seen as a complex configuration of social practices in the market. That is, it goes beyond a simple box ticking exercise delegated to a given department like in large corporations (Murillo & Lozano, 2006). In addition, CSR in SMEs is seen as excellence in management, translated into specific practices such as workers’ benefits, participation on management, occupational health and safety measures, corporate giving and environmental strategy which are realised in social, environmental and quality certifications (Murillo & Lozano, 2006).

According to Fox (2005), CSR agenda only affects SMEs in an indirect or reactive way. SME associations are still reluctant to embrace CSR agenda, tending to lobby to resist stricter social and environmental controls. Nevertheless, SMEs are increasingly adopting CSR-related practices. There
are already numerous activities that some SMEs studied by the authors Csonka and Komuves (2011), Jenkins (2006) and Coppa and Sriramesh (2013) have engaged, such as: one day tours for employees, free commercial credits for consumers in need, supplier learning schemes, energy from renewable sources and ethics code (see Appendix B for more details).

Inhibitors and drivers

SMEs are faced with the long-term nature of strategies regarding CSR. Benefits from the implementation of CSR are usually visible in the long-term, which may explain SMEs’ reluctance in investing in CSR practices. This combined with the generally short life of SMEs, leads to the sacrifice of long-term strategies for short-term objectives (Fox, 2005; Luetkenhorst, 2004). Adding to this, there are other great challenges SMEs are confronted to in what concerns adopting CSR practices. One of those challenges lies in the shortage of incentives for SMEs to implement CSR-related measures in a systematic and comprehensive way (Fox, 2005). For example, regulation does not encourage practices beyond mere compliance of legislation (Williamson et al., 2006). SMEs owner-managers may consider CSR practices optional and expensive (Williamson et al., 2006). Surveys concluded that a SME implements an environmental management system when it is essential for its survival (Fox, 2005), questioning the ‘voluntary’ nature of CSR practices in SMEs. Supply chain requirements, such as this example, should then be considered as ‘market entry requirements’ (Fox, 2005). These pressures represent challenges for SMEs in terms of affordability and applicability, since imposed requirements may demand investment in technology not viable for SMEs: formal systems for measuring, recording and managing social and environmental impacts, and auditing and certification that can be prohibitively expensive (Fox, 2005). Also, this reflects a lack of autonomy for SMEs, since beyond the lack of resources SMEs face, they also lack know-how to implement CSR practices (Friedmand & Miles, 2002; Williamson et al., 2006).

From a different point of view, Castka et al. (2004), based on a case study, claim that despite fear of bureaucracy, time and cost of CSR implementation, most cited barriers are based on perception, since most SMEs engaging in CSR do not experience these difficulties. And if there are companies embracing CSR, there might be significant stimuli pushing them to do so.

In terms of drivers, several can be found in the literature. Stocks of social capital (personal network of relationships) are usually self-reinforcing and cumulative, creating virtuous cycles (Perrini, 2006). SMEs are considered to value their social capital, which is expressed by their concern with employees’ health and welfare (Perrini, 2006), workforce’ stability (Perrini, 2006), motivation and retention of employees (Fox, 2005; Jenkins, 2006; Coppa & Sriramesh, 2013). Another important driver has to do with the sense of rootedness within a particular geographical place (Fox, 2005) because SMEs’ involvement with the community makes them feel motivated to undertake socially responsible practices (Jenkins, 2006). Other factors mentioned in the literature as drivers of CSR practices within SMEs, include: the character and values of the company’s founder (Murillo & Lozano, 2006; Fox, 2005; Coppa & Sriramesh, 2013), the impact on competitiveness (Murillo & Lozano, 2006), innovation possibilities (Murillo & Lozano, 2006), the willingness to differentiate (Murillo & Lozano, 2006), legal regulation (Murillo & Lozano, 2006; Williamson, Lynch-Wood, &
Ramsay, 2006; Coppa & Sriramesh, 2013), vision/mission of the company in its statute (Murillo & Lozano, 2006), cost reductions (Williamson et al., 2006), customer satisfaction (Williamson et al., 2006), benefits to a wide group of stakeholders (Williamson et al., 2006), increased profits (Coppa & Sriramesh, 2013) and dealing with external pressures (Murillo & Lozano, 2006). Also, according to Csonka and Komuves (2011), christian values are considered an important driver and local churches are an important ‘CSR-to-community’ channel in certain cultures.

From this, one may conclude that SMEs’ drivers are related with (1) business performance, (2) regulation and (3) moral appeal. According to Jenkins (2006), SMEs are subjected to both internal and external pressures towards CSR, being the external driver much weaker than the internal one. Therefore, it may be pertinent to fit the mentioned drivers into these two categories (Table 3).

Table 3: SMEs’ drivers towards CSR categorised into internal and external. Source: author.

<table>
<thead>
<tr>
<th>Internal drivers</th>
<th>External drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees’ health and welfare</td>
<td>Legal regulation</td>
</tr>
<tr>
<td>Employees’ motivation and retention</td>
<td>Customer satisfaction</td>
</tr>
<tr>
<td>Workforce stability</td>
<td>Benefits to a wide group of stakeholders</td>
</tr>
<tr>
<td>Sense of rootedness</td>
<td>General external pressures</td>
</tr>
<tr>
<td>Character and values of SME’s founder</td>
<td>Impact on competitiveness</td>
</tr>
<tr>
<td>Vision/mission of the company</td>
<td>Differentiation</td>
</tr>
<tr>
<td>Cost reductions</td>
<td></td>
</tr>
<tr>
<td>Increased profits</td>
<td></td>
</tr>
<tr>
<td>Christian values</td>
<td></td>
</tr>
<tr>
<td>Innovation possibilities</td>
<td></td>
</tr>
</tbody>
</table>

Benefits

By undertaking social practices, companies seek results, regarding both their contribution to society and their better competitive position (Murillo & Lozano, 2006). Although relation between profitability and CSR is not consensual, several companies agree that CSR should be considered when setting corporate strategy (Coppa & Sriramesh, 2013).

According to Williamson et al. (2006) and McWilliams and Siegel (2001), SMEs are not able to recognise the gains of adopting voluntary CSR policies, hardly identifying the benefits of the broader business case. However, despite most of the benefits being unmeasurable, there are important ones, such as those presented in Table 4. It is essential to highlight the increased employee motivation (Jenkins, 2006) that is very relevant for SMEs given their focus on social capital. Also, cost savings, increased efficiency and productivity (Jenkins, 2006; Perrini, 2006) are measurable benefits that lead to SMEs better financial performance. Therefore, CSR can potentially leverage SMEs’ capabilities and help them to overcome their problems. It might even offer opportunities to greater market access (Perrini, 2006).
Table 4: Benefits derived from CSR in SMEs by author.

<table>
<thead>
<tr>
<th>Authors</th>
<th>Better organisational culture</th>
<th>Improved trust and understanding</th>
<th>Increased attractiveness to potential recruits</th>
<th>Improved management quality</th>
<th>Cost savings and efficiency</th>
<th>Risk management</th>
<th>Better image and reputation</th>
<th>Higher market position</th>
<th>Greater market access</th>
<th>Opportunities for innovation</th>
<th>Broader social benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perrini (2006)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Jenkins (2006)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Coppa &amp; Sriramesh (2013)</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Measuring and Reporting

When the market does not demand a socially responsible behaviour, there should be other incentives to SMEs so that they participate in the CSR agenda (Fox, 2005). For example, regulation is the most effective way of changing environmental behaviour (Williamson et al., 2006). Yet, existing regulation is not sufficient and there is a need to provide SMEs with guidance tools that enable them to report on their CSR policies, processes and performance in an effective manner. Based on 24 profound case studies of UK SMEs, Jenkins (2009) developed a list of steps that may encourage SMEs to enter the CSR agenda and exploit the available benefits:

1) Developing an understanding of CSR and translating this into business principles, aligning business and CSR values;
2) Scoping: target some CSR activities and identify which have the greatest impact. This is necessary because not all CSR aspects are important for all SMEs (Catska et al., 2004).
3) Overcoming challenges, which is easier than in large corporations given that SMEs are flexible, creative and innovative; the owner-manager is closer to the organisation; communications in SMEs are more fluid;
4) Developing a strategic approach to CSR and integrate it with overall business strategy;
5) Benchmarking: measure and report performance.
This last step – measuring and reporting – represents a great challenge to SMEs. They frequently assess their CSR practices in terms of profit in a purely intuitive way (Murillo & Lozano, 2006). For example, in the four Catalan SMEs analysed by Murillo and Lozano (2006), there is not an explicit and quantitative translation of socially responsible practices into specific results that affect the profit and loss account. However, there are already quantifiable measures that give a good indication of the results obtained from the practices implemented such as: staff turnover, accident rate, training costs, productivity in time, rise in profits, waste reduction. In addition, there are other measures harder to quantify like reputation and social recognition, and working climate (Murillo & Lozano, 2006). Although SMEs are not willing to, they need to create formalised processes that integrate responsible strategies in corporate strategies to become more attractive to external markets and maximise values to their stakeholders (Russo & Perrini, 2010). Assessing and finding measures to evaluate CSR performance would be part of this formalisation, as well as writing social reports. Despite SMEs lack the ability of reporting their social activity, it should not be taken as a lack of interest or concern (Aras & Crowther, 2009; Fassin, 2008) since it is due to the fact that most SMEs do not dedicate resources like budget, people or a department, exclusively to CSR (Coppa & Sriramesh, 2013).

Reporting CSR-related activities of a company is important (Jenkins, 2006) because it serves purposes like helping the decision making process (Aras & Crowther, 2009), and communicating to stakeholders CSR activity (Murillo & Lozano, 2006). In practice, the importance of communicating CSR activities has increased so much that, mainly in large companies, CSR is more about compliance and standardisation addressed to external analysts rather than an internal tool for management (Fassin, 2008). On the other hand, small business leaders support local philanthropic activities but they do not seek visibility or publicity (Fassin, 2008) feeling uncomfortable with the idea of promoting CSR activities (Jenkins, 2009). That is why many SMEs do not identify any added value in writing reports, perceiving it as a mere administrative burden (Fassin, 2008). Actually, contrasting with large companies, SMEs communicate more internally than to external entities, communicating their CSR activities first to their employees, then to customers, and finally to their suppliers (Coppa & Sriramesh, 2013).

SMEs’ leaders are doers, so what really matters is doing the necessary social actions, not writing about it. Reporting implies costs that are proportionally higher for SMEs than for large companies. Adding to that, SMEs’ flexibility enables smooth communications that result in quicker informal actions that work much better than bureaucratic procedures (Fassin, 2008).

In spite of the fact that formal reports and standardised procedures do not validate real CSR, they do help to improve transparency and accountability (Fassin, 2008) as well as measuring benefits obtained from CSR policies, which is vital when encouraging SMEs to adopt a more socially responsible behaviour.

There are important guidance tools concerning reporting. Analysing the existing general sustainable, environmental and social reporting guidelines, which include Global Reporting Initiative, Guidance on the Eco-Management and Audit Scheme (EMAS) Environment Statement, SME Key model, and Social Accountability 8000, Borga et. al (2004), concluded that the only applicable to SMEs are: SME Key, which is dedicated to SMEs, and EMAS.
SME Key is an online tool for SMEs, developed by CSR Europe\(^6\) to assist SMEs in assessing and consolidating their CSR activities. It includes both a software and a guide, only available in English and Italian (European Commission, 2004). On the other hand, EMAS\(^7\) is an environmental management tool, available to any organisation, that mainly helps companies to improve environmental and financial performance and to communicate environmental accomplishments to society in general (European Commission, 2014).

Borga et al. (2004) also developed a new set of guidelines for SMEs that will help them doing their CSR reports. These guidelines focus four sections that should be included in the report: company identity (company structure, values and social commitment, sustainability report), economic impact (economic performance indicators, impact – purchases, investments and value added), social impact (identification and selection of major stakeholders, relations with employees, customers, suppliers, public authorities, community and others), and environmental impact (environmental policy, raw materials, energy, water, air emissions, indoor and outdoor noise, waste management, transport, environmental impact of products and future programs for environmental protection).

2.4. Conclusion

SMEs’ flexibility and rapid adaptation to dynamic macroeconomic conditions represent a huge opportunity for them. They should not miss the chance to take advantage of niche markets resulting from new consumers’ demands about social responsibility issues that are not exploited by big companies. However, factors like SMEs’ reluctance towards formalisation of processes, unawareness of benefits that CSR may bring and lack of financial resources are preventing them to embrace CSR. So there is a clear need to broaden SMEs’ engagement in the CSR agenda. But this must take into account their peculiar characteristics that make common CSR concepts not readily transferable to SMEs. Instead, CSR concepts should be adapted to their light structure (Fassin, 2008).

Due to SMEs’ inability to report on their CSR activities, realisation of business benefits derived from them become much more difficult. And the existing frameworks are not sufficient to solve this problem. A balanced approach should be used, aiming to eliminate socially irresponsible behaviour while creating incentives for responsible practices (Fox, 2005). It should be a systems approach, based on a broad, multidimensional and multi-stakeholder perspective (Moore & Manring, 2009). Concluding, there is an urgent necessity to create a framework that addresses SMEs’ difficulties and enables them to improve their financial and CSR performance simultaneously.

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\(^6\) CSR Europe is a European business network for CSR, gathering more than 5000 companies. It aims to bring CSR agenda forward, acting as a platform that supports businesses willing to improve sustainable growth and contribute to society in a positive way. It goes beyond Europe, cooperating with CSR organisations in other regions across the world (http://www.csreurope.org/about-us)

\(^7\) There is a new version of EMAS – EMAS III, released in 2010 and available in all EU languages.
3. Research design

Based on the information collected in the literature review, the objectives of research and the methodology that was employed in the thesis are going to be presented in this chapter.

3.1. Research description

From a sample of Portuguese SMEs, different objectives of work are defined: (1) **Understanding the current situation of Portuguese SMEs in terms of CSR policies' implementation and assessing their CSR performance qualitatively.** Are they engaged? If not, do they intend to embrace this commitment in the future? If they are engaged, are they now starting to adopt some sustainable practices or are CSR activities already mature? Do SMEs address all three dimensions of sustainability (economic, social and environmental)? Do they measure CSR-related results and report them?; (2) **Determining the difference in importance of CSR dimensions depending on a company’s position in the supply chain** given the contrasting impacts that different economic activities have; (3) **Determining which is the degree of formalisation of sustainable practices processes, measuring and reporting in SMEs**; (4) **Defining the role played by SMEs as members of supply chains** and how partnerships are used to incorporate sustainability in the supply chains. From these objectives, three research questions have been raised:

**Research question 1:** What is the selected SMEs’ participation in CSR agenda and what is their role in sustainable supply chains?

**Research question 2:** Do the CSR dimensions differ depending on the echelon of the supply chain the company is in?

**Research question 3:** Considering all dimensions of CSR and SMEs’ role in sustainable supply chains, what type of formalisation do SMEs need to implement in order to be socially responsible?

3.2. Research methodology

The research methodology that was followed consisted in case-study research. The case study method is a research strategy involving empirical investigation of a specific contemporary phenomenon within its real life context, making use of more than one source of evidence (Saunders, 2009). The use of this research method enables to capture the situation under study in a very detailed and exact way (Flick, 2009). Moreover, although generalizability of case studies is frequently questioned, they make it possible to relate theory with field investigation and show the broader significance of one particular case study findings (Saunders, 2009). Given these important advantages and the objectives of this work, case study was the research method chosen.
The data was collected through interviews to the SMEs’ owner-managers/representatives. Therefore, the data collection process implied writing an interview guide, followed by selecting the companies to interview and finally conducting the interviews (Figure 12).

3.2.1. Interview guide
From the research questions an interview guide was elaborated. The interview guide implies semi-structured interviews and contains open questions leading to spontaneous answers based on the interviewees’ knowledge and also theory-driven questions making interviewees’ implicit knowledge more explicit (Flick, 2009). Questions were written according to the previously determined objectives of the research. The questions that composed the interview guide are next explained.

- **Objective 1:** Understanding the current situation of Portuguese SMEs in terms of CSR policies’ implementation and assessing their CSR performance qualitatively.

Regarding this goal, it figured vital to ask SMEs first about their perception of CSR, which includes SMEs’ awareness about their stakeholders; then, about their specific CSR practices as well as whether and how they evaluate their CSR performance. To understand companies’ engagement in the CSR agenda, the perceived obstacles, drivers and benefits of CSR were also asked. The set of questions regarding Objective 1 is next presented, based on Murillo and Lozano (2006), Jenkins (2006), Borga et al. (2004), Ciliberti et al. (2008) and Williamson et al. (2006).

1. Is it the first time that your company is honoured with *PME Excelência 2013*?
2. What have you done differently to be distinguished as *PME Excelência 2013*?
3. What impacts do you think this award had on your company and on your relationship with your business partners?
4. What is your perception of CSR?
5. Do you think it is applicable to SMEs? Why? Why not?
6. Assuming that CSR is the responsibility companies have for the impacts they cause on society, which entities does your company affect most? And how are you affected?
7. Have you adopted any CSR practice? Which? If yes, are you going to invest more on CSR? How? On which dimensions? If not, are you going to adopt any CSR policy in the short term? How? Which?
8. How do you manage CSR? Is it incorporated in your strategy or is it a side activity? In years of very high profit do you invest more on CSR?
9. Do you perceive CSR as an administrative burden?
10. What obstacles do you face when implementing CSR? What is your strategy to overcome difficulties concerning CSR adoption? If none of those inhibitors existed, in which dimensions of CSR would you invest? How?
11. Do you know that there are organisations in Portugal that help companies to overcome difficulties concerning CSR like Grace or BCSD? Would you accept to pay an annual quota to become a member?
12. What were the main drivers that pushed you to implement CSR policies? Was it solely because of external pressures exerted by stakeholders (SC partners, regulation) or is there an internal motivation towards social responsibility?
13. Do you believe CSR brings any benefits? Which benefits? How can you take advantage of those benefits?
14. What do you believe to be the impacts of CSR activities in your company's performance? Do you think it is related to financial performance?

Objective 2: Determining the difference in importance of CSR dimensions depending on a company's position in the supply chain.

There were no questions specifically aimed at responding to this aspect. This is because when companies are inquired about their specific CSR practices (question 7), it will be possible to derive the relationship between the CSR dimensions addressed and their position in the supply chain.

Objective 3: Determining which is the degree of formalisation of sustainable practices processes, measuring and reporting in SMEs.

Concerning this topic, the questions asked emphasised the company's formal or informal processes of measuring and reporting CSR. The questions with respect to this objective, presented below, were based on Murillo and Lozano (2006) and Ciliberti et al. (2008).

15. Do you assess your CSR performance formally? How? Which dimensions do you assess and how often? Do you use any software to help in this task? Are you aware of the existing indicators for CSR evaluation like GRI, SME Key or EMAS?
16. Do you report those assessments formally? How? What is the content of those reports? Do you report economic, social and environmental impacts? Do you include for example, staff turnover, accident rate, training costs, productivity in time, rise in profits, waste reduction...?
17. Do you communicate to the internal and external entities you interact with your CSR objectives and practices? Do you disclose information about it?
18. If you don't measure CSR performance or write reports, are you willing to formalise any processes? Which types of formalisation? How?
19. Don't you feel the need to communicate your CSR activity? Do you think measuring your CSR performance and writing reports about it is important? Do you believe it can bring any value-added/benefit to the company?

- Objective 4: Defining the role played by SMEs as members of supply chains and how partnerships are used to incorporate sustainability in the supply chains.

The content asked focused on the relationships with SMEs' supply chain partners and on their willingness to cooperate. Moreover, SMEs' role in their supply chains was analysed with questions regarding the pressure they exerted or felt. The list of questions asked was (Ciliberti et al., 2008; Jenkins, 2006):

20. How is your relationship with your suppliers? Being a (SC position), how they affect your company or how do you affect them? Do you feel under pressure?
21. How is your relationship with your clients? Being a (SC position), how they affect your company or how do you affect them? Do you feel under pressure?
22. Do you feel encouraged to motivate your supply chain partners to adopt CSR practices?
23. Do you develop partnership programmes aiming at adopting CSR practices? Do you believe collaboration positively contributes to successful implementation of CSR policies?
24. What do you think about CSR training? Would you accept to engage in an intra-chain training programme?
25. Can you identify supply chain entities beyond first-tier? Who are the SC key players?
26. Do you consider CSR practices in supplier selection criteria? How do you ensure demands’ fulfilment?
27. Are you requested to have any certification diploma regarding your CSR practices? Do you have difficulties in complying with requirements? How do you ensure you comply?

Furthermore, the interview guide included, for some questions, a list of possible answers that could be used when the interviewee was not able to give a complete answer. These possible answers were retrieved from the literature review and they intended to obtain more information, when the interviewee was not aware of the answer.

3.2.2. Sample selection
The second step comprised the selection of the sample of companies to be contacted. As it was unfeasible to study the entire population of Portuguese SMEs, a sample was chosen. In this case, the sampling frame was the universe of SMEs distinguished as PME Excelência 2013, which is a status given by IAPMEI (Instituto de Apoio às Pequenas e Médias Empresas e à Inovação). Companies
holding this title have to fulfil criteria such as: being a SME rated as AAA or AA\(^8\), based on Statement of Accounts 2012; equity ratio (equity/assets) >=35%; business volume growth in comparison with 2011 >= 5%; return on equity (net income/equity) >=10%; return on assets (net income/assets) >=3%; business volume >=750 000€; number of people employed >=10 (IPAMEI, 2014). From a universe of 1103 SMEs, which were distinguished as PME Excelência 2013, fifteen companies were interviewed. The selection was conducted based on the following criteria: (1) Due to time and money constraints, only SMEs in the districts of Coimbra, Leiria, Santarém, Lisboa, Setúbal and Évora were analysed. The sample was therefore reduced to 392 companies; (2) Data collection from the selected companies obtaining information related to their economic activity, industry sector, dimension, CSR engagement, SC echelon and whether they had website or not. The objective was to obtain a balanced sample containing companies upstream, midstream and downstream in the supply chain. Also, a diverse sample was desired, in terms of dimension, industry sector and CSR engagement. According to these criteria, 56 companies were contacted first by email or, in case of missing email, the contact was done by phone. From these 56 companies, 15 answered positively, allowing the interview. Two of the companies interviewed (Company E and Company D) provided information about their suppliers and buyers. A supplier and a buyer for each of these companies constituted a secondary sample: Company L, Company C, Company H and Company F. This extension enabled the analysis of two supply chains – one food supply chain and the PVC (Polyvinyl Chloride) materials supply chain. Table 5 describes the sample of companies interviewed.

\(^8\) These are long term credit ratings that express the credit worthiness of a company. An AAA rating corresponds to the best quality companies, reliable and stable, while an AA company is a quality company, but slightly riskier.
Table 5: Classification of the interviewed companies according to size, SC echelon and industry sector.

<table>
<thead>
<tr>
<th>Company</th>
<th>Size</th>
<th>Supply Chain Echelon</th>
<th>Industry Sector (Industry Classification Benchmark subsector)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary sample</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company A</td>
<td>Medium</td>
<td>Upstream</td>
<td>Farming &amp; Fishing</td>
</tr>
<tr>
<td>Company B</td>
<td>Small</td>
<td>Upstream</td>
<td>General Mining</td>
</tr>
<tr>
<td>Company D</td>
<td>Medium</td>
<td>Upstream</td>
<td>Commodity Chemicals</td>
</tr>
<tr>
<td>Company E</td>
<td>Small</td>
<td>Upstream</td>
<td>Farming &amp; Fishing</td>
</tr>
<tr>
<td>Company G</td>
<td>Small</td>
<td>Midstream</td>
<td>Industrial Machinery</td>
</tr>
<tr>
<td>Company I</td>
<td>Medium</td>
<td>Midstream</td>
<td>Distillers &amp; Vintners</td>
</tr>
<tr>
<td>Company J</td>
<td>Small</td>
<td>Midstream</td>
<td>Soft Drinks</td>
</tr>
<tr>
<td>Company K</td>
<td>Small</td>
<td>Midstream</td>
<td>Industrial Machinery</td>
</tr>
<tr>
<td>Company M</td>
<td>Medium</td>
<td>Midstream</td>
<td>Footwear</td>
</tr>
<tr>
<td>Company N</td>
<td>Medium</td>
<td>Midstream</td>
<td>Food Products</td>
</tr>
<tr>
<td>Company O</td>
<td>Medium</td>
<td>Midstream</td>
<td>Toys</td>
</tr>
<tr>
<td>Company P</td>
<td>Small</td>
<td>Downstream</td>
<td>Hotels</td>
</tr>
<tr>
<td>Company Q</td>
<td>Medium</td>
<td>Downstream</td>
<td>Drug Retailers</td>
</tr>
<tr>
<td>Company R</td>
<td>Small</td>
<td>Downstream</td>
<td>Food Retailers &amp; Wholesalers</td>
</tr>
<tr>
<td>Company S</td>
<td>Small</td>
<td>Downstream</td>
<td>Trucking</td>
</tr>
<tr>
<td><strong>Secondary sample</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company C – company D’s supplier</td>
<td>Big</td>
<td>Upstream</td>
<td>Commodity Chemicals</td>
</tr>
<tr>
<td>Company L – company D’s buyer</td>
<td>Medium</td>
<td>Midstream</td>
<td>Diversified Industrials</td>
</tr>
<tr>
<td>Company H – company E’s supplier</td>
<td>Micro</td>
<td>Midstream</td>
<td>Commercial Vehicles &amp; Trucks</td>
</tr>
<tr>
<td>Company F – company E’s buyer</td>
<td>Medium</td>
<td>Upstream</td>
<td>Farming &amp; Fishing</td>
</tr>
</tbody>
</table>

Next it is explained how the classification both by size and by supply chain echelon was made. Based on companies’ current number of employees and annual turnover, it was possible to classify companies by size according to the European Commission definition of Micro, Small and Medium enterprises (Table 6).
Table 6: Definition of micro, small and medium enterprises (European Commission, 2003).

<table>
<thead>
<tr>
<th>Size</th>
<th>Employees</th>
<th>Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>&lt; 10</td>
<td>≤ 2 million</td>
</tr>
<tr>
<td>Small</td>
<td>10 ≤ &lt; 50</td>
<td>2 million € &lt;</td>
</tr>
<tr>
<td>Medium</td>
<td>50 ≤ &lt; 250</td>
<td>10 &lt; Turnover ≤ 50 million €</td>
</tr>
</tbody>
</table>

The primary sample contains 8 small companies and 7 medium companies while the secondary sample includes 1 micro company, 2 medium and 1 big. In total, the sample contains 1 micro company, 8 small companies, 9 medium companies and 1 big (Figure 13).

The classification of companies by supply chain echelon was not straightforward since there is not one standard related to it. Therefore, to overcome this difficulty, it was decided to determine the supply chain echelon based on the industry sector that each company belongs to. Among the various existing industry sector lists, the Industry Classification Benchmark (ICB) seemed to be the most appropriate. The industry sectors considered were the 114 subsectors (NYSE, 2014) defined by the ICB since they capture specificities that enable the supply chain positioning. According to (Meckenstock, J. et al., 2014), upstream stages include essentially raw material extraction, while midstream activities are production and assembly, and downstream of the supply chain includes sales and services. Knowing this, it is possible to identify which industry sectors of the companies in the sample correspond to each supply chain echelon. The upstream companies analysed in the present work belong to Farming & Fishing, General Mining and Commodity Chemicals. Companies in the midstream stage are in Industrial Machinery, Commercial Vehicles & Trucks, Distillers & Vintners, Soft Drinks, Diversified Industrials, Footwear, Food Products and Toys. Finally, the downstream end is
composed by companies operating in Hotels, Drug Retailers, Food Retailers & Wholesalers and Trucking (Figure 15). Given this, it is possible to say that there are 6 upstream SMEs, 9 midstream SMEs and 4 downstream SMEs in the sample (Figure 14).

![Diagram of Supply Chain Stages](image)

**Figure 15:** Match between interviewed companies’ industry sectors and the supply chain stages.

### 3.2.3. Conducting the interviews

Prior to each interview, a research about the company and the sustainability issues related to its activity was done so that the interviewer would better conduct the interview, focusing on the key issues.

The interviews were undertaken in one meeting, generally at the company’s facility, with either the owner, co-owner, general manager, or a department director of the company. Since they were semi-structured interviews, some questions asked in one company could be omitted in another and the order of the questions was not always the same. More detailed information about the interviews (interviewee’s position in the company, place of interview, date and duration) can be found in appendix C.

According to Flick (2009), there are three tasks to be performed in documenting the data collected through interviews. Two of them are explained next while the third task will be explained in section 3.2.4.

**Recording the data:** all interviews, except for Company Q’s, were audio-recorded. One issue to be concerned about at this stage is the naturalness of recording (Flick, 2009). In the present work, it is assumed that the interviewees answered naturally since the places of interview were generally the company’s facilities and there was no explicit difference in the behaviour between the moments when there was audio-recording and when there was not. Also, the fact that the names of the companies would remain anonymous made interviewees comfortable.

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9 The interviewee did not allow the audio-recording. However, it was possible to take complete notes of the answers since the interviewee understood the need for registering all the data so he talked slowly and repeated parts when necessary.
**Editing the data:** audio-records needed to be transformed into text. Exact transcription is not recommended because of the time and energy required. Also, the meaning may be hidden rather than clearly expressed when transcribing precisely the spoken words (Flick, 2009). Therefore, this step implied listening attentively to the records and writing only the relevant parts of the answers. Often parts were listened to several times in order to ensure the right understanding.

3.2.4. **Case study analysis**

After having the needed information, qualitative analysis implies summarising data, categorising data and structuring it, so that in the end it is possible to produce well-grounded conclusions (Saunders, 2009). Therefore, the third task to be performed according to Flick (2009) is the case study analysis: **Constructing a “new reality” from the produced text:** the resulting texts needed to be interpreted. It was necessary to analyse the qualitative content of the texts so that it was possible to reduce material. Since it is necessary to define the direction of the analysis, the interviewees’ answers were matched to the research questions defined in section 3.1. This aimed at avoiding digressing and defining what is desired to conclude out of the data (Flick, 2009). Moreover, coding is essential. Aiming at reduction and structuration, three main phases were conducted:

1. **Open coding:** articulating data in the form of concepts (codes), which comprised attaching notions learned in literature review to the information provided by the interviewees, turning the data nearly uniform and comparable. Afterwards, the codes were categorised by grouping them in occurrences relevant for the research purposes. The result was a list of categories, more abstract than the initial codes identified.

2. **Axial coding:** refining the resulting categories and relating the subcategories to the categories. At this phase, categories resulting from empirical material were repeatedly assessed against the theoretical material and modified if necessary.

3. **Selective coding:** bringing the axial coding further in order to reach an even higher level of abstraction, focusing on core concepts.
4. Discussion of results

Conducting the interviews enabled gathering much information that contributed to answer to the research questions. In the present chapter, the results will be shown and discussed. Section 4.1 addresses the panorama of the Portuguese SMEs analysed in what concerns CSR, looking at the CSR actions they undertake and the stakeholders that are addressed. Section 4.2 focuses on the relationship between CSR categories and SMEs’ features like size, SC echelon and industry sector. In addition, section 4.3 presents SMEs’ main motivations, difficulties in implementing CSR and the positive impacts realised, as well as the current degree of formalisation of CSR actions. Section 4.4 elaborates on SMEs’ role in the supply chains they are part of. Finally, section 4.5 studies in more detail the 3 companies with the highest and lowest number of CSR actions. It is important to note that in this chapter the sample considered is the primary sample, except for the subsection 4.4.2, in which due to the two partial supply chains studied, the secondary sample is included in the analysis.

4.1. CSR categories in Portuguese SMEs

4.1.1. CSR actions

The preliminary list of CSR actions adopted by the companies was very long (Table 7). The first refining iteration consisted in identifying similar actions and, in the end, the actual number of different CSR actions found was 153. It was very important to categorise this list of actions so that it is possible to analyse the content, excluding the least important details and focusing on the most relevant ones. So, the list was categorised and resulted in 26 different categories of CSR actions (open and axial coding).

<table>
<thead>
<tr>
<th>Table 7: Initial CSR categories identified.</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Social Events with/for Employees</td>
</tr>
<tr>
<td>• Employee Training</td>
</tr>
<tr>
<td>• Employee Career Progression</td>
</tr>
<tr>
<td>• Employees’ Security and Physical Protection</td>
</tr>
<tr>
<td>• Employees’ Wellbeing</td>
</tr>
<tr>
<td>• Gifts/ Bonuses/ Financial Help to Employees</td>
</tr>
<tr>
<td>• Involving Employees in Decision-making</td>
</tr>
<tr>
<td>• Employees from Local Community</td>
</tr>
<tr>
<td>• Employing Disabled People</td>
</tr>
<tr>
<td>• (A kind of a) Code of Conduct</td>
</tr>
<tr>
<td>• Open Day</td>
</tr>
<tr>
<td>• CSR Projects in Partnerships</td>
</tr>
<tr>
<td>• CSR Reports</td>
</tr>
<tr>
<td>• Donations to Charity Organisations or Local Entities</td>
</tr>
<tr>
<td>• Sponsorships for Local Events</td>
</tr>
<tr>
<td>• Collaboration with Universities or Schools</td>
</tr>
<tr>
<td>• Sponsorships for Local Events</td>
</tr>
<tr>
<td>• Collaboration with Universities or Schools</td>
</tr>
<tr>
<td>• Selective Purchasing</td>
</tr>
<tr>
<td>• Products with CSR Features</td>
</tr>
<tr>
<td>• Efficient Water Consumption</td>
</tr>
<tr>
<td>• Energy Consumption Reduction</td>
</tr>
<tr>
<td>• Renewable Energy Sources</td>
</tr>
<tr>
<td>• Environmental Impacts Minimisation</td>
</tr>
<tr>
<td>• Waste Minimisation</td>
</tr>
<tr>
<td>• ISO 14001 Certification</td>
</tr>
</tbody>
</table>
However, a second iteration (selective coding) was needed because there were categories that were too specific and not as abstract as they should be. To do this, a new classification of social impact categories developed by Simões (2014) was used. Nevertheless, the present work also regards the environmental dimension, which was not addressed in Simões’ classification. In addition, Simões’ (2014) thesis only regarded big companies, which justifies the impossibility of completely matching this author’s taxonomy with the actions performed by the SMEs analysed in the present case study. As a consequence, the final categories chosen add some categories to Simões’ (2014) new taxonomy while excluding some categories from it (the ones that were not addressed by the companies interviewed). A brief description of the final categories is next presented as well as which actions, under each category, were undertaken by the SMEs in the sample.

- ‘Employee welfare’ (Simões, 2014) – main aspects associated with employee self-esteem, employee satisfaction and employee wellbeing (Simões, 2014); includes Social events with or for staff, employee satisfaction assessment, sports at work, healthcare privileges, bonuses, gifts and financial help to employees.

- ‘Employment practices and relations’ (Simões, 2014) – organisational disciplinary practices, codes of conduct, and the relationship between the workforce and the company (Simões, 2014); includes Code of conduct and internal behavioural rules.

- ‘Training: education and personal skills’ (Simões, 2014) – company’s willingness to improve the human capital’s skills (Simões, 2014); includes training courses and actions stimulating career progression.

- ‘Health and safety practices and incidents’ (Simões, 2014) – organisation’s responsibility for caring about its workforce, and implementing a Health and Safety culture in all business units (Simões, 2014); includes first-aid training, security commission, individual and collective protection measures and work environment conditions monitoring.

- ‘Diversity and equal opportunities’ (Simões, 2014) – human capital heterogeneity and equal opportunities (Simões, 2014); includes non-discriminatory recruitment policy.

- ‘Business impacts on community; community involvement and welfare’ (Simões, 2014) – positive impacts that the business has on society and communities (Simões, 2014); includes collaboration with university and schools and also open days.

- ‘Community funding and support’ (Simões, 2014) – both direct and indirect financial support, including material resources given to communities (Simões, 2014); includes projects in partnership with charity organisations or other institutions, donations, and sponsorship for local events.

- ‘Stakeholder participation’ (Simões, 2014) – stakeholder involvement and empowerment in business activities (Simões, 2014); includes Employees’ commission, annual objectives meetings with employees, openness to suggestions and participative management.

- ‘Product management’ – products’ social and environmental sustainability; includes ecological line, energy efficient products.
• ‘Selective purchasing’ – including CSR aspects in requirements for purchasing materials; includes buying environmentally friendly products, buying local or nationally produced products.

• ‘Responsible water consumption’ – water consumption management taking into account environmental impacts; includes rain water storage, having their own Water Treatment Plant, water consumption monitoring, reduced water flow in all taps.

• ‘Responsible energy consumption’ – energy consumption management taking into account environmental impacts; includes raising employees’ awareness about energy consumption, efficient equipment, energy audits, renewable energy.

• ‘Environmental impacts minimisation’ – companies’ commitment towards minimising the environmental impacts of their business activity; includes solid waste separation, end-of-life products’ impacts minimisation planting trees, waste minimisation, ISO 14001 Certification.

• ‘Reporting’ – regular reports describing activities performed by companies to address CSR issues; includes sustainability reports, sections in annual reports.

These CSR categories present the desired degree of specificity that enables the following analysis.

4.1.2. Relevance of CSR categories

Aiming at understanding the relevance of the CSR categories, two variables were analysed: (1) the number of different actions in each category and (2) the number of companies taking actions in each category.

Summing the number of different actions implemented by all companies in each CSR category, is helpful in order to understand which categories deserve more attention. Figure 16 shows the depth of the SMEs’ engagement concerning a given CSR category, considering that a high number of diverse initiatives means a strong commitment with respect to a certain CSR category.

![Figure 16: Number of different actions taken by SMEs in each CSR category.](image)
‘Employee welfare’ is clearly the CSR category that includes the highest number of different actions, twenty-seven, meaning that SMEs address it in several diverse ways. This CSR category alone comprises 24% of total different actions, revealing SMEs’ commitment to employees’ wellbeing and satisfaction. There are many quotes expressing this attitude: “It’s the willingness to have all people surrounding us, feeling comfortable and fulfilled, and if possible, happy” (Company G), “I believe that a good service is delivered when people feel good. Here we worry about employees being smiley and satisfied” (Company P), “We like to have our collaborators satisfied” (Company K). The most popular policies implemented in this CSR category include Christmas dinners, Christmas gifts, trips with all the staff, bonuses according to performance, Employee Satisfaction Survey, casual meetings (lunches or dinners), and financial help.

‘Community funding and support’ is the second CSR category with more different actions. Company P’s interviewee said: “We are not here only to make money, but also to be useful to the community”, a vision shared by some other SMEs like Company D and Company I, that feel they should share with the community what they receive from it. Regularly donating money to local entities or non-profit organisations is as common as donating their own final product to charity organisations. Other frequent actions are projects in partnership with non-profit organisations, collecting goods to donate afterwards, and sponsorships for local events.

Environmental aspects also lead to many different actions, being ‘Responsible energy consumption’ and ‘Environmental impacts minimisation’ in third place of the ranking, with fourteen actions each.

‘Responsible energy consumption’ comprises actions like energy consumption monitoring, use of energy-efficient equipment and low-consumption lamps, use of solar energy through photovoltaics or solar panels and regular fleet renewal. On the other hand, ‘Environmental Impacts Minimisation’ involves mainly solid waste separation to recycling and compression, reducing the amounts of packaging materials and avoiding contaminating natural resources.

Analysing the number of companies with actions in each CSR category evaluates popularity in a different way. Regardless of the number of actions performed, Figure 17 describes how many companies address each CSR category, therefore evaluating how widespread among firms is the CSR category.
‘Employee welfare’ is again the most popular CSR category, with all fifteen companies implementing policies concerning it, along with ‘Environmental impacts minimisation’. Secondly, ‘Business impacts on community; community involvement and welfare’ and ‘Community funding and support’ are CSR categories included by all companies, except for one. The fourteen SMEs are active in supporting local community and in having good business impacts on it. These four CSR categories being so relevant make SMEs’ main focus on employees, community and environment very clear.

Moreover, ‘Training: education and personal skills’, and ‘Responsible energy consumption’ are addressed in many SMEs, being also widely recognised as an important aspect.

Figures 16 and 17 lead to some important conclusions about the CSR categories. First, ‘Employee welfare’, ‘Community funding and support’, ‘Responsible energy consumption’ and ‘Environmental impact minimisation’ are definitely the most relevant CSR categories among the studied SMEs. Not only they addressed these four CSR categories but they revealed a serious engagement, implementing several practices concerning each.

Despite ‘Training: education and personal skills’ being more popular in terms of number of companies than in the number of different actions, it is still a CSR category that companies like Company G, Company A, Company S and Company N consider extremely important. For instance, Company N’s owner mentioned: “People are not resources, they are people. (…) And each one of them [employees] has an infinite potential to be exploited.” Furthermore, the fact that there are not many different actions adopted by SMEs in this CSR category can be related with the reduced number of initiatives.
Concerning employee training that are mandatory by law. Being obliged to take certain measures, SMEs do not go beyond what is legally required, a phenomenon known as ceiling effect. ‘Business impacts on community; community involvement and welfare’ is also a CSR category widespread among SMEs, but where the number of actions included is very reduced. This may be explained by the fact that the relationship between SMEs and the community is still strongly based on financial support for community’s initiatives, which refers to the CSR category ‘Community funding and support’ (with much more actions), instead of being the SMEs themselves proactively initialising those actions.

4.1.3. Relevance of stakeholders

One important aspect that is essential to understand how Portuguese SMEs have embraced Corporate Social Responsibility is how they address their stakeholders’ interests. The list of CSR policies that companies have implemented gives an indication of which stakeholders they are including in their initiatives. Based on this information, it is possible to draw several conclusions that are explained below.

Looking at Figure 18, it is possible to observe that employees, community and environment are the stakeholders that every company addresses. This leads to the conclusion that Portuguese SMEs are not only aware of some of their close stakeholders’ interests but take action toward them. However, in what concerns suppliers and buyers, there are very few companies including them in their CSR practices, which may be interpreted as lack of action concerning supply chain partners. Furthermore, shareholders are not presented as important in CSR measures, which is not meaningful because only four SMEs are owned by shareholders.
In what regards the number of CSR practices that companies have in place (Figure 19), employees represent the stakeholder that is most considered, with 100 actions\textsuperscript{10} in total. The second most popular stakeholder is the environment and community is the third. These numbers lead to a simple conclusion: SMEs are definitely more concerned with internal matters (employees) and issues that are close to the company (community). In what regards environment, the actions taken are generally imposed by law so it is hard to understand if environment is truly a stakeholder that SMEs care about.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{image}
\caption{Number of CSR actions by stakeholder.}
\end{figure}

It is useful to match the conscious recognition of stakeholders with the action of addressing their interests in order to understand how aware and proactive SMEs are (Figure 20). For example, a case

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{image}
\caption{Number of companies identifying and addressing each stakeholder.}
\end{figure}

\textsuperscript{10} This value is the result of summing the actions addressing employees of all interviewed companies, which implies that there are many identical actions adopted by different companies accounted. This is why this is not the number of different actions, but the number of actions.
in which a company addresses one stakeholder not identified as such reveals a clear lack of awareness. On the other hand, a case in which a firm identifies one stakeholder and does not include it in CSR policies expresses a conscious lack of engagement.

In terms of stakeholders that SMEs identify, it is possible to say that employees is the stakeholder most frequently identified. Besides, employees are addressed by all companies and there are eleven SMEs in which this stakeholder is both identified and addressed. It is therefore the stakeholder that SMEs are both most aware and active about.

After employees, suppliers and buyers are the stakeholders most frequently identified. Conversely, only four of total SMEs address them. So, although companies are aware of their impact on these stakeholders, they generally do not include them in their CSR practices. This may be due to the lack of know-how about which and how actions they could implement.

The opposite situation occurs with respect to the community and the environment. SMEs in the sample reveal a lack of awareness, being much more companies addressing the community or the environment than consciously identifying them as a stakeholder.

Another meaningful aspect observable in the Figure 19 is that there are SMEs recognising Banks and the State as stakeholders, but not taking any CSR action respecting them.

In sum, what is outstanding is that either SMEs are dynamic regarding a certain entity, even not identifying it as a stakeholder, or SMEs identify a given stakeholder but does not address its interests. The exceptions in which the match exists, meaning that companies address the stakeholders and take action about them, are employees and shareholders.

Moreover, although there was not one SME identifying exactly the same stakeholders than the ones it addressed, Company O was the company that revealed to have the most conscious behaviour, addressing four of the five stakeholders identified. On the contrary, Company K expressed a very unaware conduct because this company does not address any of the stakeholders that it identifies.

Once clarified how SMEs in the sample have engaged in CSR, it is important to understand the motives that drove these SMEs towards adopting socially responsible practices, the difficulties they have endured as well as the positive impacts that SMEs are enjoying.

4.1.4. Conclusions

In the previous section, it was possible to understand that SMEs in the sample are engaged in CSR, taking action regarding many different matters, congregated in fourteen CSR categories.

The most relevant ones for these SMEs are ‘Employee welfare’, ‘Community funding and support’, ‘Responsible energy consumption’ and ‘Environmental impacts minimisation’. This way, the SMEs show that employees, community and environment are the stakeholders they most care and act about. Nonetheless, companies revealed a large gap between the actions they take and the knowledge they have about them. That is, SMEs implement CSR practices, without knowing which stakeholders they are benefitting. This is proven by the fact that the stakeholders they identified when asked about it do not match in most cases to the actual stakeholders they addressed in the CSR actions they adopted.

One may conclude that SMEs are not conscious about the stakeholders they affect and how they do it.
Moreover, buyers and suppliers are rarely addressed by these SMEs, although they are identified as stakeholders by eleven companies. This may indicate that SMEs still limit the relationships with supply chain partners to business-related matters, not involving them in their CSR practices.

Once studied how SMEs in the sample are generally engaged, it seems useful to analyse SMEs’ engagement in CSR according to their size, industry sector and supply chain echelon. This way, it will be possible to verify whether these characteristics determine their commitment to CSR or not.

4.2. CSR categories and SMEs’ characteristics

In the present section, the relationship between the CSR categories addressed by SMEs and their size, industry sector and supply chain echelon will be discussed.

4.2.1. CSR categories addressed per size of SME

![Figure 21: Share of SMEs by CSR category and size.]

The majority of the CSR categories present a slight difference between the share of medium and small companies addressing them (Figure 21). However, there are important gaps in some CSR categories. For instance, medium companies reveal an active attitude concerning ‘Diversity and equal opportunities’, while no small firm has implemented an action respecting this. However, the majority of SMEs employing people from local community are small companies. This may lead to the conclusion that whereas medium companies are definitely more conscious of the importance of integrating different cultures, small companies are more focused in giving opportunities to local people.

There is also a higher number of medium companies than small ones implementing actions regarding ‘Product management’, which reflects a stronger market-oriented thinking in medium companies that give more importance to buyers. More than 40% of medium companies include buyers’ interests in their CSR activity while only 12.5% of small enterprises do it. Again, medium companies put more effort into CSR categories like ‘Business impacts on community; community involvement and welfare’,

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“Community funding and support” and “Reporting”. Although the difference is not as relevant as the one concerning “Product management”, it should be analysed. The first CSR category – “Business impacts on community; community involvement and welfare” – includes internships, study visits and partnerships with universities. These are activities harder to be implemented by small companies, particularly by the one company that did not include this category in its CSR practices, Company S. This SME expressed concern regarding the economic sustainability of the company, being essentially driven by the company’s growth, not allowing resources to be allocated to the activities included in this CSR category. About “Community funding and support”, the only small enterprise that does not adopt any measure in this context is Company G that is too focused on internal stakeholders, its employees, having 70% of its actions regarding them. With respect to “Reporting”, the number of small and medium companies with actions in this CSR category is the same – one. Thus the difference is related with the absolute difference in number of small – 8 – and medium – 7 – companies. It is also worth of note the fact that medium companies are the only group that are present in every CSR category, even though their share is sometimes reduced. This may lead to the conclusion that, in general, medium companies are engaged in many different CSR categories, showing an active behaviour and a higher awareness.

However, there is a higher share of small companies taking actions respecting “Selective purchasing”, and this way adopting more CSR practices regarding suppliers, than medium companies, which is extremely important to enable CSR transfer along the chain. In addition, small companies seem more integrated in the community because only they address employees’ relatives’ interests, actions included in the CSR category “Employee welfare”.

In terms of environmental practices, one may conclude that environmental action does not relate to company’s size in the considered sample.

4.2.2. CSR categories addressed per industry sector of SME

In order to study the SMEs according to their industry sector and compare the results, each sector needed to include a minimum number of companies. Because of this reason, while the Industry Classification Benchmark’s division in ‘Subsectors’ was appropriate for the division presented in Table 5, for the present purpose, the Industry Classification Benchmark’s division in ‘Industries’ is more adequate. Therefore, the SMEs in the sample were grouped into four industries – Consumer Goods, Consumer Services, Basic Materials, and Industrials. However, the number of SMEs in each industry sector is not equal (Table 8) which implies that the comparison needs to be based on shares of total up, mid and downstream companies.
Table 8: SMEs in the sample included in each industry sector.

<table>
<thead>
<tr>
<th>Industry sector</th>
<th>SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Goods</td>
<td>Company E, A, I, N, J, M, O</td>
</tr>
<tr>
<td>Consumer Services</td>
<td>Company Q, P, R</td>
</tr>
<tr>
<td>Basic Materials</td>
<td>Company B, D</td>
</tr>
<tr>
<td>Industrials</td>
<td>Company K, G, S</td>
</tr>
</tbody>
</table>

Figure 22: Share of SMEs by CSR category and industry sector.
Figure 22 turns visible some important aspects. All companies in Basic Materials sector address ‘Health and safety practices and incidents’, which may reveal a trend regarding this industry sector since its business processes imply many risks to employees. For instance, all three companies in this sample belonging to Basic Materials involve raw material extraction or transformation of dangerous substances. With a much lower share, companies in Industrials and Consumer Goods also implemented actions in this CSR category. Therefore, the only industry sector that does not include this category is Consumer Services. This might be explained by the nature of the business activities associated as well – retail and hotels – in which risk to employees is not as evident and consequently less attention is paid to this CSR category.

On the other hand, all SMEs in the Consumer Services industry adopted ‘Selective purchasing’, showing a concern about the sources of their supplies to ensure customer satisfaction. This might be related with the fact that all these companies are close to the consumer, downstream the supply chain. So, they are subject to customers’ direct demands which increase their need for selecting carefully their suppliers. Specifically, a real effort to buy local or national products as well as environmentally-friendly items is identified among these companies. However, companies belonging to this sector are lacking actions concerning ‘Stakeholder participation’, ‘Product management’ and ‘Reporting’. These are time-consuming and demanding in terms of human resources, which explains why it must be difficult for these SMEs to allocate resources to these CSR categories.

The highest share of SMEs in the CSR category ‘Stakeholder participation’ belongs to the Industrials sector. This way, companies in this sector express a deeper understanding with respect to stakeholders’ importance to business. Only SMEs in Consumer Goods address this CSR category too. ‘Reporting’ is solely addressed by companies in Consumer Goods, the only industry sector in which companies implement practices regarding all CSR categories. But this might not be meaningful since seven SMEs are in this industry, representing almost half of the sample. The two companies writing reports present a well-structured governance structure, allowing resources to be dedicated to this task. SMEs in Basic Materials only address 7 in 15 CSR categories, leaving out a significant number of categories. For instance, ‘Employment practices and relations’, and ‘Reporting’ are two categories that demand paperwork. This is probably viewed as undesirable by companies in this industry given their light governance structure that does not allow the existence of an employee dedicated to fields like marketing, communications, or human resources. Moreover, these SMEs are not engaged in ‘Stakeholder participation’, ‘Product management’ and ‘Selective purchasing’, three CSR categories that entail an enlarged perspective of stakeholders’ key role in the financial success of the company. Also, these SMEs are not taking actions concerning equal opportunities in their recruitment policy. But one cannot ignore that in the sample considered there are only two SMEs belonging to this industry, which may induce biased results. These two companies have a vague perception of CSR, stating that it is the relationship with the community. Therefore, beyond the legally mandatory actions, these SMEs focus their socially responsible activity on the community. This justifies the reduced number of CSR categories addressed by these companies.
Specific issues
The fact that there are so many differences on the CSR categories addressed according to the industry sector lead to the conclusion that one CSR category may be more important to a certain industry sector than to another. Therefore, it became pertinent to search for the actual sustainability issues related to each economic activity. In order to do that, an extensive search on the trade associations’ websites was conducted. Associations were the source of information chosen because of their deep and specific knowledge concerning the industry they support. Furthermore, their role in companies’ commitment to sustainability is of extreme significance: “Associations play an instrumental role in disseminating the importance of sustainability and transparency to organizations worldwide. By sharing guidance, best practices and information with their members, and even by engaging in the development of reporting rules, associations are helping make a difference to the sustainability performance of thousands of companies.” (GRI, 2012).

Several associations provided valuable information about the critical aspects of sustainability in each economic activity, not only Portuguese but also European and International associations. Only available information on the internet\textsuperscript{11} and applicable to SMEs’ activity was included. The information gathered includes how many trade associations are concerned about CSR issues and how many of these issues they are calling attention to or taking action about, which results from the sum of all issues identified by all trade associations (Table 9). In addition, it is relevant to understand which companies belong to each economic activity.

The economic activity in which trade associations identified the highest number of sustainability issues was clearly Food retail, with 4 trade associations referring to 26 issues. Secondly, Footwear and Animal health industries are also characterised by very active trade associations in what concerns sustainability, referring to 18 issues. In the Hotels industry, 17 issues are recognised, and more trade associations are calling attention to these, including 3 Portuguese associations. However, it is in the Wine making industry that there is the highest number of trade associations calling companies’ attention to 16 critical CSR aspects of the business. The Moulds industry wins in terms of the number of Portuguese associations concerned about CSR, with 5 associations identifying 15 issues. Fruit juice concentrate, PVC, Snacks, Agriculture and Toys are all industries with more than 10 issues identified too. Except for the Toys industry, with only 2 trade associations concerned about CSR, all of these also benefit from a reasonable number of associations taking action about sustainability matters.

Therefore, SMEs in any of the previous mentioned industries have more opportunities to be more engaged in CSR since they are provided incentives and support by their trade associations. The companies in the sample that belong to these industries are Company R, Company M, Company Q, Company P, Company I, Company K, Company J, Company D, Company N, Company E and Company O. Conversely, with a less easy path towards sustainability, SMEs in industries with 10 or less issues mentioned by trade associations are not expected to be as committed to CSR as the beforehand cited. For instance, Eggs production (Company A), Quarries (Company B), Industrial metallurgical equipment (Company G) and Road freight transport (Company S) have their associations worried about 10 or 9 issues only. The exception is Company G that operating in

\textsuperscript{11} Some information was only available to associations’ members.
Industrial metallurgical equipment, and despite the reduced number of CSR issues identified, it has the opportunity to have 4 Portuguese associations providing guidance on sustainability. After this analysis, expectations are that SMEs in an industry in which the awareness and support concerning CSR are higher would be deeper committed. Next it will be checked if this is the case for the companies in the sample.

Table 9: Sustainability issues identified by trade associations in each economic activity of SMEs in the sample.

<table>
<thead>
<tr>
<th>Economic activity</th>
<th>Number of associations considering sustainability issues</th>
<th>Number of sustainability issues identified</th>
<th>Companies in the sample belonging to this industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food retail</td>
<td>4 (3 European, 1 Portuguese)</td>
<td>26</td>
<td>Company R</td>
</tr>
<tr>
<td>Footwear</td>
<td>2 (1 European, 1 Portuguese)</td>
<td>18</td>
<td>Company M</td>
</tr>
<tr>
<td>Animal health - wholesale</td>
<td>4 (1 International, 2 European, 1 Portuguese)</td>
<td>18</td>
<td>Company Q</td>
</tr>
<tr>
<td>Hotels</td>
<td>6 (1 International, 2 European, 3 Portuguese)</td>
<td>17</td>
<td>Company P</td>
</tr>
<tr>
<td>Wine making</td>
<td>9 (1 International, 4 European, 4 Portuguese)</td>
<td>16</td>
<td>Company I</td>
</tr>
<tr>
<td>Moulds</td>
<td>7 (2 European, 5 Portuguese)</td>
<td>15</td>
<td>Company K</td>
</tr>
<tr>
<td>Fruit juice concentrate</td>
<td>6 (5 European, 1 Portuguese)</td>
<td>14</td>
<td>Company J</td>
</tr>
<tr>
<td>PVC</td>
<td>4 (3 European, 1 Portuguese)</td>
<td>13</td>
<td>Company D</td>
</tr>
<tr>
<td>Snacks</td>
<td>5 (1 International, 2 European, 2 Portuguese)</td>
<td>13</td>
<td>Company N</td>
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<tr>
<td>Agriculture</td>
<td>6 (2 European, 4 Portuguese)</td>
<td>12</td>
<td>Company E,</td>
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<tr>
<td>Toys</td>
<td>2 (1 International, 1 European)</td>
<td>12</td>
<td>Company O</td>
</tr>
<tr>
<td>Eggs production</td>
<td>3 (1 International, 1 European, 1 Portuguese)</td>
<td>10</td>
<td>Company A</td>
</tr>
<tr>
<td>Quarries</td>
<td>4 (3 European, 1 Portuguese)</td>
<td>10</td>
<td>Company B</td>
</tr>
<tr>
<td>Industrial metallurgical equipment</td>
<td>5 (1 European, 4 Portuguese)</td>
<td>10</td>
<td>Company G</td>
</tr>
<tr>
<td>Road freight transport</td>
<td>3 (2 European, 1 PT)</td>
<td>9</td>
<td>Company S</td>
</tr>
</tbody>
</table>

12 The sources for the information presented in the table are included in appendix D.
This analysis is aimed at understanding the relationship between trade associations’ awareness regarding CSR, SMEs’ engagement and SMEs’ awareness. For this purpose, the correlation between the following variables was examined: (1) the number of trade associations addressing CSR as well as the number of CSR issues by them regarded (Table 9), (2) the number CSR actions adopted by each company (Figure 2) and (3) the share of total CSR issues identified by associations that were addressed in each company (Figure 23).

The majority of SMEs in the sample confirm what is expected – the more aware and active about CSR trade associations are, the more engaged and aware SMEs are. For instance, Company I, with the highest number of CSR activities adopted, addresses 81% of the 16 sustainability issues recognised by nine trade associations. Furthermore, in the hotel industry there are six trade associations attentive to seventeen topics concerning social responsibility and Company P, the SME in the sample in this economic activity, is the second ranked in terms of number of CSR actions, addressing 76% of the sustainability issues. In addition, Company N have adopted the third highest number of CSR actions and, at the same time, addresses 69% of the issues that trade associations indicate. These are three examples of companies in industries with trade associations promoting a socially responsible behaviour that are not only truly engaged in the CSR agenda, but also aware of the sustainability issues they need to address given the industry they belong to. But there are more companies that operate in industries that care about sustainability and that are both engaged and aware of CSR—Company R, Company K, Company J and Company Q. However, there is one SMEs that, although being actively embracing CSR, could be more aware of the issues that are specially important in the industry it is operating in. This is Company J, a company that by adopting 18 actions, only addresses 57% of the issues considered critical by trade associations.

Also, Company B and Company S, SMEs that belong to industries in which trade associations are passive in terms of CSR, are not as engaged nor as aware as desired.

Figure 23: Share of total issues identified by associations that were addressed by each company.
There are situations where the trade associations approach to sustainability does not have anything to do with SMEs’ commitment to sustainability. Namely, there are companies not fully engaged in CSR belonging to industries where associations are taking action concerning many sustainability issues. For instance, although the footwear industry is in the second place in terms of sustainability topics identified by trade associations, Company M, a shoe manufacturer, only addressed 50% of these issues. A similar situation occurs with Company D and Company E that remaining passive regarding the matter. Therefore, having a high number of issues recognised by trade associations does not necessarily imply that companies in that industry are engaged. This may be explained by a lack of communication between associations and companies and by the association membership fee, acting as a barrier.

In addition, there are cases in which the number of CSR actions implemented is not proportional to companies’ awareness. For example, Company O, only having 11 CSR actions adopted, addresses the major part of critical issues to its activity – 58%.

Concluding, it is important to retain two points. First, SMEs’ performance in terms of CSR should also be judged by which sustainability issues they are addressing, and not only by the number. For instance, Company J is taking many CSR actions focusing on the community but it is overlooking critical issues concerning its economic activity like promotion of healthy lifestyles, emissions to air, code of conduct for raw materials’ suppliers, transport and distribution and biodiversity preservation. Secondly, even though there are some exceptions, it is possible to verify a general trend of companies more engaged being also more aware addressing more issues acknowledged by trade associations, visible in Figure 23.

4.2.3. CSR categories addressed per supply chain echelon of SME

![chart](image.png)

**Figure 24:** Share of SMEs in each supply chain echelon addressing each CSR category.
The CSR category highlighted in upstream SMEs is ‘Health and safety practices and incidents’ (Figure 24), which was expectable given the nature of business processes – raw material extraction and early transformation. In addition, all upstream companies in this sample take action with respect to ‘Employee welfare’, Business Impacts on Community; Community Involvement and Welfare, ‘Community funding and support’, and ‘Environmental impacts minimisation’, addressing some of the most common CSR categories among SMEs.

Midstream firms take actions in CSR categories that no other companies do. This is the case of ‘Stakeholder participation’, ‘Product management’ and ‘Reporting’, involving a deeper understanding of CSR. This way they address shareholders’ as well as buyers’ interests, which neither upstream nor downstream SMEs do. On the other hand, midstream companies express proximity with the community, being the only ones addressing employees’ relatives, actions included in ‘Employee welfare’, which means that these companies, despite the market-oriented approach, do not overlook social issues. The share of companies at this supply chain echelon is also higher than companies upstream or downstream concerning ‘Responsible water consumption’, which reveals the awareness of these companies about environmental issues. In addition, although there are only two CSR categories in which all midstream companies are involved in, there are at least one midstream company in every category.

Comparing with companies in other supply chain stages, downstream SMEs are clearly the most interested in ‘Employment practices and relations’, ‘Training: education and personal skills’, ‘Selective purchasing’ and ‘Responsible energy consumption’. Downstream companies expressed their concern about their image towards clients, stating that instilling a responsible behaviour in their employees is essential. Therefore, codes of conduct and training employees reach a much higher level of relevance when the company sells to final customer (Business to Consumer) rather than to another company (Business to Business). However, there are few CSR actions directly addressing consumers’ interests. This shows the lack of strategic thinking and unawareness of the impact of CSR on the company’s image and reputation. Moreover, despite existing as well midstream companies addressing suppliers’ interests, there is a highest share of downstream companies (nearly 50%) that include this stakeholder in their CSR practices since they carefully select their suppliers. Moderate consumption of energy is a matter of concern too among downstream companies but no relevant meaning is found to justify this fact.

**4.2.4. Conclusions**

There are some clear differences in the behaviour of medium and small companies concerning CSR. Medium companies perform a role in every CSR category identified, presenting a wider CSR activity, which may be justified by the fact that these are bigger companies with more resources to diversify across CSR initiatives. Whereas medium companies pay more attention to the inclusion of different cultures, small companies are focused in closer issues like employing local people and addressing employees’ relatives’ interests. Furthermore, medium companies are market-oriented, including their downstream partners in their CSR activity while small companies are more active about their upstream partners.
There was no linear correlation found among the industry sector and the CSR categories. However, it is possible to highlight some aspects. For SMEs in Basic Materials sector, the most important CSR category is Health & Safety Practices and Incidents because of the nature of the business activities involved. Moreover, because companies in Consumer Services do not transform the products they receive from suppliers, they are all active in the CSR category ‘Selective purchasing’ since suppliers are critical to guarantee a quality service. Brand reputation is also important for companies in Consumer Goods that produce durable goods. For them, ‘Product management’ is the most relevant CSR category. On the other hand, for SMEs in Consumer Goods sector that produce food products, ‘Responsible water consumption’ is more significant, probably due to their higher dependence on water when manufacturing.

Despite some exceptions, most SMEs in the sample confirm the impact of trade associations in CSR engagement. It was showed that, for the interviewed SMEs, in an industry where there is a number of trade associations concerned about several CSR issues, critical for the economic activity, the SMEs in the industry are definitely more committed to CSR.

With respect to supply chain echelons, midstream SMEs clearly outstand, presenting a deep and broad understanding of CSR as well as an active attitude about it. This is proven by the fact that they take part in every CSR category. Also, beyond being the only ones taking action in CSR categories such as ‘Stakeholder participation’, ‘Product management’ and ‘Reporting’, they are the only ones addressing buyers and employees’ relatives in their CSR practices, stakeholders that are often neglected. Downstream SMEs, on the other hand, reinforce what was concluded about companies in Consumer Services sector, expectable given that SMEs in this industry are all downstream companies. In sum, since downstream companies are closer to the final customer, developing an excellent image in customers achieves higher importance and consequently in order to please the consumer, ‘Selective purchasing’ is essential.

After understanding the relevance of CSR categories to SMEs, globally and specifically according to size, industry and SC echelon, it is useful to analyse the SMEs’ features that justify the presented engagement in CSR.

4.3. CSR features in SMEs

Once acknowledged which CSR categories are most meaningful for the SMEs in the sample, it seems useful to analyse which categories motivate (drivers) them, as well as which difficulties companies have found (inhibitors) and which impacts CSR is leading to (benefits), in comparison with what have been discussed in the literature review.

4.3.1. Drivers

If one is willing to fully understand companies’ commitment to CSR, it is vital to study what provokes companies to take initiatives to become more socially responsible.

The most important driver mentioned by 12 of the 15 SMEs interviewed (Table 10) is the character and values of the company’s owner or manager. So, this sample of SMEs represents a real-life example of what is cited by the authors Murillo and Lozano (2006), Fox (2005) and Coppa and
Table 10: Drivers identified by SMEs.

<table>
<thead>
<tr>
<th>Companies\Drivers</th>
<th>Buyer satisfaction</th>
<th>Benefits to a wider group of stakeholders</th>
<th>Concern with employees’ health and welfare</th>
<th>Legal regulation</th>
<th>Cost reductions</th>
<th>Sense of rootedness</th>
<th>Sense of responsibility towards society</th>
<th>Image and reputation</th>
<th>Vision/mission of the company</th>
<th>Impact on competitiveness</th>
<th>Dealing with external pressures</th>
<th>Increased profits</th>
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Sriramesh (2013). SMEs being driven by this aspect shows the genuine nature of the adopted CSR practices and their true willingness to help.

The second most cited driver is legal regulation. Legal rules still play the vital role of triggering some CSR practices among SMEs. From the information provided by companies in the interviews, this is particularly true concerning environmental issues. Legal regulation was a driver named by the academy as well, referred by Murillo and Lozano (2006), Williamson, Lynch-Wood, and Ramsay (2006), and Coppa and Sriramesh (2013). Dealing with external pressures, the second driver most frequently recognised by SMEs, and stated in the literature by Murillo and Lozano (2006), includes tackling recommendations from buyers, requests from charities and reacting to competitors’ moves. With the same number of companies identifying it as a driver, comes the sense of rootedness, identified by Fox (2005) that compels SMEs towards CSR adoption. This proves the significance of the companies’ local communities.

Buyer satisfaction, concern with employees’ health and welfare, cost reductions, sense of responsibility towards society, and image and reputation are drivers identified by some companies too. Buyer satisfaction was previously recognised by Williamson et al. (2006). The author did not exactly mention buyer satisfaction, but customer satisfaction. There is a slight difference worth to be noticed since customer commonly refers to final consumer. However, companies in the sample of the present work mention their direct buyer satisfaction as a driver pushing them to adopt CSR, and not only final consumer demands. Concern with employees’ health and welfare, cited by Perrini (2006), is important for these SMEs because of the focus on their staff’s well-being. Cost reductions and image and reputation were not found in the literature as drivers but as benefits. So, one may conclude that these SMEs are frequently driven by the expectation of the mentioned benefits.

Moreover, vision/mission of the company is also a very rare driver among the SMEs in the sample, which might be explained by the typical focus on operational matters rather than on strategic ones. Regarding impact on competitiveness and increased profits, these are not acknowledged by most SMEs as reasons to implement CSR practices probably because these economic advantages are not expected.

The least popular drivers are benefits to a wider group of stakeholders, vision/mission of the company, impact on competitiveness and increased profits. All of these were also referred as drivers by academic authors. Few SMEs consider benefits to a wider group of stakeholders as a driver because, from the information gathered in the interviews, most companies are very focused on internal and local community matters, overlooking indirect effects of their actions.

4.3.2. Inhibitors

Even driven by important forces, SMEs have to overcome many difficulties imposed by the barriers to CSR.

Lack of human resources availability is, along with legal regulation, the most commonly mentioned inhibitor that prevents or hampers CSR adoption by the small and medium-sized companies in the sample.
Concerning the lack of human resources, seven of the interviewed companies claim that there is no time available to dedicate to CSR, since governance structure does not include a person or department to handle CSR matters. About legal regulation, it may seem contradictory that it is named by the same number of SMEs given that it is also a driver. However, actually, there are legal rules helping CSR and there are other rules discouraging CSR. For example, SMEs state that high taxes imposed to companies represent resources that they could use to help the needy or that the paperwork imposed by law to take a voluntary action is sometimes exaggerated. Companies even say that law promotes food waste. These two inhibitors – lack of human resources availability and legal regulation – were not previously found in the literature.
Shortage of incentives, stated in the literature by Fox (2005), is the second most frequent inhibitor and comprises lack of incentives by regulatory entities, lack of requests by charity organisations, untrustworthy environmental certifications, long term nature of CSR practices, inappropriate behaviour by supply chain partners and buyers’ unawareness concerning CSR. In addition, lack of know-how, affordability and costs were cited by five companies. Already stated in articles by Friedmand and Miles (2002) and Williamson et al. (2006), lack of know-how is identified by these companies as an obstacle due to employees’ unawareness with respect to CSR, difficulty in finding measurable CSR objectives and difficulty in spotting the real needs they should be helping to satisfy. Affordability, which Fox (2005) identified, is an inhibitor caused by an unbearably high number of requests, reduced companies’ size or limited financial resources. On the other hand, costs are cited by Williamson et al. (2006) and confirmed to be a barrier. Although affordability and costs are related, it is essential to clarify the difference. While affordability implies an impossible match between needs and resources, costs only suggest that there are financial resources to be spent. Finally, applicability, identified in an article by Fox (2005), is the least popular inhibitor. The three companies that mention it allude to the nature of the product they sell, the service they offer or the issues with supply chain partners both up and downstream that prevent some CSR measures.

4.3.4. Benefits

Anyway, in spite of those difficulties, SMEs recognise many benefits (Table 12).

Eleven companies spotted better image and reputation as a benefit derived from CSR, earlier identified by Jenkins (2006). However, the expectation of enjoying improved image and reputation only represented a driver for four companies, which means that most companies, despite taking advantage of this benefit, were not driven by it. Improved employee motivation is another very commonly stated benefit, translated into increased satisfaction and well-being, also supported by Jenkins (2006). This being recognised by ten companies again expresses SMEs’ attention devoted to their employees. The third most repeated benefit is costs savings and efficiency, defended beforehand by both Perrini (2006) and Jenkins (2006), which evokes a positive relationship between financial performance and CSR measures. Better organisational culture is relevant as well, encompassing better working environment and learning from cultural diversity. Once more, this is a benefit cited in the literature by Jenkins (2006) and Coppa and Sriramesh (2013). Broader social benefits, pinpointed by Perrini (2006), was listed by some SMEs, that mentioned the company’s better integration in the community, better waste management, sustainability of resources and product quality. Clear conscience was also claimed to be a benefit of undertaking CSR measures. Both Company E and Company D argued that there is a good feeling derived from acting responsibly. Improved management quality, formerly cited by Coppa and Sriramesh (2013), was another benefit identified, through easier planning and improved communication systems. Higher market position and greater market access, recognised by academic authors too, were benefits only perceived by one company each, which might be consequence of the lack of strategic thinking behind CSR implementation given that only four companies claimed they incorporate CSR in their strategy.

However, as Fassin (2008) concluded, benefits will be more transparent and accountable if they are measured somehow. Therefore, studying the processes of measuring, reporting and also
Communicating represents a step necessary to achieve grounded conclusions about which is the degree of formalisation that SMEs should have to fully realise benefits derived from CSR.

<table>
<thead>
<tr>
<th>Companies</th>
<th>Benefits</th>
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<td><strong>Cost savings and efficiency</strong></td>
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<tr>
<td><strong>Better organisational culture</strong></td>
<td>![check]</td>
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<tr>
<td><strong>Improved employee motivation</strong></td>
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<tr>
<td><strong>Opportunities for innovation</strong></td>
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<td><strong>Improved management quality</strong></td>
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<td><strong>Clear conscience</strong></td>
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### Table 12: Benefits identified by SMEs.

#### 4.3.5. Measuring, reporting and communicating

Most of the companies interviewed measure some type of CSR indicator such as energy consumptions, amounts of material sent to recycling, training costs or money spent on donations and sponsorships. However, only Company N goes deeper and formally assesses CSR including social indicators like employee satisfaction, staff efficiency, and health and safety measures. Company G, despite currently only assessing few indicators, is eager to go further measuring more parameters. Its co-owner cited “It would be interesting if people could assess the results of what they do”. Moreover,
although Company O and Company J do not measure quantitatively any parameter yet, they are aware of the importance of assessing CSR and willing to do it. Conversely, six SMEs do not regard formal assessment needed at all.

Thirteen companies do not report CSR activities. Most companies simply do not find reporting relevant. Company D’s co-owner, for example, states that “Reports only make sense to big companies, few of them”, reinforced by Company K – “It ends to be a document that nobody will read. So, I don’t see any advantage in it”. On the other side, Company O emphasises a practical matter – “The problem is measuring”.

Nevertheless, two SMEs – Company G and Company A – are enthusiastic about starting doing it. For instance, Company A’s responsible for the quality department expressed her opinion about reporting: “Everything that enables better [results] is welcome”. Nonetheless, there are some doubts about this company’s ability to write CSR reports because of its lack of human resources availability, a difficulty identified by the firm as an inhibitor regarding CSR. On the other hand, there is one company – Company J – that includes a section about CSR in their annual report, including qualitative data.

A substantial number of SMEs communicate their CSR activity solely internally, to employees. The reasons why they refuse to communicate to external entities involve the belief that it is not needed – for instance, Company K’s owner said “What counts are the results, not the rhetoric” – and also the strong will to remain discrete about their CSR activity, avoiding showing off – “We’ve never done anything with the purpose of communicating it to external entities”, said Company D’s co-owner. A few companies communicate both internally and externally, believing that external communication is important for their image and for their performance, and, four companies do not communicate at all, being certain of its irrelevance to the business. There is one, however – Company G– that although is not communicating, acknowledges that it is very important, saying “It’s a pity that we don’t have any means to communicate”.

4.3.6. Conclusions
Most SMEs identify character and values of the owner/manager and legal regulation as the most important drivers. Even considering that legal regulation is a significant driver, identified by 40% of the companies in the sample, it is possible to state that SMEs are not taking such a high number of actions regarding employees, community and environment only to comply with legislation. This is due to two main reasons: (1) the great number of different actions in ‘Employee Welfare’ reveals SMEs do not only implement the mandatory ones; (2) although Portuguese companies are not legally obliged to help local communities, all SMEs in the sample, except for one, reveal an active attitude in this respect. Also, the popularity of the CSR categories ‘Responsible energy consumption’ and ‘Environmental impacts minimisation’ is generally not driven by moral reasons like the other popular categories are. Instead, actions included in these categories are mainly linked with costs savings, regulation compliance and managing by-products resulting from the manufacturing processes.

SMEs also recognised cost reductions and image and reputation as motivators towards CSR. These two are not found in the literature analysed as drivers but as benefits. Therefore, this is an important contribution of the present work: some SMEs are able to foresee better image and costs savings thus their engagement in CSR is driven by those expected benefits.
In terms of inhibitors, the two most important for SMEs in the sample were not found in the literature either. Lack of human resources and legal regulation are the main aspects preventing these SMEs from being more engaged in CSR agenda. However, none of the two companies that write reports identified lack of Human Resources as a difficulty, which may indicate that reporting is one of the least important CSR categories for the interviewed SMEs, because of their impossibility to allocate resources to the task. Insufficient incentives and lack of know-how (companies claim difficulty in measuring results) are relevant difficulties too.

All SMEs put effort into be integrated in the community. This causes better image and reputation, the most relevant benefit recognized, which is rather surprising given the fact that eleven SMEs either do not communicate their CSR activity at all or only communicate internally. One may conclude that being smaller companies and active in local community, they are closer to the community what makes it difficult to hide CSR initiatives, leading to better image and reputation. The stakeholder to whom the highest number of CSR actions (100) is addressed is employees, which is reflected in improved employee motivation, the second most common benefit from CSR identified by this sample of companies.

The company that realised the greatest number of benefits – Company N – is also the only SME writing a report entirely dedicated to CSR. This reinforces the idea that reporting may help SMEs exploiting benefits derived from CSR, stated by Jenkins (2009).

However, most SMEs do not measure CSR indicators beyond the ones mandatory by law (environmental indicators) or costs with donations and training. The majority does not intend to formalise any measuring or reporting procedures, although one SME beyond Company N – Company J – writes a section in its annual report dedicated to CSR.

4.4. SMEs’ role in sustainable supply chains

As stated in the literature, as part of supply chains, SMEs play an essential role in transferring CSR practices. Having studied their engagement in CSR, it is next analysed their ability to encourage buyers and suppliers to be more socially responsible.

4.4.1. Influence and potential

Figure 25 presents the current transfer of CSR practices from and to the interviewed SMEs. While regular lines present actual CSR transfer, dashed lines represent the potential CSR transfer among companies and grey dashed lines represent a lower potential. It was concluded that Upstream SMEs do not influence or are influenced by their supply chain partners in terms of CSR practices, except Company A. Although this firm does not exert any pressure on its supply chain partners, there is one buyer that asks about Company A’s responsible behaviour including it as an item of a checklist when it audits the company. Despite CSR aspects being regarded, they are not determining the decision to buy, and the interviewee gave very little importance to the matter, even mentioning that this buyer is not an example in what concerns CSR.
Furthermore, potential to transfer socially responsible measures was identified in Company A concerning its suppliers. This is because there is a good and long term relationship between this company and its suppliers, and Company A has imposed some successful changes in suppliers’ practices in the past, which reveals its ability to influence them. The reason why this CSR transfer
towards suppliers is still not happening can be due to this company's lack of openness to collaboration with supply chain partners. However, this SME is willing to participate in an Intra-Supply Chain Training Programme (ISCTP). Moreover, **Company E** seems also able to push CSR towards its suppliers’ practices given not only this company’s good and long term relationship with suppliers but also the fact that it already assesses its suppliers’ commercial behaviour through surveys. Also, despite not having any partnership, this SME is aware of the high importance of collaboration between entities in the supply chain, showing availability to attend an intra-supply chain training programme too. However, Company E’s bargaining power with respect to suppliers is low, which decreases the potential to transmit CSR to them. The remaining upstream companies – **Company B** and **Company D** – show potential regarding this matter as well since they have good bargaining power concerning their buyers. Nevertheless, these two companies are still reluctant in what regards partnerships with supply chain partners, expressing pride in being very independent. This, combined with finding an ISCTP useless, might explain the inexistence of any pressure towards CSR either from or towards them.

On the other hand, the majority of **midstream SMEs** either encourages sustainable practices or is influenced regarding this matter.

The most influential midstream company in terms of CSR is **Company I**. It is not encouraged by any supply chain partner, but it transfers CSR practices both to suppliers and buyers. This company’s bargaining power concerning suppliers is very good enabling the inclusion of CSR in its supplier selection criteria. Since Company I believes collaboration is extremely important, considering suppliers as partners, it ensures suppliers’ compliance with requirements through follow ups instead of audits. Moreover, although Company I’s buyers are big retail stores with a very good bargaining power, the company invites them to participate in its CSR projects. Parallel to its openness to collaboration, this SME is wishing to participate in an ISCTP, considering training useful.

**Company G** is also influential. It simultaneously is asked to fulfil a set of CSR requirements that some buyers demand and makes some suggestions to its suppliers so that they act more responsibly. In addition, this company is willing to adopt supplier selection criteria including CSR aspects, which combined with the long term, good and close relationship with suppliers and its good bargaining power concerning them makes Company Gable to committedly transfer more CSR practices to suppliers. Its buyers could also be influenced by this company given the good commercial relationship and Company G’s good bargaining power and its openness to collaboration. Presenting a strong will to develop CSR in the company, Company G considers training very useful. **Company J** is another example of an upstream transfer of CSR principles, that is, from the company’s buyer and to the company’s supplier. It is demanded to have a CSR certificate and is evaluated through surveys. Company J’s influence on suppliers is limited to making them avoid food waste, driven by an economic reason. However, this company seems capable of doing much more because it visits suppliers at the field and has a good bargaining power. Company J is open to collaboration and to training concerning CSR matters, embodying high potential for playing an active role in transferring CSR practices.
Company K, Company M and Company N do not exert any pressure towards CSR in their supply chain partners. Moreover, a strong ability to encourage CSR in its suppliers was identified in Company N given that it considers collaboration essential, already visiting and auditing its suppliers. Company M presents ability to influence its suppliers given its long term good relationship with them and the visits to their facilities, even though it is little because of its low bargaining power. For these companies, their buyers demand a socially responsible behaviour from them. For instance, Company M is required to have a certificate with respect to CSR. In addition, Company K may be able to influence its buyers that, in spite of having very good bargaining power, find the company extremely reliable. Nonetheless, Company K’s owner does not believe in partnerships and it is not willing to develop any, which makes transferring CSR practices much more difficult. While Company K find collaboration and training useless, Company M and Company N are willing to participate in CSR training, revealing more potential in what concerns transmitting CSR principles. Furthermore, Company O is used to develop successful partnerships and understands the relevance of collaboration. So, it seems to have a strong ability to potentially influence suppliers, that already evaluates, and some buyers (small retailers).

Downstream companies spread CSR practices as well. The best examples are Company Q and Company R, that both push CSR towards suppliers and buyers. Company Q influences its suppliers demanding environmental certificates, including CSR in supplier selection criteria and ensuring compliance through follow-ups. However, the company states that suppliers are the ones teaching it CSR principles and not the contrary. Company Q’s impact on buyers’ CSR behaviour is not much and could be deepened. This SME is not open to CSR training since it believes there is no need for that. In case of Company R, it influences suppliers with a true educative purpose, stimulating simple responsible practices. Regarding buyers, the company’s influence is based on communication campaigns and simple measures like selling plastic bags rather than giving them for free in order to minimise environmental impact. Anyway, this company presents potential to extend its influence but it is reluctant about training given the costs implied. Company P considers itself the key player of the supply chain and it seems very influential, regarding collaboration very useful. However, it only transfers CSR to its buyers and even this impact could be higher. This company has very good bargaining power regarding suppliers, visiting them and being able to impose demands. Thus, there is a very promising potential concerning Company P’s ability to stimulate CSR practices. But, although training could be key for this company’s role in transferring CSR, it seems to postpone it for the future. Finally, Company S does not incentivises or is incentivised in terms of CSR practices and there are no signs of a potential influence in the future given that the owner deeply believes that it has no right to do it since each company is managed in its manager’s own way.

It is important to note that 71% of the actual transfers of CSR principles among SMEs and their supply chain partners are upstream directed, that is, from buyers to suppliers. This may be explained by the fact that when asked about which is the key player in the supply chain they belong to, most SMEs answered that it was either a direct or an indirect client. Therefore, key players, which are downstream, create an upstream flow of CSR practices transfer. Interests would only create a bi-
directed CSR practices transfer in closed-loop supply chains, which is not the case of the companies included in the sample.

4.4.2. Partial supply chains
As explained in section 3.2.2, there are a primary sample and a secondary sample of companies. The purpose of interviewing these four companies that compose the secondary sample – Company C, Company L, Company H and Company F – is understanding if the SMEs Company D and Company E are part of supply chains in which CSR is transferred along the chain and how this is realised.

PVC supply chain
First, it is imperative to understand the main characteristics of these three companies – Company C, Company L and Company D.

Company C is a big enterprise, a subsidiary of a foreign company. It is a member of European Council of Vinyl Manufacturers (ECVM) so it has made important voluntary commitments regarding sustainability issues that are nowadays mandatory, showing a very proactive attitude in this respect. About implementing CSR measures, the interviewee stated “There's no way out. It's as important as making PVC.”, making clear that this is a company that truly cares about CSR. The company has 29 CSR actions implemented. In addition, Company C is very conscious about the fact that collaborating with supply chain partners leads to a more powerful action towards a common goal.

On the other hand, according to the interviewee from Company C, compounds manufacturers in Portugal like Company D are fragmented. They are many smaller companies that are passive in terms of CSR agenda and do not participate in the European programmes that are taking action towards a more sustainable production of PVC like VinylPlus or Vinyl2010.

Company L is a medium company, also a subsidiary of a foreign company. Its organisational culture is based on the parent company’s influence as well as all CSR measures that focus on employees. Company L believes that a company is only able to be excellent if its employees are motivated and participative. Therefore, this firm's managers are open to employees' suggestions and are always looking for chances to improve their social performance. In terms of the number of CSR actions, this company has adopted 31 practices, the highest number of all companies interviewed. Moreover, Company L has many partnerships and considers collaboration between supply chain partners important.

Although Company D is a medium company, this is due to its high annual turnover because it has only 30 employees. Company D is very solid in terms of financial performance, being PME Excelência for 17 years. Since it is much focused on reducing costs and it believes CSR represents a cost, Company D limits its CSR practices mainly to donations to charity organisations, choosing them according to the causes to which the owners are sensitive to. Therefore, this SME only has adopted 11 CSR actions. In addition, this SME is certain that both its buyers and suppliers are purely driven by commercial interests, so they will not change their behaviour, whether or not Company D's
encourages them to adopt CSR measures. As such, Company D does not make any effort to transfer CSR practices to its supply chain partners. This combined with the belief that collaboration is not important, makes Company D’s current role in the chain very reduced.

After the main characteristics of the companies that were studied in this supply chain are known it is possible to analyse how CSR is transferred along this chain.

As expected, Company C transfers CSR both towards buyers and suppliers (Figure 26). Its supplier selection criteria includes environmental aspects that do not weight much. Although its bargaining power towards buyers is low, Company C shows them its CSR best practices, encouraging them to follow the example. The reverse is also true since buyers influence Company C to implement CSR, visiting the company and making surveys. However, Company D is not one of these buyers. Actually, Company D does not transmit CSR at all.

Company L learns CSR practices from its buyers who make social audits and require some CSR policies. Therefore, the company does not feel the need to encourage them in this regard. However, Company L is a very influential company, making an effort to induce a responsible behaviour in its suppliers through CSR requirements, audits, supplier selection criteria including CSR. Nonetheless, Company D claims it is not asked to comply with any CSR requirement.

Company D is not open to partnerships because it does not consider collaboration relevant. This might explain the fact that both Company C and Company L, despite influencing companies in Company D’s echelon in the supply chain, do not influence Company D. In addition, it is assumed that these companies – Company C and Company L – focus their effort in transferring CSR to their main suppliers/buyers and Company D is not likely to be one of them since it has a wide range of suppliers and buyers, not representing much to each of them.

Company C and Company L consider training very important and are willing to participate in an intra-supply chain training programme while Company D is not, perceiving training absolutely useless.

Again, it is extremely important to highlight that Company D is not open to partnerships, causing a disruption in CSR transfer along its supply chain.
Vegetables and fruit supply chain
As it was done in the PCV supply chain, the main characteristics of the three companies involved in the vegetables and fruit supply chain – Company H, Company F and Company E– will be analysed.

**Company H** is a micro company whose owner has never heard about Corporate Social Responsibility before, having nevertheless 9 CSR actions implemented. There are important behaviours that reveal a concern about the company’s stakeholders. For instance, there are many social meetings with staff as well as daily donations to specific causes and sponsorships for events in local community. Moreover, despite not having any partnership, this company considers collaboration valuable in CSR adoption.

**Company F** is a medium company whose managers are very close to employees, carefully following their problems and helping if necessary. This behaviour is translated into 19 CSR actions. Also, the company’s managers believe that CSR is helping without promoting the company’s name. Company F’s CSR activities are always anonymous. This company already has CSR partnerships and recognises that collaboration is important.

**Company E** is a small firm managed by people that are conscious about CSR. However, it is managed with a focus on economic sustainability. Since CSR is seen as a cost, this company does not take much action in this respect, with only 9 CSR actions implemented. Nevertheless, there is an intention to do more. Also, Company E understands that collaboration is useful for CSR.

![Diagram of CSR transfer in part of Company E’s supply chain, including Company H, one of its suppliers, and Company F, one of its buyers.](image)

Looking at the CSR actions that are transmitted along this chain, one can see that only two companies make use of their role in the supply chain to encourage CSR (Figure 27). On the one hand, Company F transfers some CSR practices to Company E, visiting it and the remaining suppliers to ensure environmental compliance. On the other hand, Company H transmits CSR principles to Company E, and the remaining buyers, visiting them and guiding them on how to use the agricultural machinery in the most energy efficient way. Therefore, Company E is the only company in this supply chain that, despite feeling the influence from its supply chain partners, does not transfer CSR at all. However, this SME presents some potential, as seen in the previous section. In addition, Company H could...
transfer CSR to its suppliers since it has good bargaining power and already visits them, and, although Company F has good bargaining power to negotiate with buyers, this company feels it has no right to interfere in buyers’ practices. Thus it does not reveal any motivation to transfer CSR towards downstream companies.

Concerning their openness to partnerships, it is curious to observe that, in this partial supply chain, the more downstream a company is in this chain, the more open to partnerships it is. Also, all these 3 companies are willing to participate in an intra-supply chain training programme, acknowledging the importance of training in what concerns CSR.

4.4.4. Conclusions

Upstream SMEs do not play a significant role in transferring CSR practices along the supply chain. This may be explained by the fact upstream companies in the sample generally have a low bargaining power and they do not desire partnerships with suppliers or buyers.

Most midstream SMEs, on the other hand, is influenced, and one even influences suppliers and buyers. This has to do with the fact that they are open to collaborating with supply chain partners. Besides, in general they have a good bargaining power.

Downstream SMEs are also open to collaboration and making use of their good bargaining power, they are active in transmitting CSR practices to their buyers and suppliers. Thus, despite CSR transfer not being as common among these SMEs as it could be, a strong potential to do so was recognised by the five companies in the sample.

Companies in the PVC supply chain, except for Company D, are seriously committed to CSR and wish to continuously increase their performance. However, the three companies as a chain seem to fail in terms of CSR transfer since the only influence is Company C exemplifying best practices, which do not result in any change in Company D’s behaviour. So, even if one SME is surrounded by companies fully engaged in CSR and making efforts to transmit CSR along the chain, the SME may not allow this influence, losing the chance to make part of an increasingly sustainable supply chain.

In the Vegetables and fruit supply chain, Company E is influenced by Company H, trying to be the most efficient possible and it is encouraged to fulfil environmental requirements by Company F, which reveals a real change in behaviour, even if soft, caused by supply chain partners influence. In this chain, there is one SME that is influenced by two companies in the supply chain to implement some CSR policies (the case of Company E), that may be opened to adopt more CSR practices and to build partnerships. Nonetheless, this does not imply that this SME will transfer CSR to its supply chain partners, since it remains in a passive attitude.

Company H and Company F are much less focused on CSR, despite having adopted some actions, whereas both Company C and Company L have serious plans and assess their own CSR performance. However, the SME that belongs to the Vegetables and fruit supply chain is more influenced and presents a higher potential to transfer CSR than the SME that is part of the PVC supply chain. This reinforces what is said in the literature – collaboration is essential to a sustainable supply chain. If an SME is open to collaborate, even if it does not transfer CSR to its buyers or suppliers, it changes its behaviour in terms of CSR performance.
4.5. Top 3 and bottom 3

In the end of having understood Portuguese SMEs’ engagement in CSR and their role in sustainable supply chains, it is pertinent to compare the companies that undertook the highest number of CSR actions with the ones that implemented the least number. This would allow identifying best practices as well as root causes why some SMEs are so inactive in terms of CSR.

4.5.1. Top 3 and bottom 3 SMEs characterisation

The number of measures implemented concerning CSR is certainly a relevant indicator in order to understand SMEs’ engagement in CSR agenda. Therefore, next the three companies that adopted the highest (top 3) and the lowest number (bottom 3) of CSR actions will be analysed.

![Figure 28: Number of CSR actions by company.](image)

**Top 3**

The company that adopted the highest total is Company I, with 22 actions (Figure 28). Following, the top 3 is composed by Company P and Company N.

All companies in top 3 have different, but complementary, perceptions of CSR (Table 13).

<table>
<thead>
<tr>
<th>Company</th>
<th>Perception of CSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company I</td>
<td>Responsibility of sharing with society what the company has received from it.</td>
</tr>
<tr>
<td>Company P</td>
<td>Addressing employees’ interests.</td>
</tr>
<tr>
<td>Company N</td>
<td>Responsibilities and duties of a company, being aware of stakeholders’ interests and managing them.</td>
</tr>
</tbody>
</table>

There is a number of characteristics that are common in these companies that may indicate why they have implemented so many CSR actions. For example, all of them have strong internal motivation towards CSR, mentioning their owners’ own personal values as well as a sense of responsibility
towards society as very important drivers. As a consequence, companies reveal a genuine concern about employees and the local community. For instance, Company I claim “Here we are in fact a great family.” Also, Company P makes an effort to let employees have days off during high season and Company N makes use of annual surveys in order to understand how satisfied they are and why. With respect to community, Company I takes actions aiming at local development as well as protecting employees’ families and Company P participates in charity events offering hotel stays. Moreover, CSR is not considered an administrative burden, on the contrary, it is seen as a positive contribution (Table 14).

Table 14: Quotes about CSR by the owners/ managers of the top 5 companies.

<table>
<thead>
<tr>
<th>Company</th>
<th>Quote</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company I</td>
<td>“I always receive more than I give.”</td>
</tr>
<tr>
<td>Company P</td>
<td>“It’s a pleasure to help, it costs nothing.”</td>
</tr>
<tr>
<td>Company N</td>
<td>“Sustainability is a competitive factor.”</td>
</tr>
</tbody>
</table>

Another important attitude that characterises top 3 SMEs is related to the way they overcome inhibitors concerning CSR adoption. The main obstacles identified are lack of know-how and applicability. As good strategies to overcome these, Company I recognised struggling against obstacles with persistence, taking action and motivation; and Company P identified specific CSR actions that do not require high costs.

But top 3 companies’ role in transferring CSR along the supply chain could be more active. Only Company I transmits CSR towards its suppliers and buyers. Company P just influences its buyers and Company N does not influence any supply chain partner.

Effectiveness

It is important to know if the high number of CSR actions that top 3 SMEs have implemented is leading to a positive outcome. Therefore, in order to understand the effectiveness of CSR measures adopted, the benefits realised by the companies were analysed.

After studying the answers with respect to this subject, it was possible to conclude that top 3 firms are experiencing more advantages derived from CSR than the majority of the remaining companies. Namely, Company N is the most enthusiastic SME, identifying seven benefits and presenting a strong will of moving further towards more CSR practices.

All top 3 companies benefit from improved employee motivation as a consequence of CSR, which reveals that not only top management is engaged but also the whole organisation. This is reinforced by the fact that a better organisational culture is realised in two of the top 3 companies. Improved management quality is another advantage identified in two of the three SMEs that explain that a better quality of their product was achieved, as well as better planning and procedures became simpler. Image and reputation is an unquestionable effect of CSR in two companies too, even not publicly communicating the CSR actions taken. For example, Company I refers that clients and surrounding
community feel that the company is trustworthy. Broader social benefits are recognised by two of the top 3 firms as well. One of them is Company I, which is an example of a company that has a crucial impact on the development of its local community.

An important benefit is better financial performance. SMEs that incorporate CSR in their strategy, which is the case of Company I and Company N, enjoy, according to them, a positive effect in company’s financial success. For instance, Company N’s owner based on the CSR indicators that are measured, states that the impact is great. This reinforces what is advocated by the school of thought ‘the good management theory’ that states that CSR influences CFP (Waddock, S. & Graves, S., 1997). On the other hand, Company P presents a less aware perspective: “I don’t know if it has anything to do with financial performance.”

**Awareness of critical CSR issues**

As mentioned in section 4.2.2, knowing which critical sustainability issues companies are addressing may be, along with the number of CSR actions, an indicator of their engagement in the CSR agenda.

![Figure 29: Visual representation of the share of issues identified by trade associations that were addressed by each of the top 3 SMEs.](image)

The top 3 companies present a very high awareness, taking actions concerning the great majority of the critical issues identified by their trade associations (Figure 29). For example, the company with the highest number of CSR actions, Company I, is also the one addressing the highest share of topics of concern recognised – 81% – which shows its awareness regarding the sustainability issues related to its activity.

**Measuring, reporting and communication**

All companies in top 3 measure some CSR indicators. Company I only measures donations and other costs while Company P measure energy indicators. In the case of Company N, many other indicators are measured such as waste from packaging, process efficiencies, energy efficiency, staff productivity, employee satisfaction, number of complaints and service level and more. These indicators are part of
a balanced scorecard that results in employee evaluation, which has been well accepted among company's collaborators.

Furthermore, Company N is an example in terms of reporting its CSR activity too. It is the only company that writes an entire social report, covering both social and environmental indicators, quantitatively and qualitatively assessed. The report is written by one person from the Human Resources department, situation that is only possible because the company's governance structure allows it. The social report is considered extremely important because it summarises the company's performance in terms of CSR indicators.

On the other hand, neither Company I nor Company P seems to have a governance structure enabling writing a CSR report every year. Whereas Company I considers a report important, Company P does not.

For Company N's owner, internal communication is considered extremely relevant as well. There is an annual meeting in which the results from the previous year are analysed, as well as the results of the employee satisfaction survey and where the objectives of the following year are discussed. Moreover, there are more meetings throughout the year. However, external communication is not considered a significant matter for this SME's owner. Company I does not believe it is important either, claiming that the company prefers to remain discrete. In the case of Company P, customers are presented as not caring about sustainability, which discourages external communication about CSR. Nonetheless, the owner says that in the future, communication needs to become turned to external entities too. Internal communication in this company remains informal.

Intentions

All top 3 companies have defined very specific future CSR actions, mostly concerning giving more privileges to employees and reducing energy consumption. Despite Company I does not present a list of actions, it aspires to become a member of Grace, a Portuguese non-profit organisation that aims at increasing companies’ participation in their social context, through the creation of partnerships that enable visible and tangible impacts. Therefore, Company I clearly intend to adopt more CSR practices.

To sum up, top 3 companies either have decided which CSR projects they are going to implement in the future or are planning to ask for help to complete that task, showing they are satisfied with their participation in the CSR agenda and that they are willing to do much more with respect to this.

❖ Bottom 3

Not only the most engaged companies are relevant for this analysis. Studying the least engaged is important to understand what characterises these companies, the reasons why they implement only few CSR actions, and if they present potential to become more engaged.
The bottom 3 companies include Company S, Company E and Company B with nine actions. All these companies have a very similar perception of CSR, mentioning the relationship with the community or society when describing their own concept of CSR (Table 15).

**Table 15**: Perceptions of top 3 companies about the concept of CSR.

<table>
<thead>
<tr>
<th>Company</th>
<th>Perception of CSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company S</td>
<td>Responsibility towards society</td>
</tr>
<tr>
<td>Company E</td>
<td>Social aspects of business – employees and community</td>
</tr>
<tr>
<td>Company B</td>
<td>“Something linked with the society.”</td>
</tr>
</tbody>
</table>

Generally, the bottom 3 SMEs do not look at CSR as a positive contribution business (Table 16). However, Company S shows it understands the importance of being socially responsible in order to be competitive.

In what concerns the motives pushing them to CSR, beyond owner’s personal values, legislation is still a strong driver, leading to the conclusion that many of the CSR actions in these companies are implemented to comply with legal regulation. Furthermore, it is of extreme relevance to understand which are the inhibitors that avoid these SMEs to adopt a higher number of CSR practices. Two companies believe that a company’ size is a factor that determines how engaged a SME is. For instance, Company S states “Each company [takes CSR actions] according to its size.” In addition, the most frequent inhibitors cited are limited financial resources and shortage of incentives, identified by

**Table 16**: Quotes about CSR by the owners/ managers of the bottom 5 companies.

<table>
<thead>
<tr>
<th>Company</th>
<th>Quote</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company S</td>
<td>“It’s something we need to face naturally since we live in a country that aims to be modern and competitive.”</td>
</tr>
<tr>
<td>Company E</td>
<td>“I don’t expect to earn clients because of CSR”</td>
</tr>
<tr>
<td>Company B</td>
<td>“It’s something that needs to be done [environmental protection], but sometimes I believe that there are exaggerations [in terms of legal requirements]”</td>
</tr>
</tbody>
</table>

Company E and Company S. Both companies state a general way of overcoming these difficulties like making options or doing whatever possible, but they do not specify any measure.

In terms of these SMEs’ role in the supply chain, they are absolutely passive, neither transferring any CSR principle to their supply chain partners nor receiving any influence in this regard.
**Effectiveness**

Although the number of CSR actions is reduced, it is important to understand if they are effective. For that purpose, the benefits realised by bottom 3 companies were analysed. Generally, bottom 3 SMEs identified fewer benefits than top 3, except for Company S. A better organisational culture was experienced by two companies as well as improved employee motivation. This means that despite the CSR activities being limited, they are provoking slight cultural changes in the bottom 3 companies. However, there are also business-related effects experienced in the bottom 3 SMEs such as image, specially among local community, and costs reduction. Company E was the only one mentioning a pleasant sensation derived from helping the others, revealing a genuine will to help.

About the impact on financial performance, the bottom 3 SMEs have totally diverse perspectives. Since none of them measure any CSR indicator, their points of view are based in personal opinions. Company S is not certain about which is the relationship between CSR and a company’s financial performance while Company B believes it is positive and Company E considers it negative but not important, stating “It [CSR] won’t bring profit, but it won’t lead us to bankruptcy, for sure” and “Helping implies a cost”.

**Awareness of critical CSR issues**

As done for the top 3 companies, the awareness of the bottom 3 SMEs was analysed based on the information explained in the section 4.2.2. The bottom 3 companies are much less aware than companies in the top 3. All of them address less than half of the issues identified by trade associations. Although the three SMEs implemented the same number of CSR activities, they do not show the same level of awareness. Company S and Company E consider more than 40% of the sustainability issues while Company B only address 30% of them (Figure 30). The poor match between the sustainability issues identified by trade associations and the CSR actions implemented by the bottom 3 companies may not be only explained by reasons internal to the firm, but also by external ones. Namely, although it is expectable that trade associations and companies are closely linked, that is not always the case.

![Figure 30: Visual representation of the share of issues addressed by each of the bottom 3 SMEs.](image)

<table>
<thead>
<tr>
<th>Company</th>
<th>Share of issues addressed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company S</td>
<td>44%</td>
</tr>
<tr>
<td>Company E</td>
<td>42%</td>
</tr>
<tr>
<td>Company B</td>
<td>30%</td>
</tr>
</tbody>
</table>
This is because there are obstacles like the fee each company needs to pay to become a member of the association and the fact that some companies do not foresee any benefit in that. For instance, the owner of Company S stated that it was useless to attend meetings organised by ANTRAM\textsuperscript{13}: “I’ve never attended a single meeting! It’s a group of jealous people when they are together.” Therefore, not all companies are open to trade associations’ recommendations or initiatives.

**Measuring, reporting and communication**

SMEs in the bottom 3 do not measure many CSR indicators. Company S and Company B measure some environmental indicators that are legally mandatory or that are needed for economic reasons. Company B measures costs with donations too while Company E does not measure anything. The light governance structure prevents these companies from measuring more CSR indicators and reporting. This is due to insufficient human resources that do not allow time to be allocated to these jobs. About communication, Company S and Company B do it internally while Company E does not communicate its CSR activity at all. The reason why they do not communicate externally is not only related with the lack of human resources but also with their believes. These are expressed very clearly by Company B’ owner-manager: “We don’t like it [showing publicly they are helping someone]”. In what concerns reporting, beyond the lack of human resources, the fact that these SMEs do not see any benefit from it is also an inhibitor. For instance, Company B stated, about social reports, “It doesn’t make any sense”.

**Intentions**

Only Company E has specific future plans and intentions about CSR actions like reducing waste and having more policies regarding employees’ well-being. The person interviewed in Company E expressed a feeling of guilt for being passive in terms of CSR, saying “Perhaps we could be a little bit more proactive.”

On the other hand, Company B cites an example of a future CSR action as a remote possibility, showing that the company is aware of possible CSR options but the owners are not willing to put them into practice.

Company S is recovering from a very serious crisis in the company so the owner emphasises his focus on making the firm grow, putting CSR issues aside and setting them as a separate aspect that can be developed later.

**4.5.2. Comparison: most important aspects**

Comparing the two groups of companies – top 3 and bottom 3 – it is possible to verify some common aspects as well as determinant differences (Table 17).

\textsuperscript{13} Associação Nacional de Transportadores Públicos Rodoviários de Mercadorias. In English, National Association of Public Freight Road Transportation Carriers.
Table 17: Distinct aspects of top and bottom 5 SMEs with respect to CSR.

<table>
<thead>
<tr>
<th>Top 3</th>
<th>Bottom 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good perception of CSR, awareness of stakeholders</td>
<td>Generic perception of CSR</td>
</tr>
<tr>
<td>CSR is a sustainability factor</td>
<td>CSR will not harm</td>
</tr>
<tr>
<td>The most important inhibitors – lack of know-how and applicability –</td>
<td>The most important inhibitors are limited financial resources and shortage of incentives, difficult to overcome</td>
</tr>
<tr>
<td>The most important inhibitors – lack of know-how and applicability –</td>
<td></td>
</tr>
<tr>
<td>overcome them</td>
<td></td>
</tr>
<tr>
<td>Many benefits realised</td>
<td>Fewer benefits realised</td>
</tr>
<tr>
<td>The most important benefits are improved employee motivation, improved management quality and better image</td>
<td>The most important benefits are better organisational culture, improved employee motivation, better image and costs reduction</td>
</tr>
<tr>
<td>CSR contributes positively to financial performance</td>
<td>Ambiguous relationship between CSR and financial performance</td>
</tr>
<tr>
<td>Aware of critical CSR issues related to economic activity</td>
<td>Not aware of critical CSR issues related to economic activity</td>
</tr>
<tr>
<td>Specific future CSR plans determined</td>
<td>Only one company with future CSR plans determined</td>
</tr>
</tbody>
</table>

The main conclusions derived from the comparative analysis are:

- Most companies, regardless being the top 3 or the bottom 3, recognise personal values of owner or managers as a main driver motivating CSR actions.
- Legislation is a main driver among bottom 3 SMEs, which reveals that their participation in CSR agenda is not purely voluntary but it is still driven by compliance. For instance, Company E interviewee said “The social part inside this company is according to the legal rules we have to follow.”
- Companies in the top 3 appear to have a clear notion of the meaning of CSR and to be aware of the CSR agenda, which is proven by the fact that most of them know or have heard of non-profit organisations that promote implementation of CSR practices, while none of the bottom 3 companies have heard of them, perceiving CSR as a more generic concept.
- Whereas the majority of the top 3 companies understand CSR as a competitive factor that positively contributes to financial performance so they incorporate it in their strategy, the bottom 3 firms are still not able to relate CSR with financial success.
- SMEs in the top 3 easily find strategies to tackle problems when implementing CSR but the bottom 3 do not have any specific plan to overcome them.
• Despite the fact the top 3 companies have recognised more benefits of CSR, firms in the bottom 3 have shown that, even though the CSR practices are only a few, they are effective, taking advantage of some important benefits of CSR too.

• The level of awareness regarding the critical CSR issues specific to each economic activity is much higher in the top 3 SMEs.

• Although the top 3 companies have already implemented several CSR practices, they have determined specific future measures while the bottom 3 companies in general do not intend to adopt any further practice.

4.5.3. Conclusions
The top 3 companies show that they not only have implemented a higher number of CSR actions but they are more aware, more effective and eager to do ever better. Top 3 SMEs have already realised that CSR is a positive thing, acknowledging financial benefits. These companies are playing an important part in transferring CSR along the supply chain, but could do much more. Companies in the bottom 3 are not engaging in CSR purely for voluntary reasons but are still encouraged by legal rules. To justify the reduced number of CSR actions, they pinpoint difficulties like limited financial resources and lack of incentives. These companies are strongly driven by the purpose of making the business economically healthy and generally do not believe CSR could bring better financial results. In addition, they are clearly not aware of the critical issues they should be addressing in their CSR activities. Finally, these companies are not part of the CSR principles transfer flow, neither influencing nor being influenced in terms of CSR.
5. Conclusion and further research

Given the explorative nature of the present work and its scientific contribution, conclusions are next presented in the form of answers to the research questions.

Research question 1: What is the selected SMEs’ participation in CSR agenda and what is their role in sustainable supply chains?

Three entities revealed to highly influence SMEs’ behaviour in what concerns CSR: legal authorities, trade associations and supply chain key players. Complying with legal regulation is one of the most important forces pushing SMEs to CSR. Therefore, despite the strong internal motivation presented by the owners, SMEs reveal that they are still taking steps in CSR agenda in order to be compliant with regulation. Furthermore, the companies taking more CSR actions are generally the ones in industries in which trade associations are actively divulging CSR issues and promoting a socially responsible behaviour. This indicates that trade associations are extremely helpful in making CSR initiatives more easily implementable for SMEs. Finally, supply chain key players’ role seems vital in transferring CSR principles through SMEs, to the entire chain. This is because the transmission of CSR principles studied to and from SMEs is mostly upstream directed, that is, from buyer to supplier. In addition, the majority of companies identify supply chain key players in a downstream echelon in the chain. This could mean that key players, in downstream stages of supply chains, are the ones originating CSR transfer along the chain.

Shortage of incentives is preventing SMEs from being proactive in what concerns CSR adoption. This clearly sends a signal to legal authorities, trade associations and supply chain key players. Although they are exerting some pressure, this is not sufficient and a more concrete action is expected from them. One can conclude that there are definitely opportunities to improve incentives for SMEs’ engagement in CSR and these three entities should be the ones supporting them.

SMEs are not fully aware of their relationship with the remaining stakeholders. This lack of awareness is related to their lack of know-how about CSR, which leads to difficulties when implementing socially responsible practices. But more important than this, the present study found that lack of human resources is the most important factor constraining their engagement in CSR. Therefore, incentives to CSR adoption in SMEs should address this difficulty, irrelevant for big companies.

Although SMEs in the sample are seriously committed to some CSR categories, they are still passive when the matter is influencing their suppliers and buyers. The SMEs studied presented a tendency to address some specific CSR categories, mainly in what concerns employee well-being, supporting local community and environmental issues. However, most SMEs have a passive role in what concerns transferring CSR along the supply chain. Only six in fourteen companies exert some influence on their supply chain partners’ implementation of
CSR practices. On the other hand, a strong potential to start encouraging CSR adoption in companies belonging to their supply chain was identified in some SMEs in the sample, mainly based on good relationships with companies’ suppliers and buyers, good bargaining power towards them and openness to collaboration. Thus, **SMEs’ potential to influence buyers and suppliers to engage in CSR is absolutely to be transformed into an actual CSR transfer flow.**

Conversely, instead of acting as enablers, SMEs can act as bottlenecks in CSR transmission along the supply chain. One company alone can disrupt CSR transfer, even if all the other companies in the chain are seriously engaged in CSR, as well as trade associations. The association named the European Council of Vinyl Manufacturers, despite putting many efforts in spreading CSR practices across the PVC industry, could not reach the SME in the sample, Company D. This reinforces the idea that SMEs are still neglected in many existing initiatives, which may lead to bottlenecks prohibiting Sustainable Supply Chains. Moreover, the analysis of the two partial supply chains presented in this work allows the conclusion that collaboration between supply chain partners is definitely essential to achieve Sustainable Supply Chains. Partnerships with other companies in the supply chain would not only disseminate CSR practices easily but it would enlighten SMEs about CSR, encouraging them to be engaged and guiding their practice. Therefore, a **strategy to overcome SMEs’ resistance to collaboration in transferring CSR along the supply chain is needed.** Trade associations, supply chain key players and legal authorities could be the ones with the required capabilities for defining it.

**The SC echelon seems to be related to the ability of transmitting CSR principles along the supply chain.** While upstream SMEs do not play a passive part in CSR transfer, midstream companies are influenced to become socially responsible while downstream firms are the ones transmitting CSR practices to their supply chain partners. Entities providing incentives to CSR engagement in SMEs should take this into account since SMEs in downstream echelons may be easier to reach and may also act in partnership with trade associations to create mechanisms with the purpose of helping SMEs to tackle their main difficulties in adopting CSR.

CSR transfer capacity could be associated with inherent characteristics of industries. The two partial supply chains examined concerned two completely different industries as well as distinct CSR transfer capacity. While nothing is proven, there could be a relationship between these two aspects. High competitiveness in an industry, for instance, could mean more demanding buyers in terms of CSR. As a result, CSR transfer along a supply chain in this industry could be easier than in an industry with low competitiveness and few incentives to innovation. Since this is not confirmed by the present work, further research should be conducted to deeper understand this correlation.
Research question 2: Do the CSR dimensions differ depending on the echelon of the supply chain?

SC echelon seems to relate with the CSR categories addressed.
Midstream SMEs are definitely the ones more engaged in CSR, showing a more knowledgeable attitude towards CSR. For example, ‘Stakeholder participation’, ‘Product management’ and ‘Reporting’ are CSR categories that only midstream companies address.
Furthermore, downstream SMEs are the ones taking more initiatives in what concerns ‘Employment practices and relations’, ‘Training: education and personal skills’ and ‘Selective purchasing’. Downstream SMEs are emphasising these CSR categories with the purpose of creating a good image towards their customers, which implies responsible and trained employees as well as carefully selected products. The fact that these companies are closer to the final consumer seems to be the reason why they are focusing on these CSR categories.
However, given the limited size of the sample studied, a deeper research focusing on the relationship between supply chain echelon and CSR dimensions needs to be carried out to verify if this is generizable.

Research question 3: Considering all dimensions of CSR and SMEs’ role in sustainable supply chains, what type of formalisation do SMEs need to implement in order to be successfully social responsible?

SMEs seize benefits derived from CSR, even not measuring them.
SMEs are taking advantage of a number of benefits, being the better image and reputation the most important one, even though they reveal they do not like to show to external entities their CSR actions. Improved employee motivation is significant too, resulting from the great number of CSR actions addressing employees.

Measuring the benefits from CSR may not always be possible or necessary in SMEs, but it seems to help in concretisation of those benefits.
SMEs in the sample do not present a culture of measuring or reporting their CSR activity. Most of these companies are not willing to start measuring or reporting, mainly because of two reasons: (1) they do not foresee advantages and (2) Human Resources are too busy and cannot be allocated to any type of formal assessment of CSR. But these two inhibitors are fixable. About the first, the present work studied an example of how reporting may facilitate the concretisation of benefits derived from CSR adoption: the company in the sample that identified the highest number of benefits is the only one that makes a detailed assessment of CSR indicators. With respect to the lack of availability of Human Resources to assess CSR, trade associations should play a vital role, given the influence they have in SMEs’ engagement in CSR. They should act as connectors between international CSR reporting guidelines and SMEs, providing them with guidance tools for CSR performance measurement. Consequently, the amount of paperwork currently required for the task would be reduced, allowing SMEs doing it.
This dissertation represents a significant contribution to academia since it studies the relationship between three concepts that have not been studied together many times – Corporate Social Responsibility, Small and Medium-sized Enterprises and Supply Chain Management. The deep case study analysis performed enables understanding that Portuguese SMEs are committed to CSR but lack both Human Resource and know-how about the theme. However, potential was found mainly in what concerns a proactive role in Sustainable Supply Chains, which depend on companies’ openness to collaboration and on third parties like governments or trade associations’ action. Furthermore, this work presents a hint to be explored by future research – the supply chain echelon may be related to the CSR dimensions addressed as well as to the potential to adopt CSR practices and influence supply chain partners to do the same.
6. References


AHRESP (2014), Noticias, Associação da Hotelaria, Restauração e Similares de Portugal. 


Euromines (2014). Energy & Climate Change, European Association of Mining Industries, Metal


Appendix

**Appendix A:** Main notions associated with CSR by authors and year.

<table>
<thead>
<tr>
<th>Year</th>
<th>Author</th>
<th>Notion</th>
</tr>
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<tbody>
<tr>
<td>1951</td>
<td>Abrams</td>
<td>There are broader managers’ responsibilities towards employees, customers, society.</td>
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<tr>
<td>1960</td>
<td>Frederick</td>
<td>Businesses’ resources should be used for broader social goals.</td>
</tr>
<tr>
<td>1962</td>
<td>Friedman</td>
<td>CSR is only aimed to make profit.</td>
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<tr>
<td>1963</td>
<td>McGuire</td>
<td>CSR is going beyond economic and legal obligations.</td>
</tr>
<tr>
<td>1970</td>
<td>Friedman</td>
<td>CSR is a misuse of company’s resources.</td>
</tr>
<tr>
<td>1971</td>
<td>CED</td>
<td>Economic responsibilities, social awareness and action are all included in CSR.</td>
</tr>
<tr>
<td>1973</td>
<td>Ackerman</td>
<td>Besides being aware, companies need to respond to it.</td>
</tr>
<tr>
<td>1978</td>
<td>Frederick</td>
<td>CSR&lt;sub&gt;2&lt;/sub&gt; is about the literal act of responding to corporate social responsibility while CSR&lt;sub&gt;1&lt;/sub&gt; is limited to social awareness.</td>
</tr>
<tr>
<td>1979</td>
<td>Carroll</td>
<td>CSP has to do with achieving results from CSR activities and measuring them.</td>
</tr>
<tr>
<td>1984</td>
<td>Freeman</td>
<td>Stakeholder theory: stakeholders influence firm’s performance so they should be satisfied.</td>
</tr>
<tr>
<td>1984</td>
<td>Wernerfelt</td>
<td>Resource-based view: if CSR-related resources and</td>
</tr>
</tbody>
</table>
### 1995
**Donaldson & Preston**

Capabilities are inimitable and irreplaceable then they lead to competitive advantage.

### 1997
**Russo & Fouts**

Stakeholder theory: CSR is a moral issue but also brings business benefits.

### 2001
**McWilliams & Siegel**

Better environmental performance means better financial performance.

### 2001
**Baron**

No relationship between CSR and financial performance.

### 2001
**Hoppe & Lehmann-Grube**

CSR is strategic when it captures new customers.

### 2004
**Waldman et al.**

It is hard to sustain competitive advantage derived from CSR.

### 2005
**Vogel**

Transformational leadership may be correlated to CSR.

### 2006
**McWilliams, Siegel & Wright**

CSR is crucial for a company’s success.

### 2006
**Jenkins**

CSR should be a strategic investment.

### 2006
**Barnett**

CSR leads to several important but immeasurable benefits.

### 2007
**Carroll & Shabana**

Short term profit maximization should be suppressed so that social and environmental responsibilities are fulfilled.

### 2010
**European Commission**

The business case for CSR is: 1) cost and risk reduction; 2) gaining competitive advantage; 3) developing reputation and legitimacy; and 4) seeking win-win outcomes through synergistic value creation.
their social responsibility, enterprises “should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders”.
Appendix B: CSR activities performed in SMEs by research author.

<table>
<thead>
<tr>
<th>Authors</th>
<th>Activities</th>
</tr>
</thead>
</table>
| Csonka & Komuves (2011)  | Family weekends at hotels for employees  
|                         | One day tours for employees  
|                         | Charitable activities for community like Christmas Shoebox Ministry, old clothes for free, food aid for poor people, Mommy and Baby Fitness for free, Health Day for free, administration assistance  
|                         | Rock Solid Club for teens  
|                         | Game Club for teens  
|                         | Sport Week for young peoples  
|                         | Summer day-care for kids  
|                         | Children’s afternoon  
|                         | Craft studies for children  
|                         | Play-school for children  
|                         | Children camps in summer  
|                         | Bible studies  
|                         | Horticultural assistance  
|                         | Family barbecues  
|                         | Drug and crime prevention  
|                         | Free commercial credits for poor consumers  
|                         | Open house policy for customers, suppliers and competitors  
|                         | Long term partnerships with customers and suppliers  
|                         | Supplier learning schemes  
|                         | Measurement of KPI  
|                         | Support and encouragement for supplier to become more socially responsible  
|                         | Waste minimization  
|                         | Use energy from renewable sources  
|                         | Award winning environmental schemes  
|                         | Creation of good work-life balance and family friendly employment  
|                         | Social events for staff  
|                         | Award winning training and development programmes for employees |
| Jenkins (2006)           | }
<table>
<thead>
<tr>
<th>Coppa &amp; Sriramesh (2013)</th>
<th>Social auditing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employ people from the local community</td>
</tr>
<tr>
<td></td>
<td>Work experience placements</td>
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<tr>
<td></td>
<td>Ethics code</td>
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</table>
### Appendix C: Detailed information about the interviews conducted.

<table>
<thead>
<tr>
<th>Company</th>
<th>Interviewee</th>
<th>Place of interview</th>
<th>Date of interview</th>
<th>Duration of interview</th>
</tr>
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<tbody>
<tr>
<td>Company A</td>
<td>Quality Director</td>
<td>Company's facilities</td>
<td>06.06.2014</td>
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<td>Company C</td>
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<td>Via Skype</td>
<td>04.06.2014</td>
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<td>Co-owner</td>
<td>Company's facilities</td>
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<tr>
<td>Company E</td>
<td>General Director</td>
<td>Company's facilities</td>
<td>06.05.2014</td>
<td>54 min</td>
</tr>
<tr>
<td>Company F</td>
<td>Quality Director</td>
<td>Company's facilities</td>
<td>24.07.2014</td>
<td>47 min</td>
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<td>Company G</td>
<td>Co-owner</td>
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<td>20.05.2014</td>
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<tr>
<td>Company H</td>
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<td>16.06.2014</td>
<td>32 min</td>
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<td>19.06.2014</td>
<td>50 min</td>
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<td>Company J</td>
<td>General Director</td>
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<td>44 min</td>
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<td>Company K</td>
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<td>Company L</td>
<td>Human Resources Director</td>
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Appendix D: Information sources to obtain the data presented in table 9.

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<td>Footwear</td>
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                                             http://www.avec-poultry.eu/  
                                             http://www.thepoultrysite.com/articles |
| Quarries                         | http://www.aniet.pt/revista-portugal-mineral  
                                             http://www.euromines.org/news  
                                             http://www.euroroc.net/activities.htm  
                                             http://www.euromines.org/energy-climate-change  
| Industrial metallurgical equipment | http://www.cecimo.eu/site/ecodesign-and-self-regulatory-initiative/  
                                             http://www.aimmap.pt/gca/?id=34  
| Road freight transport           | http://www.antram.pt/links.aspx  