

THE REALITY OF CORPORATE SOCIAL RESPONSIBILITY IN SMALL AND MEDIUM ENTERPRISES

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ABSTRACT: This study aims to determine whether Egyptian construction SMEs are implementing CSR through its activities or not. CSR was measured using four main dimensions namely Economic, Legal, Ethical, and Philanthropic CSR. A questionnaire was designed and distributed to 89 SMEs and analyzed to obtain the study result. The results indicate that Egyptian construction SMEs implement Economic and Legal CSR only. While Ethical and philanthropic CSR are not implementing in Egyptian construction SMEs. Also, the results indicate that Egyptian construction SMEs are not implementing CSR as a comprehensive concepts.

I. INTRODUCTION

The importance of Corporate Social Responsibility (CSR) has increased in the 21st century due to globalization and the increasing power of the economy and business, and decreasing power of national governments over global markets and transnational operating corporations.

According to Carroll (1979), corporate social responsibility has been evolving as early as the 1930s. CSR can be defined as treating the stakeholders of the firm ethically or in a responsible manner. CSR is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on stakeholders as well as the environment. This obligation is seen to extend beyond the statutory obligation to comply with legislation and sees organizations voluntarily taking further steps to improve the quality of life of employees and their families as well as the local community and society at large.

Carroll (1991) suggested that CSR should be divided into four levels: economic, legal, ethical and philanthropic responsibilities. Economic responsibility refers to the profitability of the organization, while legal responsibility is complying with laws and regulation. As for the ethical perspective, the organizations' operation should go beyond the laws to do the right thing in fair and just ways. Philanthropic responsibility refers to voluntary giving and service to the society.

While most of the research in CSR is focusing on big and listed corporations, this paper is trying to give insights on the small and medium enterprises SMEs sector which didn't capture the researchers attention specially in the Middle East and North Africa (MENA) region.

II. LITERATURE AND PROBLEM STATEMENT

There has been an increasing call in the CSR field to move beyond words (Fontrodona 2006) and costs, and for CSR to

become rooted in the firms (Porter and Kramer 2006, Davis 2005) so that it may help to generate sustainable value. Regardless of some of the recent criticism (Economist 2011) of his shared value concept (Porter and Kramer 2011) his work helps promote a greater exploration of how CSR (or sustainability in general) can help to generate economic value in the longer term, often from contributors who normally work outside the CSR space.

Corporate social responsibility is an important management tool today. Corporate social responsibility has emerged as a significant theme in the global business community and has become a mainstream activity.

The words "corporate, social, and „responsibility" suggests that, CSR covers the responsibilities that companies or corporations have towards the societies within which they are based and operate. From a practical perspective, CSR involves a business identifying its stakeholder groups and incorporating their needs and values within the strategic and day to-day decision-making process (University of Miami, 2007, p. 1).

CSR generally refers to corporate ethical conduct. In business management, a corporation is responsible for the general stakeholders, and not just stockholders. The Corporate Social Responsibility Forum has defined CSR as "a set of ethical standards for employees". In terms of the community and the environment, "openness and transparency" are fundamental to the business model (Halme, Roome, & Dobers, 2009).

According to Schiebel and Pöchtrager (2003) there are six key responsibilities for companies to manage within CSR: customers, employees, business partners, the environment, communities and investors.

SME's are defined in different ways in different parts of the world. Some define them in terms of assets, while others use employment, shareholder funds or sales as criteria. Some others use a combination of revenue and employment as a hybrid criterion. The definition of SME has been a contentious issue in Egypt. In fact, the term, the term SSI (Small Scale Industry) is more commonly used to refer to SME's. In 2005, the definition of a Small enterprise was expanded to include a two category classification-

- a) Enterprises engaged in production/Manufacturing of goods for any industry
- b) Enterprises engaged in rendering/providing of services Enterprises

In light of the current emphasis on companies' responsibilities—often termed Corporate Social Responsibility (CSR)—and the impacts of CSR, SMEs play a key role. As

focus on SMEs and CSR in developing countries has been relatively limited and recent in nature, many aspects are still in need of clarification.

The theory of CSR is often based on a perspective where large companies are the norm and suggests that their CSR-approach can easily be transformed into SMEs (Jenkins, 2006). However, Fassin (2008) describes that the structure of SMEs and larger corporations often differ in its characteristics. Smaller companies often have looser control systems, procedures and documentations on transactions. SMEs have in general a more informal culture and lack both the time and specialized staff to be able to create special reports and other work tasks within the field of CSR. The fact is that an implementation of a CSR often requires administration which is both costly and time consuming. This is not easy to transfer into a small company with limited resources, and with little access to information or external advices.

Previous research indicates that CSR can positively influence the SMEs in many ways as indicated below (Mandl, 2009: 11, Szabo, 2008: 18). These include the following:

- Improved products and/or production processes, resulting in better customer satisfaction and loyalty;
- Higher motivation and loyalty of employees, resulting in higher creativity and innovativeness;
- Better publicity due to the awarding of prizes to the community and/or enhanced word-of-the-mouth among customers;
- Better position in the labor market and better networking with business partners and authorities including better access to public funds due to a better business image;
- Cost savings and increased profitability due to a more efficient deployment of human and production resources; and
- Increased turnover/sales due to a competitive advantage derived from the above.

The question arises as to why private or public businesses – particularly SMEs which are often characterized by limited human and financial resources compared to larger enterprises – should engage in CSR activities. There should be a justification, other than humanitarian considerations, for SMEs to invest time and money in issues often not directly related to their business objectives. Succeeding in showing the relationship between the engagement in CSR and economically positive outcomes for the business can, therefore, be seen as an important factor for SMEs to engage in CSR (Mandl and Dorr, 2007: 45).

While there is a great deal of optimism for the role that SMEs can play in improving business responsibility, most researchers such as Silberhorn and Warren (2007: 5) have focused their research efforts on large businesses. Most initiatives tend to take the tried and tested „business models“ developed in large businesses and shrink them to fit SMEs (Jenkins, 2006: 2). Despite the widespread practical and academic interest in CSR and its impact on the competitiveness of SMEs, few theoretical and empirical contributions exist. Conclusions resulting from quantitative and qualitative research with respect to CSR in SMEs are limited in Africa and in Egypt in particular.

The SME sector in Egypt suffers from several concrete constraints that hinder its growth and development and can be summarized as the severe lack of the following crucial factors (Hala El-Said, Mahmoud Al-Said, Chahir Zaki,2012).

- The skills and systems required to compete effectively in global markets.
- Access to finance.
- Access to information.
- Business development services (BDS).
- Vocational training for labor.
- Number of SMEs in Egypt has reached about two million enterprises, draws our attention to the danger of ignoring such enterprises or dropping them from the issue of the sustainable development agenda in Egypt. Thus, they may be regarded as a two edged weapon, i.e. they may be dangerous to the environment and may greatly influence the process of development.

The study aims at answering the following research questions:

1. Do Egyptian small and medium construction companies adopt corporate social responsibility?
2. Do SMEs adopt economic corporate social responsibility?
3. Do SMEs adopt legal corporate social responsibility?
4. Do SMEs adopt ethical corporate social responsibility?
5. Do SMEs adopt philanthropic corporate social responsibility?

The study makes a significant contribution to the corporate social responsibility (CSR) literature by offering the first study of its type undertaken in Egypt on the investigate of CSR on small and medium enterprises as an example of a developing country. The results of this study will give huge insights on the reality of CSR in SMEs, which may lead to further research based on the results.

III. RESEARCH DESIGN

To explore the reality of CSR among Egyptian small and medium construction companies, a questioner was designed and distributed to a sample of companies. The questioner contains four parts in which each of them is designed to measure one of CSR dimensions (Economic, Legal, Ethical, and philanthropic. The answers of the questioner were grouped based on Likert Scale (1-5), where 3 is the median value that represents the answer (Not Sure). The researcher made phone calls to all construction SMEs in Alexandria to get their approval before distributing the questioner in order to save time and money. 265 SMEs were called, and only 89 out of them were agreed to fill the questioner.

IV. ANALYSIS AND RESULTS

Table 1 presents descriptive statistics regarding study sample which indicates that responders are people who can answer the questioner questions and give the required information to answer the study sample. It is noted that all of the responders are holding degrees in their field, and 30% of them are PhD and Master Holders. Also, more than half of the responders are experienced people who have more than 10 years of experience, and more than 75% of them are non-owners, which indicate that the results of the questioner can be reliable

and could be used in getting the study results. The questioner were organized into two section, the first one aims to collect data about responders, and the second section aim to collect data about the study variables. The second section contains four parts; each of them is designed to collect data about one of CSR dimensions.

Table 1: Descriptive Statistics

	Frequency	Percent	Cumulative Percent
PhD & Master Holders	27	30%	30%
BA Holder	62	70%	100%
More than 10 years of experience	47	53%	53%
5-10 years of Experience	26	29%	82%
Less than 5 years	16	18%	100%
Non Owner	69	78%	78%
Owner	20	22%	100%

The results of the questioner were tested to determine the reliability of the questioner paragraphs, the results of Cronbach's Alpha test that are listed in table 2 are acceptable were all of it above 60%.

Table 2: Results of Cronbach's Alpha

Variables	No. of Paragraphs	Alpha Value
Economic CSR	8	0.709
Legal CSR	7	7.630
Ethical CSR	7	0.654
Philanthropic CSR	8	0.731
Total CSR	30	0.879

The answers of the responders are described in table 3 which presents descriptive statistics for the study variables. The numbers indicate means for all variable are above 3 (3 is the test value as it is the median of the Likert Scale that was used for the study questioner), except the mean of the answers related to Philanthropic CSR. These results indicate that Egyptian SMEs apply Economic, Legal, and Ethical CSR, and not apply Philanthropic CSR.

Table 3: Descriptive Statistics

	Mean	Std. Deviation	Std. Error Mean
Economic	3.44	0.71	0.14
Legal	3.43	1.16	0.16
Ethical	3.32	1.11	0.22
Philanthropic	2.84	0.69	0.14
CSR	3.27	1.07	0.15

To obtain the final results of this study, One-Sample T. test was used to determine if SMEs in Egypt are implementing CSR in its operations or not. The test was implemented for the four dimensions of CSR and for CSR as one concept that includes the four dimensions. Table 4 presents the results of One-Sample T. Test which clearly presents how Egyptian SMEs are implanting CSR through its activities.

Based on table 4, Egyptian SMEs are implementing both Economic and Legal CSR where T values are positive for both of them and the Sig. values are less than 0.05. At the time that SMEs are not implementing Ethical and Philanthropic CSR, where Sig. Values for both of them are more than 0.05 which indicates that the mean of the responders answers is not differ from the test value (3).

Table 4: Results of One-Sample T. Test

	Test Value 3		
	T	Sig. (2- tailed)	Mean Difference
Economic	3.09	0.005	0.44
Legal	2.70	0.009	0.43
Ethical	1.44	0.161	0.32
Philanthropic	-1.16	0.256	-0.16
CSR	1.82	0.075	0.27

To conclude the reality of the implementation of CSR in the Egyptian construction SMEs, One-Sample T. Test was used to measure if the mean of the answers of the total questions listed in the questioner is differ from the test value (3) or not. Table 4 presents the results and indicates that Egyptian SMEs are implementing CSR as a comprehensive concept. the table shows positive T value (1.82), but the Sig. Value is more than 0,05.

V. CONCLUSION

This study aims to determine whether Egyptian construction SMEs are implementing CSR through its activities or not. Literature of CSR clearly mentioned that CSR is not one dimension, and should be more comprehensive to meet the needs of stakeholders. To obtain reliable data about CSR in Egyptian SMEs, CSR was measured using four main dimensions namely Economic, Legal, Ethical, and Philanthropic CSR. A questioner was designed and distributed to 89 SMEs and analyzed to obtain the study result. The paper conclude that Egyptian construction SMEs implement Economic and Legal CSR only which can be reasonable in an emerging market such as Egypt which most of its companies are going to have the financial performance and comply to legal regulations. While Ethical and philanthropic CSR are not implementing in Egyptian construction SMEs. Also, the results indicate that Egyptian construction SMEs are not implementing CSR as a comprehensive concepts. The study recommends the regulators in Egypt to initiate policies and regulations that force SMEs to adopt CSR and not just focusing one two dimensions to meet their needs only.

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