

**CSR and Competitiveness
European SMEs' Good Practice
Consolidated European Report**

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1 Executive Summary

Corporate Social Responsibility (CSR), generally understood as voluntary initiatives going beyond legislative requirements and contractual obligations (“responsible entrepreneurship“), is continuously gaining importance with regard to both, public and private discussion as well as its practical application in European enterprises.

In order to further foster the application of CSR among European SMEs the European Commission in 2005 launched a call on Mainstreaming Corporate Social Responsibility. The study on hand is one of the projects supported by this grant programme. By analysing seven European countries (i.e. Austria, Finland, Germany, Norway, Poland, Romania and Spain), the effort was taken to **provide insight into the relationship between SMEs' CSR activities and their economic competitiveness**. Next to an exhaustive desk research on the general situation of CSR within these countries, the most relevant (public) actors engaged in this issue, the level of deployment of CSR among national SMEs as well as the characteristics of these activities, a portfolio of 35 Good Practice case studies has been identified and described in-depth in order to prove that CSR must not only be understood as investment but also results in an economically beneficial outcome for the businesses.

When investigating on the actual **understanding** of the concept in the individual countries it becomes obvious, however, that the definition differs across Europe, ranging from a comparatively narrow understanding focusing on only selected fields normally subsumed under “CSR” to a broad approach taking into account the long-term perspective of achieving a general sustainability while considering the needs and requirements of the employees, other stakeholders, the community and the society.

Both, the understanding as well as the spread of CSR in the individual Member States may be considered to be substantially influenced by the time horizon since when the concept has been subject of public and policy debate.

At individual Member State level, a multitude of different **(semi-)public actors** is engaged in the field of CSR. The most important ones are the national (and partly also regional) governments, social partners, specific CSR bodies and education institutes. These actors are mainly active in the field of awareness raising, information provision and support of business entities with regard to the operational implementation of CSR. Furthermore, they determine the legal/regulatory framework which considerably influences companies' possibilities for carrying out additional, voluntary initiatives.

In general, European **SMEs** are rather **aware on their social responsibility** and also **engaged** to a high extent in CSR activities – even if they are not referred to as such in the majority of cases. CSR initiatives are often focused on employees, but may also be targeted at external stakeholders, i.e. the market (customers, suppliers, business partners), the society/community or (more rarely) at the environment. Furthermore, comprehensive approaches integrating at least two of the above-mentioned different fields seem to be widespread among those European SMEs active in CSR.



Nevertheless, there exists a range of **favouring and hindering factors** influencing SMEs' decision making process as regards their involvement in CSR. These may be classified as follows:

- The **strategic orientation** of the company can be seen as the main pre-proposition. Generally, SMEs' owner(s) or their management teams dispose of a comparatively high feeling of ethical obligation to "behave correctly" in their business decisions, i.e. to benefit all relevant stakeholders (not only the shareholders). This is often fostered by longstanding company traditions and/or the expectations of clients, business partners or the society as such (to which SMEs are often more densely linked than larger enterprises).
- Nevertheless, for the majority of SMEs to become active in the field of CSR an **operative impetus** is necessary. Such may come in the form of inquiries of potential beneficiaries, business partners or consultants or may be triggered by the participation in public support programmes, for example.
- This decision making process is influenced by **general framework conditions** prevalent in the country/region, such as legal regulations, the extent of public or policy discussion on CSR or the national economic development affecting businesses' activities.
- Furthermore, also the micro perspective of the **enterprise characteristics** determines its business decisions and, therefore, also its CSR decisions. As to this regard, structural characteristics (such as the industry, the location, the phase in the company life cycle), the enterprises endowment with human and financial resources or its familiarity with CSR and the relevant national/regional/local actors may be mentioned as examples.

SMEs' CSR activities are mostly based on **ad-hoc decisions** and often conducted in an **occasional** way not formally anchored to the overall business strategy. Nevertheless, the analysed case studies have shown that SMEs that have experienced a positive economic outcome of their CSR activities are willing to further continue their efforts or even expand them. This may, however, sometimes be impeded by the fact that there **hardly** exists a single **person being responsible** for the planning and implementation of CSR activities within the enterprise. Furthermore, a systematic **monitoring of the cost-efficiency ratio of CSR activities** can only be rarely observed among SMEs. This may indicate that SMEs are not always fully convinced of the impact of socially responsible acting.

This study, however, clearly pinpoints that there exists a **relationship between SMEs' CSR activities and their enhanced competitiveness** – at least if a long-term perspective is considered. Thereby, direct (such as improved products or production processes), intermediate (such as a higher customer satisfaction or a better networking with business partners or authorities) as well as indirect effects (i.e. a competitive advantage resulting in an increased turnover fostering the SME's competitiveness) may be distinguished. Furthermore, the observable impact may be internal (i.e. benefiting the company or its employees) or external (i.e. benefiting a target group outside of the enterprise, such as customers, the society or the environment). Both, the analysed case studies as well as the available literature have shown that particularly the higher employee satisfaction, the better publicity as well as the improved customer loyalty attributed to CSR activities can be seen as an important beneficial outcome of socially responsible acting.



Nevertheless, the study also comes to the result that the full potential of CSR is not yet taken advantage of by European SMEs, and that there is a need for (public) support to completely exploit it. As to this regard, the following potential **fields of activity** have been identified:

- Further familiarisation of the general public and enterprises (with a specific focus on SMEs) with CSR
- Orientation of (public) initiatives on concrete, explicitly mentioned strategic goals as well as co-ordination of the individual activities of the different actors
- Taking into account the specific characteristics of SMEs in designing individual (public) initiatives
- Adoption of CSR by (public) authorities, NGOs as well as large enterprises to act as a role model for the private sector
- Setting of incentives to make SMEs engage in CSR
- Finding efficient and effective ways and possibilities to approach SMEs, e.g. by taking advantage of intermediaries
- Providing SMEs with a tool allowing them to track the cost-efficiency ratio of CSR activities
- Fostering SMEs' use of their CSR engagement for publicity purposes

It is strongly believed that engaging in these fields could considerably contribute to foster and mainstream CSR among European SMEs. As the study on hand has shown a clear relationship between CSR activities and SMEs' competitiveness – which constitutes an important precondition for the development of the European economy – socially responsible acting should be seen as a tool for economic development and receive respective attention from all involved parties.



2 Introduction

2.1 Background and Objectives of the Study

In the framework of the Lisbon Special European Council of 23 - 24 March 2000 the European Union has set the strategic goal for Europe to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion. Enhancing the competitiveness and performance of European enterprises, especially SMEs, is at the heart of this strategy.

A company's success is the result of the level of satisfaction of the enterprise's stakeholders, including, not only the owner(s) but also employees, customers, suppliers or the local community. Companies begin to understand that they need to operate in a complex network society to be successful, and also that social and environmental issues are part of that complexity and constitute factors of sustainable success. Nevertheless, there is still a comparatively high number of SMEs not being aware on the relationship between activities based on a wider stakeholder approach and the enterprise's competitiveness.

Corporate Social Responsibility (CSR), to be understood as an approach whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis, is gaining importance in public and policy discussion at European and national level. Also many SMEs traditionally take up their social responsibility, even though these activities are not explicitly communicated to the community or even inside the company (Taipalinen/Toivio, 2004). Next to the self-imposed ethical/moral obligation of the entrepreneurs/management this is also due to the increasing demand for socially responsible acting by clients, business partners, public authorities and the society as such.

However, like in many other business concerns, also CSR needs support and stimulation from outside the company. This is especially true, if CSR is understood as a strategic means and management tool to enhance the competitiveness of SMEs. So far, there have been some attempts to measure the scale of CSR among SMEs in Europe (European Communities, 2002), but still the available information is not sufficient for increasing SMEs' awareness on the positive potential outcome of respective activities and making them become involved to a higher extent as presently. Thus, mainstreaming CSR among SMEs will mean to develop and communicate successful business cases to SMEs (and to inform the companies on how they can get hands-on support with implementing CSR activities).

In 2005, the European Commission launched a call on *Mainstreaming Corporate Social Responsibility*¹ to support the take-up of CSR among SMEs as a means to enhance their competitiveness. This should support the implementation of the recommendations of the European Multi-Stakeholder forum on CSR (CSR EMS Forum) which was set up in October 2002 as a key element of the Commission's 2002 Communication on *Corporate Social Responsibility*. These recommendations are related to the following three main topics:

- To raise awareness and improve knowledge on CSR
- To develop capacities and competencies for mainstreaming CSR
- To ensure an enabling environment for CSR

¹ Specific Call for Proposals. Mainstreaming Corporate Social Responsibility (CSR) Among SMEs, Grant Programme 2005.



This report is part of the outcomes of one of the projects funded by this programme². It has been elaborated by the Austrian Institute for SME Research (KMU FORSCHUNG AUSTRIA) and partner institutions across Europe (see Appendix 2) and focuses on analysing the essential linkage between the competitiveness of small and medium-sized enterprises (SMEs) and their CSR activities in seven European countries (Austria, Finland, Germany, Norway, Poland, Romania and Spain).

In particular, the following **aims** are pursued:

- Analysing the situation and development of CSR in those seven countries in terms of understanding and awareness of CSR by public authorities, the private business sector and the society
- Identifying and presenting the most important public, semi-public and private actors engaging in CSR as well as their policies, strategies and support measures targeted at fostering CSR in SMEs
- Gaining insight into the deployment of CSR in SMEs, including favouring and hindering factors and potential impact on competitiveness
- Identifying and presenting successful and Good Practice cases illustrating how and which CSR activities can contribute to SMEs' competitiveness

2.2 Structure of the Report and Methodology Applied

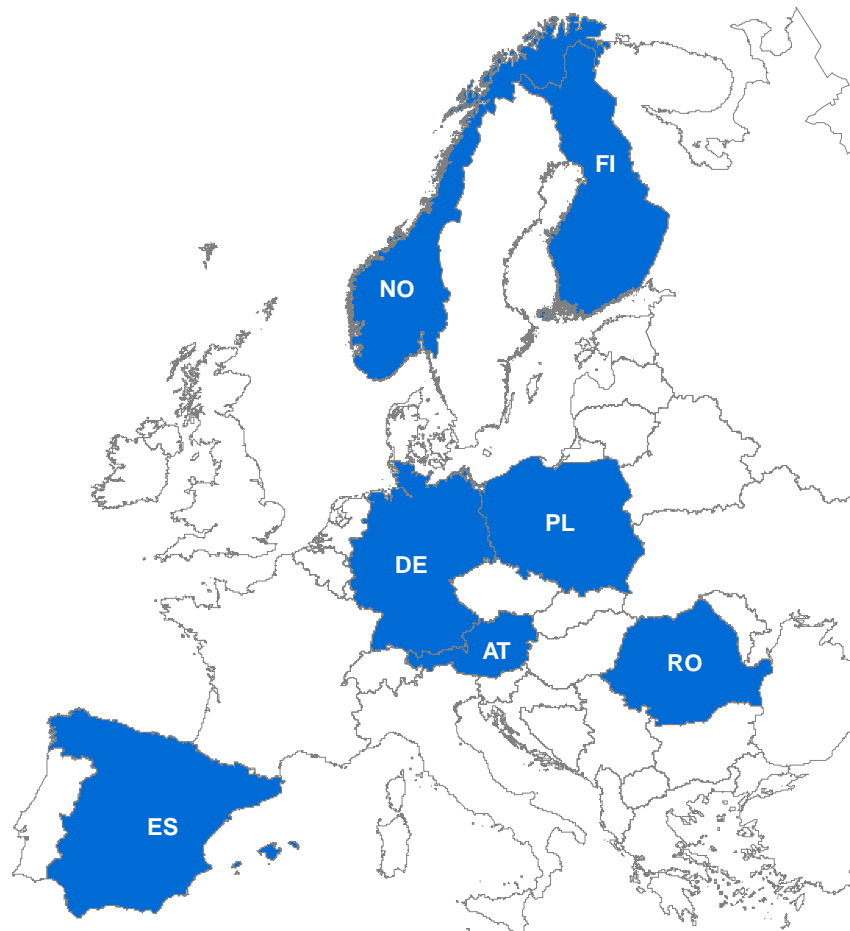
In the framework of this research project the above-mentioned issues have been investigated in **selected European countries** (namely Austria, Finland, Germany, Norway, Poland, Romania and Spain). The selection of countries to be analysed was conducted in a way to ensure a comprehensive picture of the European situation (even if focusing the detailed investigations on a limited number of countries). This was done by orientating on a good balance of different aspects, such as the geographical location (i.e. north/south, east/west), the size of the country, the design of legal and political framework conditions (including EU membership status), the economic development etc.).

² For a list of all funded activities see http://ec.europa.eu/enterprise/csr/ms_sme_projects.htm.



An overview on the countries covered in the project can be found in the following figure:

Graph 1 Overview on the European Countries Covered in the Study



Source: Austrian Institute for SME Research

The research focuses on the compilation of quantitative and qualitative secondary information already available in these countries answering the above-mentioned questions. The relevant information was gathered between June 2006 and January 2007 at national level by a team (see Appendix 2) of experts in the fields of entrepreneurship (with a specific focus on SMEs) and Corporate Social Responsibility under the lead of the Austrian Institute for SME Research (KMU FORSCHUNG AUSTRIA).

In a first step, the national framework conditions of CSR as well as the situation of CSR in SMEs has been investigated by conducting desk research, supplemented by expert interviews (“**context analysis**”). In a second step and in order to provide distinct examples of CSR activities of European SMEs “**Good Practice**” **case studies** showing the beneficial outcome of CSR initiatives in SMEs have been elaborated. In order to classify as a “Good Practice” a measure had to fulfil a set of criteria, such as:

- Initiative based on company’s decision (not public requirements/obligations)
- Already implemented and still in place
- SME (0 - 249 employees)
- CSR activity integrated in the general business strategy (no single/ad hoc measure)

- Link between increased competitiveness and CSR
- Innovative and non-standard measure

On the basis of these criteria the international research team identified a variety of more than 80 potential case studies from which 35 (i.e. 5 per country) have been selected to be analysed in-depth. Thereby, some “balancing criteria” have been taken into account to safeguard a heterogeneous picture of the case studies as refers company size class, sector/industry, CSR topic etc. The main characteristics of the analysed case studies can be found in the following table, a more detailed overview is given in Appendix 1.

Table 1 Overview on analysed case studies

Characteristics	Number of analysed case studies
By size class¹	
Micro	4
Small	12
Medium-sized	19
By industry	
Construction	4
Manufacturing	16
Real estate, renting and business activities	8
Whole sale and retail trade, repair of motorvehicles, motorcycles and personal and households goods	4
Others (education, financial intermediation, other community, social and personal service activities)	3
By type of CSR activity (“target group”)²	
Workplace (employees)	3
Market (customers and/or suppliers/business partners)	4
Society	3
Comprehensive approach (combining at least two of the above)	25

¹ micro = 0 – 9 employees; small = 10 – 49 employees; medium-sized = 50 – 249 employees

² among the analysed case studies no initiative solely focusing on environmental activities was identified; nevertheless, many of the comprehensive approaches include measures targeting at the environment

Source: Austrian Institute for SME Research

Both, the context analysis as well as the detailed case studies have been included in individual **national reports** for the 7 countries under consideration. Furthermore, on the basis of the included literature and secondary data as well as the analysed case studies, national conclusions have been derived with regard to SMEs' engagement in CSR and the relationship between CSR activities and the companies' competitiveness.

This **consolidated European report** constitutes a compilation of the national reports, partly supplemented by a supra-national perspective at European level. *Chapter 3* provides a brief overview on what is generally understood by “Corporate Social Responsibility” at European level and within the countries covered in this study, respectively. Thereby, also shifts of emphasis over time are considered. Furthermore, forms and types of CSR in terms of “potential target groups” in general and for SMEs in particular are dealt with. *Chapter 4* shows the most important public and semi-public actors dealing with CSR issues at European and/or national/regional level as well as their major strategies/measures as to this regard. This is not supposed to constitute a taxative list of all relevant entities. It rather intends to pinpoint what kind of (semi-)public bodies may be approached by SMEs, if they seek for support with regard

to implementing CSR measures. *Chapter 5* deals with the deployment of CSR in SMEs by not only assessing the extent of respective activities, but also screening SMEs' decision making process (i.e. favouring and hindering factors) and the characteristics of the measures. The findings are illustrated by relevant aspects the identified "Good Practice" company case studies. The full case studies can be found in the national reports. *Chapter 6* shows potential effects of SMEs' CSR measures on the companies' competitiveness as well as on the various target groups. Finally, in *chapter 7* the previous findings are synthesised and conclusions (in terms of recommendations for both, companies and policy makers) are derived.



3 CSR – Definitions and Concepts

3.1 Approach to CSR in Europe – A Timeline

The origins of the **EU's approach to CSR** stem from the Commission's White Paper in 1993 on growth and employment. In the following years, the concept of Corporate Social Responsibility (CSR) has gained in importance in the EU policy debate, manifested, for example, by the establishment of a joint declaration against social exclusion (1995) or the launch of the European Business Network for Social Cohesion (EBNSC) in 1996 (to become CSR Europe in 2000). In March 2000, the Presidency Conclusions of the European Council made for the first time “a special appeal to companies' corporate sense of social responsibility”. In 2001, the European Commission published a Green Paper on “Promoting a European Framework for Corporate Social Responsibility” on the basis of which a Communication was proposed in 2002, focusing on increasing knowledge about the positive impact of CSR on business and societies in Europe and abroad, in particular in developing countries and on the development of the exchange of experience and Good Practice on CSR between enterprises. In 2002, a Multi-Stakeholder Forum consisting of companies, business organisations and networks, trade unions and civil society representatives was established to elaborate an **European strategy for CSR** and to encourage greater awareness raising about its implications.³

Furthermore, the first sustainable development strategy was launched in 2001, based on the idea that in the long run economic growth, social inclusion and environmental protection should go hand in hand. The latest **EU Strategy for Sustainable Development (SDS)** of 2006 takes into account the situation of an enlarged European Union and pinpoints the importance of creating sustainable communities able to efficiently manage and use resources and to tap the ecological and social innovation potential of the economy, ensuring prosperity, environmental protection and social cohesion to improve present and future quality of life.⁴ In relation to this emphasis, the CSR concept is based on a “Triple Bottom Line” approach (also known as People, Planet, Profit) pinpointing the necessity that for reaching sustainability an organisation must be financially secure, minimise its negative environmental impacts and act in conformity with societal expectations (European Communities, 2002).

In March 2006, the Commission published a new communication on CSR entitled “Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence on CSR”. One of the main elements emerging from this communication is the creation of a European Alliance for CSR that acts as a political umbrella for CSR initiatives of companies and their stakeholders. As to this regard, the Commission will further emphasise the promotion of CSR in eight areas: awareness raising and best practice exchange, support of multi-stakeholder initiatives, co-operation with Member States, consumer information and transparency, research, education, small and medium-sized enterprises as well as considering the international dimension of CSR.⁵

The approach to CSR of the European Union is also integrated in the broader context of various **international initiatives** related to trade and development co-operation, e. g. the UN Global Compact (2000), the ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (1977/2000) or the OECD Guidelines for Multinational Enterprises (2000) (European Communities, 2002).

Following the European approach, also at **individual Member State level** the issue of CSR has been gaining importance in public and policy debate during the last years or even decades. However, the **time of introducing** the idea of Corporate Social Responsibility considerably

³ Source: <http://www.nachhaltigkeit.at/reportagen.php3?id=3>, Article: Strauss, R. Corporate Social Responsibility - a view from the European Commission

⁴ Source: http://ec.europa.eu/sustainable/sds2006/index_en.htm

⁵ Source: <http://ec.europa.eu/enterprise/csr/policy.htm>



varies among the analysed Member States. While it is, for example, a relatively new concept in Poland where it was introduced in 2000 by the Responsible Business Forum⁶, the origins of CSR in Spain stem from the 1990s when the concept of Social Responsible Investment (SRI) was introduced by organisations in the area of collective investment and pension funds (i.e. INVERCO). Also in Romania the concept of social responsibility originates in the 1990s when many NGOs (particularly with humanitarian business objectives) were founded with the assistance of international public or private institutions. The major involvement of both, large and small companies in CSR activities in terms of restructuring their technologies for environmentally friendly production or the adoption of social measures for employees or the society started after 2000. The private sector's involvement in CSR was mainly fostered by the engagement of multinational companies active in CSR, and – later on – also experienced an impulse stemming from the possibility to access EU funds.

In Finland, the first publications dealing with ethical issues in business activities even date back to 1959 (Virtanen cited in Kallio/Nurmi, 2005). However, up to the 1990s “ethical business management” was more prevalent than the concept of CSR. Environmental management and CSR have had mutual interrelations, and currently they can even be considered to have been merged into one – “responsible business” (Kallio/Nurmi, 2005).

Also in Norway issues relating to health, safety and environment at the workplace have been discussed since the 1960s and issues relating to the external environment have been high on the agenda during the 1970s and 1980s. The CSR concept as such became subject of discussion in the mid 1990s. A similar development may also be observed in Germany. In Austria, the discussion of “sustainable development” started in the 1970s or 1980s, focussing, however, at least in the beginning solely on the business sector's protection of ecological fundamentals. Social and economic dimensions (e.g. quality of life, innovation, networking) are considered only since the implementation of the Austrian Strategy for Sustainable Development in 2002.

These varying time horizons correspondingly lead to different **levels of awareness and practical implementation** of the concept into business reality. It can, for example, be observed for Poland that national companies lag behind foreign companies with respect to the systematic application of ethical standards (i.e. CSR activities are seen to rather be a matter of chance than companies' conscious policy) (Forum Odpowiedzialnego Biznesu, 2006), and also in Norway, Austria, Finland, Germany and Romania the notion of CSR is not too well known by the enterprises (although respective practices seem to be well applied)⁷.

Generally, a growing **involvement of European businesses** in CSR is observable. This is not at least attributed to the fact that companies increasingly realise the necessity of improving business' image by showing commitment to social issues and/or the introduction of business ethics rules and, therefore, include CSR activities in the daily business routines (also see chapter 5). So, the raised **awareness of consumers** increasingly appreciating CSR practices is an important incentive for further development of respective corporate activities which may then be used for gaining a competitive advantage compared to other market players.

This widespread **recognition** of CSR by the **general public**, but also the scientific community, is also reflected by an augmenting number of CSR related **publications** (e.g. annual company reports on CSR, scientific research studies) or articles in mass media or business journals. As to this regard, particularly the topics of community involvement activities of large enterprises and the employment of persons disadvantaged at the labour market are covered.

⁶ There were, however, some earlier initiatives realised by the Research Group of Business Ethics at the Institute of Philosophy and Sociology of the Polish Academy of Science, but these were rather developing the concept of business ethics than CSR as such.

⁷ In an empirical survey of the 300 largest companies in Norway, 42 % of CEOs mentioned not to be familiar with the CSR concept and “only” about one fourth indicated to be very familiar with CSR. However, when being explained what the concept entails, 80 % of the CEOs stated that their enterprise had already fully or partially integrated the contents of CSR into their business strategy (Argument Gruppen, 2003).



3.2 CSR – A Conceptual Approach

Although the concept of CSR is an often discussed theme, it is difficult to make it tangible and concrete. The European Commission mentions the following (European Commission, COM (2001) 366 Final):

Box 1 Definition of „Corporate Social Responsibility“ of the European Union

“Most definitions of **Corporate Social Responsibility** describe it as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing ‘more’ into human capital, the environment and the relations with stakeholders. The experience with investment in environmentally responsible technologies and business practice suggests that going beyond legal compliance can contribute to a company’s competitiveness. Going beyond basic legal obligations in the social area, e.g. training, working conditions, management-employee relations, can also have a direct impact on productivity. It opens a way of managing change and of reconciling social development with improved competitiveness.”

Based on this approach, CSR can be understood as the business contribution to sustainable development of the society and involves four **key elements** that describe the scope of business responsibility (Jenkins, 2006):

- Economic responsibility: to make a profit by producing goods and services that the market wants and selling them at a fair price that the market accepts
- Legal responsibilities: to act in accordance with the law
- Ethical responsibilities: to act in accordance with society expectations expressed by social rules
- Discretionary responsibilities: resulting from the individual choice of managers or company owners (philanthropy)

In Europe a variety of other **related terms** exist, and often they are equated to CSR in habitual language use. Examples of these are:

- Corporate Responsibility, generally meaning a broad entrepreneurial sustainability, often equated to CSR
- Corporate Sustainability, alignment of an organisation's products and services with stakeholder expectations, thereby adding economic, environmental and social value
- Corporate Governance, focussing on business management and the leading institutions of an enterprise
- Corporate Citizenship (CC), as the civilian engagement of enterprises and, therefore, focusing more specifically than CSR (which also takes into account the company internal dimension, e.g. employees) on external dimensions including different instruments such as Corporate Giving, Social Sponsoring, Cause Related Marketing, Corporate Foundations or Corporate Volunteering
- Responsible Entrepreneurship, a concept put forward by the United Nations which recognises the businesses’ role for the accomplishment of sustainable development and that companies can manage their operations in such a way as to enhance economic growth and increase competitiveness while – on a voluntary basis - ensuring environmental protection and promoting social responsibility; (CSR Glossary, 2005) the concept is, therefore, fully in line with the notion of CSR and was mainly chosen as a means to communicate with and activate SMEs as “CSR” seems to be a rather complex notion mainly developed for large enterprises (European Communities, 2003)



When investigating on the actual understanding of the concept as regards its practical application **in the individual countries** analysed it becomes obvious, that the definition as well as the used terminology differs across Europe. In Poland, for example, “responsible business” is equated to CSR (particularly as far as SMEs are concerned) and is widely referred to as business-related ethical activities, meaning honest behaviour towards employees, contractors and clients, thus rather not taking into account the environment and the broader stakeholder approach (e.g. community, society in terms of general social involvement). (Forum Odpowiedzialnego Biznesu, 2005)

In contrast to that, in Austria, Finland, Germany, Norway and Spain there exist definitions of CSR that go beyond the European reference (see above) by integrating the long-term perspective of achieving a general sustainability (e.g. economic development) while taking into account the needs and requirements of the employees (including health and safety at work), other stakeholders, the community (e.g. local development) and the society as such (e.g. human rights, fights against poverty). Furthermore, for Norway it was observed that as the country is characterised by a focus on globalisation since the mid 1990s, also CSR deals with ethical behaviour abroad, thereby implicitly placing particular attention to large enterprises. This CSR orientation on international business is, however, also triggered by the fact that in Norway many aspects widely understood as CSR are regulated by legislation or agreements, hence, leaving less room for voluntary activities.

Presently, Spain is characterised by a debate on the **compulsory implementation of CSR principles into business activity**. On the one hand, most public authorities and business associations consider that CSR actions should be basically voluntary (following the European approach) whereas trade unions and some civil society foundations argue that CSR should be to some extent obligatory for companies. In contrast to that, in Germany, for example, a similar discussion has already come to the consensus that CSR should remain a voluntary approach, a method that provides added value to the enterprises.

In order to come to a shared understanding of CSR – particularly as regards the analytical part of this study (i.e. the identification and presentation of “Good Practice” case studies across Europe) – **in this study Corporate Social Responsibility is understood as**

Box 2 Definition of „Corporate Social Responsibility“ used in this Study

- “Responsible entrepreneurship”
- Voluntary initiatives going beyond legislative requirements and contractual obligations
- Activities to benefit human capital, stakeholders (including the society as such) or the environment
- With a positive contribution to the individual target group while minimising negative effects on other stakeholders (incl. environment)
- Rather “regular activities” than one-time-events (i.e. related to business strategy vs. ad hoc basis)

Thereby, the company-based CSR activities can take a wide range of different approaches, resulting in different “theoretical” forms and types of initiatives in the enterprises.⁸

⁸ The more specific characteristics of SMEs' operative CSR measures are described in chapter 5.4.



3.3 Forms and Types of CSR Activities

CSR subsumes a variety of different activities, resulting in the fact that there does not exist one single CSR approach – and particularly for SMEs it is rather unrealistic that they cover the whole array. Nevertheless, in order to make the vague concept of CSR more tangible it is helpful to describe the conceivable CSR activities in more detail by classifying them into different categories.

One of the existing approaches to classify CSR initiatives refers to the motivation/objectives followed by launching respective activities whereby the following four categories can be distinguished (Kramer et al., 2005):

- **Compliance:** Managing business operations to create societal benefits in conformance with legal standards⁹
- **Best practices:** Managing business operations to create additional societal benefits due to the motivation of the owner or the expectations of society
- **Innovation:** Development of new products or services that offer societal benefits as a specific part of the customer value proposition
- **Voluntary support:** Voluntary contributions of money, time, products or services that are either (a) acts of good citizenship that do not address elements of the competitive context, or (b) contextual investments that strengthen the future competitiveness of the company or industry

More common, however, is the classification by the “target group” of CSR activities, i.e. the beneficiaries of the initiative set by the companies or organisations. Thereby, different degrees of “closeness of consideration” can be identified. While some of the authors (e.g. European Communities, 2002) just distinguish between internal (e.g. employees, shareholders and owners/managers) and external stakeholders (such as business partners and suppliers, customers, local communities and the natural environment) the more detailed differentiations are more widespread in the literature. Summarising these, the following CSR fields can be pinpointed (European Communities, 2003; Danish Commerce and Companies Agency, 2005):

- **Market:** These business activities include responsible supply chain management, activities to improve the quality or safety of products, innovation, fair pricing or ethical advertising. The three critical external stakeholders in that part are customers and consumer associations, suppliers and business partners (“being a fair customer/partner”, e.g. by paying without delay, contracting local partners, driving standards through the supply chain) as well as investors or shareholders. In an even wider sense, also competitors may be subsumed in terms of following an ethical competition strategy.
- **Employees:** Many CSR activities focus on the main internal stakeholders — the employees — and deal with the improvement of working conditions, pay and benefits or job creation. Other issues in that field are work/life balance, equal opportunities and diversity, job satisfaction, training and staff development, responsible and fair remuneration, health and safety and labour rights. Workplace oriented CSR initiatives may, however, also refer to communication/information of employees or providing them the possibility and empowerment to participate in decision making processes, often resulting in a strong embeddedness of CSR in the company’s policy.
- **Society:** The main aspects of community involvement are social integration, education, healthcare, quality of life (sports/culture), economic regeneration and employment, local infrastructure as well as security including a variety of forms of voluntary engagement (such as cash or in-kind donations, services provided free of charge or volunteering). It

⁹ With reference to the definition applied in this study (see chapter 3.2), this does not correspond to CSR being characterised by “going beyond” legal regulations.

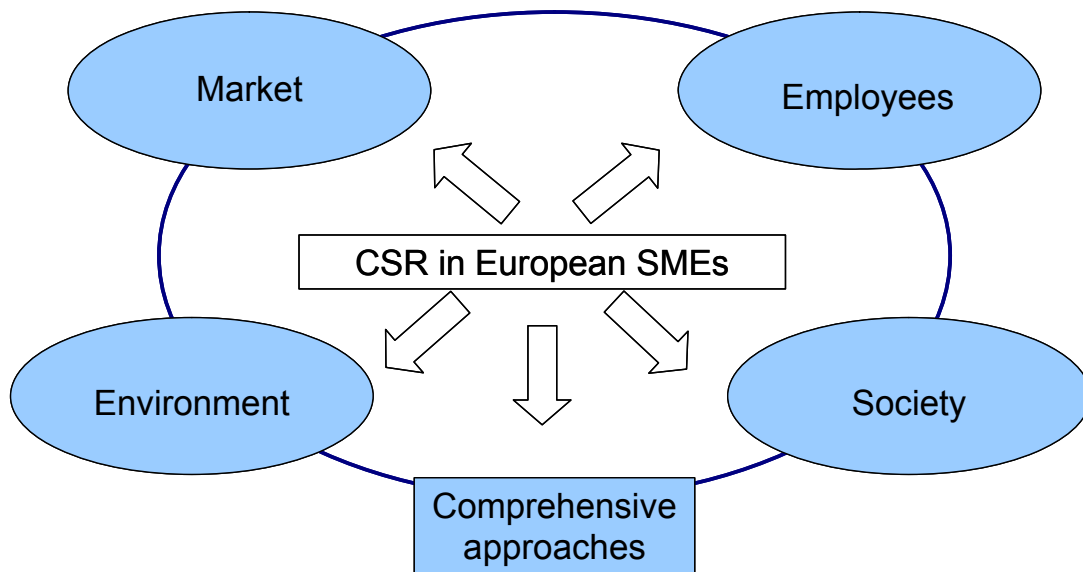


often means working together with local community organisations or institutions such as schools and hospitals, environmental groups, cultural organisations, relevant leisure and sports clubs etc., but also with public authorities and non-governmental organisations (NGOs). This is sometimes also referred to as Corporate Community Investment (CCI). Nevertheless, also activities for the benefit of the wider society (e.g. developing countries) are to be included in this field.¹⁰

- **Environment:** CSR activities in the field of the protection of the environment and sustainable development focus on an efficient use of resources and the reduction of waste and pollution by using instruments such as environmental management systems, ecodesign tools, eco labels or cleaner production techniques and technologies.

These broad categories are, in general, also relevant for CSR activities of SMEs although the distinct design of individual measures may vary between large and small companies. So, for example, SMEs' activities in the field of marketplace will – in contrast to larger enterprises – hardly consider credit institutes or public authorities as well as competitors. Nevertheless, all of the above-mentioned categories are covered by the case studies of Good Practice analysed in this study (also see Appendix 1), supplemented by “**comprehensive approaches**” dealing with at least two of the above-mentioned target groups. An overview on the considered target groups can be given in the following graph:

Graph 2 Overview on the Target Groups of SMEs' CSR Activities



Source: Austrian Institute for SME Research

¹⁰ Due to this fact, in this study this category is referred to as “society” rather than “community” as in other publications.

4 (Semi-)Public Actors and Their Strategies with Regard to CSR in Europe

4.1 European Level

Since the upcoming of the CSR debate a range of supra-national actors has started to engage in this area by either providing framework structures (e.g. definitions or strategies) or (direct) support to enterprises and/or organisations intending to introduce socially responsible activities. In the following, a brief overview on some of the relevant actors and their initiatives is given. Thereby, it has to be kept in mind that at least some of these initiatives have been triggered by international initiatives going beyond Europe.

Box 3 Selected CSR Initiatives at International Level

At international level, CSR reference standards have been set by a variety of actors. For example, the **United Nations** launched the initiative "Global Compact" in June 2000. Global Compact is a Code of Conduct including ten principles in the areas of human rights, labour, the environment and anti-corruption as well as a voluntary international corporate citizenship network.¹¹ The **OECD**, for example, developed Guidelines for Multinational Enterprises which provide voluntary principles and standards for responsible business conduct in a variety of areas including employment and industrial relations, human rights, environment, information, disclosure, combating bribery, consumer interests, science and technology, competition and taxation.¹² Another important international actor is the **World Business Council**, an international business network set up in 1995 with the aim to develop closer co-operation between businesses, government and other organisations concerned with the environment and sustainable development.¹³ Other important initiatives in the field of CSR refer to different international certificates like **ISO 14000** (for environmental management systems), the development of the international norm "Social Responsibility" - ISO 26000, international fair trade or environmental initiatives (e.g. the **Fairtrade Labelling Organizations International (FLO)**)¹⁴ or the **Global Reporting Initiative (GRI)** which is a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines.¹⁵ Due to the variety of international activities in the field of CSR, also the European Commission aims to stronger consider the international perspective in their work to promote CSR globally, in the context of international benchmarking and with a view to maximising the contribution of enterprises to the achievement of the UN Millennium Development Goals (European Commission, COM 2006 136 final).

So, for example, different Directorates General (DGs) of the **European Commission** have been dealing with **defining "CSR" and/or initiating specific CSR** projects. Especially the DG Employment, Social Affairs and Equal Opportunities, the DG Enterprise and Industry as well as DG Trade or DG Environment are setting a variety of activities in the field of CSR in relation to their main responsibility, for example by considering CSR in the European trade policy, in environmental agendas or in the field of labour market integration of disadvantaged groups (e.g. by initiating the community initiative EQUAL). A special **focus on CSR among SMEs** is set by the DG Enterprise and Industry. For example, between 2004 and 2005 they implemented in co-operation with **EUROCHAMBRES** (European Association of Chambers of Commerce) and **UEAPME** (European Association of Craft, Small and Medium-sized Enterprises) a Pan-

¹¹ Source: <http://www.unglobalcompact.org/AboutTheGC/index.html>

¹² Source: http://www.oecd.org/about/0,2337,en_2649_34889_1_1_1_1_1,00.html

¹³ Source: <http://www.wbcsd.ch/templates/TemplateWBCSD5/layout.asp?MenuID=1>

¹⁴ Source: <http://www.fairtrade.net/>

¹⁵ Source: <http://www.globalreporting.org>



European Awareness Raising Campaign on CSR for SMEs including a wide range of events throughout Europe as well as the establishment of an informative website¹⁶. Furthermore, DG Enterprise realised the “Responsible Entrepreneurship” project which identified case studies from SMEs across Europe as well as the “Mainstreaming CSR among SMEs” launched in September 2005 – whereof the study on hand is a part of. A recent initiative of the DG Enterprise and Industry is the European Responsible Entrepreneurship Bulletin (first issue: 1st quarter 2007) which is a quarterly e-newsletter aiming to exchange information and ideas about responsible entrepreneurship, corporate social responsibility and small and medium-sized enterprises.¹⁷

A specific initiative of the European Union in the field of CSR already mentioned (see chapter 3.1) was the **European Multi-stakeholder Forum on CSR**, being active between 2002 and 2004. It was chaired by the **European Commission** and consisted of European representative **organisations of employers¹⁸, business networks¹⁹, trade unions²⁰ and NGOs**. The Forum aimed to **foster CSR** and promote innovation, convergence as well as transparency of CSR practices and tools through improving knowledge and exploring possibilities for establishing common guiding principles at EU level.

Next to this forum, there exists a comparably wide range of **supra-national networks** in the field of CSR, some of which will be presented in the following, giving a brief clue on the heterogeneous approaches taken towards CSR:

- The **European Alliance on CSR** initiated in 2006 is a political umbrella organisation for new or existing CSR initiatives by large companies, SMEs and their stakeholders aiming to give a new impulse to make Europe a pole of excellence on CSR. It should **lead to new partnerships** and new opportunities for all stakeholders in their efforts to promote CSR.²¹ The Alliance is supported by the Union of Industrial and Employers' Confederations of Europe (UNICE), the European Association of Craft, Small and Medium-sized Enterprises (UEAPME) and CSR Europe.
- **CSR Europe** is a business network consisting of more than 60 leading multinational corporations as direct members and of further 1,400 companies through 18 National Partner Organisations. Since its launch (under the name of “European Business Network for Social Cohesion”) in 1995 the network aims to **help companies** to achieve profitability, sustainable growth and human progress by placing corporate social responsibility in the mainstream of business practice.²²
- The **European Environment and Sustainable Development Advisory Councils (EEAC)** are a unique collaboration between the advisory councils for environmental policy and sustainable development. It was set up by European governments in 1993 aiming to **provide independent, scientifically based consultancy regarding the environmental and sustainable development**. In 2006, more than 30 councils from 16 European countries participated in that network.²³

¹⁶ See http://ec.europa.eu/enterprise/csr/campaign/index_en.htm

¹⁷ Source: <http://ec.europa.eu/enterprise/csr/sme.htm>

¹⁸ E.g. Union of Industrial and Employers' Confederations of Europe (UNICE), the European Centre for Public Enterprises and Services of General Economic Interest (CEEP), the European Association of Craft, Small and Medium-sized Enterprises (UEAPME) or Eurocommerce

¹⁹ E.g. CSR Europe, the European Round Table of Industrialists, the European Confederation of Workers' Co-operatives, Social Co-operatives and Participative Enterprises or EUROCHAMBRES

²⁰ E.g. European Trade Union Confederation (ETUC) or the Comité Liaison CEC, Eurocadres

²¹ Source: <http://ec.europa.eu/enterprise/csr/policy.htm>

²² Source: <http://www.csreurope.org/>

²³ Source: <http://www.eeac-net.org/>



- Various networks (e.g. the European Business Ethics Network (EBEN), Social Venture Network (SVN) Europe or the European Social Investment Forum (Eurosif))²⁴ devote themselves to **promoting business ethics**, including social and environmental engagement.

The focus and objectives of European-wide initiatives are different. First of all, there exists a rich portfolio of initiatives targeting at **raising the general awareness** on CSR. As an example, the European Business Campaign on Corporate Social Responsibility was launched in November 2000 by a group of international business organisations led by CSR Europe. The campaign aimed to make the benefits of CSR visible to the wider business world and, therefore, organised events and projects. Additionally, the campaign has launched a range of concrete tools and activities to spread CSR to a wider audience. For example, the “SME Key”, a step-by-step guide to help SMEs to evaluate their current socially responsible practices and integrate them into their core activities and strategies, or the “SRI Compass”, an online toolkit that provides stakeholders with an overview on the socially responsible investment (SRI) market and guides to green and ethical funds in Europe.²⁵ To recognise excellence in the promotion of entrepreneurship in European regions the European Commission has, for example, launched the European Enterprise Awards in 2006. The award categories include a “Responsible Entrepreneurship Award” for initiatives that promote Corporate Social Responsibility and sustainable business practices in the social and/or environmental domain.²⁶ Another kind of awarding is the listing of the 100 best workplaces in Europe which is done by Great Place to Work® Institute Europe.²⁷

From a more “intermediary” viewpoint the CAESAR project (CSR RELAYS in Chambers of Commerce) of the EUROCHAMBRES may be mentioned, focusing on supporting employers’ representatives in their work on disseminating CSR among European enterprises. In the framework of this project (being financially supported by the “Mainstreaming CSR among SMEs” programme of the DG Enterprise and Industry) EUROCHAMBRES have organised a **training programme for 50 representatives from chambers of commerce and industry** across Europe. This training is followed by company visits of the trained advisers as well as the development of practical guidelines and a website to make it available to other chambers.²⁸ Another project in the framework of this programme is conducted by the UEAPME. The project “Responsible Entrepreneurship in SMEs” aims to develop tools and activities to support intermediary business organisations at assisting their member SMEs in the improvement of competitiveness through actions of responsible entrepreneurship.²⁹

In operative/practical terms, a variety of **CSR management tools** were developed to support the implementation of CSR in the enterprises. For example, Codes of Conduct have been signed by the social partners at European level in the textile, clothing, woodworking, footwear, commerce and private security sectors with a specific focus to promote organisations’ environmentally friendly behaviour.³⁰ Furthermore, different fair trade initiatives and labels have been developed at European level (e.g. by the European Fair Trade Association (EFTA)³¹ or the Network of European World Shops (NEWS!)).³²

²⁴ Sources: <http://www.eben-net.org/>, <http://www.svneurope.com/>, <http://www.eurosif.org/>

²⁵ Source: <http://www.csreurope.org/whatwedo/EABISCSR/>

²⁶ Source: http://ec.europa.eu/enterprise/entrepreneurship/smes/awards/index_en.htm

²⁷ Source: <http://www.greatplacetowork-europe.com/>

²⁸ Source: <http://www.eurochambres.eu/activities/CAESAR.htm>

²⁹ Source: http://ec.europa.eu/enterprise/csr/ms_sme_projects.htm

³⁰ Source: http://ec.europa.eu/employment_social/soc-dial/csr/csr_links.htm

³¹ Source: <http://www.european-fair-trade-association.org/>

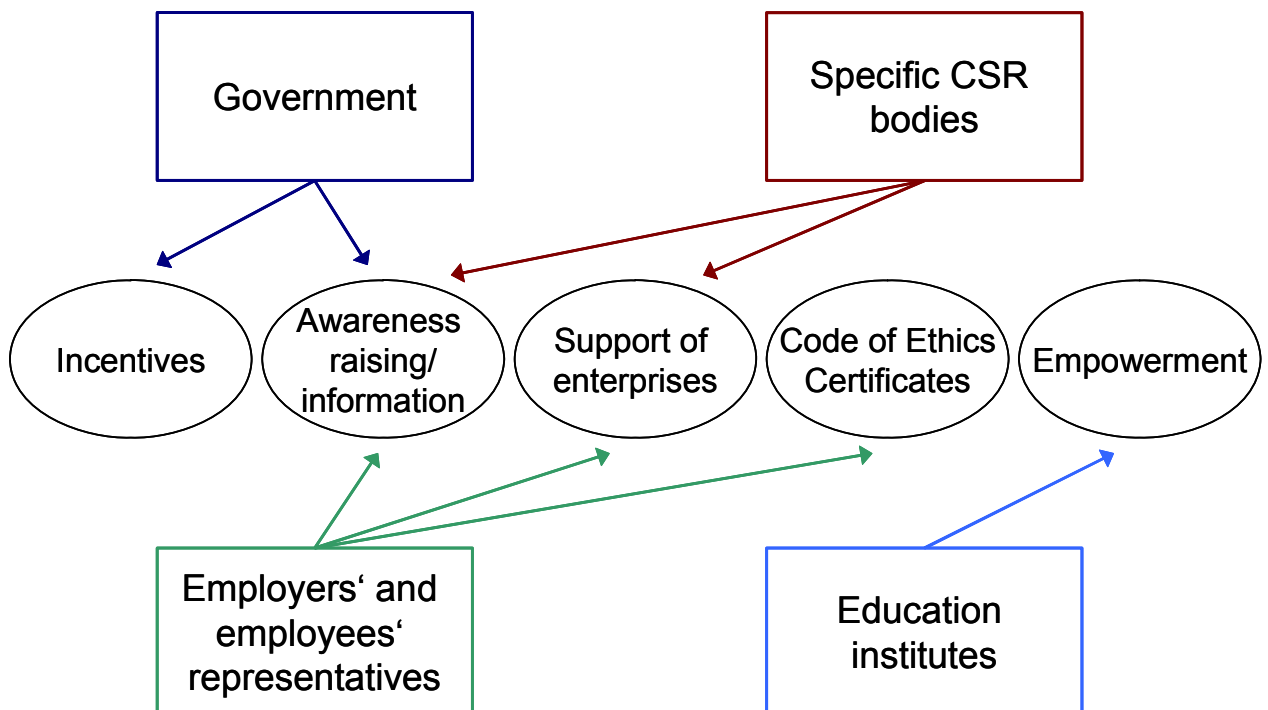
³² Source: <http://www.worldshops.org/index.html;jsessionid=53368A5480E080748205B33B554B3EE2>



4.2 National Level

Also at individual Member State level, a multitude of different (semi-)public actors is engaged in the field of CSR. This is to be attributed to the fact that CSR covers a transversal field of activities resulting in a shared responsibility of the government, the private sector (and its representative bodies) as well as the society/consumers. In the following, a systematic overview on the most important categories of different actors as well as their strategies/initiatives to foster SMEs' engagement in CSR in the analysed countries is given. It is to be mentioned that this constitutes a set of illustrative examples rather than a comprehensive list of all involved entities. A schematic summary of key actors and their strategies presented in the next sections can be found below:

Graph 3 Overview on (Semi-)Public Key Players and Their Strategies in the Field of CSR in the Analysed European Countries



Source: Austrian Institute for SME Research

4.2.1 Government

From the Member State perspective, **national governments** are active in the field in CSR in either promoting the concept as such or in supporting enterprises in the application of respective activities.

An immediate tool of encouraging enterprises to act socially responsible is the provision of **financial incentives** for the support of charitable causes (such as tax deductions for donations for social purposes). However, in Germany political considerations to cancel such tax privileges came on the agenda – being, nevertheless, criticised by enterprises and non-profit organisations (Habisch/Wegner, 2004) although CSR activities are rather assessed to create “good will” towards the society than as a way to reduce the tax burden (Maaß/Clemens, 2002). In Poland the present tax system is seen to constitute hindering rather than favouring framework conditions for CSR activities, and also in Austria tax allowances are “only” granted for donations to research and development, but not for cultural purposes, for example.

The Spanish government chose a comparatively broad approach to CSR by developing a specific policy agenda to be followed by three forums of debate (a forum within the Spanish parliament, a forum of CSR experts (see below) and a round table for social dialogue (see below)). Their conclusions are supposed to result in a distinct elaboration of an official **law on CSR**. In June 2006, the CSR sub-committee within the Spanish parliament announced the following recommendations for public authorities with regard to facilitating the CSR adoption by companies:

- Special attention should be drawn on raising SMEs' awareness on CSR and their specific support requirements as to this regard
- Regulate and foster co-operation of businesses and their representatives in the adoption of CSR strategies
- To encourage social responsible investment and reinforcing respective business transparency by fostering the elaboration of "triple-bottom line" annual reports among companies
- To foster gender equality and remove gender prejudices within businesses

Also in the German parliament, a commission to foster the voluntary, non-profit oriented societal involvement of civil actors was established in 1999 (Enquete-Kommission "Zukunft des Bürgerschaftlichen Engagements", Commission on the Future of Civil Engagement) whose recommendations led to the establishment of the National Network for Civil Society (Bundesnetzwerk Bürgerschaftliches Engagement (BBE)) with the aim of improving the general legal, organisational and institutional conditions for civic involvement.

Specialised ministries (e.g. for economic affairs, for labour, for social policy, for the environment) provide, on the one hand, relevant "infrastructure" (e.g. in terms of general CSR strategies) or aim at raising the awareness of companies and the general public on the issue. On the other hand, they implement specific instruments/measures supporting companies to become involved in CSR.

Some of the ministries (such as, for example, the Spanish Ministry of Public Works and the Ministry for Environment) actively try to **foster companies' CSR engagement** by introducing **CSR criteria in their procurement procedures**. As to this regard, social and environmental criteria (e.g. employment stability, employment of disabled persons, share of female staff members, workplace security or environmental care) are supposed to be taken into account when deciding upon a contract award. Also in Norway, proven environmental friendliness is becoming more and more relevant in public tendering procedures (Kvåle/Olsen, 2006). In contrast to that, it has been found that, for example, in Germany CSR standards for public tenders have not yet been set.

Another approach for public authorities to trigger SMEs to engage in CSR is to **act as a role model** by setting respective initiatives themselves and reporting on them. Such has, for example, been done by the Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management which was the first ministry in Europe to present a sustainability report in 2004.³³

With a similar intention, the Polish government for the last few years has paid particular attention to initiatives positively affecting gender equality, environmental protection or the quality of products and services when operationally **distributing** the budgets available from **EU Structural Funds**. This approach is important not only in the context of projects that obtained

³³ Source: <http://umwelt.lebensministerium.at>



the financial support but also as a measure of changing entrepreneurs' mentality in this field, by indicating simple rules that have to be followed in order to succeed.

An example for a national body **facilitating the process of adoption of CSR** by the private business sector is the Finnish Ministry of Trade and Industry which has launched a project (co-financed by the European Social Fund) aiming at defining possible fields of action for CSR activities in SMEs, at bringing CSR thinking and CSR practices to the everyday actions of SMEs, and at activating the use of different kinds of ethical business management tools introduced specifically to SMEs. Also the Polish Ministry of Labour and Social Policy³⁴ (MoLSP) provides seminars and conferences on the issue, initiates discussion among various stakeholders and integrates CSR rules into national strategies and government programmes (e.g. the National Development Plan 2007 – 2013). In Romania, the majority of ministries (e.g. Ministry of Labour, Social Solidarity and Family, Ministry of Economy and Commerce, Ministry of Agriculture, Forests and Rural Development, Ministry of Education and Research, Ministry of Culture and Religious Affairs, Ministry of Public Health, Ministry of Environment and Water Management) set up special departments to adopt CSR measures or promote initiatives for changing provisions of laws in accordance with the principles of social responsibility. The Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management launched a special website (www.nachhaltigkeit.at) and a best practice database to disseminate relevant CSR information among interested companies, and the Federal Ministry of Social Security, Generations and Consumer Protection has, among other things, initiated an "Audit Family and Professional Career" supporting companies to define and implement goals and measures for a family-oriented personnel policy which may result in a certification of the enterprise. Also the Spanish Ministry of Social and Labour Affairs is involved in CSR. In 2003, it launched a Technical Advisors Committee of Experts on CSR being in charge of elaborating an official report on CSR, including recommendations for the adoption of respective activities by the business sector.

Some of the ministries also award **prizes** relating to their specific field of action (e.g. employment, environment) and aiming at the **raising of awareness** of responsible entrepreneurship. The Polish Ministry of Environment has, for example, been awarding the "Leader of Polish Ecology" prize to enterprises, specific products or communities since 1996. Over the years, the title of the "Leader of Polish Ecology" has become widely known in Poland and currently the initiative can be recognised as an effective measure of popularisation of business responsibility. In Austria, the Federal Ministry of Social Security, Generations and Consumer Protection awards a prize for women and family friendly enterprises, honouring them for providing equal opportunities and family friendly policies. Similar is done by the Spanish Ministry of Labour and Social Affairs supporting, among others, the "Flexible Company Award" fostering work-life balance. Another way of awareness raising refers to the launch of **specific campaigns**, such as the Norwegian initiative "Female Future", aiming at increasing the number of women in management and on boards of directors.

A **co-ordinated approach** involving several relevant ministries (as well as social partners, lobby organisations and representatives of regional governments) is, for example, followed in Austria by the establishment of a committee for sustainable development aiming at developing and implementing measures and programmes in the field of CSR.³⁵

Partly, CSR initiatives are also considered by governmental actors at **regional level**. An example is the Department of Trade, Industry and Commerce of the government of Aragon (Spain) which grants **public funding** to local companies (mainly SMEs) engaged in CSR and awards various activities such as annual sustainability reporting or standards certification.

³⁴ The Ministry was established in October 2005. Previously, its tasks were performed by the Ministry of Economy and Labour and the Ministry of Social Policy.

³⁵ Source: <http://www.nachhaltigkeit.at/strategie/popup.php3?org=komitee>



Another Spanish example for a regional initiative refers to the programme “Xertatu”³⁶ of the provincial government of Bizkaia. Xertatu focuses its activities on small and medium-sized enterprises, pursuing several schemes to **foster CSR** (dissemination, methodology and guide for CSR implementation, pilot tests in about 110 companies, documentation and research, subsidies, participation in European projects etc.). In Germany, the federal states in general do not initiate CSR programmes on their own but rather support or co-operate with large semi-public organisations. However, the government of the federal state North Rhine-Westphalia has on its own initiative installed an **internet platform** to facilitate the knowledge exchange on Corporate Citizenship and CSR. Furthermore, this government hosted a contest (ENTERPreis) to **award** CSR strategies and a **conference** to disseminate CSR Good Practice cases among SMEs and large enterprises. In Austria, the Styrian government (together with the Styrian Business Promotion Agency and the Chamber of Commerce) launched an initiative offering consultancy, information, training and **networking** to enterprises and honoring sustainable and environmental activities with different awards.

4.2.2 Employers' and Employees' Representatives

Due to the fact that CSR activities are supposed to be operated by enterprises, also **entrepreneurs' organisations** increasingly become involved in the issue. It may be seen to be particularly advantageous, if the authority places specific attention to the concerns of SMEs in this field as is, for example, done by the Austrian Federal Chamber of Commerce trying, among other things, to raise SMEs' awareness on CSR.

The Confederation of Norwegian Business and Industry (NHO), the largest employer association within the private sector, has, for example, been the most active proponent of CSR in Norway and has taken considerable effort to define CSR. Many national official bodies refer to NHO's **definition** when referring to CSR, including research in this field. The organisation has its own department of societal responsibility and actively promotes CSR in companies, e.g. by portraying “Good Practices” in order to familiarise the private sector with the concept.

In Germany, various employers' organisations jointly started the initiative “Freedom and Responsibility” in 2001 to **disseminate information on CSR**, e.g. by hosting conferences and awarding an annual prize to creative and successful enterprises that practice CSR. Furthermore, an internet platform to inform enterprises about the business case of CSR and to foster their engagement was established. Also the Chamber of Commerce and Industry of Romania CCIR (together with the United States Agency for International Development – USAID) run a Corporate Social Responsibility Programme in 2002 to familiarise companies with the CSR concept and encourage them to actively participate in solving local community issues (e.g. equipment of schools with IT, provision of clothing to local unemployed persons etc.) by offering **financial support** for those activities (covering about one third of the total costs). Next to these programmes, CCIR organised a series of industry specific seminars on the application of CSR in companies.

The Polish National Chamber of Commerce (KIG) as well as the working group proEthics of the Austrian Federal Chamber of Commerce engaged in the development of a **Code of Ethics** for business activities and set activities to encourage entrepreneurs to comply with these rules. Similar was done by the High Council of Spanish Chambers of Commerce by publishing a **CSR guidebook** for SMEs which aims to support SMEs in the process of adopting CSR practices. In addition, the report gives insightful examples of “Good Practices” so that companies are able to identify benefits from implemented CSR strategies.³⁷ In Spain, also an IT-based CSR guide has

³⁶ Source: www.xertatu.net

³⁷ In Spain, a Corporate Governance Code (orienting itself on the European Commission's recommendations) for companies traded in the Stock Market has been released by the National Stock Market Commission (CNMV) in 2006. However, 80 % of the respective companies rejected this Code arguing it was rather interventionist and undermined businesses' freedom of action.



been elaborated at industry level by the Spanish Confederation of Wood Businesses (Confemadera) enabling companies operating in the wood sector to exploit and share CSR information with each other.

Furthermore, the Polish Chamber of Commerce has founded the Institute for Private Enterprise and Democracy (IPED) which promotes business ethics and corporate governance, among others by a "Business Fair Play" **Certification Programme** in terms of a set of standards of behaviour in mutual relations between entrepreneurs and their business partners, customers, employees, shareholders as well as local communities, local government and state authorities. Another Polish employers' organisation aiming at the popularisation of CSR is the Polish Confederation of Private Employers Lewiatan (PKPP Lewiatan). It, among other, awards an annual **prize** (Andrzej Wierzbicki Prize) to entrepreneurs who achieved business success and at the same time supported social initiatives. Similar was done by the American Chamber of Commerce in Romania (AmCham) which in 2003 and 2004 awarded businesses (but also non-governmental organisations and individuals) for exemplary behaviour within their community. Also the Federation of Austrian Industry is awarding companies with an "Investors in People" label, if they provide for a certain human resources quality standard, or students and young scientists with the "WER-Prize" for supporting the dialogue between the economy, ethics and religion.

In Spain, for example, not only employers' but also **employees' organisations** are involved in CSR in the framework of the above-mentioned Round Table for **Social Dialogue**. It gathers representatives from two labour unions and the Spanish Confederation of Business Organisations. In Norway, the partnership between the state and the private sector, which is often described as one of the success factors lying behind economic growth, is also manifested with regard to CSR, e.g. by the establishment of a Tripartite Agreement on a More Inclusive Work Life in 2001. A comparatively "operative" approach has been taken in the form of the "IW-agreement" between public authorities, employers' and employees' associations. The aim of the agreement is to retain and recruit people with a reduced work capacity (i.e. people with illnesses or disabilities, but also older persons). In practice, this entails that private companies employ respective people or implement measures to adapt and adjust the working conditions to their specific needs, and the arising costs are split between the state and the employer, and the companies are also entitled to free advice and consulting.

Also in Austria employees' organisations (the Federal Chamber of Labour and the Labour Union of Private Employees) express their interest in CSR by publishing **positioning papers** or actively **supporting** shop stewards and **employees** in participating in companies' decisions (particularly in the framework of change processes) as well as awarding **prizes** to companies (e.g. for socially responsible managers or "Good Practice" workplaces).

4.2.3 Specific CSR Bodies and Corporate Governance

In reaction to the increasing importance attributed to CSR, in some countries specific bodies have been established. A comparatively broad approach is taken by the Spanish Forum of CSR Experts constituted within the Ministry of Labour and Social Affairs in 2006, gathering a wide range of actors including public authorities, civil society and academia to foster a CSR dialogue within Spanish society. Within the forum, the following issues are scheduled to be discussed (the first 5 sessions have already been realised):

- Scope and **definition** of CSR (see above)
- Degree of **CSR implementation** in Spain (dealing with an analysis of the level of adoption of CSR by enterprises as well as with the involvement of the various groups of stakeholders in the CSR movement)
- **Framework policies** (listing the basic elements CSR policies should consider)



- **Business reporting methodology and guidelines** (hinting Good Practices for companies to inform the society on their CSR activities)
- **Policy audit and verification systems** (supposed to deal with monitoring and reporting of CSR activities)
- **Promotion** of CSR (intended to pinpoint incentives for CSR promotion and showcasing CSR promotion within the central administration)
- **Policies** for institutional investors and investment funds
- Nature and objectives of a **CSR executive committee** of companies and the public administration

Also the Finnish Business & Society network (established in 2000) follows a broad approach by creating a partnership between the private, the public and the third sector as well as citizens and consumers. Its aim is to promote and maintain **dialogue** between companies to identify and disseminate **Good Practices**. Similar is conducted by the German Center for Corporate Citizenship which also has developed model solutions for applying CSR in SMEs). Furthermore, the Finnish Business & Society network **supports companies** in defining and developing CSR, promotes CSR and Good Practices at all levels of society and provides companies with **information** on CSR³⁸. The latter is also done by CSR Romania having developed a specific web site and delivering a monthly electronic newsletter to enterprises. A similar objective is also followed in Austria by “respACT” (formerly CSR Austria), a joint instrument of the Federation of Austrian Industry, the Ministry for Economic Affairs and Labour and the Austrian Chamber of Commerce. The platform intends to raise the awareness on CSR and develop a common understanding by organising events, workshops and surveys. It formulated guidelines for companies and assists them in their adoption and implementation of CSR practices. Furthermore, it set up the enterprise-led association respACT Austria being active in the fields of communication and marketing (e.g. prize awards), exchange of experiences (e.g. database of practice examples), know-how transfer and training (e.g. guidelines) and supports the dialogue among companies with a specific orientation on SMEs.

A more specific focus is taken by the Polish Responsible Business Forum (FOB) or CSR Romania aiming at **popularising CSR** in order to increase the competitiveness of enterprises as well as to improve social satisfaction and environmental conditions. This is realised by **promoting** the CSR concept (e.g. via conferences, seminars, educational programmes, the provision of web pages or newsletters etc.), providing **standards** of corporate supervision and ethical/moral standards among entrepreneurs, **supporting** companies in the implementation of CSR into their everyday business practice, co-operating with companies in realising socially oriented activities as well as analysing responsible business practices. Some of its activities are co-financed by ESF funds. Also the Polish Business Ethics Centre (Centrum Etyki Biznesu – CEBI) follows a very specific purpose, namely to become the major centre of research and studies in the field of business ethics in Poland. Presently, it is, for example, participating in a project analysing the understanding of entrepreneurs of their responsibilities towards the society and their dealing with the respective growing expectations of their stakeholders. Results of the studies manifest in useful tools for implementing ethical standards in SMEs, including distinct training programmes. Also the Spanish Observatorio de Responsabilidad Social Corporativa (Observatory of Corporate Social Responsibility) is devoted to analyses and reporting on the situation of CSR, resulting in several publications.

³⁸ In order to do so it has, for example, conducted a regional survey on CSR in SMEs, elaborated an online toolkit for SMEs, organised conferences and prize awards and publishes a CSR magazine.



The Finnish Ethical Forum, in contrast, aims at bringing together companies, organisations, unions and officials to discuss questions of business ethics and corporate social responsibility. The main objective of the Forum is to promote **interaction between business, consumers and organisations** and offer them a place to discuss corporate social responsibility. It aims to bring together different points of view, exchange thoughts and find new ways to evolve corporate social responsibility. Discussions in the Forum aim to raise awareness about the different expectations and objectives of social responsibility that Forum members have.

Next to those bodies orientating themselves on CSR as such, various other entities deal with one or the other sub-themes of CSR. Examples for these are the Agencies of **Consumer Protection** (e.g. the German Stiftung Warentest or the Polish Office of Competition and Consumer Protection (UOKiK)). They are active in the field of information provision and awareness raising regarding CSR among consumers and/or entrepreneurs (e.g. by commissioning studies, organising conferences, providing information brochures, fostering dialogue between companies and customers etc.). In a wider sense, also the Norwegian Foundation for Sustainable Consumption and Production "GRIP" is active in this field by promoting and supporting sustainable production and consumption patterns. It particularly focuses on industries that are not traditionally considered to be polluting in a legal sense, but that do have an impact on the environment through the consumption of goods, chemicals and energy, transport and waste.

Company related assistance in the field of **security and health** at the workplace may be offered by occupational health care organisations (such as the Austrian General Accident Insurance Authority). As to this regard, support in the form of handbooks (e.g. a "cost-benefit-check") or personal consultancy is offered to enterprises aiming at implementing health and security aspects in its management principles or integrate them into the existing management system.

Other organisations, such as the Polish Foundation of Social Communication (Fundacja Komunikacji Społecznej), the Partnership for Environment Foundation (Fundacja Partnerstwo dla Środowiska), the Finnish Environmental Communications Association, the German Oeko-Institute (Öko-Institut e.V.) or the Spanish Fundación Entorno – Consejo Empresarial Español para el Desarrollo Sostenible (Environment Foundation) and Fundación Ecología y Desarrollo (Ecology and Development Foundation) deal with the **promotion of environmentally friendly products** and/or production process (e.g. establishment of green labels/eco labels, prize awards for "clean" businesses, provision of consulting services and training programmes etc.)³⁹.

4.2.4 Education Institutes

Another aspect of CSR activities with obviously increasing importance is the development of educational initiatives in this field. These are not only conferences or seminars promoting the idea (as repeatedly mentioned above) but also, for example, (postgraduate) studies on managing socially responsible projects within companies.

Examples for these are the **programmes** of the Polish Tischner European University or the Spanish Universities of Santiago de Compostela (USC) and of Zaragoza (UZ), addressing either managers responsible for external relations and the realisation of social initiatives in companies as well as staff specialised in corporate affairs, HR management, marketing or public relations or offering master studies targeted at their students. The Polish Akademia Rozwoju Filantropii (the Academy for Philanthropy Development), among others, co-ordinates a programme "*Vademecum Dobroczyńcy (Vademecum of the Donor)*" which provides online information on the theoretical concept of CSR, practical aspects of social involvement, lists and descriptions of Good Practices, publications, useful links etc. Moreover, the Academy provides various trainings, seminars and consultations to enterprises interested in social involvement. This facilitates the initial steps of companies towards social involvement.

³⁹ Similar is also done by specialised governmental authorities, e.g. the Ministry of Environment or the Ministry of Agriculture, Forestry and Water Management.



Some of the business schools have even established specific **departments/chairs** for the study and research on CSR (e.g. the Institute for the Individual, Corporations and Society (IPES) of the Spanish ESADE Business School, the Chair for the Analysis of Corporate Social Responsibility of the University of Antonio de Nebrija (Spain), the Chair of Business Ethics at the German University of Halle Wittenberg etc.). In Austria, competence centres (e.g. the Austrian Business Academy for Sustainable Development or Quality Austria) offer practice-oriented qualification programmes (ranging from information events to seminars and training programmes as well as round tables or pilot projects in companies) on CSR to the business sector.

Some of the education centres⁴⁰ conduct **research**⁴¹ on the present situation and development of corporate governance and CSR in enterprises (partly with a specific focus on SMEs). These activities may – due to the expertise developed in the framework of the studies/analyses - even extend to the involvement of the institutes in the process of **verification** of CSR and/or **consulting** enterprises in this area. As regards the latter, the Romanian College New Europe in 2006 organised a round table on “Corporate culture – the mature exam of Romanian capitalism” dealing, among others, with the role of private companies in the society or the “ideal” model of social and corporate involvement for the enterprises.

⁴⁰ Examples are the Institute for SME Research Bonn (Institut für Mittelstandsforschung Bonn, IfM Bonn) in Germany, the Vienna University of Economics and Business Administration and the University of Natural Resources and Applied Life Sciences in Austria or various Norwegian universities (e.g. the Norwegian School of Management (BI), the Norwegian University of Science and Technology (NTNU) or Agder University College – each with a different CSR focus (e.g. consumer relations, environment, business ethics etc.)).

⁴¹ It is to be mentioned that research on CSR is also conducted by a variety of other public, semi-public and private actors.



5 Deployment of CSR Activities in European SMEs

5.1 General Considerations

At individual Member State level it becomes obvious that the deployment of CSR activities among national enterprises is considerably influenced by the given framework conditions. On the one hand, the **prevalent legislation/regulatory framework**⁴² in different fields (e.g. environment, employment, consumer protection etc.) sets obligatory minimum requirements with regard to what actions enterprises are required to undertake – thereby also determining the scope of potential voluntary CSR initiatives. Consequently, in countries like, for example, Finland, Norway or Austria with a high level of legal regulation, companies have more limited possibilities for “doing something beyond” compared to countries with a lower level of legislative density (e.g. the US or developing countries). Furthermore, in highly regulated countries the administrative burden for companies (and SMEs in particular) may already be perceived to be immoderate which leaves little or hardly any room for additional actions, at least in certain CSR areas. This might be particularly true in times of **macro-economic** downturns when the enterprises strive to only make the most necessary investments in order not to overstrain their equity cushion. However, governments may also set **incentives** (e.g. tax relieves, considering ethical business behaviour in tendering processes etc.) inducing companies to become involved in CSR. On the other hand, the duration and intensity of the **public and political debate** on CSR influences the awareness on this topic among business leaders (also see chapter 3.1).

When dealing with SMEs' involvement in CSR, it is observed that this kind of companies often **lack** awareness or **understanding of the concept**. The range of strategic opportunities CSR can provide is hardly ever conceived by the owners/managers of SMEs. Especially in small companies the term “CSR” is not well known (Bronchain, 2003). Consequently, research studies (particularly those being based on standardised empirical surveys) strictly concentrating on the wording of CSR can be seen to result in a misleadingly low participation rate as SMEs often relate “Corporate Social Responsibility” to the activities of large enterprises and do not know that the measures set by themselves may also be considered as CSR. So, for example, data from the United Kingdom shows that 71 % of the SMEs are uncomfortable with the use of the term CSR for SMEs. They assess it as being too difficult to understand and relate the word “corporate” with issues for large companies only (Jenkins, 2006).

Correspondingly, many of the CSR related surveys take into account a comparatively “broader wording” in order to provide a better picture of the situation. So it is, for example, found for Germany that respective research is two-fold, on the one hand focusing on Corporate Citizenship (CC) as a strategy covering community activities and environmental issues, and on the other hand on CSR in terms of workplace and the marketplace.

Irrespective of this terminological problem the practice shows that the majority of European **SMEs are aware of their responsibility** toward the society – particularly with regard to the local stakeholders (i.e. consumers, employees and local community) as there, a higher degree of (personal) embeddedness is felt while at the same time socially responsible behaviour is expected from the other local actors, too (Heikinheimo, 2005 or Lähdesmäki, 2005).

Particularly during the last years, the awareness of the importance of a multi-stakeholder orientation (instead of solely shareholder/owner orientation) has become widespread among European SMEs as it is assessed to be an important pre-condition for sustainable success. Data from Spain, for example, shows that almost 70 % of the enterprises see CSR as a key factor for a beneficial business performance in 2006 – while the respective share amounted to “only” about 50 % in 2004. (Foretica, 2006)

⁴² To be understood in this context as both, statutory requirements (such as directives, laws) and agreement-based requirements (e.g. stemming from collective bargaining).



Companies realise the necessity of improving the enterprise's image by showing commitment to social issues and/or the introduction of business ethics rules and, therefore, include CSR activities in the daily business routines. For example, about 60 % of the large companies, more than half of the medium-sized enterprises and about 40 % of the small companies in Poland declare that running a business should comply with the needs of local societies and environmental concerns. At the same time, the majority of SMEs is not familiar with the concept of codes of good business behaviour.⁴³ Data from Germany⁴⁴ is even more impressive, indicating that about three quarters of SMEs are aware of their social responsibility. Also Norwegian data are convincing: 91 % of the CEOs of private enterprises with more than 19 employees mentioned in 2000 that social commitment is profitable for the company in the long run, and 53 % of the enterprises had issued or were elaborating guidelines for business ethics/values (ethical accountability). (NHO, 2001)

However, as in practice **differences between the assessment of importance** of engagement in CSR activities **and the actual** implementation of such activities may occur it is essential to investigate SMEs practical involvement in CSR measures.⁴⁵

In this context the problem arises that national statistics providers generally do not dispose of any standardised data on the number of SMEs active in the field of CSR. This is due to the above-mentioned fact that CSR is hard to measure/assess by means of surveys and the impression that a high number of SMEs applies CSR without even identifying their activities as such approaches. Consequently, the only available "hard fact data" stem from individual research studies. As these, on the one hand, focus on diverging definitions and objectives and, on the other hand, apply different methodologies, the individual outcomes are difficult to compare directly – particularly if a cross-country analysis is intended.

In the following, some of the research results dealing with CSR activities in SMEs in the analysed countries are presented (chapters 5.3 and 5.4), after discussion of favouring and hindering factors influencing SMEs decisions for or against initiating CSR measures.

5.2 SMEs' Decision Making Process With Regard to CSR – Favouring and Hindering Factors

When examining the Good Practice case studies of European SMEs engaged in CSR activities a set of triggering factors could be identified. Thereby, it has to be kept in mind that the company's motivations to get involved in CSR usually are various. As to this regard, it needs to be differentiated between the general attitude of SMEs towards CSR and the individual decisions for becoming involved in specific initiatives.

A positive **strategic orientation** on socially responsible acting can be seen to constitute a precondition for any concrete activities. In SMEs, particularly the entrepreneur's position towards ethically responsible actions is important as in the majority of cases he/she is the only one influencing the company's decisions (in contrast to larger enterprises where the management team/board of directors, influenced by the shareholders, is responsible)⁴⁶. The ENSR Enterprise Survey 2001 and KPMG International (2005), for example, show that more than half of the

⁴³ Press note from the conference "Konceptcja CSR w Polsce – stan obecny i perspektywy rozwoju (Concept of CSR in Poland – state of the art and perspectives of its development)" of June 2006

⁴⁴ The survey "Der industrielle Mittelstand" was undertaken by IfM Bonn on behalf of the Federation of German Industries (Bundesverband der Deutschen Industrie e.V.) in 2003. It covered a total number of 1,046 enterprises of all size classes and industries, including 905 SMEs.

⁴⁵ Furthermore, since the popularity of the CSR subject in public and scientific discussion obviously exceeds the actual frequency this instrument is used by SMEs, new research is needed on how to introduce CSR as a strategic measure in these enterprises.

⁴⁶ Naturally, the number of decision makers increases with the company size, so that in some of the analysed medium-sized enterprises also a management team is responsible for CSR activities.



enterprises (or SMEs in case of the ENSR Enterprise Survey) involved in CSR activities decided to do so because of “ethical reasons”, with a negative relationship between company size and consent, i.e. ethical reasons are particularly important the smaller the enterprise size is. (European Communities, 2002) A similar result has also been found by TNS Gallup (2005), investigating that 69 % of Danish SMEs cite ethical and moral reasons for implementing CSR activities.

Also the cases analysed in this study have shown that the owners of small and medium-sized enterprises dispose of a comparatively high level of “**moral standards/ethical attitude**” (see, for example, Murillo/Lozano, 2006). The fact that these enterprises often depend to a great extent on good relationships to their stakeholders might explain their willingness to take the concerns of others into account. In turn, a general negative attitude of the company owner towards socially responsible acting can be seen as one of the most important barriers for becoming involved in CSR.

Furthermore, for well-established family businesses it has been observed that the “strategic approach” towards socially responsible behaviour has been anchored in long standing business **traditions**, and in some of the cases (few, though) this has also been explicitly incorporated in the enterprise’s business plan.

However, not only the entrepreneurs own viewpoints, but also **stakeholders’ expectations** can be seen to be an important factor influencing SMEs’ general willingness to become involved in CSR. As already mentioned, a tendency of customers and the society (but increasingly also business partners) to expect “good behaviour” of business entities may be observed. Danish data, for example, show that 39 % of the enterprises have implemented CSR activities because their customers and/or business associates expect or require it (TNS Gallup, 2005). Hence, taking initiatives in this field may result in a competitive advantage, particularly in saturated markets with a low innovation level.

However, in order to become engaged not only a positive tenor towards CSR is necessary. Rather, each individual activity (or set of activities) also needs an “**operative impetus**”. In many cases, this is an “external” impulse, such as an **inquiry from a local stakeholder**, i.e. a potential beneficiary. This, however, also pinpoints one of the main barriers for SMEs to engage in CSR. The ENSR Enterprise Survey 2001 (European Communities, 2002), for example, shows that the main reason suggested by SMEs for not getting involved in company-external CSR activities is simply because they have never considered the possibility of engaging in such activities (24 % of responses). This reason is indicated more often by micro than by small and medium-sized enterprises. In less frequent cases SMEs are **approached by their business partners** to jointly engage in CSR activities (e.g. for community benefits) or made aware by their consultants on **public support programmes** promoting socially responsible acting.

These strategic and operational factors influencing SMEs’ decision for or against engaging in CSR can, however, not be considered isolated. Next to the above-mentioned **general framework conditions** affecting SMEs’ behaviour (e.g. legal, political⁴⁷, economic situation within the country or the region, including consumers’ behaviour/expectations), “hard fact” **company-based characteristics** have an impact on the enterprises’ involvement in socially responsible measures. Aspects like the company’s geographic location, its phase in the company life cycle, its field of activity (economic sector, industry) may be of importance as they affect, for example, the enterprise’s strategy to compete on the market (price⁴⁸ vs. quality or additional services). (see, for example, Taipalinen/Toivio, 2004)

⁴⁷ Empirical results from Poland (UOKiK, 2006), for example, show that about 70 % of the SMEs assess government’s policy as one of the factors which may stimulate their involvement in CSR, and also Finnish authors found a relationship between promotion and support activities and companies’ level of CSR actions (Taipalinen/Toivio, 2004).

⁴⁸ which is, for example, dominant in Poland or Romania



Having in mind the comparatively limited resources of small and medium-sized enterprises it is not surprising that one of the main hindering factors for becoming involved in CSR refers to the **lack of time and financial resources** (particularly against the background of perceived additional costs of CSR activities and the more severe pressure of the “daily struggle to survive” (European Multistakeholder Forum on CSR, 2004)), mentioned, for example, by 16 % - 19 % of the European SMEs participating in the ENSR Enterprise survey 2001 (European Communities, 2002). More “impressive” data can be found at national level: So, for example, 35 % of Romanian (Source: American-Romanian Chamber of Commerce – AmCham) or 68 % of the Austrian enterprises (Deuerlein et al., 2003) mentioned the lack of financial resources as the most important reason for not donating. As to this regard, the fact that respective returns on CSR investment may only manifest in the long-run results in the feeling that CSR is only affordable for larger enterprises with a good financial standing.

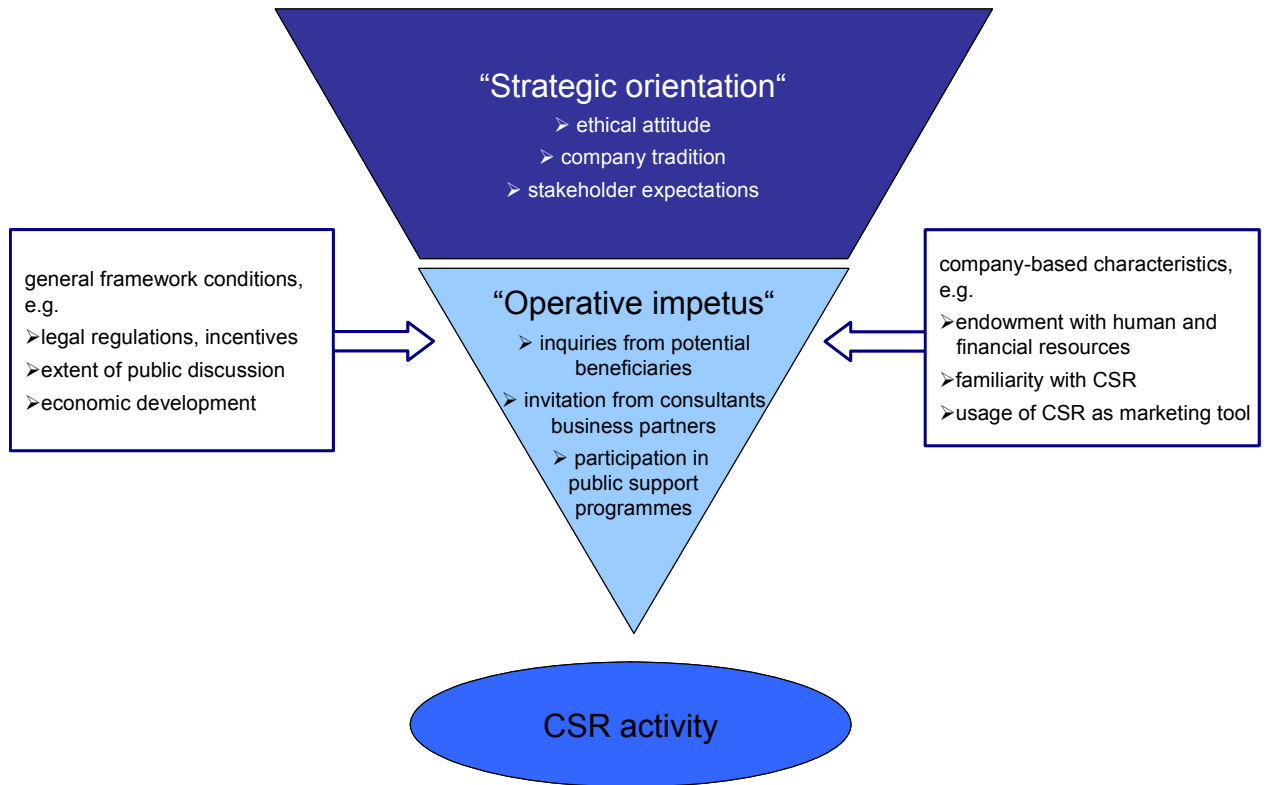
Furthermore, and in relation to the above-mentioned **lack of understanding of and familiarity** with the concept of CSR by SMEs, a lack of know-how in terms of different modes of application, but also with regard to where to find support for implementing CSR measures or relevant partners (e.g. NGOs conducting CSR related programmes) can be seen as an important barrier for SMEs' engagement in socially responsible acting (European Multistakeholder Forum on CSR, 2004).

Another aspect influencing SMEs' decision for/against CSR refers to the expected **outcome**. The ENSR Enterprise Survey 2001 (European Communities, 2002) shows that only 8 % of the European SMEs not engaging in CSR argue that the main reason underpinning their inactivity is because they do not expect any benefits from these activities. Danish data, for example, shows that 64 % of the enterprises have implemented CSR activities in order to preserve or improve the enterprise's **reputation**, and 56 % expect a positive impact on the enterprise's **financial result** (with a positive correlation between company size and this expectation). (TNS Gallup, 2005). Also Bronchain (2003) mentions the amelioration of the enterprise's image as one of the most important motivations for engaging in CSR whereby he distinguishes between a pro-active (to enhance the image of the company) and a reactive approach (to prevent it from potential deterioration) and also pinpoints the potential of improving the company's image as an attractive employer. Furthermore, he emphasises the possibility of using CSR as a tool to **launch new or improved products or services** or to create a market for them, i.e. using CSR strategically as a marketing tool. As in recent years a generally increasing awareness of consumers in the field of responsible business behaviour can be observed the application of CSR measures in combination with a target group oriented communication of these activities may increase companies' competitiveness. Nevertheless, due to their higher degree of familiarity with public reporting it is still larger enterprises that choose to use their CSR activities for PR purposes while only a comparatively small percentage of SMEs opt for such. Polish research (UOKiK, 2006), for example, shows that for only about 30 % of SMEs marketing reasons are an important motive to involve in CSR, and also Huju (2005) and Maaß/Clemens (2002) find for Finnish and German enterprises that CSR activities are mainly reported by larger enterprises.



To summarise these considerations, the favouring and hindering factors influencing SMEs' decision making process with regard to their engagement in CSR can be illustrated as follows:

Graph 4 Favouring and Hindering Factors in SMEs' Decision Making Process Concerning CSR



Source: Austrian Institute for SME Research

5.3 Level of SMEs' Engagement in CSR activities

Among public and policy discussion the impression is still prevalent that CSR is mainly an issue for large, multinational companies while SMEs do hardly engage in such activities. This, however, is at least partly due to the fact that many **SMEs** do not identify their CSR activities as such and, therefore, do **report** on them **to a lower extent** than larger business entities do (e.g. by publishing CSR reports or using their CSR practices for PR campaigns) – at least **as far as formal communication channels are concerned** (see, for example, Maaß/Clemens 2002 for Germany). This corresponds to the general communication strategies of SMEs, particularly the smallest enterprises (hardly any market oriented marketing/PR or annual reports etc.), which is not at least triggered by their limited financial resources and company-internal expert knowledge for such purposes. Furthermore, as many SMEs are comparatively well linked to their local stakeholders they rather rely on **informal dissemination channels** for their CSR activities (i.e. word of the mouth) and even deem “open communication” to result in a loss of credibility due to obviously seeking positive image effects.

Nevertheless, there is no doubt that also small and medium-sized enterprises initiate CSR activities. Up to now several research studies have dealt with the question of SMEs' **engagement** in CSR. The results of the Observatory of European SMEs (European Communities, 2002) show, for example, that external social responsibility activities are not only assessed by the enterprise sector to be important in general, but already are a reality for a large share of European SMEs: 48 % of the very small enterprises (0 – 9 employees), 65 % of the small enterprises (10 – 49 employees) and 70 % of medium-sized enterprises (50 – 249 employees)

are involved in **socially responsible causes**. So, while in general a positive correlation between engagement in CSR activities and company size can be observed, also the percentage of micro enterprises involved in socially responsible measures must not be neglected.

The level of engagement of SMEs in CSR activities differs, however, among **countries**. For example, 83 % of Finnish SMEs are engaged in CSR whereas “only” 46 % of Spanish SMEs conduct such activities (see Table 2). Generally, the northern and central European countries show the highest percentages of SMEs involved in external social activities, contrary to southern countries as well as France and the United Kingdom where social involvement is less common among SMEs. Reasons to explain these national differences may be different cultural traditions regarding the role of enterprises in the society, different public welfare traditions or different expectations from the general public on the social involvement of enterprises. (European Communities, 2002)

Table 2 Percentage of SMEs Involved in External Social Activities, by Enterprise Size and Analysed Country¹

	Austria	Finland	Germany	Norway	Spain	Total ²
0-9 employees	68	82	53	67	45	48
10-49 employees	72	96	62	87	65	65
50-249 employees	80	94	74	95	61	70
Total	68	83	54	68	46	49

¹ As the Observatory of European SMEs 2002 covers the EU-15 plus Iceland, Liechtenstein, Norway and Switzerland no data is available for Poland and Romania.

² EU-15, Iceland, Liechtenstein, Norway and Switzerland

Source: European Communities, 2002

Relevant surveys are also available at national level. Data for Germany, for example, show that approximately one quarter of the medium-sized enterprises participate in Corporate Citizenship (being defined as voluntary contributions to the society) at least once a year and an increasing tendency may be observed over time while another 15 % are engaged in Corporate Giving (declining tendency over time) (Maaß/Backes-Gellner (2006)). On average, SMEs with less than 99 employees spend 0.11 % to 0.12 % of their annual turnover on sponsoring, donations and Corporate Citizenship (Maaß/Clemens, 2002). Larger enterprises “only” provide 0.05 % to 0.07 % of their turnover for such purposes. So, relative to their potential, SMEs are willing to invest comparatively more than large enterprises on their societal relations. Austrian data based on a broader survey approach highlight that almost all responding enterprises are engaged in some form of Corporate Citizenship or community focused activities (Deuerlein et al., 2003).

As regards the involvement of different economic **sectors** in CSR the Observatory of European SMEs shows no significant differences between the sectors. SMEs active in the trade and manufacturing sectors show a slightly higher involvement in external social activities than SMEs in the transport and business services sectors (European Communities, 2002). Also a survey among Danish SMEs confirms this tendency. There, enterprises in the real property/business services industry are least likely to have implemented CSR activities while enterprises in transport and manufacturing are most likely to have done so (TNS Gallup, 2005). These results are, however, in contrast to Spanish research (Fundación Empresa y Sociedad, 2006)⁴⁹ which shows that in the services sector respective activities are most widespread.

Generally, certain sectors (like energy, transport, chemicals and nuclear as well as specific industries like the timber industry) seem to be more exposed to negative reactions by the society resulting from their activities than others. This can also have an influence on the decision of an enterprise to adopt CSR initiatives. (Bronchain, 2003)

⁴⁹ No specific SME focus has been taken in the study.



Regarding the level of engagement in CSR activities **different 'types' of SMEs** can be identified (Business in the Community, 2002):

- SMEs that are purely motivated by financial gain and do not see any relevance for social engagement. They believe that they do not have any social responsibilities outside the narrow confines of their business and are not active members of business networks.
- SMEs that have relatively minimal experience in the engagement with social responsibility activities, but that may have participated in e.g. a volunteering project. Their motivations tend to be issue-based.
- Entrepreneurs that work very independently and in isolation from others. Their socially responsible activities are often fragmented. They are less interested in engaging with others, so they are difficult to reach and support.
- Smart pragmatists who recognise the business benefits of acting responsibly.
- Enlightened pragmatists who are motivated by broader, long-term societal goals as well as understanding the basic business case.
- At last, SMEs which have started as social enterprises in which the owners/managers are motivated heavily by a desire to create positive community or social impact. They are more likely to understand CSR concepts and terms and seek more opportunities for engagement.

Also the Spanish Foretica Report (2006) establishes a typology of enterprises according to their degree of involvement in CSR activities and attitudes:

- "Leader" companies (about 4 %) believe in and apply the idea of CSR.
- "Me too" enterprises (about 11 %) do not fully believe in CSR, but are engaged to a certain degree.
- In the category of "falling behind" more than 40 % of the enterprises are classified. They generally believe in CSR but do not apply it.
- About one quarter of the enterprises are "indifferent", i.e. are sceptical about CSR and do not apply it.
- "Detractors" (16.5 %) do neither believe in nor apply the CSR philosophy and consider that it is not useful at all.
- The last category is called "inconsistent/contradictory". Those about 4 % are sceptical on CSR but believe in its usefulness.

5.4 Characteristics of SMEs' CSR activities

Like many business decisions in SMEs, particularly micro and small enterprises, also CSR activities of this company group are of a rather informal character. There **rarely** is appointed a **specific person** or group of persons **responsible** for CSR. Rather, decisions with regard to CSR are mainly seen as a task for the owner/general managers, often under the involvement of employees (or a group thereof).



In most of the cases, the implementation of CSR measures is based upon **ad-hoc decisions**, i.e. are not related to the business strategy in terms of being written down in the enterprises' strategy document (e.g. business plan). Data from Romania, for example, show that only 5 % of the companies have a fixed annual budget for donations and 25 % try to have a regular system for giving to charity (Source: AmCham – the American Chamber of Commerce in Romania). Also for Austria it was found that only 14 % of the enterprises plan their CSR activities in a strategic way (Deuerlein et al., 2003).

The CSR activities of SMEs are often done in an **occasional way**. The ENSR Survey 2001, for example, shows that 51 % of the European SMEs which are involved in external social activities carry out these activities on an occasional basis and 45 % conduct regular activities. Social activities which are done regularly and are related to the business strategy become more common as the enterprise size increases. (European Communities, 2002)

Particularly in Finland and Norway, the occasional character of SMEs' external CSR activities becomes obvious while e.g. Spanish or German enterprises mainly conduct regular community activities. In the majority of the countries these activities are performed unrelated to their business strategy, with e.g. the exception of Austria where 53 % of the enterprises conduct social activities in relation to their business strategy (in an occasional or regular way).

Table 3 SMEs' Strategic Approach to External Social Activities by Analysed Country¹

	Austria	Finland	Germany	Norway	Spain	Total ²
Occasional activities, unrelated to business strategy	20	64	31	56	27	37
Occasional activities, related to business strategy	29	13	17	14	15	14
Regular activities, unrelated to business strategy	24	8	27	21	45	31
Regular activities, related to business strategy	24	6	24	4	11	14
Do not know/ No answer	2	8	3	5	2	4

¹ As the Observatory of European SMEs 2002 covers the EU-15 plus Iceland, Liechtenstein, Norway and Switzerland no data is available for Poland and Romania.

² EU-15, Iceland, Liechtenstein, Norway and Switzerland

Source: European Communities, 2002

Nevertheless, the majority of SMEs analysed in this study indicate that they plan to **continue their CSR activities** or even want to expand them. So, it can be concluded that although in the vast majority of cases **no monitoring** of CSR activities in terms of assessing its (economic) outcome is conducted by the European SMEs, they are rather satisfied with the effects they observe.

In case of SMEs these actions usually have a form of **financial or material support** while large companies more and more often focus the CSR actions at increasing social awareness about particular issues e.g. health, environment, tolerance, safety etc.

As has been mentioned above (see chapter 3.3) European SMEs concentrate their CSR activities on four potential "target groups" (employees, the market, the society and the environment) as well as on comprehensive approaches combining two or more fields of action. As to this regard, however, differences with regard to the level of engagement in the different **fields** can be observed.

The smaller the company the more important are **employees** as the main target group for CSR initiatives whereas CSR activities among large enterprises have a predominately external-to-the-enterprise focus (Murillo/Lozano, 2006). This can be shown by various national studies. For example, 54 % of Danish SMEs have implemented workforce related CSR activities (TNS Gallup, 2005) and also a survey among SMEs in the United Kingdom shows that their most popular social responsibility is directed towards their employees (Business in the Community,



2002). In Austria, 86 % up to 95 % of the Austrian enterprises state that being a role model for the employees, equal treatment of the employees, a fair salary structure, transparent and honest contracts are important social responsible activities in their enterprises. The terms of business values and ethics are often used synonymous with the supporting of employees. (Deuerlein et al., 2003)

Workplace related CSR may refer to activities in the field of guaranteeing sustainable employment (particularly in industries characterised by uneven order volumes), human resources development (e.g. mentioned by 75 % of the Danish SMEs or more than 80 % of British SMEs) and career planning (e.g. internal promotion activities) whereby sometimes a specific focus on individual groups is taken (e.g. women, migrants, elderly), improvement of working conditions (working time, ergonomics, risk prevention/safety at work etc.; e.g. 70 % of the Danish SMEs indicate such), integration of disadvantaged groups⁵⁰ (e.g. elderly, women, handicapped, migrants etc.) on the labour market, employees' participation in company decisions (e.g. 71 % of the Danish SMEs) or the empowerment for that etc.

Measures may, however, also take a more "innovative" approach, e.g. by voluntarily contributing to employees' retirement pension or by granting them cheap or even interest-free small loans for short durations. Other possibilities refer to the offering of social events, such as company funded sport events or meals, or the earlier payment of salaries.

For SMEs, this constitutes an important CSR area as by being known as "responsible employer" the often prevalent problems of attracting or retaining qualified employees may be overcome.

Box 4 Examples for Workforce-oriented CSR Activities of European SMEs

The small **Austrian** consulting company "**denkstatt GmbH**" has launched an internal project to support the health of its employees, consisting of a multitude of individual actions. The company provides the employees with biological fruits and milk free of charge, and one or two employees cook about 3 times a week a healthy meal for all during their working time. Furthermore, the enterprise offers a substantial sports programme (football, swimming, badminton, running, riding a bicycle etc.). In addition, the employees have the possibility to regenerate in the framework of a "powernap" (a short recreation sleep of 20 minutes). The working rooms with a lot of foliage plants have a homelike, pleasant atmosphere.

"**J. und H. Rest GmbH**", a small **Austrian** bakery, replaced machinery necessitating a high degree of manual intervention by new equipment characterised by a higher level of automation. This results in a lower physical burden for the employees. Furthermore, new illumination has been installed, and the staff is regularly instructed in the fields of occupational health and safety. Also long-term employees are repeatedly made aware on potential risks.

The **German** medium-sized cleaning company "**LR Gebäudereinigung**", among others, provides cost-free German classes for its employees with migration background to improve their language skills or organises a workshop on environmental issues held annually for trainees. The trainees can create an own concept for environmental protection in the context of their workplace. Through this measure the young employees develop creativity and get inspired to improve and ensure their responsible behaviour at work. Good ideas had been considered by the management and became standards of the firm's environmental policy.

⁵⁰ As to this regard, a smooth transition between workforce- and society-oriented CSR needs to be mentioned.



“**Bad & Heizung Kreuz GmbH**”, a small **German** enterprise in the field of sanitary facilities, ensures constant communication with the employees, provides an efficient system of knowledge management, teamwork and delegation of responsibility and supports lifelong learning. The company also offers the opportunity to young people with learning problems to participate in the firm's trainee programme to develop their studying abilities and to build up job skills. The company successfully accompanied a total of 6 trainees to become a plumber. Since three of the trainees come from immigrant families, this CSR programme can be considered a part of the diversity policy of the firm. Two of the trainees later on found a job in the company.

In “**Protu AS**“, a micro IT enterprise in **Norway**, the company owners try to secure that employees assess their work to be fun and well adjusted to their personal work-life balance. The company provides cell phones and broadband internet connection at home to all employees, so everybody has a fully serviceable home office. The company does not count how many days the employees are at home due to illness or children's illness. The employees can take as much time as they need to restore their health and spend time with their family during illness.

The medium-sized **Polish** construction company “**MELBUD**” has established an internal social fund to finance some allowances for the employees, including cultural, educational or sport activities for employees or Christmas vouchers. Out-standing members of the staff can also expect to get loans that do not have to be fully re-paid. Furthermore, the company launched an employees' pension programme, also including a kind of group life insurance with an insurance capital fund. The employer pays to the individual accounts of the employees monthly contributions (6 % of their gross salary) which can be used after reaching of retirement age. MELBUD offers its workers competitive remuneration and each year best employees get attractive rewards. Additionally, it organises integration activities within the company, e.g. Construction Workers' Day party or Christmas party for employees. It should also be noticed that the enterprise invests in professional development of its staff, e.g. finances trainings or recreation-training trips for its managerial cadre. In the framework of the yearly assessment of employees (this concerns also the board) the company also evaluates their satisfaction with working conditions - this results in conclusions about undesirable factors that should be removed. The assessment is an effective form of monitoring and evaluation of personnel policy applied by the company.

The **Romanian** research company “**SC Icemenerg SA**” assigns 5 % of its turnover to measures targeting at improving the employees' working conditions, e.g. by investing into occupational health, training, social events (such as the provision of a recreation centre or a gym hall). Furthermore, the company hires young people, especially for the new job positions the company has created by diversifying its field of activity.

“**Euroquímica de Bufi & Planas S.A.**” being active in the **Spanish** chemical sector offers its employees to become stockholder of the company and, consequently, the right to participate in the enterprise's general assemblies and meetings and in the enterprise's profits. Furthermore, the enterprise is active in internal promotion policies based on fairness and merits, whereby the social advantages provided by the enterprise are the same for the whole staff. The company also offers a continuous labour training policy for the staff. These training activities can be internal (based on an established annual plan) or external-to-the-enterprise. Euroquímica has also elaborated a training plan for employees' descendants (between 16 and 18 years) interested in carrying out a summer internship. As far as remuneration issues are concerned, Euroquímica follows a punctual payment policy, whereby extra payments (i.e. Christmas and holidays remuneration) are paid in advance to the local practices, so workers may benefit from this money earlier.



From Spanish research (Fundación Empresa y Sociedad, 2006) it is observed that – although workplace related activities are dominant among national companies⁵¹ - society oriented initiatives (e.g. public welfare services, voluntary works or access facilities for disabled people) are gaining in importance, pinpointing a shift towards a broader understanding of CSR. There is no reason to believe that this observation is specific for Spain. The ENSR Enterprise Survey 2001 (European Communities, 2002) shows that the **external social activities** mainly concentrate in three fields: the support to sport (47 % of the European SMEs), cultural and health/welfare activities not aimed at the SMEs' own employees (one third, each), i.e. initiatives benefiting the overall **society**. This is also an important field of activity in the case studies analysed for this study. This is either done by monetary contributions or by donations in kind. In some cases, however, also active participation is provided by either the company owner working for charity purposes or allowing employees to do so during their working time.

Regarding the degree of involvement in the different types of external social activities a positive relationship with the size of the enterprises can be observed. The larger the SMEs, the higher are the percentages of involvement in the different social activities, but the order of preference for different types of activities is equal in all size classes. (European Communities, 2002)

Table 4 SMEs' Involvement in External Social Activities, by Type of Social Activity and Analysed Country¹

	Austria	Finland	Germany	Norway	Spain	Total ²
Sport	51	73	43	64	50	47
Culture	42	34	28	61	41	33
Health and welfare	36	60	30	55	24	33
Education and training	32	34	23	22	13	20
Public affairs	13	4	13	28	4	8

¹ As the Observatory of European SMEs 2002 covers the EU-15 plus Iceland, Liechtenstein, Norway and Switzerland no data is available for Poland and Romania.

² EU-15, Iceland, Liechtenstein, Norway and Switzerland

Source: European Communities, 2002

Other CSR activities for the benefits of the society may refer to work with local schools or colleges (mentioned, for example, by 60 % of British SMEs) or work with charities or the voluntary sector (52 % of British SMEs) (Business in the Community, 2002).

Community based CSR activities may also deal with the integration of the local population in the labour market (i.e. employing local inhabitants instead of recruiting people from outside the region) or by creating jobs for disadvantaged groups on the labour market (here, no clear distinction between workplace oriented and society oriented CSR can be made). Furthermore, disseminating the concept of CSR among the local community – including the private business sector – can be seen as an important approach.

⁵¹ No specific SME focus is taken in the study



Box 5 Examples for Society-oriented CSR Activities of European SMEs at Community Level

“**Nordia Management Oy**”, a small **Finnish** investment company, includes “responsible thinking” in each of its business decisions. So, for example, investments are made only into companies where the entrepreneur acts responsibly, even if the profit potential may be higher with other firms. Furthermore, Nordia takes part in projects that promote responsibility as a competitive edge for the companies.

“**Stormberg AS**”, a small **Norwegian** wholesaler, follows a CSR approach aiming at recruiting persons who otherwise would have difficulties with entering the labour market. At least 25 % of their employees should be recruited from persons who are disadvantaged at the labour market. Presently, almost 30 % of the employees are former prisoners, school drop outs and people with a drug abuse problem. Stormberg collaborates in this respect with an organisation, “Way Back”, helping prisoners and former prisoners with their rehabilitation. The company benefits from very loyal employees, resulting in very low personnel fluctuation and absenteeism. Only four people have left the company since it was established in 1998.

The small **Polish** PR consultancy “**Toolbox Creative Communications (TCC)**” carries out free of charge PR activities for the Forum for Dialogue among Nations (Forum Dialogu Między Narodami, FDMN), a NGO aiming at fostering the Polish-Jewish dialogue through celebrating cultural diversity and teaching tolerance via education. Within TCC, the pro bono project is given an equal attention and importance as the usual, profit-driven actions in terms of number of staff involved, monitoring and evaluation. The activities taken involve, among others, media relations, the organisation of a press conference, the creation of a web page, assistance to journalists or day-to-day assistance to the Forum’s communication activities connected with various activities realised by the organisation and its participation in different projects.

“**Galfinband S.A.**”, a medium-sized **Romanian** company in the metal industry is, among other, involved in supporting the community equipping an IT school laboratory and offering sponsorships for humanitarian purposes (grants for children with outstanding results in school and sponsorship for Pantelimon Parochial House).

The **Spanish** “**Gaurisa Group**”, a medium-sized car company, is actively involved in the promotion of sport activities for local youngsters, especially in the field of cycling. Thus, Gaurisa has been engaged in several local non-professional cycling teams (as regards some of them even since the enterprise’s foundation in 1969) and also provides a professional cycling team with automobiles. Although these activities were initially intended to increase the visibility of the group in the area (marketing purposes, especially as far as sporting activities are concerned), Gaurisa has finally integrated these activities into the internal core-activities of the group.

While these activities are, in general, focused on the local community, some SMEs’ measures target at a larger geographic region (e.g. a certain percentage of sales is donated to developing countries).



Box 6 Examples for Society-oriented CSR Activities of European SMEs at International Level

The medium-sized **Finnish** jewellery producer “**Kalevala Koru Oy**” donates a share of the profits gained by selling the series “Time of Africa” (*Afrikan aika*) to a project helping girls to gain basic education in Ghana, where families are so poor that this normally is not possible. The idea for the series came from the goldsmiths of Kalevala Koru who have participated in promoting the cultural exchange between the countries and in developing the training of goldsmiths in Ghana.

The **German** medium-sized cleaning company “**LR Gebäudereinigung**” launched a project also accomplished by the owner and some staff members to help the population of Sri Lanka to build up their homes after the devastations of the tsunami in 2004. Through this initiative, 6 nursery schools were rebuilt, providing approx. 80 children a new place to stay and learn. For each school two nurses were employed. Their salaries and specific training programmes had been financed by LR Gebäudereinigung. With the financial support of this enterprise a vocational training centre was built, proving unemployed young women and men new future perspectives. Furthermore, LR Gebäudereinigung donated money for a total number of 600 collecting tanks for fresh water (1,000 litre each) to better the hygienic situation for those people directly affected by the tsunami.

CSR activities may, however, also be closer related to the business objective as such and, consequently, targeted at the **market** (customers (both, private and commercial players), business partners and suppliers). Generally, it may be assumed that the client-based approach is more widespread than the supplier- and/or business partner-oriented one. In **Austria**, for example, three quarters of the enterprises state that a fair price policy is one of their important responsible activities with regard to the market (Deuerlein et al., 2003).

CSR activities in this field may on the one hand refer to promoting ecological and ethical consumption or recycling or providing high quality products or specific voluntary services to the clients (e.g. help lines, flexible order amendments according to clients' short-term requirements). Customer-oriented CSR activities may, however, also go beyond the direct buyer-seller relationship by incorporating issues in the interest of the client but not strictly relating to the enterprise's core business.

Box 7 Examples for Customer-oriented CSR Activities of European SMEs

“**Eko-Expert**” is a small wool blowing contractor and wool recycling company in **Finland**, having developed a unique technology to reuse the building insulations that otherwise would end up on the dumping ground when buildings are renovated or pulled down. This technology results in an economic advantage for the customers through the savings in insulation expenses. A concrete example on the savings that Eko-Expert can offer is a building contract of a national construction company. In the process of renovating six apartment buildings savings of about € 35,000.- for the client (the construction company) could be realised, resulting in turn in cheaper prices for the residents in the buildings.

The medium-sized “**Opteam Henkilöstöpalvelut**”, a **Finnish** company in the field of personnel services, among others, pays particular attention to the individual's situations in life and the requirements of the employees by offering various flexible working possibilities to ensure that the mediated employments match the customer's needs and fluctuation is minimised. Next to occupational orientation, the company offers training opportunities together with the client company in the course of a special training programme. Furthermore, Opteam takes care of the employee's occupational health and security. Since January 2007, also foreign employees are placed at the Finnish labour market at the same conditions as Finnish employees (e.g. in terms of wage levels).



The **German** small kitchen producer “**Die Möbelmacher GmbH**” arranges cost free cookery courses for the customers in the show room. By doing so, the customers get an impression of the firms' kitchen concepts which are mostly developed and patented by the firm. By attending these courses, the customers additionally learn about health-conscious diets. In order to reach a vast audience of (potential) customers, such cooking shows are broadcasted on a local television programme. As a result of these innovative sales strategies and constant investments into new techniques and own research on new products, Die Möbelmacher achieved significant increases in turnover during the past years.

“**DEANTE Antczak Sp.J.**”, a **Polish** medium-sized wholesaler in the field of technical equipment, provides its customers with a guarantee for 7 years – a duration being higher than those normally offered at the market. Furthermore, the clients are offered a continuous and efficient, free of charge, technical assistance and guarantee service (visits to clients). This covers both a nationwide network of authorised service points as well as special toll free service phone number. Apart from the internal system of product quality control there is also an external evaluation - managerial staff of the enterprise visits its customers (wholesalers) in order to get their feedback. Moreover, the company introduced a system of monitoring of the services provided by its consultants from the guarantee services - selected customers are contacted in order to examine their satisfaction with the technical assistance obtained. The development of a comprehensive guarantee service opened a new market for the company – it was possible to reach a new (previously unavailable) group of customers requiring producers' guarantee services. Moreover, the dynamic development of the company and its stable market and economic position, achieved inter alia through its client oriented policy, contribute to eliminating problems of migration of employees.

Measures such as focusing networking on local business partners or striving for ethical co-operation (e.g. in-time payment of invoices etc.), i.e. supply chain related CSR, have been identified in the framework of this study as well. Respective initiatives are not only limited to operationally work together with local suppliers, but may even extend to a more strategic approach by actively initiating or supporting the establishment of local/regional business alliances.

Box 8 Examples for CSR Activities of European SMEs in the Field of Local Business Networks

To boost local production economies, the **German** small kitchen producer “**Die Möbelmacher GmbH**” started a regional initiative to get other local manufacturers also involved into sustainable production methods. The company selects its suppliers through their commitment to local production systems. The firm manufactures only locally grown materials. To assure regional economic circuits, the enterprise initiated and participates in various co-operations with other firms, the local forest management and even universities. Once a year, regional producers come together for a “Day of the Region” to exchange experiences and inform others about their own sustainable business approach.

As part of its management policy, the **Spanish** medium-sized manufacturing company “**Ascensores Jordá**” follows an active subcontracting policy with its suppliers, establishing long-term relations with them and developing a number of collaborating activities in several fields such as quality control, risk prevention etc. In fact, the enterprise continues maintaining business relationships with their initial suppliers (the company was founded in 1953).

Due to the prevalent high degree of environmental regulations European SMEs tend to comparatively rarely engage in voluntary **environmental activities** (see, for example, Maison Research Consulting, 2005). In the ENSR Enterprise Survey 2001 (European Communities, 2002) “only” 12 % of the European SMEs engaged in external CSR activities indicated to be involved in environmental initiatives, ranging, however, from 32 % in Norway to 9 % in Spain among the countries covered in this study. Nevertheless, it can be observed that SMEs are taking an increasing interest in formal environmental management systems, mainly due to market pressure from customers through the supply chain (especially as far as ISO 14001 is



concerned) (European Communities, 2002). Furthermore, various national studies indicate a particular importance of environment oriented activities (e.g. (TNS Gallup, 2005 or Business in the Community, 2002 or Foretica, 2006).

Respective measures generally refer to designing environmentally friendly products or production processes (including the ecologic and economic use of natural resources) or actively engage in recycling activities. They may, however, also go as far as to apply an “ecologic assessment” on the suppliers concerning their environmental standards or inform business partners, customers or the society as such on environmental issues, i.e. disseminating the company’s own claims regarding environmentally friendly production along the value chain.

Box 9 Examples for Environment-oriented CSR Activities of European SMEs

The small **Norwegian** hairdresser “**Maja’s Salong**” follows a CSR approach in the fields of waste management, sorting and recycling, energy-saving by turning down lights at night as well as not using more water, shampoo and other hair treatment products than necessary. Furthermore, the company actively engaged in the development of standards for ecologic certification in the hairdressing sector. These activities are not only seen to be ecologically valuable (employees’ awareness also “spills over” to their private household and their private networks), but also saves the company money by reducing costs.

“**LUMAG Sp. z o.o.**”, a medium-sized enterprise of the **Polish** motorisation industry consistently realises an environmental policy aimed at safe production in conditions which do not do harm or are a burden to the natural environment. The company, for example, tries to manage all wastes produced within its premises as well as feels responsible for its products also after their end of life and removal from vehicles – the company is ready for their collection, storage and processing. LUMAG neutralises wastes by means of recycling. The materials received from this process can be utilised as raw materials of components used for the production of new brake system elements. Moreover, in the production processes asbestos has never been used and the formulas developed in the company’s own laboratory do not contain any heavy metals which could be a threat to the natural environment or vehicle users.

The small **Spanish** construction enterprise “**Javierre S. L.**” is fully committed to be an environmentally friendly company. As to this regard it, for example, runs environmental management systems containing a number of procedures for identifying environmental impacts as well as for successfully managing these impacts beyond the existing minimum legal requirements. Furthermore, Javierre assesses its suppliers’ degree of compliance with the existing social and environmental legislation. For this purpose, the enterprise annually requests documented proofs in order to ensure that the aforementioned aspects are complied with. In this respect, and for a number of cases, Javierre has also advised its suppliers on responsible management practices (i.e. in terms of social involvement, waste management or the adoption of transparent practices).

Last, but not least, there exists a wide range of **comprehensive approaches** being understood as CSR activities not focused on only one of the above-mentioned fields, but combining two or more of them (e.g. setting initiatives for the workforce and the consumers while also implementing environmentally friendly production processes). The analysis of the identified cases of Good Practice shows that the majority of considered SMEs do not limit their CSR activities to one distinctive field, but become engaged in at least two areas. This is in line with the generally prevalent feeling in SMEs of ethical/moral obligation to “do something good” and results in a wide variety of different approaches to CSR (i.e. all different combinations of the individual CSR fields). Comprehensive approaches may be seen to be of particular advantage if they do not dispose of single, fragmented measures but are oriented on a shared topic.



Box 10 **Examples for Comprehensive CSR Activities of European SMEs**

“Farm-Fill Umweltinnovations- und Vertriebs GmbH”, a micro **Austrian** retailer has as an important business objective to distribute toys that can be recycled, being made up of natural and renewable resources. The plants that constitute the major raw material for the product grow without fertilisers and pesticides on set-aside agricultural land. Thereby, local suppliers are referred to. At the same time, by playing with this toy children are familiarised with natural products while being encouraged to develop creativity. Furthermore, Farm-Fill is supporting several non-profit organisations.

The medium-sized **German** enterprise **“Paravan”** is specialised in the field of disabled vehicle technology, manufacturing innovative digital steering and control elements for handicapped vehicles of all types and also targets its comprehensive CSR approach in many aspects at handicapped people. Among others, it recruited and employs 5 disabled persons, sponsors various associations for handicapped persons and self-aid groups or provides schools with training material on disabilities. Furthermore, the company owner is honorary president of a handicapped association and, together with his engineering manager supports an awareness campaign financed by the European Commission, giving advice on how to further the mobility of disabled persons.

The medium-sized **Norwegian** manufacturing company **“AS Marex”** follows a comprehensive approach by annually donating to various charitable causes, taking care of the environment (e.g. sorting and recycling of waste), guaranteeing sustainable employment (even in phases of recession), providing health care (e.g. annual health check free of charge) and training to its employees and offering jobs to people who need labour market training.

The **Romanian** micro consultancy company **“SC TUV KARPAT SRL”** focuses its CSR activities on all four target groups identified as relevant for SMEs. Firstly, there is a permanent concern for the employees in terms of careful recruitment, training (e.g. in the field of occupational health and safety, but also on quality management or environmental issues), continuous improvement of the working environment (e.g. equipment with modern computers, flexible working hours, occupational safety) and ongoing communication between employer and employees. Secondly, much attention is devoted to customers' feedback, and the company's services are adapted according to its self-imposed quality standard. Thirdly, the more than 30 business partners the consultancy is co-operating with are involved in the enterprise's training plans, and the co-operation is based on a collaboration contract settling the mutual rights and duties. Forthly, there is a permanent concern for the environment: The company is ISO 14001 certified and organises training courses on environmental issues.



6 Impact of SMEs' CSR Activities

Naturally, the question arises why private or public organisations – apart from humanitarian considerations – should engage in Corporate Social Responsibility. Particularly for SMEs, being characterised by more limited human and financial resources than larger enterprises there needs to be a justification for investing time and/or money on issues not directly related to the business objectives in the strictest sense. Succeeding in showing the relationship between the engagement in CSR and an economically positive outcome for the company can, therefore, be seen as an important triggering factor for convincing especially SMEs to engage in CSR.

However, as there hardly exist any specific data on the engagement of European SMEs in CSR activities, even less statistic information regarding their effects on both, the companies and the respective target group is available. This is not only to be attributed to the lack of central data sources, but also (or mainly) to the fact that SMEs hardly do any monitoring of their CSR activities (see above). Furthermore, in most of the cases it is not possible to clearly assign business developments to individual activities as they are the result of the concerted actions taken. Consequently, the following presentation on selected impacts focuses on qualitative information, only supplemented by specific figures if available from individual research projects.

As regards companies' assessment on the effects of CSR activities a differentiation between the short and the long run has to be made. While in the **short run** (naturally) almost no distinct outcome may be realised (so, for example only 15 % of small and 11% of medium-sized Polish enterprises engaged in CSR mention to generate higher profits than those not performing such measures (UOKiK, 2006)), in the **long run** an improvement of the enterprise's competitiveness is mentioned. The time until first results materialise is assessed to take several years. In some case studies the company representatives estimated that it took more than five years until a positive outcome could be related to the CSR activity. This, however, may constitute a considerable problem taking into account the specific characteristics of SMEs and their urgent striving for quickly seeing the effects of their business decisions. Consequently, it is not surprising that a considerable part of SMEs is sceptical about the outcome of CSR. An Austrian study, for example, found that only 12 % of the small enterprises and 26 % of medium-sized ones engaged in any form of Corporate Citizenship expect a positive effect on the business success from CSR activities (Deuerlein et al., 2003). These results, however, are in contradiction with the findings of the ENSR Enterprise Survey 2001 (European Communities, 2002) suggesting that only about one quarter of the European SMEs effectively involved in external CSR activities are unable to identify any business benefit derived from these activities, whereby this share is higher among the smallest enterprises.

CSR activities of SMEs, on the one hand, may have effects on the company itself ("**internal effects**") and, on the other hand, on the respective target group, e.g. the society, the customers or the environment ("**external effects**")⁵². Not all CSR activities need to be characterised by both, but in the majority of cases internal effects (e.g. a higher employees' satisfaction) will also result in external effects (e.g. a higher customer loyalty due to better service) and the other way round. Furthermore, a differentiation can be made between **direct effects** directly resulting from the measure (e.g. a lower fluctuation of personnel due to target group oriented HR measures) and **indirect effects** (such as an increased competitive advantage due to a higher customer satisfaction triggered by an improvement in the production process initially aimed at facilitating work for the staff).

⁵² Consumers, for example, take advantage of the higher quality of products/services, reliable information about products/services or more customer friendly service. Business partners realise better fulfilment of mutual agreements. Employees benefit from better working conditions, a possibility to obtain new qualifications or other voluntary contributions from the employer. The society/local community reaps an advantage from financial or material contributions to the infrastructure or the economic and/or social development.



Generally, there is a causal chain: CSR activities result in direct internal effects that lead to indirect effects for both, the company and its stakeholders. These, in turn, (hopefully positively) influence the company's competitiveness or even the regional economy's one. In the following, this causal chain will be explained in more detail.

With the exemption of those CSR activities that are strictly focussing on the society (and in some cases even then), the implementation of respective measures will result in **altered products or production processes** within the SME. This may refer to more efficient (in terms of human or financial resources), more secure (in terms of workplace security) or more environmentally friendly procedures or include a higher level of participation of the workforce. On the one hand, in many cases this company-internally results in a **higher satisfaction and motivation of employees** (mentioned, for example, by 18 % of the European SMEs engaged in external CSR activities, whereby the share is as high as 59 % for Finland (European Communities, 2002)) which, in turn, leads to a higher staff loyalty (e.g. lower fluctuation, lower absenteeism due to sickness) and a more favourable atmosphere within the enterprise. This can be seen as a good precondition for an engaged and creative staff working on **innovative solutions** and being eager to produce a **competitive advantage** for the enterprise, either in terms of new products/services or in terms of **cost savings** attributed to higher productivity. At the end, this strand of the causal chain results in an **increased sales volume** (and, hence, turnover), caused by either unique products or cheaper prices.

Box 11 Examples for the impact of CSR on Productivity

The **Norwegian** medium-sized fish feed producer "**Skretting AS**" realises a considerable reduction of sickness absence by goal oriented measures like individual follow-up, training during work hours, emphasis on diet and nutrition etc. Employees find it meaningful to work at a company that is responsible and value based.

"**MELBUD**", a medium-sized **Polish** construction company with a substantial workforce-oriented CSR approach assesses its socially responsible acting as undoubtedly helpful in running the company. As a result of these efforts, it is possible to considerably reduce fluctuation and migration of staff. Despite a mass emigration of Polish construction workers - especially after the accession to the EU - and a strong competition on the regional labour market, the company does not have to be afraid to lose its human resources, although this is a common problem among other companies operating in this industry. Owing to implemented systems of incentives, the employees have a feeling of professional stabilisation, they identify themselves with the company and this results in a better atmosphere, a more serious approach to the tasks to be fulfilled and higher engagement. The effects of this policy are not immediate, however, and can only be observed about 2 - 3 years after employment of a new person.

The medium-sized **Spanish** manufacturing company "**Ascensores Jordá S.A.**" is strongly engaged in the field of risk prevention at the workplace. Among others, quarterly meetings are organised where possible problems are analysed and suggestions for improvement are raised and discussed. These meetings, initiated in 2004, have contributed to a significant reduction in the accidents rate (well above 30 % since 2004) and to the creation of a good working environment among the workforce which results in highly satisfied and loyal workers and very high productivity levels as a consequence of this high satisfaction.

On the other hand, improved products and production processes as well as the ameliorated employer-employee relationship can be used as a marketing tool which is, for example, particularly easy if the enterprise is awarded a **prize**⁵³ for initiating the CSR activity under consideration. This strategy, together with the beneficial outcome for the target group (including, among others, a **higher level of customer satisfaction**) results in a **better publicity** among customers, business partners and/or the society as such (in a Spanish research, for example,

⁵³ Some of them are also related to substantial monetary endowments.



about 22 % of the enterprises indicated “better reputation” as an outcome of CSR activities (Foretica, 2006)).

Box 12 Examples for the impact of CSR on the Enterprises' Publicity

Due to its substantial investment in new machinery for the benefit of its employees the **Austrian** small bakery “**J. und H. Rest GmbH**” was awarded a prize and nominated for another one. In the framework of this, a spot about the enterprise has been recorded. Furthermore, the bakery has been mentioned in local newspapers fostering the enterprises' publicity and resulting in a better image among the target group who was positively surprised about the modern equipment of the bakery.

For its substantial engagement in this field, the **Finnish** small wool blowing contractor and wool recycling company “**Eko-Expert**” received an environmental award granted by the The Finnish Association for Environmental Management in 2006. For the company the award was an important recognition of a well-done work. However, the environmental know-how has been appreciated elsewhere already before the prize, especially by the big building companies which have used the expertise of Eko-Expert in the large renovations.

The **Romanian** medium-sized enterprise **SC ELMI PROD FARM SRL**, active in the field of manufacturing cosmetics and perfumes, attributes an improved public image to its CSR activities. This helped to create awareness for the company's brand and its natural products, resulting in an increased turnover (at least 15 % p.a.).

“**Paver S. L.**”, a medium-sized **Spanish** manufacturing company, follows a comprehensive CSR approach for which, among others, it received various awards and prizes, allowing the enterprise to spread its image outside the local boundaries. Paver estimates that this better social image has also resulted in an increase in its turnover, since customers and clients positively value the enterprise's concern in CSR activities, although it is impossible to estimate the concrete impact in monetary terms. In turn, Paver also believes that some of the CSR activities are only possible due to the good economic results achieved by the enterprise in the last years.

The enhanced publicity can be seen as beneficial with regard to an **improved networking** with business partners and/or authorities (realised, for example, by 28 % of the European SMEs engaged in CSR in terms of the community and by 16 % in terms of business partners, respectively (European Communities, 2002)), or even in relation to a better standing concerning the access to financial means or support instruments caused by a reputation of reliability and trustworthiness. In general, better relations with external stakeholders can be seen to provide SMEs with a higher degree of information which is essential for efficient market activities. So, if enterprises engage in trusting partnerships, they may also take advantage of the knowledge and expertise of their partners, resulting in a kind of division of labour at supra-enterprise level, being most beneficial for the smallest companies not being capable of serving all customer requirements on their own.

Box 13 Examples for the impact of CSR on Networking

The medium-sized **German** bakery “**LEO – Der Bäcker & Konditor e.K**”, among others, follows a CSR approach that is geared on its market relations in a wider sense by engaging in a local initiative to increase the attractiveness of the city. The initiative which was started as an informal interest group was later on transformed into a foundation of entrepreneurs supporting the local authorities in their work on developing the city's potentials. This networking with other business leaders had become a critical success factor of the company in the long run by providing the bakery with a competitive advantage in terms of creating not only good contacts with city officials, but also improving its customer relations.



Due to its community-oriented CSR activities the small **Polish** PR consultancy “**Toolbox Creative Communications (TCC)**” succeeded in establishing new co-operations with the key opinion leaders, event managers or journalists, for example. Owing to the successful CSR measure, combined with the previous collaboration experience, the agency was first shortlisted and then finally chosen to run the media relations activities for the World Society of Częstochowa Jews and their Descendants meeting in Częstochowa in October 2006. Moreover, the agency’s representative was invited to take part in the exchange of young professionals and spent a time in the US, visiting places important for the American-Jewish community and meeting the AJC’s leaders. Furthermore, several short notes and articles concerning the CSR activity were published on the branch (PR & Marketing) web-sites.

Even more important, however, is the increased publicity with regard to the development/opening up of **new markets/groups of clients** or a better penetration of existing markets (i.e. **higher customer loyalty** which is, for example, realised by 35 % of the European SMEs active in CSR (European Communities, 2002)). For both, word-of-the-mouth communication can be seen to be extremely important as far as SMEs are concerned (particularly in local/regional terms), and this is fostered by good publicity.

Box 14 Examples for the impact of CSR on the Market Penetration

The **Austrian** medium-sized chocolate manufacturer “**z o t t e r**” succeeded in taking advantage of new distribution channels by employing FAIRTRADE resources, as now additional traders are selling the products. Thus, the company was able to reach new customer groups that possibly would not purchase the chocolate upon other terms. According to the company owner, the awareness level especially increased in open-minded and consumer critical circles.

The development of a comprehensive guarantee service of the **Polish** medium-sized production company “**Deante Antczak Sp. J.**” not only resulted in a better image of good quality and reliability, but also opened a new market for the company. It was possible to reach a new (previously unavailable) group of customers requiring producers’ guarantee services.

The **Romanian** micro education and training institute “**SC BORDERLINE SERVICES SRL**” is active in providing courses for Romanians wishing to start a career within the EU institutions. Due to its CSR activities in terms of providing free information via internet, workshops or allowing people with low income to participate in the classes free of charge the company has gained considerable media coverage. Only six months after taking up its business activities, the company realised more than 3,500 subscribers to the newsletter and 300 visitors to the web page daily. Consequently, also the number of customers - people who participate in the training courses – increased.

Also the **Spanish** medium-sized car manufacturer “**Gaurisa**” attributes its increase in sales and clients’ portfolio experienced during the last years to its good reputation and quality differentiation achieved due to its comprehensive CSR activities.

Furthermore, a higher level of awareness may also contribute to a **better position of the company at the labour market** which is a particular advantage for small and medium-sized enterprise that are often not perceived as an attractive employer (e.g. low career opportunities, lower wage level). This can be assessed to be of special importance for SMEs situated in regions characterised by an out-migration of skilled labour (e.g. rural areas where young people migrate to urban centres or the New Member States where qualified workforce often prefers to work in Western Europe due to the higher wage levels).



Box 15 **Examples for the impact of CSR on SMEs' Labour Market Position**

The small **Norwegian** hairdressing saloon “**Maja's Salong**” indicates as one of its major strengths its employees' loyalty. The average age of the employees at Maja's is higher than in the hairdressing business in general which is attributed to the good working climate, the good management and to the fact that the employees' health and safety benefits from the environmental preservation activities.

“**LUMAG Sp. z o.o.**”, a **Polish** medium-sized enterprise in the motorisation industry does not only benefit the society but also improves the local community's opinion on the company by engaging in charity and sponsoring. Owing to these efforts, LUMAG is perceived in the region as a decent and well prospering enterprise. It is also considered to be a good employer. For employees the most valuable aspect is its good economic condition and the dynamic development - which guarantee stable employment conditions. As a consequence, LUMAG has a low fluctuation of workers and usually professional relations within the company are based upon a long-term employment.

Again, the higher publicity – via the described “loop ways” – indirectly results in a competitive advantage, caused either by a better equipment with (qualified) human resources or by better relationships to customers, business partners or other stakeholders (e.g. public authorities, banks etc.). This can not only be found in the case studies analysed in this study, but has already been pinpointed by previous research in this field (see, for example, Habisch, 2003).

The competitive advantage indirectly caused by the SME's CSR activities leads to a **higher level of competitiveness** resulting in an **increased sales volume**, and – in series – may be self-enforcing in terms of business **expansion**. This can be seen to be of particular importance in those countries/industries characterised by a decreasing relevance of price competition and customers' increasing appreciation of qualitative products and ethically/morally correct business behaviour.

From a wider perspective, and if taken the individual activities of a region's SMEs as a whole, the contribution of CSR to a company's competitiveness may also positively influence the **regional development**. In terms of economic development, the dynamism of several enterprises almost naturally will also benefit the other business entities in the region (particularly if they follow the CSR approach of preferring local suppliers) and consequently boost the regional economy. However, also in terms of labour market developments (including the availability of and access to (occupational) education and training) and quality of life of the region's inhabitants (e.g. fair prices, highly qualitative products, efficient and sustainable use of natural resources, equal treatment etc.) the CSR activities may positively influence the region as more workplaces are created and/or the work-life satisfaction increases.

Box 16 **Examples for the impact of CSR on Regional Development**

The medium-sized **Austrian** brewery “**Brauerei Murau**” (full name: 1. Obermurtaler Brauereigenossenschaft reg. Gen.m.b.H.) is, among others, engaged in the development of the community/region, the creation of opinion leaders for the region and the intensification of the co-operation among enterprises, NGOs and authorities. This, for example, resulted in the establishment of Murau as a bio region. The co-operation includes both, craft and tourism enterprises as well as farmers who jointly launch pilot projects aiming at the sustainable regional development funded by the federal state. The activities are assessed to positively influence the economic development of the region and the companies situated there.

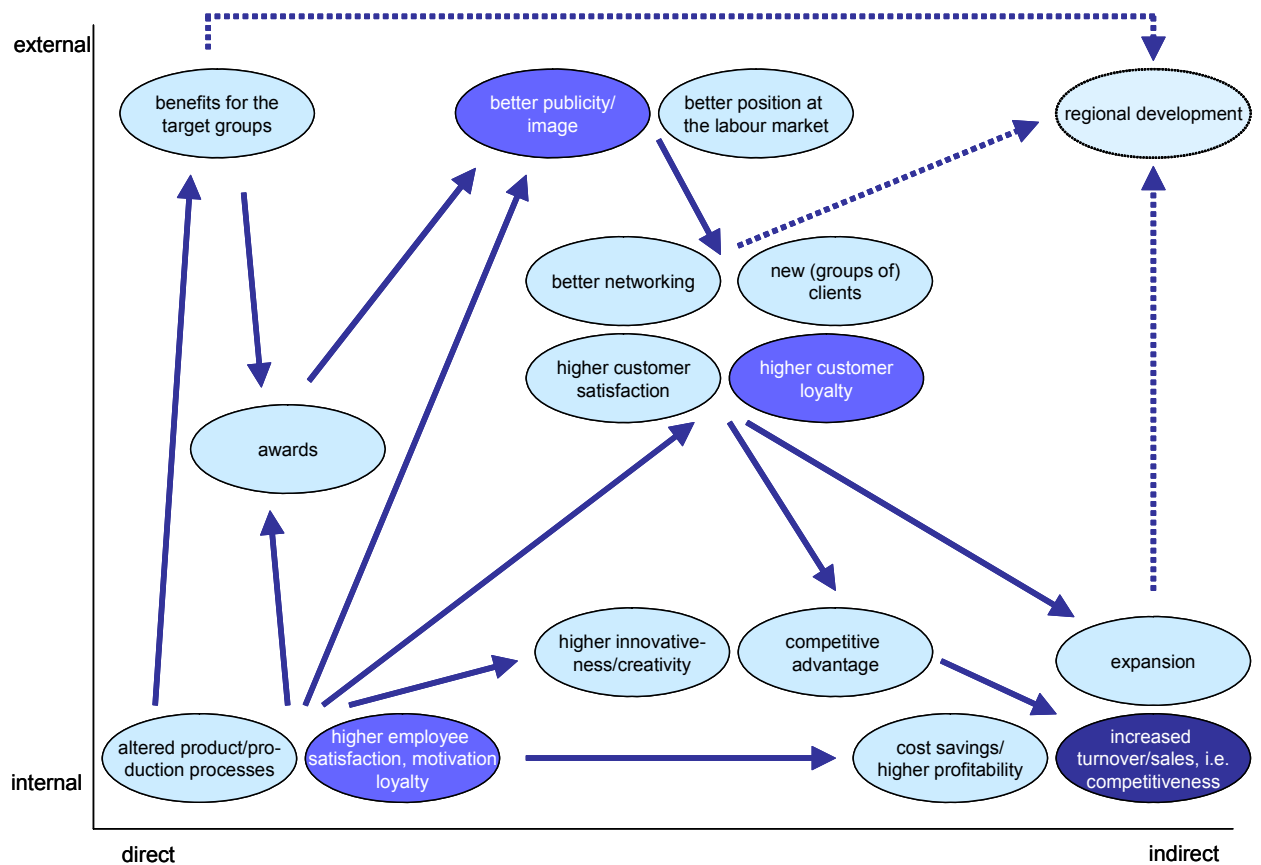
“**z o t t e r**”, a medium-sized **Austrian** chocolate manufacturer, created 50 off-farm jobs in a region that is dominated by the agriculture sector. Furthermore, the packaging of the products is used to raise the awareness on specific disadvantaged groups (e.g. by printing illustrations of people in wheelchairs on the packaging).



The CSR approach of the **German** small kitchen producer “**Die Möbelmacher GmbH**” has not only significantly contributed to the enterprise’s economic success that had been achieved since the implementation of this strategy (between 2002 and 2005 both, the turnover and the profits after tax had been raised significantly), but has also shown impacts on the regional development. The idea of bringing suppliers and customers together for a “Day of the Region” (see above) has now become a nationwide project, undertaken by a great variety of different companies from many sectors.

Summarising the considerations described above derived from the analysis of 35 Good Practice case studies of CSR activities of European SMEs, the effects of Corporate Social Responsibility on enterprises’ competitiveness can be illustrated as follows. Thereby (and depending on the kind of CSR initiative set), the better company image, the higher customer loyalty as well as the improved employer-employee relationship seem to be the most important intermediate effects contributing to an increased competitiveness.

Graph 5 Schematic Illustration of the Effects of CSR Activities on SMEs’ Competitiveness



Source: Austrian Institute for SME Research



7 Conclusions

Corporate Social Responsibility (CSR) is generally understood as voluntary initiatives of private or public organisations going beyond legislative requirements and contractual obligations (“responsible entrepreneurship”) for the benefit of one or several specific target groups (as regards SMEs mainly employees, customers, suppliers, business partners, the society or the environment) while at the same time not disadvantaging one of the other stakeholder groups. The respective activities do not necessarily need to be initiated solely on humanitarian purposes but may also be implemented having in mind an improvement of the organisation’s economic competitiveness/performance.

During the last decade, the concept of CSR is continuously **gaining importance** with regard to both, public and private discussion as well as its practical application in European enterprises. It can, however, be observed that there are considerable **differences among the European Union Member States** concerning the (operational) approach to CSR and its spread among public and policy debate as well as its implementation in companies. So, whereas some of the analysed countries have considered CSR for decades it is a rather new issue in some of the others. These differences must not be neglected when comparing the level of public support and the operative spread of CSR among public and private organisations. So, SMEs in some countries cannot per se be classified as being “worse” in the field of CSR than those of other states, if the share of those engaged in CSR is lower). In contrast, these cross-country differences may be seen as advantageous as those aspects that have already been “learned” by the more advanced countries can already be taken into account of by those countries not yet that familiar with CSR.

Companies, also **SMEs**, are already implementing CSR activities (sometimes even for decades) but are, in general, not aware on that. Especially the smallest companies are **not familiar with the concept/terminology** and often only come in contact with the issue when they read newspaper articles on large enterprise’s CSR measures. Consequently, they are often sceptical towards the concept as such and do not see the benefits they may derive from an investment in CSR.

Nevertheless, SMEs are in general **aware of their social responsibility** and in most of the cases not at least reluctant to fulfil it. Either due to intrinsic motivation (i.e. the ethical/moral standards of “behaving correctly”) or because of extrinsic pressures (i.e. stakeholder expectations) SMEs become knowingly or unconsciously involved in CSR and, consequently, benefit from the positive impact on the enterprise’s competitiveness that can be derived thereof.

However, still the majority of European companies setting CSR measures can be considered to constitute large business entities, strategically using their socially responsible acting in many cases as marketing instrument whereas SMEs’ CSR decisions are often rather of an ad-hoc character and refer to occasional events. Nevertheless, the report on hand has shown that **CSR positively contributes to SMEs’ competitiveness** as it leads to a competitive advantage, particularly by improving the company’s image, increasing its customers’ loyalty and fostering the employees’ motivation and workplace satisfaction. As to this regard it is important that CSR is not seen to be something “fashionable”, but to develop and apply a CSR strategy that is embedded in the overall business strategy in order to guarantee its sustainability.

Presently, small and medium-sized enterprises **do not take full advantage of the economic potential inherent in CSR** and should be supported to do so as their sustainability and development considerably influences the well-being and competitiveness of the European economy.

As to this regard, some **challenges** will have to be overcome. Thereby, a differentiation between the macro and micro level has to be made. At **macro level** the analyses conducted in this study have shown that both, at European and at individual Member State level a multitude of different actors deal with the issue of CSR. However, the individual activities do not seem to



be fully co-ordinated, and a certain degree of intransparency (among these actors, but more important, towards the envisaged target group) can be pinpointed. Furthermore, at least as far as public authorities are concerned it is not always completely obvious what they themselves are doing to operationally implement CSR in their (daily) routines.

At **micro level** it becomes obvious that companies, and SMEs in particular, are not familiar with the concept of CSR, even if they are already active in this field and willing to continue their measures. CSR as such is something “intangible” for them, and they can hardly identify with and commit to this concept as such. Furthermore, the problem arises that CSR is always related to an investment in any kind and, therefore, is a burden for a market oriented business entity, particularly if it disposes only of limited resources. This “mental trap” is even enforced by the fact that many SMEs are not aware on the potential positive effects of CSR on their economic performance as they do hardly ever apply any cost-efficiency monitoring and are not informed about other “Good Practices” illustrating these advantages.

Based on these considerations, the following **fields of action** can be pinpointed:

- (Public) initiatives to **familiarise the general public and enterprises** (with a specific focus on SMEs) **with CSR** need to be continued or even enforced. CSR issues should be addressed in a regular, interdisciplinary manner (which might also include the dissemination of the results/outcome of different initiatives, programmes or research projects) which is also supposed to result in a high level of general awareness (pinpointing also the important role of mass media). This is important in order to also sensitise the end consumers for ethically correct business behaviour as otherwise they will most probably prefer the cheapest products/services available which in most of the cases cannot be the ones produced by applying CSR.
- (Public) initiatives should be based on concrete, explicitly mentioned **strategic goals**. These goals should be generally agreed upon by the major actors and monitored on a continuous basis. Furthermore, their individual **activities** should be **co-ordinated** (i.e. co-operative fulfilment of tasks, realisation of synergy effects etc).
- Concerning the **design of individual (public) initiatives** the specific characteristics of SMEs need to be kept in mind. So, for example, governmental subsidies for staff training should not be granted only above a certain threshold in absolute terms, or eligibility criteria of support instruments should be oriented on SMEs.
- (Public) **authorities** should themselves **adopt CSR** activities (e.g. gender equality at work (particularly at higher positions), environmental responsible acting etc) to act as a role model for the private sector.
- Furthermore, particularly **governments** could set **incentives** to make SMEs deal with CSR. These may range from considering ethically correct behaviour in tendering procedures⁵⁴ to (financially) support the implementation of CSR activities in the enterprise (including, for example, tax deductions for donations, providing information on available award programmes favouring the enterprises' publicity or actively advise them which activities could be taken).
- Very important seems to be to find ways and **possibilities to approach SMEs** in a way that “cures” them from their sceptical attitude towards the concept of CSR. Due to their underlying principal willingness to behave ethically correct there would be a potential for increased involvement of SMEs in CSR. Such may, on the one hand, be reached by using a “better suited terminology” which is, however, rather difficult having in mind the vague character of CSR as such. Consequently, it may be advantageous to base communications on illustrative company case studies showing that also the smallest

⁵⁴ If, however, CSR becomes an obligatory precondition for being selected the question arises in how far the claim to CSR as being a voluntary business action can still be fulfilled.

enterprises can afford specific CSR activities and benefit from a positive economic outcome. As to this regard, the current “Mainstreaming CSR” programme of the European Commission is assessed as a valuable instrument. Another possibility of convincing SMEs to engage in CSR could be to draw on their above-average feeling of ethical obligation. This, however, needs to be done with sure instinct so that SMEs do not feel forced or exploited as then, they will most probably completely withdraw from respective activities.

- In order to efficiently reach SMEs, **intermediaries** should be taken advantage of. Business and public advisors (including chambers of commerce) as well as universities or other education institutes should be informed about the applicability of CSR in SMEs and “used” as an information channel for raising the awareness on CSR issues among their clients.
- In this context, it may also be beneficial to **provide SMEs with a simple tool allowing them to track the cost-efficiency ratio of CSR** activities in order to take them their “fear of the unknown” and make the potential benefits more transparent/obvious. This, however, is not trivial as the field of possible CSR activities is very heterogeneous and, therefore, a “one-fits-all” model can hardly be developed. Furthermore, hardly any economic outcome can be attributed to one single business decision but rather is the result of the combination of various actions.
- SMEs could also be brought to the consideration of more effectively **using their CSR engagement for publicity purposes** (“doing good and talking about it”). As to this regard, it is again important to take into account the specific characteristics of SMEs, e.g. the increased importance of the local/regional surroundings and/or word-of-the-mouth communication rather than published CSR reports.

It is strongly believed that engaging in (some of) these fields could considerably contribute to foster and mainstream CSR among European SMEs. As the study on hand has shown a clear relationship between CSR activities and SMEs’ competitiveness – which constitutes an important precondition for the development of the European economy – socially responsible acting should be seen as a tool for economic development and receive respective attention from all involved parties.



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Internet-Links

European organisations active in the field of CSR

CSR Europe	http://www.csreurope.org/
EUROCHAMBRES (European Association of Chambers of Commerce)	http://www.eurochambres.be/
European Business Ethics Network	http://www.eben-net.org/
European Commission DG Employment, Social Affairs and Equal Opportunities	http://ec.europa.eu/employment_social/social/csr/index.htm
European Commission DG Enterprise and Industry	http://ec.europa.eu/enterprise/csr/index_en.htm
European Commission DG Environment	http://ec.europa.eu/dgs/environment/index_en.htm
European Commission DG Trade	http://ec.europa.eu/trade/index_en.htm
European Environment and Sustainable Development Advisory Councils (EEAC)	http://www.eeac-net.org/
European Fair Trade Association (EFTA)	http://www.european-fair-trade-association.org/
European Portal on Sustainable Development	http://ec.europa.eu/sustainable/welcome/index_en.htm
European Social Investment Forum	http://www.eurosif.org/
Great Place to Work Institute Europe	http://www.greatplacetowork-europe.com/
Network of European Worldshops (NEWS!)	http://www.worldshops.org
Social Venture Network Europe	http://www.svneurope.com/
UEAPME (European Association of Craft, Small and Medium-sized Enterprises)	http://www.ueapme.com/EN/index.shtml

Examples of international organisations active in the field of CSR

Fairtrade Labelling Organizations International (FLO)	http://www.fairtrade.net/
Global Reporting Initiative	http://www.globalreporting.org
Organisation for Economic Co-operation and Development (OECD)	http://www.oecd.org
United Nations Global Compact	http://www.unglobalcompact.org/AboutTheGC/index.html
World Business Council for Sustainable Development (WBCSD)	http://www.wbcsd.ch

Regional Websites

Austrian Federal Ministry for Agriculture, Forestry, Environment and Water Management:	http://umwelt.lebensministerium.at
Austrian's Sustainability Website	http://www.nachhaltigkeit.at/
Xertatu – Corporate Social Responsibility in Bizkaia (Spain)	www.xertatu.net



Appendix 1 – Overview on the Analysed Case Studies

Country	Company name	Size class ¹	Industry	Main CSR Category	Content of the analysed CSR Activities	Impact of the Analysed CSR Activities
Austria	Farm-Fill Umweltinnovations- und Vertriebs GmbH	micro	retail sale of games and toys	comprehensive (market/society/environment)	<ul style="list-style-type: none"> cooperation with European suppliers; environmentally friendly production processes; employment of local personnel; donations (in money and in kind) and honorary activities for community benefits 	<ul style="list-style-type: none"> winner of awards; better awareness and image among target group; higher profitability
Austria	1. Obermurtaler Brauereigenossenschaft reg. Gen.m. b.H.	medium-sized	manufacture of food products and beverages	comprehensive (workplace/market/environment)	<ul style="list-style-type: none"> flexible and family friendly working hours; training; cooperation with local suppliers, including the participation in the design of strategies for regional development and for fostering local cooperation; environmentally friendly production, including suppliers' assessment according to environmental standards 	<ul style="list-style-type: none"> development of a new marketing strategy -> positive business development; better image; higher efficiency of the workforce due to higher commitment; winner of awards; sustainable economic development of the region
Austria	J. u. H. Rest GmbH	small	manufacture of bread, fresh pastry goods and cakes, coffee-house	workplace	<ul style="list-style-type: none"> equipment with modern machinery and infrastructure to guarantee a higher level of health and workplace safety for the employees; employees' training in the field of occupational health and safety; attention to sustainable employment; employment of local personnel; usage of local production resources 	<ul style="list-style-type: none"> higher satisfaction of employees due to easier and safer production processes; higher productivity; winner of awards -> higher awareness and better image among target group
Austria	zotter Schokoladen Manufaktur GmbH	medium-sized	manufacture of food products and beverages	comprehensive (market/ society)	<ul style="list-style-type: none"> usage of fair trade and regional biologically grown products as raw materials; sponsoring of activities for community benefits at international level; awareness raising for people with disabilities 	<ul style="list-style-type: none"> creation of jobs; attraction of new client groups; benefits for the socially disadvantaged; winner of awards -> increased awareness among target group
Austria	denkstatt GmbH	small	business and management consultancy activities	workplace	<ul style="list-style-type: none"> provision of healthy food and allowing the preparation of joint meals during working time; joint sport activities; professional instruction concerning occupational health; power napping; workplace design; financial support for using public transport; flexible working time 	<ul style="list-style-type: none"> higher commitment and motivation of employees; lower employee fluctuation; winner of awards -> higher awareness



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Finland	Kalevala Koru Oy	medium-sized	manufacture of furniture, manufacturing N.E.C	comprehensive (society/ environment)	<ul style="list-style-type: none"> • sponsoring of cultural events; • production in Finland instead of China; • usage of national material; • recycling, reduction of emissions, economical use of natural resources; • donations for community benefits (initiative launched due to the engagement of the company) at international level; 	<ul style="list-style-type: none"> • higher commitment of employees; • better image; • competitive advantage by taking into account customers' preference for national materials/production
Finland	Pauke Organisointi	micro	business and management consultancy activities	market	<ul style="list-style-type: none"> • individually targeted customer services based on a detailed survey; • environmentally friendly materials 	<ul style="list-style-type: none"> • better image; • long-term relationships with customers
Finland	Opteam Henkilöstöpalvelut	medium-sized	labour recruitment and provision of personnel	market	<ul style="list-style-type: none"> • provision of occupational orientation, training opportunities and occupational health/security programmes for the customers (employees to be placed by the company); • provision of placement opportunities for foreign employees at the same conditions as national employees; • transparent communication with the customers (employers seeking for staff) 	<ul style="list-style-type: none"> • higher customer satisfaction
Finland	Nordia Management Oy	small	financial intermediation	comprehensive (workplace/ society/environment)	<ul style="list-style-type: none"> • health care for employees; • flexible working hours; • provision of training; • environment protection; • dissemination of the CSR concept among the enterprise sector 	<ul style="list-style-type: none"> • better image
Finland	Eko-Expert	small	recycling	comprehensive (market/ society/ environment)	<ul style="list-style-type: none"> • use of old material for the production of the goods; • pension insurance for employees 	<ul style="list-style-type: none"> • high customer satisfaction; • cost savings for clients and their customers; • positive effect on environment; • winner of awards

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Germany	Die Möbelmacher GmbH	small	manufacture of furniture, manufacturing N.E.C	comprehensive (workplace/ market/ society/ environment)	<ul style="list-style-type: none"> • cookery classes for clients, informing them also on alimentary issues; • cooperation with local suppliers, including the initiation and participation in local production/supply chain networks; • employees' participation in decision making (suggestion system), personnel development; • environmentally friendly production processes; • sponsoring of cultural events 	<ul style="list-style-type: none"> • increased turnover; • networking activities also applied in other national regions; • winner of awards -> better image, resulting for example in an official accreditation by the government
Germany	Paravan	medium-sized	manufacture of transport equipment	comprehensive (workplace/ society)	<ul style="list-style-type: none"> • employment of disabled persons; • sponsoring of and active engagement in associations for handicapped persons; • provision of schools with training materials on disabilities; • provision of driving safety lessons for the population (free of charge); • provision of child care facilities for employees; • liberal working regulations 	<ul style="list-style-type: none"> • high commitment of personnel; • winner of awards; • higher awareness and better image among regional stakeholders
Germany	LR Gebäudereinigung GmbH	medium-sized	industrial cleaning	comprehensive (workplace/ society/ environment)	<ul style="list-style-type: none"> • language classes for employees with migration background; flexible working hours; • workshops for trainees to bring in their ideas on environmental issues; • environmentally friendly production processes; • honorary activities of employees and the owner for community benefits at international level 	<ul style="list-style-type: none"> • higher customer loyalty due to better reputation -> higher sales; • higher motivation of employees; • better company atmosphere; • higher innovativeness and creativity
Germany	Bad & Heizung Kreuz GmbH	small	plumbing	comprehensive (workplace/ society/ environment)	<ul style="list-style-type: none"> • environmental friendly production processes; • technical support of clients (also via internet); • sponsoring of local sports team; • engagement in associations/events for raising awareness on environmental issues; • contribution to retirement pensions and capital forming payments for employees; • trainee programme for juveniles with learning problems 	<ul style="list-style-type: none"> • higher motivation/commitment of employees -> innovation and expansion possible -> higher profitability; • winner of awards

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Germany	LEO – Der Bäcker & Konditor e.K.	medium-sized	manufacture of bread, fresh pastry goods and cakes	comprehensive (workplace/ society)	<ul style="list-style-type: none"> • donations of goods and money for societal purposes, including sponsoring of local sports team and cultural events; • active engagement in initiatives to foster the local business location by networking with other local companies (i.e. influencing policy makers); • encouraging staff members to participate in socially responsible activities during the working time; • improvement of working conditions/working environment; • flexible working hours; • workforce diversity (incl. age management); • health care for employees 	<ul style="list-style-type: none"> • networking with other companies as a sustainable success factor; • good contacts to public authorities and customers; • higher motivation of employees

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Norway	Maja's Salong	small	hair dressing and other beauty treatment	comprehensive (workplace/ environment)	<ul style="list-style-type: none"> employees' empowerment for taking responsibility for personal targets/results; flexible working hours; employees' participation in decision making; labour market integration of disadvantaged groups; extra holiday, extra pay; apprenticeship training; development and application of standards for environmentally friendly service provision 	<ul style="list-style-type: none"> low personnel fluctuation due to good organisational atmosphere; cost savings due to environmentally friendly practices; better image; employees' application of learned environmentally responsible behaviour also in their private spheres
Norway	Skretting AS	medium-sized	manufacture of prepared animal feeds	comprehensive (workplace/ society/ environment)	<ul style="list-style-type: none"> environmentally friendly production, including suppliers' assessment according to environmental standards; provision of pensions schemes and social events for employees and their families; labour market integration of disadvantaged groups; sponsoring of cultural events and local sports teams; sponsoring of activities for community benefits at international level 	<ul style="list-style-type: none"> better image; better position at the labour market; higher commitment of employees
Norway	Stormberg AS	small	wholesale of clothing	comprehensive (workplace/ society/ environment)	<ul style="list-style-type: none"> labour market integration of disadvantaged groups; sponsoring of activities for community benefits at local and international level; environmentally friendly production 	<ul style="list-style-type: none"> winner of awards; high employee loyalty; high productivity
Norway	Protu AS	micro	computer and related activities	comprehensive (workplace/ society)	<ul style="list-style-type: none"> attribution of particular attention to employees' work-life balance, e.g. by provision of teleworking facilities; support of local sports teams by contributions in kind 	<ul style="list-style-type: none"> high employee loyalty
Norway	AS Marex	medium-sized	manufacture of transport equipment	comprehensive (workplace/ society/ environment)	<ul style="list-style-type: none"> health care for employees; attention to sustainable employment; provision of training for disadvantaged groups at the labour market registered with the unemployment service; sponsoring of activities for community benefits at local and international level; environmentally friendly production 	<ul style="list-style-type: none"> high employee loyalty

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Poland	Przedsiębiorstwo Robót Inżynieryjno – Melioracyjnych "MELBUD" Sp. z o.o.	medium-sized	construction	workplace	<ul style="list-style-type: none"> • contribution to retirement pensions for employees; • voluntary contributions for employees (allowances, premiums, social events, cultural/sport activities); • financial contribution to staff training; • activities in the field of occupational safety 	<ul style="list-style-type: none"> • high employee loyalty and commitment -> low fluctuation; • better image; • winner of awards
Poland	Deante Antczak Sp. J.	medium-sized	wholesale trade and commission trade	market	<ul style="list-style-type: none"> • technical assistance to customers (personal and by telephone); • enhanced guarantee services; 	<ul style="list-style-type: none"> • better image -> higher and sustainable sales; • attraction of a new customer group; • low fluctuation of personnel; • highly qualitative products for the clients; • winner of awards; • initiation of a new marketing tool
Poland	Toolbox Creative Communications (TCC)	small	public relations consultancy activities	society	<ul style="list-style-type: none"> • in kind donations for humanitarian community benefits (i.e. PR campaign for a Polish-Jewish organisation) 	<ul style="list-style-type: none"> • better relations to stakeholder; • gaining of new clients; • PR for free
Poland	Dynamix Teresa Cieślak, Paweł Pławik Sp.J.	small	construction	market	<ul style="list-style-type: none"> • close cooperation with customers during the whole production process; • careful supplier/business partner selection to be able to provide the best products to the customers; • psychological sales training for employees to best serve the customers 	<ul style="list-style-type: none"> • better image among all stakeholders (including banks etc.); • good working atmosphere; • good relationships to business partners; • winner of awards
Poland	LUMAG Sp. z o.o.	medium-sized	manufacture of transport equipment	comprehensive (market/ society/ environment)	<ul style="list-style-type: none"> • implementation of a quality management system; • environmentally friendly production; • donations for humanitarian purposes 	<ul style="list-style-type: none"> • better image -> dynamic business development, expansion; • support to access EU funds; • higher customer satisfaction; • better relationships to suppliers; • higher efficiency; • better position on the labour market; • winner of awards

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Romania	Galfinband S.A.	medium-sized	manufacture of basic metals and fabricated metal products	comprehensive (workplace/society/environment)	<ul style="list-style-type: none"> dissemination of information on CSR; equipment of schools with IT; donations for humanitarian purposes; environmentally friendly production; occupational health and safety 	<ul style="list-style-type: none"> better image; higher awareness among the target group; better financial results
Romania	SC ELMI PROD FARM SRL	medium-sized	manufacture of soap and detergents, cleaning and polishing preparations, perfumes and toilet preparations	society	<ul style="list-style-type: none"> various sponsorships of humanitarian organisations/for humanitarian purposes 	<ul style="list-style-type: none"> increase of turnover; better image; higher awareness
Romania	SC TUV KARPAT SRL	small	business and management consultancy activities	comprehensive (workplace/market/society/environment)	<ul style="list-style-type: none"> improvement of the infrastructure at the workplace; flexible working hours; permanent employer-employee dialogue; provision of customer feedback opportunities; environmentally friendly production processes 	<ul style="list-style-type: none"> higher efficiency; better atmosphere; better customer relations;
Romania	SC ICE-MENERG SA	medium-sized	research and development	comprehensive (workplace/society/environment)	<ul style="list-style-type: none"> investment in environmentally friendly production processes; provision of training; - social events for employees; measures for health protection of employees; labour market integration of young people 	<ul style="list-style-type: none"> less staff problems; better image; better atmosphere
Romania	SC BORDER-LINE SERVICES SRL	micro	education	society	<ul style="list-style-type: none"> free offer of services 	<ul style="list-style-type: none"> increased awareness among the target group; higher number of customers

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Spain	Ascensores Jordá S.A.	medium-sized	manufacture of lifting and handling equipment	comprehensive (workplace/ market/ society/ environment)	<ul style="list-style-type: none"> • sponsoring of cultural events; • risk prevention activities for the industry and the workforce; • provision of training; • social activities for the workforce; • flexible working hours; • noticeboard for informing employees and giving them the opportunity to place ideas; • long-term relations with suppliers; • customer satisfaction survey; • recycling 	<ul style="list-style-type: none"> • reduction of work accidents; • good work atmosphere; • higher employee satisfaction; • low fluctuation; • better image among the clients and the society
Spain	Euroquímica de Bufi & Planas S.A.	medium-sized	manufacture of chemicals and chemical products	comprehensive (workplace/ market/ environment)	<ul style="list-style-type: none"> • internal promotion policies; • provision of training based on an annual plan, also including the possibility of internships for descendents; • provision of the possibility for workers' suggestions; • flexible working hours; • employment of disadvantaged groups; • earlier payment of additional salaries; • risk prevention policies; • social events for employees; • recycling; • payment of suppliers in time; • long-term relations with suppliers 	<ul style="list-style-type: none"> • higher staff commitment and motivation; • higher performance; • winner of awards, • participant in public conferences; • better image among clients and the society
Spain	Gaurisa Group	medium-sized	sale, maintenance and repair of motor vehicles and motorcycles	comprehensive (workplace/ society/ environment)	<ul style="list-style-type: none"> • support of local sport activities; • integration of young people in the labour market; • continuous employee information; • external evaluation of workplace based risks; • environmentally friendly production, including awareness raising and training of employees 	<ul style="list-style-type: none"> • winner of awards; • easier access to workforce; • better image among the society; • better efficiency; • higher number of sales and clients
Spain	Javierre S. L.	small	construction	comprehensive (workplace/ market/ society/ environment)	<ul style="list-style-type: none"> • transparent business behaviour; • collaboration with and sponsoring of NGOs; • awareness raising for socially responsible acting; • regular employee meeting; • provision of training; • flexible work hours and holiday arrangements; • long-term relations with suppliers; • environmentally friendly production, including suppliers' assessment according to environmental standards 	<ul style="list-style-type: none"> • winner of awards; • mentioning in the media; • better image; • better working atmosphere; • better relationship with suppliers; • reduction of use of raw materials

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Spain	Paver S. L.	medium-sized	manufacture of basic metals and fabricated metal products	comprehensive (workplace/ society/ environment)	<ul style="list-style-type: none"> • support of sport activities; • awareness raising for environmental issues among juveniles; • employee participation; • regular employee satisfaction surveys; • flexible working hours; • regular employee information; • interest free credits to employees; workplace security; • provision of training; • environmentally friendly production; • waste reduction 	<ul style="list-style-type: none"> • winner of awards -> used as marketing tool; • new ideas, problem solving; • higher motivation and satisfaction of employees -> lower absenteeism and accidents -> higher productivity; • reduction of use of raw materials; • better image -> higher turnover

¹ micro = 0 – 9 employees; small = 10 – 49 employees; medium-sized = 50 – 249 employees

Source: Austrian Institute for SME Research



Appendix 2 – Research Team

Country	Organisation	Contact Persons
Austria (Project Co-ordination)	Austrian Institute for SME Research (KMU FORSCHUNG AUSTRIA)	Irene Mandl Andrea Dorr Thomas Oberholzner
Finland	TSE Entre, Turku School of Economics (former: Small Business Institute, Turku School of Economics and Business Administration)	Piia Nurmi Ulla Hytti
Germany	Institute for SME Research Bonn (Institut für Mittelstandsforschung Bonn)	Frank Maaß
Norway	Agderforskning (Agder Research (ARF))	Gro Kvåle
Poland	Entrepreneurship and Economic Development Research Institute (EEDRI) at the Academy of Management (Społeczna Wyższa Szkoła Przedsiębiorczości i Zarządzania w Łodzi)	Maciej Bieńkiewicz
Romania	Chamber of Commerce and Industry of Romania CCIR	Cristina Ionescu
Spain	IKEI research & consultancy	Inigo Isusi Antonio Corral

