

## Corporate social responsibility of Hungarian SMEs with good environmental practices<sup>\*</sup>

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*Small and medium-sized enterprises play an important role in the economy in Europe. Consequently, their contribution to the realisation of sustainable development is also important. After briefly discussing the role of Corporate Social Responsibility in “getting closer to” sustainable development, the specialties of SMEs’ CSR are listed. The results and conclusions of a questionnaire survey among Hungarian SMEs with good environmental practices are presented, discussing their motivating factors and the challenges they face, the main stakeholders influencing their CSR performance including their MNE customers. The geographical and company size focus of the survey enables investigation of CSR in Central and Eastern Europe from a new perspective, completing the results of recent surveys on bigger samples among large companies with some minor but interesting aspects.*

*Kleine und mittlere Unternehmen spielen eine wichtige Rolle in der europäischen Wirtschaft. Deshalb ist auch ihr Beitrag zur Realisation einer nachhaltigen Entwicklung wichtig. Nach einer kurzen Diskussion über die Rolle von Corporate Social Responsibility (CSR) im Bemühen um nachhaltige Entwicklung, werden die Besonderheiten von CSR in KMU dargestellt. Die Ergebnisse und Schlussfolgerungen einer Umfrage unter ungarischen KMU mit guten Umweltspraktiken werden präsentiert, wobei ihre Motivationsfaktoren und Herausforderungen, mit denen sie konfrontiert sind, diskutiert werden, sowie die wichtigsten Interessengruppen, die ihre CSR-Leistung beeinflussen, einschließlich multinationalen Kunden. Der geografische und Unternehmensgrößen-Fokus der Befragung ermöglicht die Untersuchung der CSR in Mittel- und Osteuropa aus einer neuen Perspektive. Dadurch werden die Ergebnisse der letzten Umfragen, basierend auf größeren Stichproben unter großen Unternehmen, durch einige kleinere, aber interessante Aspekte vervollständigt.*

*Key words: SME, Corporate Social Responsibility, environmental performance, sustainability (JEL: M14, Q56)*

<sup>\*</sup> Manuscript received: 17.12.12, accepted: 21.10.13 (2 revisions)

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## 1. The contribution of CSR to sustainable development

The actors of the economic sector have an important role in the realisation of sustainable development. Company level sustainability and corporate social responsibility (CSR) are popular issues among policy makers and company representatives as well. The concept of corporate social responsibility was emerging in Europe as early as from the 1990s, getting popular in Central and Eastern Europe with some significant delay, from the mid 2000s. Entering the European Union also contributed to the spread of CSR in new Member States, by making EU documents relevant and fostering the concept among decision-makers. According to the green paper of the European Union CSR is “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (European Commission 2001:8.). Corporate Social Responsibility involves several issue areas: environmental protection, countering bribery, respecting employees’ rights and philanthropic activity as well. Most of these are extremely relevant in the CEE region. In the latest communication by the Commission, the voluntary nature of CSR is not stressed any more, and the definition only states that CSR is “the responsibility of enterprises for their impacts on society” (European Commission 2011:6). The communication also highlights that “respect for applicable legislation, and for collective agreements between social partners, is a prerequisite for meeting that responsibility” (European Commission 2011:6). It is still an open question whether, or to what extent CSR can contribute to sustainability goals. There are some aspects of the CSR concept that make it more acceptable and feasible for companies than the “ambiguous” concept of sustainable development. While sustainability investigates the system of relationship of the “economy–society–nature triangle” starting from the macro level and from the aspect of global problems (effects), CSR does the same starting from the micro level, from one of the “causes” of the problems, the companies. Corporate social responsibility is a self-defining concept, while sustainable development can easily be misinterpreted by decision-makers, e.g. as sustainable “economic growth” which is basically controversial to the idea of environmental sustainability. However, there are some negative aspects of “letting companies do the best they can”. For example, Málovics et al. (2008) conclude that the contribution of CSR to sustainability, especially strong sustainability, that is, the preservation of natural capital, is limited.

The new CSR strategy of the EU suggests that the scepticism about CSR was partly established, the communication published in 2011 highlights that CSR should be more definite and transparent, results should be more measurable and sector specific development is also desired. The special conditions of SMEs are also mentioned in this document, “...In implementing this agenda, the Commission will at all times take account the particular characteristics of SMEs, espe-

cially their limited resources, and avoid creating unnecessary administrative burdens“ (European Commission 2011:8), all of which is in harmony with our research findings.

## **2. The importance of SMEs’ social responsibility**

CSR is mostly interpreted as the contribution of large enterprises, corporations to sustainability, although the behaviour of SMEs due to their important role in economic production and employment as well as their consumption of natural resources and the total emission they are responsible for, is also essential. As former European Commissioner for Enterprise and Industry, Günter Verheugen stated: “Micro, small and medium–sized enterprises (SMEs) are the engine of the European economy. They are an essential source of jobs, create entrepreneurial spirit and innovation in the EU and are thus crucial for fostering competitiveness and employment” (Günter Verheugen in European Commission 2005: 3). This “entrepreneurial spirit” should in an ideal case include a responsible attitude, that is, responsibility for internal and external stakeholders of the company. According to Murillo and Lozano, “the academic literature reveals the need to undertake more in–depth field studies in order to discover the organisational culture, the difficulties and the perceptions surrounding CSR in SMEs.” (Murillo/Lozano 2006:227)

Similarly, as the local level is crucial and can be very effective in realising sustainable development, small and medium–sized companies that typically have closer relationship with local communities than large enterprises, have an important role in CSR. It is a problem that CSR tools are usually developed and available for large companies with special management practices and even SMEs committed to responsible behaviour lack appropriate CSR tools and are often far from realising the advantages of their positive attitude. The European Multistakeholder Forum on CSR in 2004 also found that “we know relatively little about the scale and impact of CSR amongst SMEs” (European Multistakeholder Forum on CSR 2004:4). The first step towards perceiving direct and indirect business benefits of CSR in case of SMEs, is the identification of the specialties of the CSR process for this group of companies.

## **3. Model of the CSR process**

In the framework of the EU–funded research project, Rhetoric and Realities: Analysing Corporate Social Responsibility in Europe (RARE), a model to analyse sustainability impacts of CSR was developed (Barth/Wolff/Schmitt 2007). In this framework, the process of CSR starts with the realisation of sustainability challenges. Companies can identify those challenges either as risks or as opportunities. As a reaction, companies become committed to solve the problems found relevant for them and incorporate them into their strategies. This stage is the so–called “output”, and can be considered as the first step towards contribu-

tion to sustainability. In order to solve the detected problems, companies change their practices and implement some selected CSR tools. This stage is called the “outcome”, when the change in attitude is translated into concrete measures. Finally, the change in company strategy and practices generate certain “impacts” outside the company, e.g. the change of emissions, enhanced resource efficiency or positive social impacts such as contribution to gender equity or employment of handicapped people etc. The identification of these steps in practice is not as easy as the theoretical model may suggest. Impacts cannot easily be measured or attributed to specific changes in company practices or strategy, the results of certain changes can strengthen or weaken each other and external factors may significantly influence the process. Therefore the process has to be analysed in a wider context, external success factors should also be taken into consideration.

#### **4. CSR process – specialties for SMEs**

The model described above is applicable for SMEs as well and it is useful in the identification of specialties and difficulties of SMEs’ social responsibility. The first problem is that they often find the sustainability challenges irrelevant for themselves, stating that they do not significantly contribute to sustainability problems. Focusing on everyday operations it is also imaginable that SMEs don’t even realise these challenges or – depending on the company leaders’ attitudes – they may even deny the presence of some of these environmental or social problems. As in Central and Eastern Europe the general level of environmental awareness is considerably lower than in Western Europe, this step can be critical in the case of SMEs owned by local people in contrast to Multinational companies with an inherent corporate culture. It is also a common problem that SMEs do not always know environmental regulations exactly (Observatory of European SMEs 2002), which is a greater problem in a changing regulatory environment, e.g. with entering the EU.

The second stage, “output”, that is, the change of commitment and strategy is also problematic, as SMEs very often lack strategy formulation in general. It is especially true to micro and small businesses. In CEE countries SME managers have even less expertise in strategy formulation than in Western Europe. A study by the Observatory of European SMEs found that SMEs’ CSR activities are usually not regular and typically not related to the company strategy (Observatory of the European SMEs 2002), that is, even if the company has a strategic approach, it is not necessarily extended to its CSR practices.

At the implementation step the problem SMEs face is that CSR tools are usually developed for big enterprises. Finally, the detection of impacts outside the company is also difficult, as SMEs are less obliged to monitor and report their emissions and social impacts than large companies. One general fault observed by the Multistakeholder Forum (2004) was that many SMEs may not be fully aware

of their environmental and social impacts, especially micro–businesses frequently do not measure or record their performance.

Small– and medium–sized companies in general and Central and Eastern European SMEs especially face serious challenges in implementing responsible business practices and improving their social and environmental performances. In order to help them exploit their strengths — such as flexibility or innovative thinking — to react on these challenges it is necessary to investigate their attitudes and practices more closely.

## 5. Survey among SMEs operating in Hungary

### 5.1 *Survey design*

A survey among Hungarian SMEs was conducted in order to analyse their CSR attitudes, CSR process and to detect potential barriers and opportunities for development. The methodology was partly based on an earlier survey among SMEs from the automotive supply chain, questions about the motivating factors, applied tools and measures, the measurement of performance as well as barriers and expected assistance were adopted from the former research. (The former survey was an integral part of the RARE project's SME study, comparing companies' activities in Hungary and Austria (Barth/Wolf 2009).)

According to a large sample company survey conducted in 2008 in Hungary (GKI 2009), SMEs are less familiar with the concept of CSR than large companies, therefore it is important to map and help their activities. In our empiric research Hungarian SMEs with some good environmental practices from all sectors and sizes have been surveyed in order to get a general overview of CSR of SMEs operating in our country. The company selection criterion was the holding of an ISO14001 certificate, an internationally acknowledged environmental management system certificate, developed by International Standardisation Organisation and available for Hungarian companies since 1997. Although holding this certificate is not a guarantee for a high level of environmental performance, it may indicate that the company management is familiar with the importance of environmental protection and is attempted to integrate it into the company culture. That is, companies with presumably relatively good environmental practices had been selected. The list of companies holding an ISO14001 was provided by KOVET Association, the Hungarian member organisation of CSR Europe. As the company size was listed in the database, it was easy to select small– and medium–sized companies for the survey. Questionnaires had been sent via e–mail and post to company contact persons and follow–up telephone calls fostered participation. 55 out of 578 (9,5%) companies answered our questionnaire, indicating a relatively low response rate, however, all the questionnaires received back were fully completed and processable. 51% of the respondent companies operate in the production sector, 44% in the service sector and

5% in both. Around one tenth (9%) of the respondents have less than 10 employees, 42% has 10–49 employees, and almost half of the companies belong to the medium-sized company group with 50–250 employees (50–99: 22%, 100–149: cc. 13%, 150–199: 9%, 200–250: 5%).

The structure of the questionnaire followed the model of the CSR process discussed above. Questions about the commitment were followed by questions about the strategy, implementation and performance. In the first section about the commitment multiple choice questions were asked about the aim of taking responsibility and the way of selection of CSR areas, also the three most important areas of environmental and social responsibility had to be named (open-ended question). Two environmental issues had been selected to investigate more closely: climate change mitigation and other environmental impacts, emissions and waste management. Respondents had to mark the strategic importance of these issues, we presumed that climate change as a global problem is less important for SMEs than other environmental impacts. The last group of questions in the strategy section was about respondents' opinion of the relationship of business success and CSR. With these questions we used a Likert scale. Afterwards, the respondent had to select from a list the environmental and quality management as well as stakeholder-involvement tools or instruments they already use, know of but not use or are planning to implement in the near future, followed by a question about business partner expectations regarding the implementation of such instruments. The next multiple-choice question was about the assistance SMEs get from MNE customers in order to improve their environmental and social performance, respondents had to mark whether their customers "Communicate their CSR values to SME suppliers", "Collect data about their suppliers' social and environmental performance" or "Support SME suppliers by providing relevant information and training". After surveying the actual expectations and assistance the companies experience from the side of large customers a set of Likert scale opinion-questions investigated the MNE-SME relationship in the field of CSR. (e.g.: To what extent do you agree with the statement that: MNEs should support their SME suppliers more actively in order to improve their social and environmental performance; The main purpose of setting high standards for SME suppliers is shifting responsibility.) In the following section companies had to mark the measures they implement in order to contribute to climate change mitigation and the mitigation of other environmental impacts. If they do not implement any measures they had to mark the reason: they do not consider the environmental problems serious, they do not have the resources necessary for the implementation or it is not expected from the company. An open-ended question revealed whether the company has a product, service or technology that is beneficial to the environment. Respondents had to mark how the costs of applying CSR instruments (marked in an earlier question) changed over the past three years and whether they are planning to stabilise, increase or decrease their spending on implementing and operating in-

struments. In order to map the barriers they had to choose from a list of kinds of barriers they think relevant to their own company and for SMEs in general. Similarly, they had to choose the assistance they would welcome from policy makers, such as awareness raising or financial aid. The last section of data about the company was about the measurement of environmental performance, respondents had to list the indicators they use in order to measure contribution to climate change mitigation and environmental performance, emission levels or waste generation, and they also had to mark the level of improvement (low, intermediate or high) in the past three years. Finally, a group of opinion questions investigated the respondent's "CSR attitude", the opinion about SMEs' and large companies' CSR (importance, "real content") and the role of employees in SMEs' business and CSR performance.

Based on an earlier literature review we had some hypotheses before the survey: We expected that employees play an important role in SMEs' CSR, both in the phase of selecting the areas of responsibility and the realisation of responsible behaviour, that is, they are important "objects" and "subjects" of responsibility as well. We presumed that the expectations of business partners, primarily corporate, MNE customers are also important motivating factors of SMEs' responsibility. Although companies with (presumably) good environmental performance were selected for the survey, indicating a "better than average" performance, we presumed that the practice and attitude of companies is not homogeneous, it is possible to identify typical groups of companies, according to the "nature of their CSR".

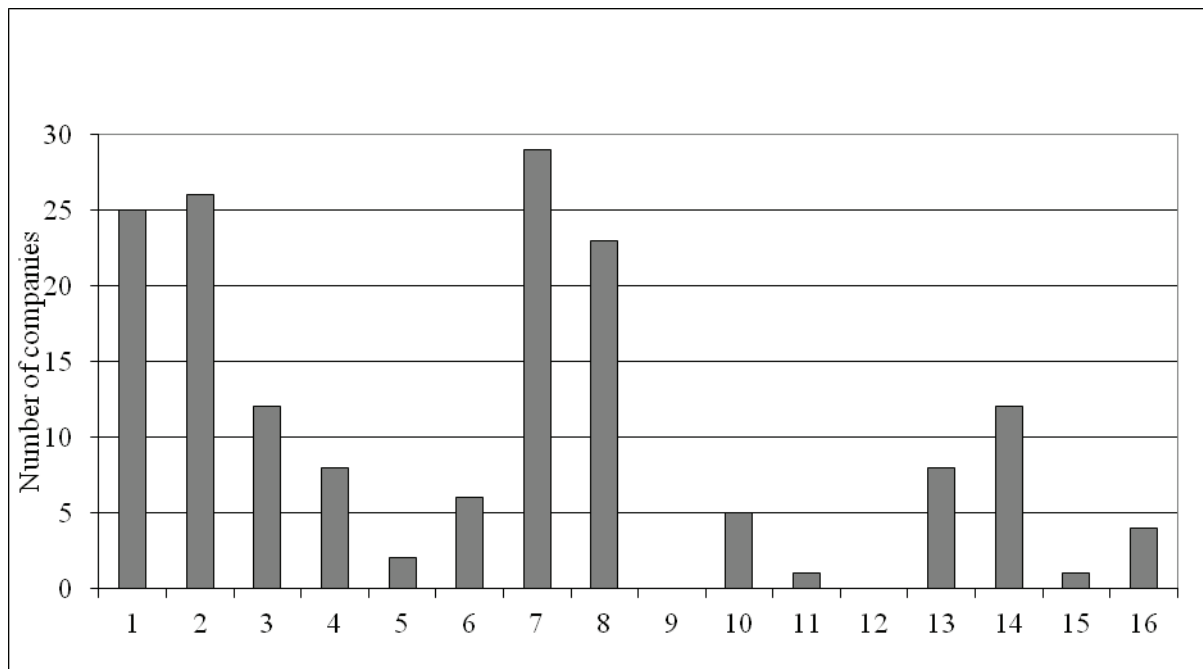
The main results of our empiric survey are presented in the following sections. First we discuss the response rates to questions regarding the most important issues and draw conclusions about answers to various groups of questions, and then the classification of SMEs is presented based on a factor and cluster analysis.

## ***5.2 Motivating factors and strategic importance of CSR issues***

Various motivating factors had been marked including ethical and financial ones as well as those related to stakeholders.

The most important motivating factor is "taking responsibility for stakeholders and the local community", marked by about half of the respondents, reflecting the close relationship of SMEs with local communities. "Meeting the basic values of the company" and "contribution to sustainable development" were also important factors, marked by 50% of the respondents. It shows that personal motivation and the commitment of the company leaders are crucial in SMEs' social responsibility and the concept of sustainable development is known and supported by them.

Figure 1: The aim of admitting responsibility



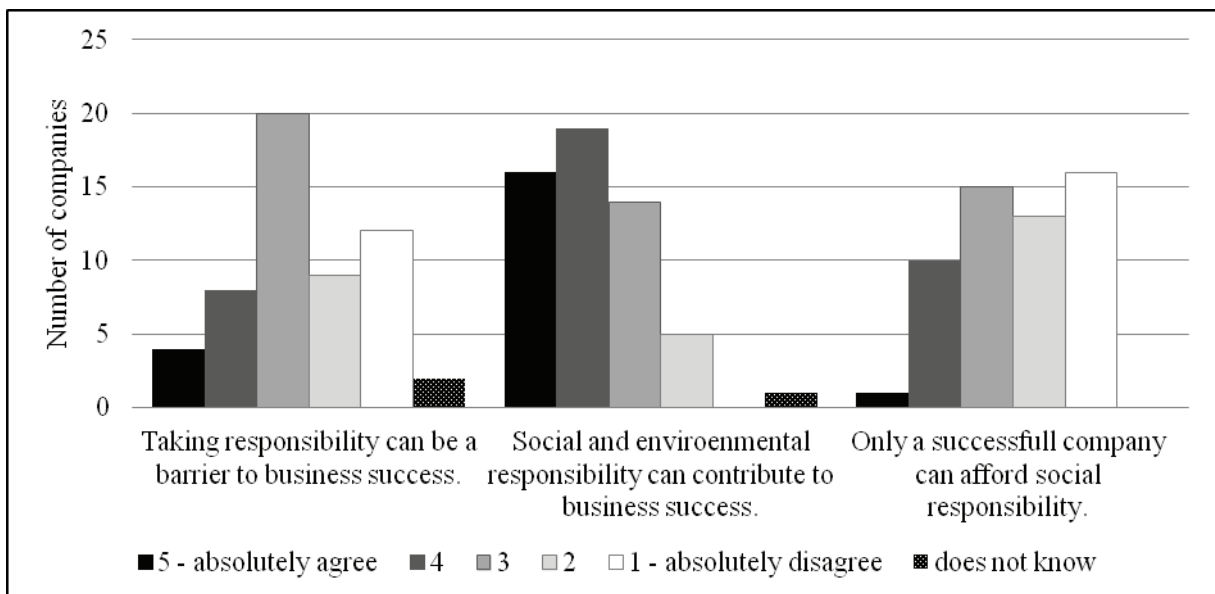
1: Meeting basic company values.	9: Better access to capital
2: Contribution to sustainable development	10: Avoid stricter regulation
3: To act as an ethical company	11: To get governmental support
4: Improve company reputation	12: Networking
5: To reduce financial risk	13: Help product and service development
6: To attract, keep and motivate employees	14: Attracting new customers and entering new markets
7: Taking responsibility for stakeholders and local community	15: Handle resource scarcity
8: Meeting customer supply chain expectations	16: Reduce costs

More than 40% of the respondents marked meeting customer and supply chain needs, that is, meeting the expectations of customers is an important motivating factor too. Expanding the range of customers and entering new markets as well as “to act as an ethical company” were also important motivators. 15% marked “improving company reputation” and “contribution to product and service development”. The literature says that reputational considerations are less important for small companies than MNEs and our empiric results support this generally accepted view. Finally, “attracting, keeping and motivating employees” was the last factor marked by more than 10% of the respondents.

Comparing the aim of admitting responsibility in our case with the results of similar surveys we can state that the motivation of CSR of Hungarian SMEs with relatively good environmental practices is similar to that of European SMEs in general. Ethical considerations are usually more important than expected business benefits.

The next stage of the CSR process is the integration of responsibility aspects into the company strategy. The strategic importance of some CSR issues had been surveyed. Two issues were selected, namely contribution to climate change mitigation and other environmental impacts. A relatively high proportion of the companies (44%) consider both issues important, which can be explained by the fact that SMEs holding an ISO 14001 environmental management system certificate were surveyed. Climate change is considered less important than other environmental impacts, underpinning that SMEs consider global environmental issues less relevant to their operations than other problems, thinking that they do not significantly contribute to global problems. It is a popular research area whether responsibility or contribution to sustainability can contribute to business success as well. Therefore a separate set of questions was raised about this controversial issue, in order to get a comprehensive and realistic picture. Results can be seen in Figure 2.

Figure 2: The relationship of responsibility and business success



A high proportion of the answers to these questions were inconsistent. In case of the first question, there is a higher diversity of answers. After excluding inconsistent answers we could see that around one sixth of respondents think that taking responsibility is rather an obstacle to business success than an advantage, one sixth cannot decide (marking 3), one sixth think that it rather supports it and

according to about half of the respondents it definitely supports business success. Most of the companies in our sample see a positive relationship between CSR and business performance, what is a positive result.

### 5.3 *Application of CSR tools*

The next stage of the CSR process is the change of company operations, that is, the implementation of some selected CSR tools, following the logic of the process, the next section of the questionnaire was about the application of various CSR tools. Company codes are usually not known and used by SMEs, underpinning the fact that these tools are primarily developed and applicable for large companies. Companies apply relatively many tools related to employees, which once again shows that they are important actors in SMEs' CSR. The application of tools related to external stakeholders is also wide-spread, which is in harmony with the fact that expectations of external stakeholders are important motivating factors. However, on the whole, companies apply relatively few tools and they did not name any tools developed specifically for small- and medium-sized companies, such as "eco-mapping" – a simple tool for mapping environmental impacts at a company site – or "EMAS-easy", an aid for micro- and small companies to develop an environmental management system.

It is also remarkable that the number of companies planning to implement new CSR tools in the near future is very low. It can partly be explained by the fact that the costs of applying CSR tools are said to be high and expected to become even higher by most respondents. Limited knowledge about the CSR tools developed for SMEs also hinders implementation. The "SME-tailored" CSR-tools were practically unknown for all the company representatives surveyed, in spite of the fact that the companies had ISO14001 certificate.

### 5.4 *The role of stakeholders*

SMEs are deeply embedded in their business environment. It is a general shortcoming of empiric research on companies' CSR practices that they only focus on the company itself (answering the questionnaire) and do not investigate how they experience the environment and the role of various actors having an effect on their social responsibility. In order to get more information about the embeddedness of SMEs' CSR several questions tackled the role of stakeholders, primarily MNE customers and employees. The vast majority of the companies (85.5%) were supported by some of their stakeholders in their CSR activity. Most respondents marked that "our customers ask information from us whether we support our suppliers in improving their social and environmental performance". It is an indication of the "supplier chain approach", that is, large companies do not only monitor their direct suppliers' performance, but also their "suppliers' suppliers".

It is remarkable that the rate of companies whose customers support their CSR performance by training or educational programmes is very low. That is, the expectations of large companies are important motivating factors for their SME business partners, however multinational enterprises typically do not actively support their SME suppliers in improving their practices.

Most respondents agree that large companies should support their suppliers more actively in their social responsibility (49% fully agree, 27 % basically agree). Opinions are divided on the issue whether setting environmental or other requirements for suppliers by large companies serves “shifting the responsibility”. The proportion of non-respondents was the highest (16%) for the whole questionnaire and the proportion of respondents marking the medium value (3) was also the highest in the case of this particular question. Consequently, most of the respondents did not answer this question or did not have any unambiguously positive or negative opinion. We can assume that non-respondents tend to agree with the statement. This result supports the phenomenon of “outsourcing responsibility”, that is, large companies shift some responsibility to their supply chain by outsourcing several activities.

### **5.5 Environmental performance**

The next section of the questionnaire was about the companies’ environmental practice in certain areas. More than 60% of the respondents stated to contribute to the mitigation of climate change. Those companies that do not do anything to mitigate climate change mostly explain it by having a marginal effect on this global environmental problem. This is in harmony with our statement made when analysing the CSR process’s specialties in case of SMEs, that is, SMEs often think that their contribution to global environmental problems is negligible, and therefore consider these problems irrelevant to their operations. Companies that make some effort to reduce their contribution to climate change typically monitor and reduce their energy use, that is, they prefer win-win solutions resulting cost savings beside the positive environmental impact.

All respondents had some activities to reduce their environmental impacts, most of them monitor their environmental performance or pay attention to waste management. Finally noise reduction was mentioned most frequently as further environmental activity, not listed among the potential answers.

It is a good indicator of a company’s commitment to environmental protection if it has a product or technology which was (at least partly) introduced in order to reduce environmental impacts. A little more than half of the companies have such product(s) or technologies. Most companies named some waste management technologies, followed by technologies that enable the reduction or elimination of the use of dangerous materials (also important for reducing health risk) and energy-efficient and renewable energy technologies.

The importance of environmental protection at the company can also be judged by presence of an employee appointed in charge of this matter and if his or her responsibility is only environmental protection or the person has other responsibilities, too, such as quality management. Although according to the ISO 14001 standard, a responsible person for the environmental management system has to be appointed, some respondents did not mark any person responsible for environmental protection, which can be an indication of the inappropriate implementation of ISO 14001. At those companies which have an employee responsible for environmental protection, in most cases the person does not have any other responsibilities. The name of the position is quite diverse: head of environmental management system, environmental manager, environmental trustee etc. A relatively large proportion of respondents have one person responsible for environmental and quality management, presumably because ISO 9001 quality management standard and ISO 14001 require similar approaches and processes.

Most of the companies surveyed do not have any assigned employee for supporting local communities, while some respondents marked the company leader as being responsible for the issue. This is in harmony with earlier research about the nature of SMEs' philanthropy. That is, it is usually ad hoc and not related to the company strategy, and, its background is usually the personal commitment of company owner or management.

### **5.6 Expected support**

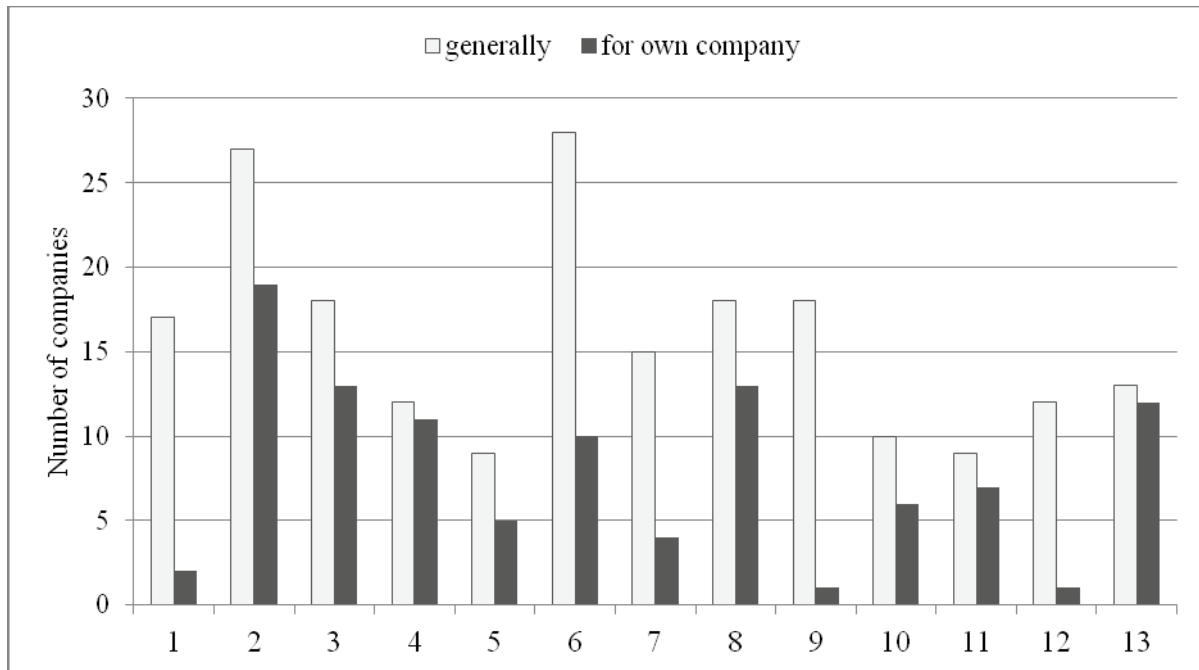
The next issue investigated was the way of assistance SMEs would welcome from their MNE customers. The most frequently mentioned way of expected support from large companies was professional aid, technology and know-how transfer, followed by training and education. "Taking into account environmental performance beside the price when selecting suppliers" and "acknowledging extra costs of environmental protection measures" were also mentioned by several respondents. All in all, SMEs expect information and knowledge transfer rather than financial support from their MNE customers but would welcome the acknowledgement of extra costs emerging from responsible business practices.

In case of support from decision makers, financial support was the most frequently mentioned instrument, marked by almost 60%. SMEs typically expect external support, they find the improvement of awareness among customers, consumers and investors important, as well as training programs and information provision and green public procurement. 40% of the respondents marked "providing clear legal framework" among the three most important factors and "making legislation simpler and more transparent" was also mentioned as a further measure. This is in harmony with the statement made by the Observatory of European SMEs, that is, SMEs are not fully familiar with regulations. However,

this is not only the result of their limited interest in and capacity to monitor legislation but also a consequence of regulatory shortcomings.

### 5.7 Barriers to CSR

Figure 3: Barriers of CSR



1: No information about or little familiarity with such activities.	8: Lack of external support (e.g. from government, sector association).
2: The market does not recognise such commitment.	9: Frequently, the management is not committed.
3: No social/ community benefits expected for the company.	10: Frequently, employees are not interested.
4: Not relevant for business.	11: Frequently, business partners do not demand such commitment.
5: The activities are not related to companies' business fields.	12: This is seen not as a task for SMEs, but primarily for big companies.
6: The activities cause costs; the company lacks financial and/or time resources.	13: The regulatory environment is not predictable.
7: Lack of expertise and/or organisational capacities.	

Many respondents marked more barriers than the maximum number allowed, showing that they sense several different barriers and did not want to heighten any. A little more than a third of the respondents marked CSR barriers in general and did not mark those relevant to their own companies. In case of their own companies, most respondents marked external factors, while when marking barriers relevant for companies in general, internal and external factors were similarly important. In case of their own companies the most important barrier was that “the market does not recognise such commitment”, while in general, the “lack of financial and time resources” was mentioned.

### **5.8 *Impacts outside the company***

Finally, the last stage of the CSR process, after the integration of CSR considerations into the strategy and the implementation of CSR tools, is the change of external impacts. Questions about monitoring impacts, indicators and the estimated change of performance had been raised. Most of the companies stated to measure their CSR performance, the number of companies reporting their performance is also relatively high, however only 10% of the companies had their report verified by an external auditor. Some of the companies use their performance indicators only for reporting and not for internal follow-up, therefore it would be sensible to change this practice and use the data internally, too, in order to track their performance, set targets and monitor their realisation.

Although “other environmental impacts” were strategically more important than contribution to climate change, interestingly more companies gave an estimation of company performance in the case of the climate change issue than in the case of other environmental impacts. The number of indicators was higher in the case of “other environmental impacts”, one third of the companies had an indicator for monitoring contribution to climate change and 40% had indicator(s) for monitoring other environmental impacts. The most frequent indicators were energy consumption and specific energy consumption as well as greenhouse gas emission and specific GHG-emission in the case of climate change and the specific amount of waste for other environmental impacts.

### **5.9 *The role of employees and management***

As employees were expected to be an important group in formulating SMEs’ CSR, several questions investigated this issue. Most respondents find employee attitudes important both for CSR and business success, however, far more (17) respondents think that employees’ attitude is more important for business success than in case of CSR than the contrary (6 respondents). Typically it is thought to be easier to make employees admit that quality is important for business success than the importance of CSR. However, there is a clear agreement among respondents about the role of company leaders, that is, the management

has a prominent role in setting example both in the case of quality management and Corporate Social Responsibility.

### **5.10 The real content of CSR – opinions**

As corporate social responsibility is becoming a well-known concept in CEE, too, there is a risk of “eroding of its real meaning”. Various questions investigated the respondents’ opinion of the “honesty” and real content of companies’ social responsibility. While getting a general picture about this issue we have to consider that answers reflect the respondents’ personal opinion and are very subjective in nature.

Answers to the questions about the real content and honesty of CSR were very diverse. Respondents tend to agree with the statement that “the social and environmental responsibility of companies is often hypocrisy”, no respondents stated complete disagreement, indicating some scepticism about the issue. Opinions about the philanthropic activity of company leaders are less pessimistic, but the number of non-respondents was quite high in the case of this question. The number of non-respondents was relatively high in the case of the statement: “Typically those companies are active in environmental protection or solving social problems that have some internal problems to hide”, however most respondents tend to disagree. This is a positive message of the survey results, that is, company leaders do not have to be afraid of the counter-productiveness of communicating CSR. The response rate to the controversial statement was higher and respondents tend to agree with the statement that companies that are active in solving external problems are also strong in internal responsibility. We can conclude that the level of scepticism about the real content of CSR is diverse among company managers, but most respondents think positively.

### **5.11 Grouping of SMEs**

The surveyed SMEs with good environmental performance can be categorised, there are important, detectable differences among their activities and attitudes. In order to differentiate the companies, first, the most important factors influencing the level of their CSR activities were identified by applying a principal component analysis. Most research studies focus only on one or two determinants having an effect on CSR performance, primarily company size and sector. In our analysis we tried to get a more comprehensive picture of the SME’s CSR performance taking into consideration several aspects. The level of CSR activity was measured by the number of tools they apply and the number of activities they perform to mitigate climate change as well as other environmental impacts. After eliminating the irrelevant variables, those that do not significantly contribute to the number of CSR measures applied, which is marked by their low communalities, or those that do not belong to any of the factors, one by one, nine variables belonging to three groups having an important role in determining the

level of CSR could be identified. These three groups of variables explain 58,4% of the total variance, which can be acceptable in the case of nine variables.

*Scepticism*: the level of trust in the real content of companies' CSR in general. This is the only dimension not related to the given companies' activity but to the respondent's general view of the issue.

*Management commitment*: the respondent's opinion about the role of management and the number of tools applied. The latter is a result of management decisions therefore it is also an indication of company leaders' attitudes.

*Difficulty of implementation*: answers to the questions about the implementation phase belong to this group of variables (level of agreement with the statement: "Is it easier to make the employees accept that quality management is important for the company's success than getting them accept the importance of CSR..." and the number of activities performed to reduce the company's environmental impacts).

Beside the variables belonging to these three groups, the size of the company was also important in determining its CSR performance. After selecting the variables that are significant, the phase of grouping the surveyed companies followed in the framework of a cluster analysis. We applied the hierarchic method which is applicable to small sample sizes as well, more specifically, the Ward's minimum variance method resulted the identification of relatively homogenous company groups. Four typical groups could be identified, labelled as "small sceptics", "sceptics tending to shift responsibility", "SMEs doing what they can" and "enthusiastic professionals".

Table 1: Characteristics of company clusters

	Cluster 1	Cluster 2	Cluster 3	Cluster 4
Size	small	large	small and medium	diverse
Scepticism	high	high	diverse	low
CSR is the business of large companies	diverse	high	diverse	diverse
Activity level	diverse	diverse (typically low)	low	high
Relationship of CSR and business success	positive	not clear	not clear	diverse (typically negative)

In the first group, "*small sceptics*", there are companies that consider social responsibility as a threat rather than an opportunity. They typically think that responsible company behaviour can have a negative impact on financial performance. They are typically micro- and small-sized companies.

SMEs belonging to the second group think that CSR is mainly the “business of big companies”. Large companies don’t provide sufficient guidance and assistance to their suppliers and the requirements they establish mostly serve to shift responsibility and prevent themselves from bad reputation. This group is labelled “*sceptics tending to shift responsibility*”. They do not refuse the concept of CSR, however, they would expect external assistance in order to improve their CSR performance.

*SMEs doing what they can:* small and medium-sized companies belong to this group. They use relatively few instruments and they are active in relatively few areas of CSR. Many of them think that only a successful company can afford social responsibility and most of them think they belong to this group of companies. The application of indicators is not typical among this group. Meeting company values and responsibility for stakeholders and local communities are important motivating factors. Typically they are not sceptical about the concept of CSR. This is the largest group of companies surveyed.

*Enthusiastic professionals:* they are very active in the field of CSR, although their customers do not always require the implementation of any CSR tools. They are not sceptical about CSR, they truly believe in the concept. Contribution to sustainable development is an important motivating factor for them. Most of them apply indicators and management tools (ISO9001, ISO14001 and other). They usually think that CSR can contribute to business success. Various sizes of SMEs belong to this group.

Although only companies with relatively good environmental performance had been selected to the sample, some are sceptical about the concept and real content of CSR. In case of a more widespread survey, involving companies that do not apply ISO 14001, presumably the number of sceptical companies would be higher.

## 6. Comparison to similar surveys’ results

In order to have a broader picture about Corporate Social Responsibility in the region we have investigated recent survey results that had similar regional or company size focus as ours. One regional survey and one national level survey will be presented briefly.

In 2008 a regional research was conducted by GfK Bulgaria, GfK Hungária and GfK Polonia about the expectations of people regarding CSR in the three countries (Braun & Partners Network 2008). The survey has found that in general people are not satisfied with the level of companies’ CSR performance and the information they provide. The vast majority of respondents think that companies should consider interests of stakeholders, employees, local communities, customers, civil organisations and the environment as well. The level of agreement with this statement was the highest in Bulgaria. Although Hungarian respon-

dents had the lowest level of expectations towards companies, still 70% would require corporations to take into account stakeholders' interests while making business decisions. This poll's results underpin the fact that the issue is very relevant in the region and as people's expectations are high, more research is essential about the potential ways of improving companies' performance.

In the framework of a small sample but SME-focused survey in 2007 in Hungary, semi-structured interviews were conducted with owners or managers of 20 socially responsible enterprises and employees were asked, too (Petheő/Pataki/Matolay 2007). Researchers found that SMEs usually carry out CSR-activities either from their establishment, or the practices evolve in the course of their operation and in close connection with the owners or managers and workers, underpinning our research findings about the important role of company owners and employees in SMEs' CSR. Asking the employees they found that they are usually committed and satisfied with their salaries, they expect stability, friendly environment, good colleagues and managers, and high quality job. Employers' expectations from the workers involve loyalty, full commitment, efficiency, speed, high quality, committing free time to completing a project before a deadline, ambition and enthusiasm, good communication skills, modesty, discipline, endurance, cheerfulness, working for success and following moral values. Researchers concluded that employers generally set more expectations than employees do. In our opinion it is understandable in a country with relatively high unemployment rate.

Regarding the philanthropic activity of the companies our earlier statements can be underpinned: managers do not follow a strategic approach in this regard. They react on external expectations in an ad-hoc way: if some NGOs apply for support, the management gets in touch with the organisation and finding their activity useful, provides some donation.

The research methodology made it possible to investigate certain issues – such as the above described employee–management relationship – more closely and to gain some interesting results. Several interviewees mentioned that some stakeholders – such as family members, competitors or business partners – do not support but rather discourage their CSR activities, considering it unnecessary, “waste of time and other resources”. On the hole, the authors conclude that the concept of CSR is present among Hungarian SMEs as well. However, the small and selective sample – that is, focusing on responsible companies – makes it difficult to draw general conclusions.

Overviewing the related surveys we can conclude that both people in general and SME owners specifically are open to the issue of Corporate Social Responsibility. Many of our findings could be underpinned by other surveys' results but still there are a lot of unrevealed issues.

## 7. Discussion

Responsible business practice of SMEs is a relatively neglected research area, however it would be useful to know more about their CSR practices. The model of the CSR process enabled the systematic analysis of the challenges SMEs face when deciding to uptake CSR initiatives.

The survey among Hungarian SMEs showed that CSR of SMEs can be developed not only by direct financial support but also by improving awareness of their customers and motivating large companies to support their suppliers' action. Employees play an important role in the CSR performance of the companies. Several companies said that they consider employees' suggestions when selecting areas of action of CSR, similarly, a high proportion of respondents listed employee related issues (e.g. workplace safety, improving environmental awareness of workers) when asked about the most important areas of responsibility. Finally, when asked directly, most of the respondents agreed that employees play an important role in the level of CSR performance of the company.

Another important group of stakeholders in formulating SMEs' CSR practices is large companies that they supply. In Central and Eastern Europe, multinational enterprises have had an important role in spreading of the concept of CSR but they could do more "to fill it with real content" through their supply chains. In general, SMEs in Hungary think that big companies should support the CSR performance of their SME suppliers more actively. They realise the expectations (e.g. one of the most important motivating factors is to meet costumers' requirements) but beside communication they do not experience enough assistance to meet these high standards. "Greening the supply change" is an emerging issue among large companies' management practices, but if the action of MNEs is restricted to the setting of high expectations and it is not supported by additional measures, the result can only be considered as the "outsourcing of responsibility".

Even SMEs with good CSR practices know and apply relatively few CSR tools. One of the most important reasons for this is that these tools are usually developed for large companies. However, some tools developed especially for this segment are completely unknown among respondents. SMEs could be classified into four clusters based on their CSR attitudes and practices. This categorisation can be useful to develop special measures and communication approaches for the various groups. Information provision and awareness raising campaigns should focus on those companies that view corporate responsibility and its communication with certain scepticism, while the development of SME-specific CSR tools and practices would be welcomed by those companies that are already committed but would need more, professional assistance to develop their performance.

Some good practices from Hungary include the specialisation of some NGOs on development and introduction of “SME-oriented and –tailored” tools, such as “eco-mapping” or “EMAS-easy”. Another recent remarkable initiative was that a large Hungarian bank assisted 50 SMEs in becoming acquainted with ISO 26000 – a standard about Corporate Social Responsibility, developed by ISO in a long-term process, involving stakeholder dialogue – in 2011. The European CSR award is also available for Hungarian companies as well, there are two categories in which one can apply: large companies and the SMEs. It is also a great opportunity for small- and medium-sized companies to improve and communicate their commitment and action.

Good examples are present, still better cooperation along the supply chain and the development and application of more CSR tools and measures could improve awareness and performance of CEE SMEs, contributing to their competitiveness on European and world-wide markets and sustainable development on the long run.

## List of abbreviations

CEE: Central and Eastern Europe

CSR: Corporate Social Responsibility

EMAS: Eco-Management and Audit Scheme

ISO: International Organisation for Standardisation

MNE: multinational enterprise

SMEs: small- and medium sized enterprises

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