

Corporate Social Responsibility: A New Way for SMEs in emerging countries to differentiate themselves**Ms. Nishu Marwah****(Assistant Professor, Bharati Vidyapeeth Institute of Management and Research, New Delhi)****Mr. Anuj Kumar****(Assistant Professor, Bharati Vidyapeeth Institute of Management and Research, New Delhi)****Abstract**

Friedman (1970) argued that the responsibility of business managers is to only think about financial profits of the organization. The main purpose of writing this paper is to test the credibility of this statement in 21st century. 21st century is the century of globalization, businesses are going beyond domestic borders for getting more number of customers and channels of revenue. The product and service innovations are going on but those product and service innovations are not enough to get the attention of customers. The organizations are looking new way to outpace their competitors. In 21st century it is hard for business managers to ignore the concept of corporate social responsibility. They can't outpace the competitors only by showing concern about financial profits. Especially the small and medium enterprises who are looking for making a place in the heart of customers, fulfilling corporate social responsibility is good option.

Keywords: Corporate Social Responsibility, China, India, Small-medium enterprises, Triple Bottom Approach

Introduction

In this paper the authors will check the emergence of corporate social responsibility in SMEs and large organizations. In the first part of the paper, the authors will test the concept of CSR and its growing emergence in globalized era. All the small, medium and large organizations are looking to increase their customer base in the market and gaining competitive advantage. Solely the product and service innovations can't be helpful in attracting the customers because pricing is also a concern while launching new innovation. CSR activities of the company are very helpful in retaining the old customers and attracting new customers towards the firm. The authors will also discuss few important theories which will be helpful in understanding the concept of corporate social responsibility. These important theories are stakeholder management theory, social capital theory and glimpse of triple bottom line approach followed by the managers. The theoretical debate will be entirely based on the need of corporate social responsibility in small and medium level organizations.

What is Corporate Social Responsibility?

Corporate social responsibility (CSR) refers to business practice involving initiatives that benefit society. A business CSR practices involves many things including giving away a portion of company's proceeds to charity, to implement 'greener' business operations. The corporate social responsibilities now-a-days is not limited to charity done by managers but they need to think about environmental efforts of the company, philanthropy actions, ethical labour practices and concern for the equal opportunity.

Importance of CSR for SMEs and large organizations

Corporate Social Responsibility refers to direct and indirect activities of the company which directly affect the society. 21st century is the century of globalization(Adekola & Sergi, 2007). The business is expanding across the international boundaries. The small and medium level companies are shifting their base from developed countries towards developing countries. In this era of globalization, there is an intense competition among firms. The multinational corporations are searching for new ways and innovations to get rid of competition. It is true that CSR practices are not legal bindings for the organizations but the fulfilment of CSR practices show that company is concerned about the society. Now-a-days governments, media and activists often rate the organizations on the basis of their social activities(Porter & Kramer, 2006). The governments also support foreign organizations if they are concerned about environmental and social responsibility. Friedman (1970) often argued that organizations are a virtual body and the managers should only think about the financial profits of the organization. He said managers are getting hefty amount of salaries from owners and business partners so managers should not waste their time in planning for social activities or environmental responsibilities. In author's opinion Friedman's statement is losing its importance in 21st century. An organization can't achieve competitive advantage merely by product innovations, fulfilment of CSR practices is important for getting sustainable competitive advantage. The concept of corporate social responsibility requires the company to act beyond its legal obligations and integrate social, environmental and ethical concerns into company business process.

The small organizations are those organizations which have lesser than 10 employees and medium organizations have somewhere around 250 employees approximately. In the SMEs there is no significant difference between management and the owners. There are less bridges between SMEs and customers. In the SMEs the business owners are more closely and directly linked up with the customers. Investing in employees and fulfilling corporate social responsibility have a positive impact on the customers and employee morale. CSR activities not only improve the reputation of the company but also help the company in getting finances from the investors(Vo, 2011). The small and medium level enterprises often face cash crunch and their positive CSR image is helpful in getting loans from the bank. The institutional pressure and stakeholders pressure is a leading driver for CSR activities in the SMEs. There are less number of stakeholders in SMEs in comparison to large organization. The business owners know that CSR activities can be taken as the brand building exercise for the company which will make positive impact on the psychology of customers and suppliers. In the developing countries the organizations don't have any structured framework of formal CSR practices(Possenti, 2012). Customers and suppliers judge the CSR practices of the company by its informal ethical practices such as integrity, safety, health of employees, working conditions etc. Good CSR practices help the SMEs is building long term relationship with the customers and suppliers(Magarinos, 2002). CSR practices offer opportunities to SMEs for greater market access, cost-saving, productivity and innovations.

Few Examples

Many researchers often argued that fulfilling social responsibility can be costly for small organizations because those organizations have limited budget. In actual CSR activities can be considered as an additional expense for the organizations. CSR practices should be integrated with long term business strategies so that it can make a positive impact on the performance of company. There are certain other challenges which SMEs faced while implementing CSR activities. Many business owners-managers at SMEs often think that they can't achieve social and environmental goals without losing their competitive advantage in the national and international market(Morsing & Perrini, 2009). CSR activities are equally important for big organizations because many reputed multinationals have lost their market share on account of bad social and environmental practices. Coca Cola is one of the biggest and reputed brand in

the market but Coca faced several conflicting issues related to their approach towards social and environmental responsibilities. Indian NGOs have reported Coca-Cola for increased amount of pesticides in their cold drink and the company was also charged for water pollution (Torres, Garcia-French, Hordijk, Nguyen, & Olup, 2012). In 2000 some local communities at Kerala, southern India have reported that they are facing water scarcity problem because Coca-Cola is extracting ground water for their production. Coca-Cola realized the importance of CSR activities and changes its approach thereafter. In 2008 the company published its first environmental performance report to show Indian population their concern for CSR activities. Coca-Cola also started working with Indian NGOs on rain water harvesting and other important water projects in India.

Walmart is one of top retailer in world's market. The company also faced discrimination charges and child labour problems in different continents. Dukes and other female members have accused that Walmart is discriminating the women employees on the basis of their gender. The female employees are getting less pay, benefits and the company is not promoting themselves at higher level positions. Basically women were facing glass ceiling problems at Walmart. In 2005 Walmart was also accused of child labour problem at two factories in Bangladesh. Samsung also faced the same child labour charges with one of its suppliers in China (Lee, 2016). These child labour charges and women discrimination at workplace were not good for overall reputation of the companies in global market. Walmart took an immediate action over this when company ceased to do business with 141 factories in Bangladesh which were violating the child-labour laws. Walmart's Code of Conduct in 2005 and 2012 has explicitly said that company will not tolerate the use of child labour at any of its location. On the overall discussion it can be said that CSR activities are equally important for SMEs and large multinational organizations.

Theoretical Perspective

In this section the author will discuss the significance of CSR activities in SMEs and large organizations on the basis of social capital theory and stakeholder theory. Social capital theory argued about the importance of social networks and its reciprocities from the perspective of business environment. Social capital theory has its own importance in studying the CSR activities at SMEs. This theory can be seen as a critical link between fields of economics, sociology and political science, signifying the need to reconsider the economy from social and industrial environment (Sen, 2011).

Coleman (1990) saw the social capital theory from different perspective. According to Coleman, social capital is a function and it should not be treated as single entity. Social capital can be seen as a mixture of different entities which consist of some aspect of social structure and various actions of individual inside that social structure. Putnam has a different view on social capital theory. Putnam saw social capital theory as an attribute of a community rather than an individual. Putnam defines social capital as network, norms and trust that enable participant that enable participant to act together to achieve common objectives and goals (Sen, 2011). Social capital can be seen as a connection between different social networks and the trustworthiness derived from them can be useful in improving the efficiency of society by co-ordinated actions. The concept of trust has also been evolved in social capital theory. Two types of trust have been discussed as the important components of social capital theory. First, the trust developed between individuals who know each other and second type of trust developed between individuals who are unknown for each other. Putnam defined these two types of trust as thick and thin trust where thick trust has been seen as the property of intimate social networks while thin trust is the generalized trust between community members.

Stakeholder theory has been given by Freeman and this theory can be seen as the mirror image of corporate social responsibility (Brusseu, 2016). Stakeholder theory saw business from ethical perspectives and monitored the effect of various business actions on company stakeholders. The various stakeholders in the company are company workers, owners, customers, suppliers, creditors, financiers, government entities etc. All those stakeholders' lives have been touched by the organization directly or indirectly so those stakeholders have obligation to participate in company's management. Under this theory the main objective of the company is to maximize profit on collective bottom line and the profit has not been measured financially rather seen as human welfare policies. Collective bottom line is the overall effect of company's activities on all the stakeholders. Similar to collective bottom approach the researchers also talked about the triple bottom line approach of corporate social responsibility. According to triple bottom line the business managers and owners should give equal importance to economic, social and environmental sustainability (Fauzi, Svensson, & Rahman, 2010). Economic sustainability looks for long term financial stability of the firms and the social sustainability is looking the approach of companies in improving the social lives of the people. Still there is big gap between rich and poor. The various activities of companies are useful in filling the gaps between rich and poor. Social sustainability was not measuring the company's wealth in terms of dollars instead it requires human respect. The workers should not be treated as machines instead they should be treated with dignity. Environmental sustainability show concern about natural resources like clean air to breathe, water to drink and oil for fuelling the engines. Conservation of resources is important from community point-of-view.

There are certain differences between stakeholder theory and social capital theory. Stakeholder theory was primarily a business management theory and corporate social responsibility is one of the many important business aspects. Stakeholder theory was dependent upon various stakeholders for its success (Sen, 2011). Social capital theory sees the importance of human actions from the perspectives of economics, sociology and politics. The increased social capital in business is responsible for increasing the goodwill, higher level of trust and reputation in the society. On one hand stakeholder theory was giving importance to various stakeholders on the basis of their powers and positions in the organization on other hand social capital theory was treating each and every individual equally.

According to stakeholder's theory the community stakeholders should be treated can be considered as an important and definite stakeholder by SMEs and their actions should be based on social progress of the community. SMEs have certain issues. The small and medium organizations have limited approach, lower bargaining power and resources. The CSR activities can be helpful in improving the social capital of their business. The social capital will further improve the brand image and reputation of the company in people's mind. The CSR activities help SMEs in developing close relationship with community members and all the stakeholders. The close relationship with all individual members and communities will help the SMEs in managing both internal and external influences. The engagement of SMEs will improve with the community members and it will be fruitful for the financial profits as well. CSR practices can't be seen as a long term investment instead the stable future of any company in today's globalized era is dependent upon its approach towards corporate social responsibilities. It is true that operational cost of CSR activities will act as a barrier for SMEs but SMEs have realized the importance of CSR activities and need to address them. Mainly the CSR activities of SMEs are very much confined to the employees and close customers of the company. While the stakeholders' theory suggests business should give equal importance to all the salient stakeholders of the company.

Discussion

In the last few years the concept of corporate social responsibility has been researched from the perspective of large organizations but in present time this concept is equally important for SMEs. The managers in SMEs have also given alternatives names to the concept of corporate social responsibility. These alternative names are sustainability, corporate responsibility, corporate responsiveness etc. It has often said that stakeholder theory gained more attention in large organizations because there is much more diversity in small organizations (Adapa & Rindfleish, 2013). In SMEs the roles are not fixed especially in the small family based organizations owners handle the multiple responsibilities. In case of SMEs the prime focus of stakeholder framework is on transparency, goodwill and good citizenship. The previous research findings have also shown that SMEs don't use the term corporate social responsibility because they found it too big to manage. The managers in SMEs are using the term social responsibility and their CSR activities are also limited. They are not expanding themselves beyond employee welfare activities. In small organizations the number of employees are very much limited up-to 50 or less than that. The top management of SMEs are much more concerned about work-life balance, training and good working conditions for their employees. In author's opinion it can be said that SMEs are too much involved in informal CSR activities of maintaining sustainable relationship with stakeholders. In this modern era of globalization, the SMEs need to involve themselves in formal CSR activities otherwise it can be detrimental for their future progress.

Case of Indian Organizations

Case of Chinese Organizations

Let us discuss the importance of CSR practices at SMEs in China. SMEs are an important part of Chinese economy. In the last three decades the logistics industry has been developed at very fast rate in China. YHYB is a small logistics company located in China (Fan & Jin, 2013). YHYB has implemented CSR practices from very beginning. The various CSR activities of the company involve providing jobs to the people belong from rural areas, using low exhaust emission trucks for logistics services. The various motivations for YHYB for CSR activities are gaining customer attention, providing differentiation and threat to the big market players (Vyakarnam, Myers, & Burnett, 1997). The company has only 48 employees but the owners showed their concern about CSR activities since its inception. The ethical practices of YHYB not only provided competitive advantage to the company but also attracted the big companies to invest in YHYB. SF Express a big company wants to invest its company in YHYB for new cargo handling capacity. The stakeholder relationship management and communication inside the company is good. On the basis of YHYB company it can be said that CSR practices can open new doors of opportunity for SMEs. The large organizations are following a structured approach for CSR activities and accordingly the business managers in large organizations are allocating budget for it.

There is a big attitude change in SMEs for CSR activities. Now-a-days SMEs are not taking CSR as an additional burden rather CSR practices are a part of their daily management (Santos, 2011). The CSR activities of SMEs help in developing informal relationship and building social capital for the company. Besides customers' engagement the supply chain pressure from large organization also motivate SMEs to adopt good ethical practices and thereby develop long term relationship with them (Inyang, 2013). Besides cost there are other challenges too for SMEs while implementing CSR practices. The limited knowledge of owners and small entrepreneurs can be hurdle and the time constraint also affect the commitment towards CSR practices. SMEs also lack the guidance and support required for adopting and implementation of CSR programmes.

Conclusion

On the basis of overall discussion, it can be said that CSR activities are important part of competitive business strategies for both small and large organizations. Previous researchers have written a lot about CSR practices in large organization but now-a-days small organization are also taking CSR activities seriously to improve their market reputation and gain competitive advantage. The CSR activities also help in developing good relationship between bigger firms and small firms for their supply chain activities. As discussed above CSR activities of small company like YHYB was helpful in attracting the big investors towards the company. CSR activities develop positive social capital for SMEs and it also help in stakeholder management. It is true that there are less number of stakeholders in SMEs and mostly the CSR activities of SMEs are confined to its employees. The major difference in small and large organization is that the implementation of CSR activities in SMEs depend upon the attitude of business owners while in big organization the board members take decisions regarding CSR activities of the company. The time and money is also a limitation for SMEs.

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