



XXIV International Scientific Conference

CHANGE - THE BASIS OF A SUSTAINABLE SOCIETY

Corporate Social Responsibility - SMEs' Role in Fostering Higher Levels of Social Capital

Oļegs Ņikadimovs

Section "Sustainable Society and Business"

19th of April, 2023



Background of the study

Small and medium-sized enterprises (SMEs) represent around 99% of all companies in the Latvia and in the EU, thus making it a significant part of national economies that should not be overlooked in terms of CSR as well.

SMEs are not smaller-scale versions of corporations and differ greatly in terms of managerial structure, revenues, resource availability and allocation, market reach, product and service lines, as well as available manpower. Given that a CSR strategy often necessitates additional investment, many SMEs might not anticipate it to increase the bottom line.

For SMEs, CSR can play a crucial role in building social capital. SMEs may have limited resources compared to larger corporations, but they can still **make a positive impact on their local communities and build relationships with stakeholders.**

CSR Definitions (selected)

- ❑ Carroll's (1979) - **a company's discretionary obligations in those areas of voluntary social involvement ...**
- ❑ **A company's commitment to long-term growth that benefits stakeholders, deliver economic advantages, and gives it a competitive edge while simultaneously meeting social and environmental needs (OECD, 2001).**
- ❑ The International Labour Organization (ILO) - **"a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders on a voluntary basis"** (ILO, 2010).
- ❑ The European Commission (EC) - **"the responsibility of enterprises for their impacts on society ...on a voluntary basis"** (European Commission, 2014).
- ❑ The World Business Council for Sustainable Development (WBCSD) defines CSR as **"the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large"** (WBCSD, 2018).

CSR pyramid

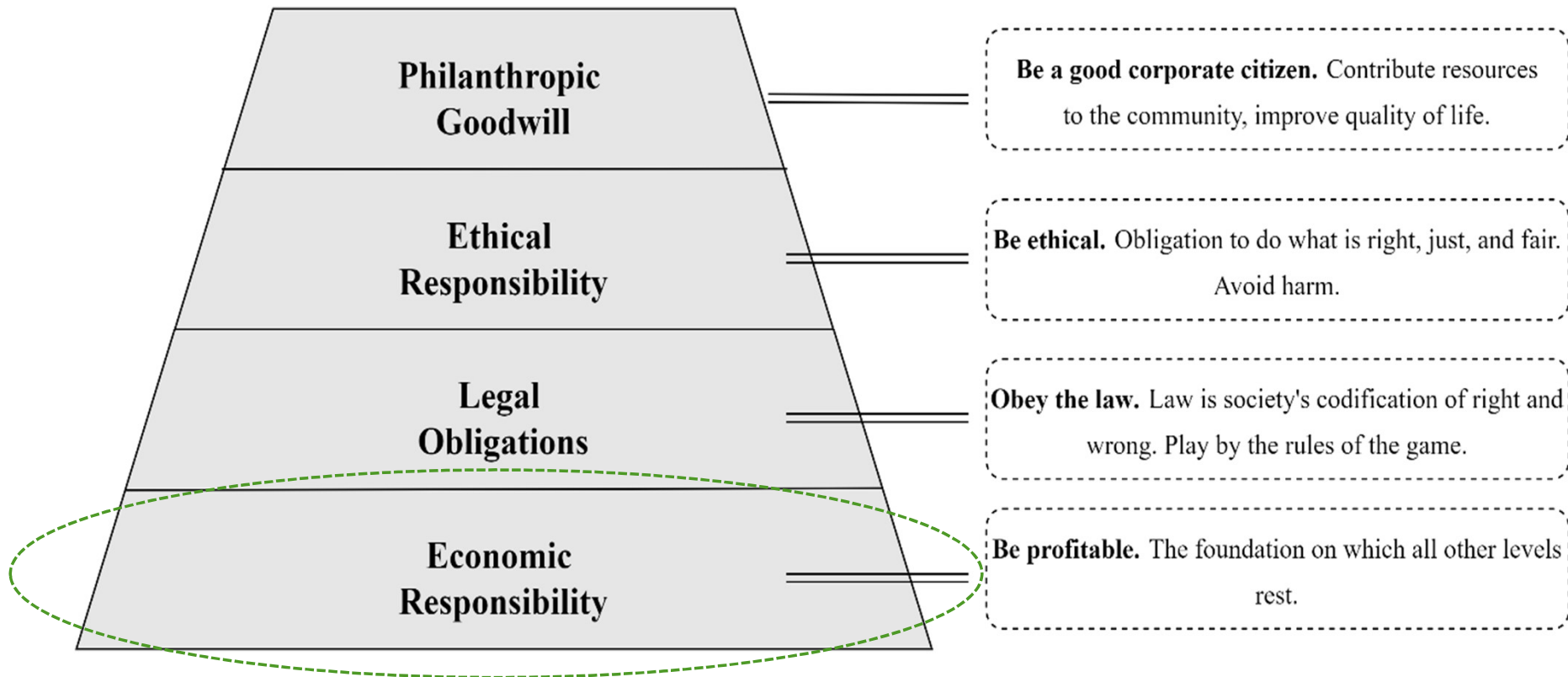


Figure 1. Four Pillars of CSR (adapted from Carroll, 1991)

Stakeholder Identification and Salience Theory and CSR

United Nations Educational, Scientific and Cultural Organization (UNESCO) has defined four dimensions of sustainable development “**society, environment, culture and economy** – which are **intertwined, not separate**” (UNESCO, 2021) (See Fig. 1).

Employees and customers are another group of stakeholders that overlap in both frameworks. *Might be considered two of the most important/immediate stakeholders.*

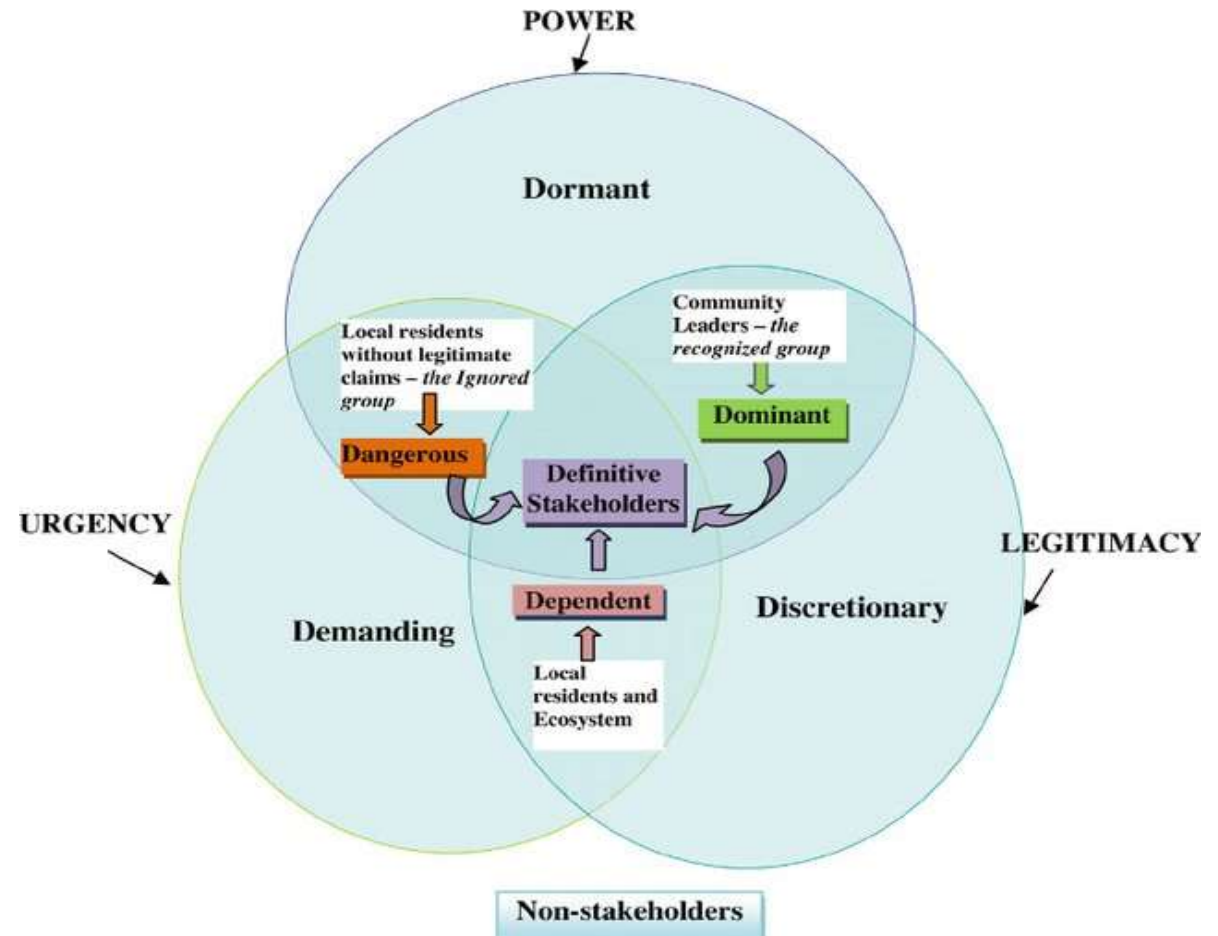


Figure 2. Stakeholder Identification and Salience Model (Adapted from Mitchell et al., 1997:874)

SMEs in Latvia – 99,54%

Distribution of economically active SMEs in Latvia:

- **Micro enterprises** - 85.52%;
- **Small enterprises** - 11.66%;
- **Medium enterprises** - 2.36%

(Ministry of Economics of the Republic of Latvia, 2023).

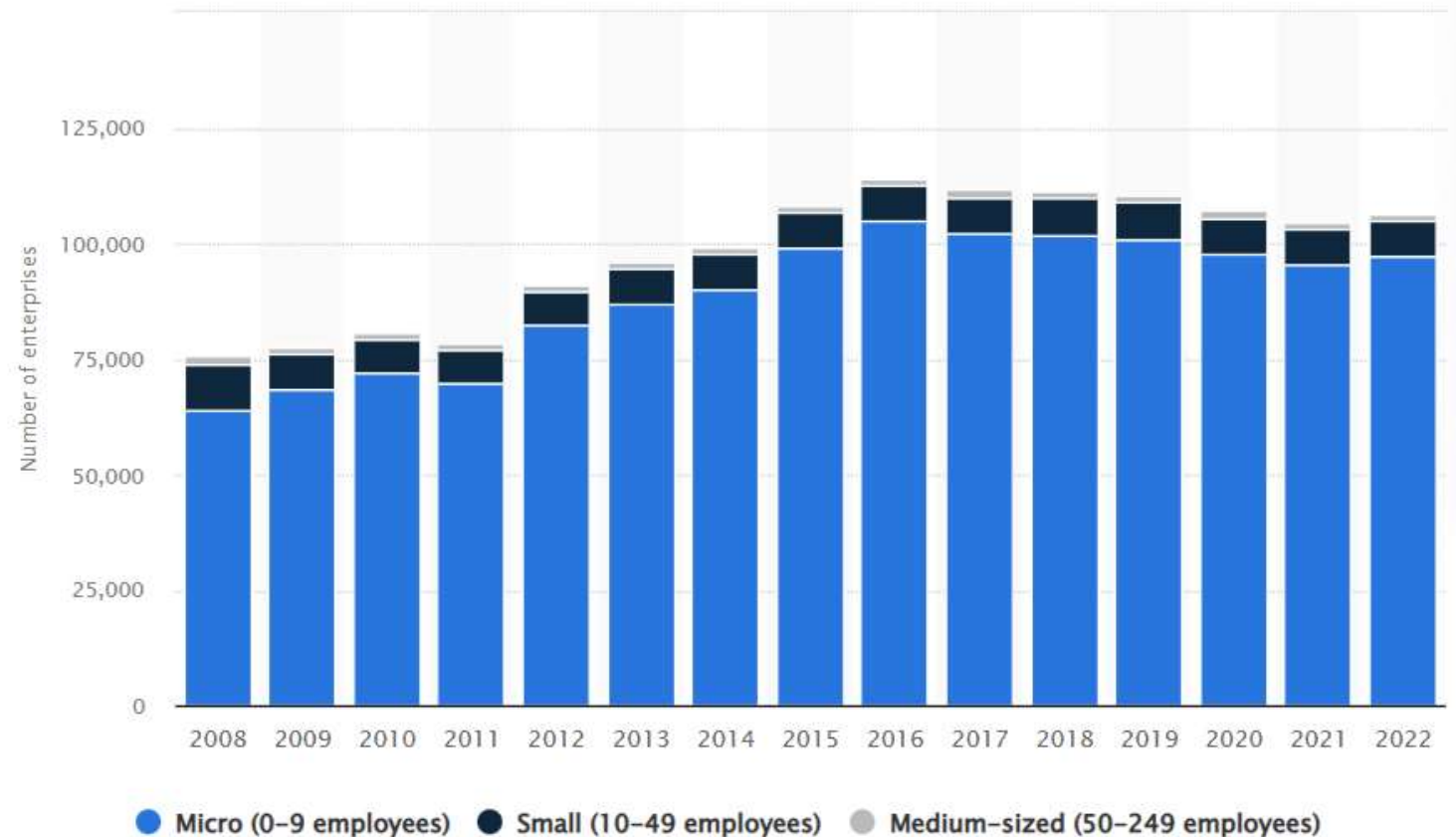


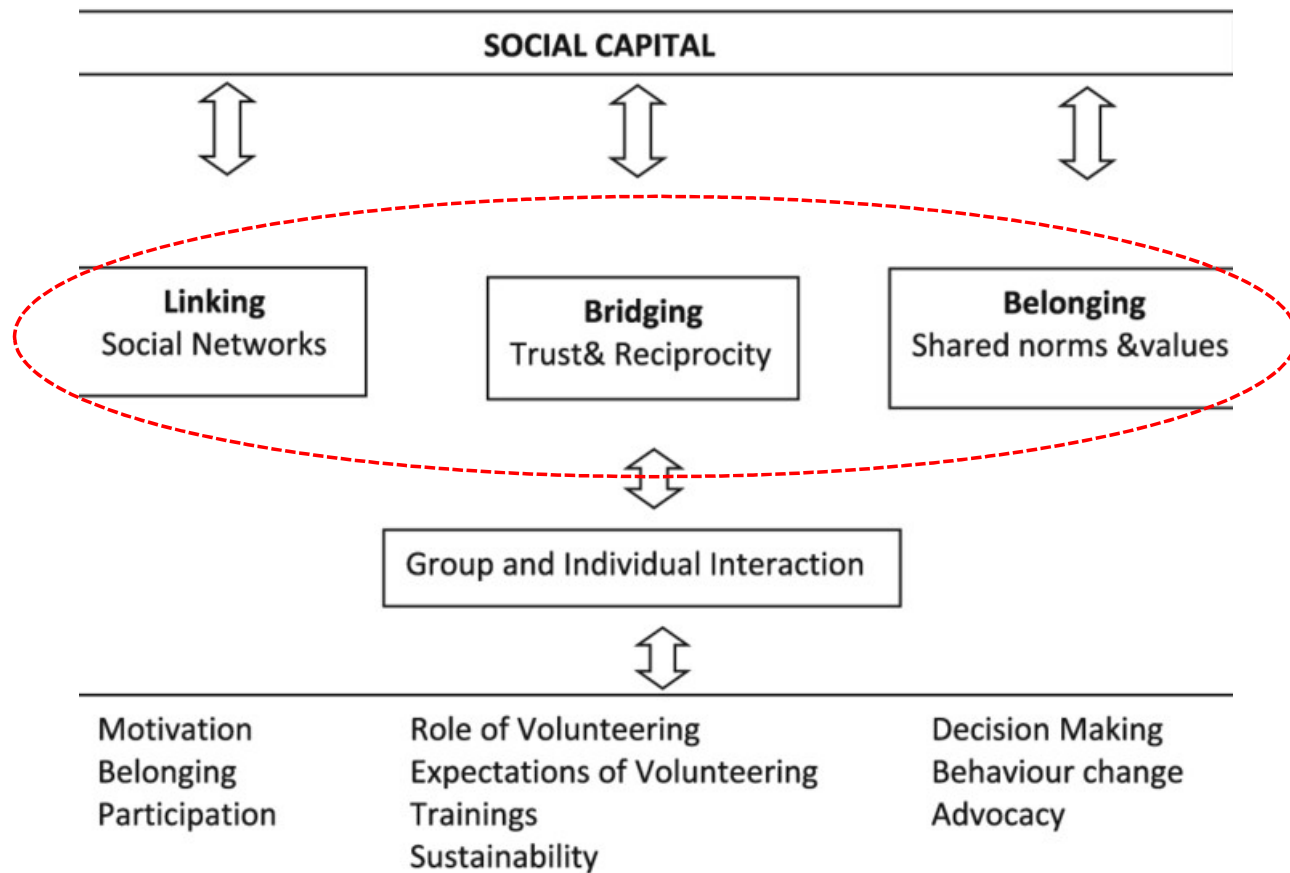
Figure 3. SMEs in Latvia (Statista, 2023)

CSR for SMEs: Is It Micro-CSR?

- A comprehensive presentation of the **micro-CSR definition is lacking in academia**, which can provide research opportunities but also pose challenges, according to Aguinis and Glavas (2012).
- **At the micro-level**, CSR focuses on the impact of **external and internal CSR initiatives** on stakeholder groups, as per Frederick's (2016) definition.
- Micro-CSR examines individual-level processes, such as stakeholders' **psychological responses, beliefs, perceptions, and behaviours, toward a business organization's CSR**, as noted by Jones et al. (2017).
- Rupp and Mallory (2015) defined micro-CSR as the **study of the effects and experiences of CSR on individuals at the individual level of analysis**.
- In a 2021 study it was observed that micro-level CSR is **becoming a new organizational value**, and firms that embrace this new value in their business operations are more likely to achieve sustainability goals than their competitors (Ahmad et al., 2021).

It all starts and ends with people!

Social capital = creating value



Social capital refers to the **networks, norms, and trust** that exist between individuals or groups in a society. **It is the value that is created by these relationships** and the benefits that can be derived from them, such as social support, access to resources, and opportunities for cooperation.

Figure 4. Social Capital Theoretical Framework (Narayan and Cassidy, 2019)

Types of social capital I

1. **BONDING/BELONGING** – This refers to strong connections with family, friends, and close associates. Bonding social capital provides emotional support and a sense of belonging (Woolcock and Sweetser, 2002).
2. **BRIDGING** - This refers to connections with individuals from different social or cultural backgrounds. Bridging social capital provides access to new information, diverse perspectives, and opportunities. **Bridge between communities, groups, or organisations.**
3. **LINKING** - This refers to connections with individuals who have power, influence, or resources outside of one's immediate social network. Linking social capital provides access to resources, knowledge, and opportunities that may not be available through one's own social network.

Individuals with high levels of social capital are often better positioned to access resources, achieve their goals, and navigate complex social systems. Building social capital requires investing time and effort into building and maintaining relationships, developing diverse networks, and contributing to the communities in which one is a part.

Types of social capital II

Structural = Linking	Cognitive = Bonding	Relational = Bridging
<p style="text-align: center;">Social networks</p>	<p style="text-align: center;">Shared norms and values</p>	<p style="text-align: center;">Nature of relationships and reciprocity</p>
<ul style="list-style-type: none"> • Network ties and configuration • Roles, rules, precedents, and procedures 	<ul style="list-style-type: none"> • Shared language, codes, and narratives • Shared values, attitudes, and beliefs • Shared goals, purpose, and vision 	<ul style="list-style-type: none"> • Trust and trustworthiness • Norms and sanctions • Obligations and expectations • Identity and identification

The Institute for Social Capital (2023)

CSR and social capital conceptual model

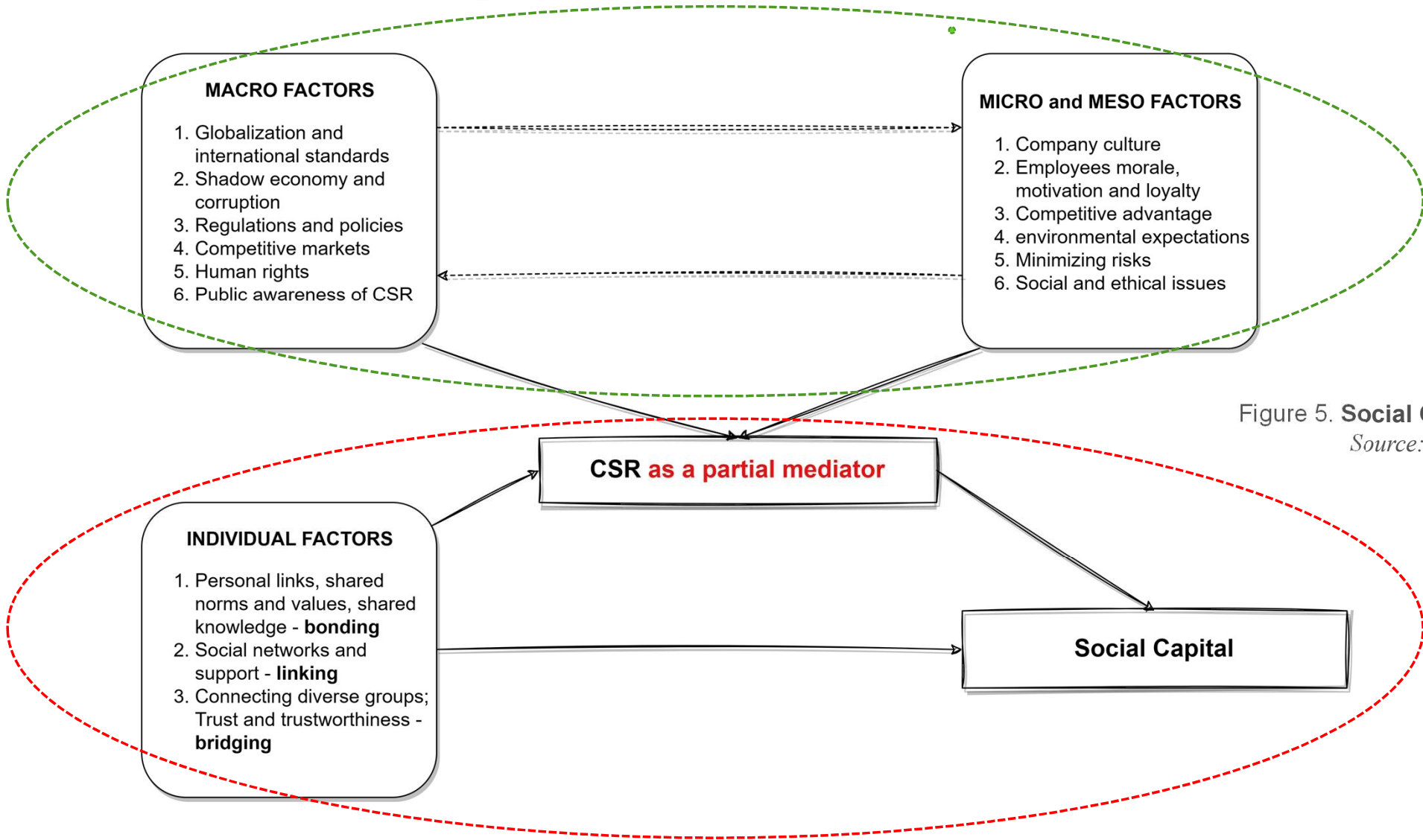


Figure 5. **Social Capital and CSR**
 Source: author

Interim conclusions

- **SMEs can play a crucial role in social capital creation process through their CSR initiatives and its mediating effect.** Accumulation of social capital can be seen as a positive externality of CSR deployment.
- For small and medium-sized enterprises (SMEs), CSR can play a crucial role in building social capital. SMEs may have limited resources compared to larger corporations, but they can still make a **positive impact on their local communities and build relationships with stakeholders.**
- By engaging in CSR activities, such as supporting local charities or volunteering in community projects, **SMEs can build trust and goodwill with customers, employees, and other stakeholders - building stronger networks and partnerships.**
- Overall, SMEs can leverage CSR to build social capital and strengthen relationships with their stakeholders, **leading to a more sustainable and successful business.**

Thank you.

Reference list (selected)

- Aguinis, H. (2011). Organizational responsibility: Doing good and doing well. In S. Zedeck (Ed.), *APA handbook of industrial and organizational psychology*, Vol. 3. Maintaining, expanding, and contracting the organization (pp. 855–879). *American Psychological Association*.
- Ahmad, N., Ullah, Z., Mahmood, A., Ariza-Montes, A., Vega-Muñoz, A., Han, H. & Scholz, M. (2021). Corporate Social Responsibility at the Micro-Level as a “New Organizational Value” for Sustainability: Are Females More Aligned towards It? *Int. J. Environ. Res. Public Health*, 18, 2165.
- Aras, G. and Crowther, D., (2008). Governance and Sustainability: An Investigation into the Relationship between Corporate Governance and Corporate Sustainability. *Management Decision*. 46. 433-448.
- Argandoña, A. and von Weltzien Hoivik, H., (2009). Corporate Social Responsibility: One Size Does Not Fit All. Collecting Evidence from Europe. *Journal of Business Ethics*, 89 (Suppl 3), 221–234
- Bagnoli, M. and Watts, S.G., (2003). Selling to Socially Responsible Consumers: Competition and The Private Provision of Public Goods. *Journal of Economics & Management Strategy*, 12: 419-445.
- Bikefe, Grace & Zubairu, Umaru & Araga, Simeon & Maitala, Faiza & Ediuku, Ekanem & Anyebe, Daniel. (2020). Corporate Social Responsibility (CSR) by small and medium enterprises (SMEs): a systematic review. *Small Business International Review*. 4. 16-33.
- Blackwell, R.J. (2006) *Consumer Behaviour*. 10th Edition, Harcourt College Publishers, South Western-Thomson Learning, Cincinnati.
- Boeger, N., Murray, R.H., and Villiers, C.L., (2008). *Perspectives on Corporate Social Responsibility*. Cheltenham: Edward Elgar Publishing.
- Bowen, H.R., Bowen, P.G., Gond, J.-P. (2013). *Social responsibilities of the businessman*. 1-248.
- Carroll, A.B. (1979). A Three-Dimensional Conceptual Model of Corporate Performance, *The Academy of Management Review* 4(4), 497–505.
- Carroll, A.B. (1991). *The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders*. *Business Horizons*. 34. 39-48. 10.1016/0007-6813(91)90005-G.
- Dahlsrud, A., (2008). How Corporate Social Responsibility is defined: an Analysis of 37 Definitions, *Corporate Social Responsibility and Environmental Management*, Vol. 15, pp.1-13
- Frederick, W. C. (2016). Commentary: Corporate Social Responsibility: Deep Roots, Flourishing Growth, Promising Future. *Frontiers in psychology*, 7, 129.
- Glavas, A. and Piderit, S.K., (2009). How Does Doing Good Matter? Effects of Corporate Citizenship on Employees. *Journal of Corporate Citizenship*, 2009, 51-70.
- Guzzo, R. F., Abbott, J., & Madera, J. M. (2020). A Micro-Level View of CSR: A Hospitality Management Systematic Literature Review. *Cornell Hospitality Quarterly*, 61(3), 332–352.
- Heslin, P.A. and Ochoa, J.D., (2008). Understanding and Developing Strategic Corporate Social Responsibility. *Organizational Dynamics*, Vol. 37, pp. 125-144.
- Hillman, A. J. and Keim, G. D., (2001). Shareholder Value, Stakeholder Management, and Social Issues: What’s the Bottom Line? *Strategic Management Journal*, 22(2), 125–139.
- Hopkins, M., (2003). *The Planetary Begin- CSR Matters*. London: Earthscan
- Husted, B.W. and Allen D.B., (2007). Strategic corporate social responsibility and value creation among large firms - Lessons from the Spanish experience. *Long Range Planning*, Vol.40(6), pp.594-610.
- Jones, D. A., Willness, C. R., & Glavas, A. (2017). When Corporate Social Responsibility (CSR) Meets Organizational Psychology: New Frontiers in Micro-CSR Research, and Fulfilling a Quid Pro Quo through Multilevel Insights. *Frontiers in psychology*, 8, 520.
- Karnani, A., 2010. The case against corporate social responsibility. *Wall Street Journal*. 23, pp.1-5
- Keegan, W.J., Moriarty, S.E., Duncan, R.T. (1992), *Marketing*. Englewood Cliffs, New Jersey: Prentice-Hall.
- McWilliams, A., Siegel, D.S., and Wright, P.M., 2006. Corporate Social Responsibility: Strategic Implications. *Journal of Management Studies*, 43: 1-18.
- Morsing, Mette & Perrini, Francesco. (2009). CSR in SMEs: do SMEs matter for the CSR agenda?. *Business Ethics: A European Review*. 18. 10.1111/j.1467-8608.2009.01544.x.
- Narayan D, Cassidy MF. A dimensional approach to measuring social capital: development and validation of a social capital inventory. *SAGE J*. 2001;49(2):59–102
- Oke, A.O., Kamolshotiros, P., Popoola, O.Y., Ajagbe, M.A., & Olujobi, O.J. (2016). Consumer Behavior towards Decision Making and Loyalty to Particular Brands. *International Review of Management and Marketing*, 6, 43-52.
- Porter, M. and Kramer, M., (2007). Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility. *Harvard business review*. 84. 78-92, 163.
- Porter, M. and Kramer, M., (2011). The Big Idea: Creating Shared Value. How to Reinvent Capitalism—and Unleash a Wave of Innovation and Growth. *Harvard Business Review*. 89. 62-77
- Rupp, D., & Mallory, D. (2015). Corporate Social Responsibility: Psychological, Person-Centric, and Progressing. *Annual Review of Organizational Psychology and Organizational Behavior*. 2. 211-236. 10.1146/annurev-orgpsych-032414-111505
- Shea, Catherine & Hawn, Olga. (2018). Microfoundations of Corporate Social Responsibility and Irresponsibility. *Academy of Management Journal*. 62. 10.5465/amj.2014.0795.
- Werther, W. and Chandler, D., (2005). Strategic corporate social responsibility as global brand insurance. *Business Horizons*. 48. 317-324.