Review

Small and medium-sized enterprises (SMEs) engagement in corporate social responsibility (CSR) in developing countries: Literature review

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Although corporate social responsibility (CSR) has globally been recognized by both large and small businesses, little literature is currently available regarding the motivation and barriers for small and medium enterprises (SMEs) engagement in CSR practices. Until recently, the involvement of SMEs in social activities has received little attention by both scholars and practitioners. Therefore, this study is aimed at conducting a thorough literature review with regard to SMEs engagement in CSR activities. The study critically analyses the drivers and barriers to SMEs engagement in CSR practices, and then proposes strategies that SMEs can adopt to effectively participate in CSR activities.

Key words: Corporate social responsibility (CSR), small and medium-sized enterprises (SMEs), drivers and barriers for SMEs engagement in CSR.

INTRODUCTION

There is seemingly no consensus in the literature about the definition of corporate social responsibility (CSR) since scholars are used to offering definitions that vary in content, context, process and value (Inyang, 2013).

However, the World Business Council for Sustainable Development (WBSCD) (2000) defines CSR as “the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life”. On the other hand, the CSR is viewed as “the way firms integrate social, environmental and economic concerns with their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society” (Mourougan, 2015).

The engagement of SMEs in CSR is very critical since they help create employment opportunities, drive economic growth and provide opportunity for equitable distribution of income in society (Inyang, 2013). SMEs have also been recognized to significantly contribute to job creation and poverty alleviation in developing countries (de Kok et al., 2013). Hence, businesses of any size- large or small are viewed as a creation of society and whose survival depends on the very society (Inyang, 2013).
CSR has become a worldwide demand by both large and small businesses (Mehran and Azlan, 2009). Over the last two decades, there has been general literature about CSR and its implementation. However, the motivation for companies’ engagement in CSR activities, particularly SMEs, has not been clearly documented.

Little literature is currently available regarding the motivation and barriers for SMEs engagement in CSR practices (Inyang, 2013). As a result of relatively little attention being given to CSR in relation to SMEs until recent years, the knowledge of social activities in this sector, particularly in developing countries, has remained unexplored (Sen, 2011).

As such, there has been a limited literature focused on the extent of the application of CSR in SMEs (Adapa and Rindfleish, 2013), yet SMEs could take advantage of the opportunities offered by CSR and maximise the business benefits from making the most of such opportunities (Jenkins, 2009).

It is important to note that there is a growing recognition that the issues which are significant for CSR are as relevant for SMEs as they are for large companies (Mehran and Azlan, 2009). Indeed, SMEs play an important role in pushing countries towards continuous economic growth globally.

However, the motivation for such practices seems to be unexplored, particularly in developing countries. Most of the studies on SME’s engagement in CSR activities have been conducted in developed countries. The purpose of this study is to analyze literature regarding SMEs engagement in CSR activities. As such, the study will review literature on definitions of CSR from the perspective of SMEs, drivers of CSR in SMEs, barriers to SMEs engagement in CSR activities and then propose strategies for SMEs to effectively participate in CSR activities.

Definitions of CSR within SMEs

The concept of CSR is generally linked to responsible business practice (Adapa and Rindfleish, 2013). Despite the efforts made to define CSR, a conclusive definition does not exist (Moyeen and Courvisanos, 2012). To-date, various scholars view CSR differently. According to Enge (2007) and Blombäck and Wigren (2009), CSR literature has only presented similar notions such as corporate citizenship, corporate social performance, social marketing, responsible entrepreneurship and corporate philanthropy (Adapa and Rindfleish, 2013). From several definitions of CSR, Dahlstrud (2008) identifies some dimensions of CSR such as environmental, social, economic, stakeholders and voluntariness. CSR may imply different things to different stakeholders and businesses of different type or size (Smith and Langford, 2009; Yang and Rivers, 2009).

Although large businesses have attracted a substantial great volume of literature with regard to their involvement in CSR activities, SMEs find it difficult to appreciate the concept of CSR (Jenkins, 2006). They understand the concept of CSR in terms of engaging in philanthropic activity, doing business within the community, taking care of employees and providing an enabling working environment (Roberts et al., 2006); providing employment and supporting the local economy (Jenkins, 2006); volunteering, donating time or money and recycling (Sweeney, 2007). Hence, it is difficult to articulate exactly which CSR activities should SMEs adopt (Lindgreen and Swaan, 2010); and those that are applicable to SMEs particularly in developing countries.

A great deal of CSR literature has focused on large corporations (Lee, 2008; Lindgreen and Swaan, 2010) despite the significant influence that SMEs have on the world economies and their impact on the social and natural environments. SME’s engagement in CSR activities, especially in developing countries, has not yet received adequate research attention (Fassin, 2008; Blombäck and Wigren, 2009). Much of the existing literature on CSR in SMEs is not extensively empirically grounded largely due to the inclination of scholars to adopt the large businesses framework (Jenkins, 2006).

SMEs often unintentionally adopt socially responsible practices, have a special relationship with particular stakeholders and are also prepared to lose some of their profits while serving a greater goal (Azmat and Samaratunge, 2009). This notion is supported by Fassin (2008), who maintains that SMEs engage in responsible business practices although they do not publish formal social reporting.

Relatively, Spence (2004) argues that SMEs are mainly rooted in local communities and their physical proximity to customers may translate to moral proximity which can focus the minds of owner/managers considerably on socially responsible behaviour. As customers and employees become visible in the local communities in which SMEs operate, these SMEs build and enhance their reputation, thereby enhancing their competitiveness (Moyeen and Courvisanos, 2012).

Consequently, SMEs would naturally engage themselves in CSR activities. This implies that the constant interactions of SMEs with the local communities would help them serve the community well (Moyeen and Courvisanos, 2012). However, SMEs claim to lack time, resources and support necessary to engage in more in-depth CSR activities (Jenkins, 2006; Sweeney, 2007).

METHODOLOGY

In this study, the background literature review on CSR in SMEs in developing countries has been conducted on several journey articles. This helped identify the drivers and barriers to SMEs engagement in CSR activities as a basis of proposing strategies that SMEs can adapt to successfully engage in CSR activities. However, an empirical study needs to be conducted to establish the
extent of SMEs engagement in CSR activities, particularly in developing countries.

**Drivers for SMEs engagement in CSR**

To appear more ethical, businesses may begin to adopt some of the best practices employed by some firms to make a wider positive impact. Businesses should seek to do good and avoid harm (African Business Magazine, 2013).

SMEs are viewed as businesses that treat customers, business partners and competitors with fairness and honesty; care about health, safety and general well-being of employees and customers; motivate the workforce by offering training and development opportunities; act as a “good citizen” in the local community; and are respectful of natural resources and the environment (Lepoutre and Heene, 2006).

In many cases, SMEs stress economic survival over voluntary social and environmental initiatives. Essentially, the economic motive is seen as the most important driver of CSR integration into business strategy (Lepoutre and Heene, 2006; Jenkins, 2004).

It has been argued that due to the owner-centric characteristics of SMEs, they integrate CSR into business strategy primarily for social and environmental motives. As such, CSR is important to SMEs because it is simply the ‘right thing to do’ (Jenkins, 2006).

The main benefits that SMEs may realise from engaging in CSR include good image, trust and reputation, improved market position, enhanced employee motivation, risk management and cost savings (Jenkins, 2006). However, it is argued that business benefits are not the deciding factor for SMEs to engage in CSR; it is rather the values and attitudes of owner/managers that largely drive CSR among SMEs (Spence et al., 2003; Spence and Rutherfoord, 2003; Jenkins, 2006).

There is a number of motivating factors responsible for SMEs engagement in CSR, which can be conceptualized as the internal and external pressures that promote or compel SMEs to identify with, engage and implement CSR activities (Inyang, 2013).

The internal motivations for SMEs engagement in CSR activities include the manager's personal values or ethical orientation and level of morality. They are likely to play a major role in determining the manager's level of commitment to the implementation of CSR activities in the enterprise (Vives, 2010; Lepoutre and Heene, 2006; Hsu and Cheng, 2011; Freisleben, 2011).

Gaining benefits from community engagement or philanthropy such as improved community image, better business returns and improved customer loyalty; and strong identification with the community also provide a driving force for SMEs engagement in CSR activities (Inyang, 2013). On the other hand, there are some external pressures that compel SMEs to engage in CSR.

These include community pressure to SMEs to handle the issues of social performance; the need to obey laws and regulations and avoid sanction and negative publicity; and the issue of customer loyalty to maintain reputation and integrity to attract and retain customers on a continuous basis (Inyang, 2013).

Furthermore, SMEs are said to be motivated to engage in CSR activities for long-term survival, increase employee morale, marketing, customer support, customer loyalty, business reputation, community expectations, access to information, meeting stakeholder expectations, character/values of the owner, innovation possibilities, legal compliance and business performance (Mankelow, 2003; Spence and Schmidpeter, 2003; Fuller and Tian, 2006; Murillo and Lozano, 2006; Williamson, Lynch-Wood and Ramsay, 2006).

It is also argued that factors such as philanthropic, access to human resources, moral and ethical reasons, business image, employee morale, stakeholder demands and expectations, trust, business reputation, legitimacy with specific stakeholders and external influences motivate SMEs to engage in CSR activities (Jenkins, 2006; Udayasankar, 2008; Russo and Perrini, 2009).

According to Courrent (2004), Hemingway (2005) and Murillo and Lozano (2006), personal or individual reasons remain the most important motivational factors for SMEs' engagement in CSR activities. Intrinsically, CSR in SMEs depends very much upon the personality and personal convictions of its managing directors (Gond and Igalens, 2008).

The commitment of SMEs to adopt and implement CSR activities is a result of pressure applied by stakeholders. Lepoutre and Heene (2006) assert that SMEs are more sensitive to practices relating to internal stakeholders such as employees, clients and suppliers. However, to some scholars (Worthington et al., 2006; Ellerup Nielsen and Thomsen, 2009), pressure exerted by stakeholders is often not very effective and is not the catalyst for a business to implement activities that go beyond legal and administrative requirements. In essence, it can be inferred that SMEs engagement in CSR activities is a result of both internal and external pressures.

In a study conducted in Somalia (Possenti, 2012), it is reported that ties and integration with the local community were the main drivers of CSR activities. Furthermore, ethical and personal values as well as commitment to environmental sustainability were considered fundamental drivers of SMEs engagement in CSR activities. Likewise, the increase of SME’s reputation was indicated as an important driver to SMEs engagement in CSR activities.

**General barriers to SMEs engagement in CSR activities**

Research regarding the CSR policies of SMEs, particularly on the factors that influence the implementation
of those policies, is limited. This could be due to the fact that large companies have a greater influence compared to SMEs, whose capitalization tends to be small and thus lack sufficient resources (Revell and Blackburn, 2007).

According to Jenkins (2004) and Vives (2006), SMEs lack specific corporate strategies, financial resources and skills to engage in CSR activities. Although some SMEs would want to focus on certain social issues and seek active participation as part of their CSR policies, their efforts are hardly noticed (Schoenberger-Orgad and McKie, 2005; Revell and Blackburn, 2007). Similarly, many SMEs implement CSR activities, but they are not formally recognized as CSR activities (Niblock-Siddle, Jones and Black, 2007).

Whilst some SMEs are integrating CSR into their day-to-day management, they have to overcome many obstacles in order to do so (Kechiche and Soparnot, 2012). As such, barriers to SMEs engagement in CSR activities may be a result of personal characteristics of owners or the organizational characteristics of the firm (Massoud, 2010). According to Lepoutre and Heene (2006), small business owners lack time and specialized knowledge; engage in a wide variety of organizational activities; thus they lack the information to implement the CSR activities. Furthermore, the mindset of SME owners could represent a substantial barrier.

According to Vives (2006) and Sweeney (2007), SMEs are likely to perceive CSR as an issue that only concerns larger firms. Relatedly, organizational characteristics have been cited as barriers to CSR (Kusyk and Lozano, 2007; Sweeney, 2007; Vives, 2006). According to Jenkins (2004), SMEs tend to be more informal and owner-centric, and are often privately owned and sometimes family run. Hence, it is possible that CSR might not take precedence to other issues.

The size of an enterprise has been identified as a barrier for SMEs to engage in CSR practices (Brammer and Millington, 2006). It is argued that there is a positive link between the size of a firm and its commitment to CSR (Lepoutre and Heene, 2006; Cabagnols and Le Bas, 2006). Larger businesses are said to have the ability to absorb fixed costs and greater access to resources. As such, a larger workforce might make certain factors more likely (Berger-Douce, 2008).

Nevertheless, a number of researchers suggest that this barrier may not prevent SMEs from engaging in CSR activities (Castka et al., 2004; Vives, 2006), and that SMEs may actually benefit significantly from doing so. SMEs are also constrained by financial resources and bargaining to engage in CSR activities (Lepoutre and Heene, 2006; Kusyk and Lozano, 2007).

According to Spence and Schmidpeter (2003), time constraints and perceived lack of opportunity are the two major barriers for SMEs engagement in CSR activities. However, some owner-managers can still manage to get involved in community issues and therefore, time may not be a major barrier. Nevertheless, Lepoutre and Heene (2006) assert that lack of time still remains a challenge for SMEs engagement in CSR activities since such activities further reduce their discretionary slack.

Furthermore, in the minds of most SME owner-managers, CSR activities are still perceived as costs that result in competitive disadvantage (Anglada, 2000), and hence they sometimes postpone such expenses even if they feel that CSR activities are something they are interested in doing. This is in agreement with Bylok (2016) and Moyeen and Courvisanos (2012) who identified key barriers by SMEs to engage in CSR activities as lack of time, knowledge and skills as well as money and resources.

On the other hand, Murillo and Lozano (2006) affirm that lack of awareness and financial resources may impede SMEs’ full participation in CSR activities. According to Jenkins (2006), other factors that impede SMEs engagement in CSR activities include: organisational culture; difficulties getting employees involved; lack of measurement and quantification of CSR benefits; difficulties in making connections with the community; and the challenges of maintaining the momentum of such activities.

Similarly, lack of accountability and poor information availability from business organisations restrict SMEs engagement in CSR activities (Jenkins, 2006). A study conducted on SMEs in Somalia (Possenti, 2012) revealed that the main barriers to the implementation of CSR activities by SMEs were time and resource costs. Lack of efficient institutions and facilities to assist in the implementation of CSR activities were also identified as other barriers to SMEs engagement in CSR activities.

**Strategies for SMEs engagement in CSR activities**

Since SMEs operate within local communities and are more aware of community and environmental issues than their larger counterparts, they can design appropriate CSR strategies to address such concerns. They can take advantage of the opportunities presented by CSR and maximise the business benefits (Jenkins, 2009).

The comparatively local character of SMEs makes it possible for employees and owners to be well known in the community. Essentially, SMEs have strong identification with the community that serves as a major external driver. They can engage in community-related activities such as sports, health and education, and other philanthropy giving. Thus, meeting such obligations endures the business to the community (Inyang, 2013).

Furthermore, it is important to note that employees are key stakeholders in SMEs engagement in CSR. SMEs need to engage in employee-related initiatives such as promotion of employee health and safety, remedial education for disadvantage employees, employee training and development, paying employee adequate rewards and improving the emotional and physical...
working environment (Inyang, 2013; Turyakira, 2012).

Customers also play a role as drivers in CSR engagement of the SMEs. As such, SMEs should provide customers with high quality products and services at fair prices, respond quickly to customers’ orders and complaints, and conduct honest and ethical advertising. SMEs can also participate in specific and inexpensive environmental-oriented CSR activities such as producing environmentally-friendly products, running environmental awareness initiatives for employees on efficient energy and resource use, and waste reduction and pollution management (Inyang, 2013). Relatedly, SMEs can encourage their suppliers to participate in projects involving social and environmental developments. These may include sponsorship of local events and employing people from local communities (Jenkins, 2006).

SMEs are increasingly entering into strategic alliances to achieve market growth and gain access to new markets. Thus, SMEs can be encouraged to unite and pursue agreed upon goals, while remaining independent. Essentially, engaging in CSR activities individually may be very expensive for SMEs, especially those in developing countries. Since most of the SMEs are financially constrained, they can form strategic alliances and share information, technology and costs of engaging in CSR activities.

SMEs owners/managers need adequate training to understand the concept of CSR, the benefits for their engagement in CSR and the process of integrating CSR initiatives into their business function. Therefore, managers who run SMEs and potential entrepreneurs should be equipped with appropriate training on CSR (Sotamenou, 2014). Media publicity and attendance of conferences and workshops can also help increase awareness about the core concerns of CSR initiatives (Jenkins, 2009). Similarly, there is need for government intervention even though CSR is voluntary. This may be helpful in providing a level playing field, and can be done through the enactment of appropriate legal framework to encourage CSR through tax policy incentives for CSR practices. Governments can also create incentives for SMEs to adopt CSR practices and further build their capacity to effectively implement the CSR practices (Inyang, 2013).

Conclusions

This literature review has made several contributions to the understanding of SMEs motivations for their engagement in CSR, barriers and strategies to enhance SMEs participation in CSR activities. Although CSR has mostly been associated with larger companies, especially multinationals, this does not necessarily mean that CSR is irrelevant for SMEs. No matter what the size of a business is, all businesses have economic, legal, social and ethical responsibilities to specific stakeholders. It is generally noted that SMEs engage in CSR activities for long-term survival, increase employee morale, marketing, customer support, customer loyalty, business reputation, community expectations, access to information, meeting stakeholder expectations, character/ values of the owner, innovation possibilities, legal compliance and business performance. SMEs conduct CSR activities informally, and their understanding of CSR is influenced by the personal values of the owner/manager. Hence, the CSR activities of SMEs are developed in a non-structured and infrequent manner (Santos, 2011).

However, there are various barriers to SMEs engagement to CSR activities. These include lack specific corporate strategies, financial resources and skills. SMEs can engage in employee-related initiatives such as promotion of employee health and safety, remedial education for disadvantage employees, employee training and development, paying employee adequate rewards and improving the emotional and physical working environment. It is also noted that literature on SMEs engagement to CSR activities in developing countries is insufficient. Hence, empirical research should be conducted to increase literature.

CONFLICT OF INTERESTS

The author has not declared any conflict of interests.

REFERENCES


