

## FINDINGS REGARDING CORPORATE SOCIAL RESPONSIBILITY IN ROMANIAN IT SMES

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### Abstract:

CSR has its origins necessity of implementing different from one organization to another, depending on several factors: company size, products, activities, territorial dispersion, suppliers, leadership and reputation etc. However, the common factor is that in a responsible and application of sustainable development strategies go beyond considerations on building a reputation, being directly associated business continuity, employee morale and market expansion. Ideally, CSR policies at the organization operates as a self-regulatory mechanism integrated into the organization's functioning by companies to monitor and ensure compliance with legislation, ethical standards of operation and not least the international standards. Unfortunately, the importance of using CSR in small and medium enterprises continues to be negatively influenced by reporting against multinationals and large companies practices. Consequently, it is common practice that the judge SMEs in terms of strategies, methods and objectives set in companies mentioned above. The results of our research highlights the peculiarities of CSR in small firms, generated by a unique combination of features and their chronic lack of resources allocated for this purpose.

**Key words:** *small and medium enterprises, entrepreneurship; corporate social responsibility*

### Stakeholder, CSR and entrepreneurship

Freeman (1984) defined stakeholders as "any group or individual who can affect or is affected by the achievement of the firm's objectives". In 2002, he suggested that businesses should redistribute benefits and important decision-making power to all stakeholders based on the share they make.

On the other hand, SMEs are "a heterogeneous group of business, ranging from a single artisan working at home and producing handicrafts to sophisticated software-producing companies selling in specialised global niches" (Fischer and Reuber 2005). Westhead and Storey (1996) consider that "theories relating to SMEs must consider the motivations, constraints and uncertainties facing smaller firms and recognise that these differ from those facing large firms". Short-range management perspective, lack of coaching for employees and capital are some of the characteristics commonly seen in SMEs (Nicolescu O et al, 2009; Ceptureanu EG, 2015a; Ceptureanu EG, 2015b). These traits often restrict the organisation's ability to focus on strategic objectives (Jenkins 2006; Spence 2000). Small and

medium companies also tend to have organisational structures and management styles that are different from larger organisations (Ceptureanu SI et al, 2012). The “simple, flexible and highly centralised management structure” (Mintzberg 1979) of SMEs is further “reinforced by the limited number of hierarchical levels” (MacMillan 1975).

There is a lack of consensus regarding SMEs’ familiarity and their perception of CSR in the literature (Ceptureanu SI, 2015a; Ceptureanu EG et al, 2012). Gerstenfield and Roberts (2000), Hitchens (2005), Ceptureanu SI (2015b) and Hunt (2000) have identified factors such as lack of knowledge and involvement of entrepreneurs in daily activities affecting their ability to engage in social activities. Curran (2000) and Thompson (1993) found SMEs to have fewer CSR programmes aimed at their local community compared to customers and employees.

Carr (2003) suggests that “responsibility and ethics is a personal ethos that informs the practice of any business”. In the case of SMEs, this implies that personal ethos and business behaviour is inseparable (Fuller et al. 2006; Ceptureanu SI et al, 2015a).

It is well established that social interaction with stakeholders shapes responsible behaviour of SMEs more than in large organisations (Fuller et al., 2006; Ceptureanu SI et al, 2012). The extent of CSR participation with different stakeholders thus reflects the influence that they have on the decisions taken by the SME entrepreneurs. Ceptureanu EG (2015c) found that small businesses in Romania prioritise the demands of dominant stakeholders over discretionary stakeholders. Murillo (2006), Popa Ion (2009) and Ceptureanu EG (2014) noted that the most important factor that legitimates participation in social activities is financial objectives and community expectations receive lesser importance. Other specialists (Goffee and Scase 1995; Spence and Rutherford 2001) oppose the notion of profit maximisation as the key motivation of small company entrepreneurs, and therefore argue that fulfilling expectations of dominant stakeholders may not be an imperative for SMEs. Finally, Ceptureanu EG (2015c) and Ceptureanu SI (2015a) observed that Romanian SMEs prioritise economic objectives over the needs of community stakeholders.

## The research design and findings

A qualitative case-study research methodology was applied to investigate the CSR approaches undertaken by Romanian SMEs. The issue under exploration is a real-life situation where the boundaries between the phenomenon and the body of knowledge are unclear (Yin 2009). This was the case because CSR has been probed by numerous disciplines through the application of various theoretical frameworks, each interpreting the context from their own perspective. This research was conducted in the Bucharest- Ilfov region of Romania. A sequential sampling technique was adopted to ensure all possible interpretations get captured. After 121 interviews, we achieved data saturation and discontinued with the data collection process. Cases were purposively chosen from a wide range of business sizes employing between 1 and 249 employees, and industry sectors including manufacturing, consultancy and services. One in-depth interview for each of the participating organisations was arranged either with the entrepreneurs or the managers who were directly responsible for their respective business’ social responsibility. Given that the topic is sensitive and informants may respond in a socially desirable way, interviewers developed a rapport with the interviewees prior to data collection, phrased interview questions to make the participants comfortable irrespective of their participation in CSR, applied multiple tests of validity and reliability.

bility, and finally triangulated data with information available from secondary sources such as annual reports, company brochures, media publications, etc. Although the limited number of cases does not represent the entire sector, it enabled collection of rich data revealing some of the most crucial aspects of SME approach to CSR.

Most of the SMEs were not familiar with the term CSR. After it was explained in common language, without demarcating the boundaries of such activities, varying understandings of the concept were put forward, all of which were taken into consideration. Among the four most popular explanations, these being looking after people who support the business, giving back to the community, being a community member and operating the business ethically, the first three reflect a strong philanthropic perception.

Some respondents perceived CSR as creating business reputation, helping community organisations and following social norms. Interestingly, all SMEs believed that they have some social obligations, but none viewed the concept as just an economic or legal responsibility of the business.

The impacts of CSR expenses were mixed. Of the 121 participants, 31% experienced very little impacts, while 21% regarded the impacts as "fairly strong". Another 48% felt a moderate impact, but most of them preferred to manage the costs by limiting their CSR activities instead of disengaging from such practices. 21% included them in the budgeting process, and 11% sponsored activities and charities that matched the company's profile. Only 11% enterprises regarded CSR expenses as an investment with the expectation of long-term business benefits. SMEs did not see any contradiction between the economic objectives and their moral obligations, rather considered CSR as a morally correct behaviour. However, all respondents shared the view that businesses need to remain profitable in order to meet their moral obligations.

CSR decisions in most businesses were independently taken by the entrepreneurs, except for one that had investors and a range of stakeholders involved due to their organisational structure. Although 72% of the participants encouraged staff and/or peers to participate and one accepted suggestions from suppliers, the decision making power was still held by the entrepreneurs. 31% did not allow any stakeholder to participate. Nevertheless, the CSR agenda of the company in which a range of stakeholders collectively took the decisions was not much different from the company where the entrepreneurs were the only participants, both being equally philanthropic. Likewise, companies in which employees participated were also involved in charities and sponsorships, often without any benefit for their staff. This implies that the participation of stakeholders did not influence the CSR decisions and that community remains at the forefront of SME social responsibility.

Another notable aspect was that most entrepreneurs struggled to identify their stakeholders. 10% of participants understood stakeholders as those who own a share in the business, while another 10% said that "we do not have any stakeholders". After the interviewer explained the meaning of stakeholder, nearly half of the respondents reported that there was no influence from their stakeholders. Further probing, however, revealed that their participation in CSR activities was more tuned to the demands of their social expectations. Among those that admitted some kind of influence, the majority referred to discretionary stakeholders. Thus, lower salient stakeholders appeared to have a greater impact on CSR decisions.

Nearly all participants identified building business reputation as their primary goal to participate in CSR. SMEs with aims such as fulfilling personal satisfaction and to be seen

as a community member, were greater in number than those having economic objectives such as motivating staff and meeting stakeholder expectations. More importantly, none of the participants undertook social activities exclusively for their definitive or dominant stakeholders. Hence, the most common underlying motivation was to build relationships and networks with community members that improve the business' image and at the same time, increase their personal satisfaction. In other words, economic goals were not the predominant motivation for SMEs to engage in CSR.

Informal discussion with the interviewees further revealed that SMEs had no advanced planning for CSR. They either wanted to continue their ongoing activities or adapt to their stakeholders' expectations. Although the large SMEs appeared to be proactive, they did not have any intention to leverage CSR for the benefit of their business. Like most participants, they saw it as "an opportunity for social involvement".

Interviewees clarified this apparently confusing behaviour by stating that connections with these institutions or associations are instrumental for the purpose of networking and information sharing. Some discussed the increased negotiation power that they gain through these networks to influence stronger stakeholders like governments. Others explained how these associations educated them about the upcoming market trends and introduced the business to markets which they would not otherwise have explored.

**Table 1.** Empirical Summary of the Prime Factors

Questions	Yes	N	Sample P	Exact p-value	Incidence of 0.05 level of significance
<b>Workplace practices</b>	108	121	0.90	0.001	Yes
<b>Company values</b>	121	121	1	0	Yes
<b>Social and community policies</b>	75	121	0.59	0.36	No

**Table 2.** Empirical summary with the Sub-factors

Questions	Yes	N	Sample P	Exact p-value	Incidence at 0.05 level of significance
<b>Workplace practices</b>	108	121	0.90	0.001	Yes
<b>Company values</b>	121	121	1	0	Yes
<b>Social and community policies</b>	75	121	0.59	0.36	No

## Discussion and conclusion

The concept of CSR continues to be as fluid, as discussed in the literature. Despite a range of understandings put forward, SMEs agree that businesses have obligations beyond economic and legal responsibilities. In fact, SMEs see participation in such activities as an obligation towards the community members who trust them, and an opportunity to show how the business shares the social values.

Although this supports Garriga and Mele's (2004) conclusions, in-depth questions revealed deeper insights into the attitude of SMEs in relation to CSR. For example, SMEs neither denied their business' impact on the society, nor did they see CSR as a cost-disadvantage, an outcome which contradicts the findings of Hitchens et al. (2005) and Gerstenfield and Roberts (2000) respectively. Furthermore, the "morally correct" perception of CSR in itself is indicative of the importance that they give to social relations (see Adler and

Kwon 2002) and formal engagements with a range of stakeholders, instead of fulfilling the economic expectations of dominant stakeholders only (Ceptureanu SI et al, 2015b).

The discrepancy between the stated behaviour of the SME entrepreneurs and the actual behaviour of SMEs questions the validity of intertwined ownership and management (Nooteboom 1994) and the alignment of owner's personal ethos with business behaviour (Fuller and Tian 2006; Spence 2007) in such organisations. It appears that, in the current business environment, a community's influence on SME is strong enough to subside, if not displace, entrepreneurs' personal values and interests. The presence of powerful social governance (Larson 1992; Leifer and White 1986; Ceptureanu SI, 2014) is clearly at loggerheads with the ST approach to business management since SMEs cannot risk overlooking community expectations for immediate profits.

The research findings also indicate that the dominant stakeholders of SMEs have little or no influence on CSR decisions. Community relationships, by way of contrast, appeared to be the most important criterion legitimating SME responsible behaviour and not the financial motives, as claimed by Mankelov (2003) and Murillo and Lozano (2006).

The value for SMEs particularly lie in the fact that researchers, practitioners and policy-makers, who are responsible for advising business strategies and implementing policies, will now have a better understanding of SME behaviour, their challenges, limitations and goals for participating in CSR for researchers, practitioners and policy-makers. Accordingly, SMEs can expect pragmatic solutions and effective policies from them that will not only exert less pressure to participate in CSR activities that do not effectively reduce their survival risks or facilitate the growth of this sector, but also benefit the broader society by bridging the gap between internal business goals and externally set societal aspirations. That said, we suggest further investigation of the research problem in different locations, involving a larger sample size and using different methodologies to validate the research findings. Further research is also required to explore the relative importance of each type of social capital that SMEs accrue through relationships with different stakeholders.

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