

CSR and SME performance

1. Introduction

As the environmental degradation is progressively starting to influence the quality of our lives, our nature and our future, there is a rapidly increasing need to combat this issue. A major factor is the behavior of large corporations and enterprises who are the main contributors to the rising emission of greenhouse gases and other harmful materials. Therefore, there is an important quest and task, to change the actions of these corporations to be in line with the theories of corporate social responsibility (CSR). One solution is to find a link of positive influence between CSR activities, implementations in corporations and the financial or non-financial performance of those corporations, which my research focuses on.

2. Literature review

In the recent years, research in this field has immensely increased, and there is a plethora of studies conducted in a great variety of ways with different contextual and methodological factors. When searching in databases using “CSR”, “financial, non-financial, economic, social, performance”, “SMEs” as key words, more than 1,000 results are shown. Therefore, it is very important to synthesize the extant literature. Empirical findings on the association demonstrate positive, negative, mixed or non-significant relationships (Choongo, 2017; Rettab et al., 2009). To comprehend the literature, I chose the meta-analytic research of Oduro et al. conducted in 2021 as my most important resource, who examined 57 peer-review articles filtered from 797 articles through a comprehensive filtering process focusing only on small and medium enterprises (SMEs). I discuss their results below.

There is a great variety of moderating factors which can influence a firm’s performance after adopting CSR measures. In this meta-analysis Oduro et al. (2021) counted in and considered most of them, resulting in very reliable outcomes of this quantitative research. Some moderating factors include for instance the type of organization, region or country, financial and non-financial performance of the organizations and methodological factors like the sampling technique, sampling size, longitudinal or cross-sectional studies. CSR initiatives are pronounced when there exist institutional mechanisms for communication between different stakeholders, and the governmental institutions are pro-CSR and effective (Campbell, 2007). Concerning the sector of the organization, Kim et al. (2019) observed that CSR associations differ between consumer goods industry, durable goods industry and stigmatised industry (e.g. mining) regarding customer attitudes and purchase intent.

Another important aspect of this topic is the conceptual model of CSR. Oduro et al. (2021) in the meta-analysis used the triple-bottom line framework from Elkington, 1994, dividing it to people (social-oriented CSR), planet (environment-oriented) and profit (economic-oriented) to conceptualize the CSR dimensions per the extant literature. As a result, they integrated this approach into the analysis, comparing how the different CSR dimensions distinctly influence the performance.

Oduro et al. (2021) in their quantitative meta-analysis found that all dimensions of CSR activities have a significant positive impact on overall performance, however the effect of social-oriented CSR is the strongest followed by environment and lastly economic-oriented activities. Consequently, they discovered that each dimension has significantly stronger impact on non-financial performance than on financial performance. In other words, CSR activities influenced more positively customer satisfaction, firm’s reputation and employee performance than financial indicators like return on assets, return on investment and profitability. Concerning the type of organizations, the researchers found service firms to be more positively affected by CSR than manufacturing firms and they hypothesized:

“Firstly, it could be due to CSR skepticism and cynicism attached to manufacturing firms, secondly, because service firms rely on person-to-person interaction for success and thirdly,

because manufacturing firms have to invest much in eco-innovation and cost-saving technologies to maximize their positive impact and minimize their negative impact on the society” (Oduro et al., 2021).

Lastly, they confirmed the hypothesis that the region of the corporations significantly impacts the CSR relationship, particularly it's stronger in North America, Australasia, and Africa than in Europe.

Although this meta-analysis is very complex and carefully conducted and provides us with a reliable source, I would examine the primary studies, especially those which found negative or no significant effect of CSR on performance to find the details and exact reasons for those outcomes. Also, I miss, from my point of view a very important moderating factor, that which particular CSR actions or measures were implemented in the corporations which the authors merely mention. CSR actions can considerably differ, just to mention some, they can be plans or statements (marketing), firm policies, level of greenhouse gas emissions, supply chain policies, management systems, certifications and reporting. Because of my limited time capacity, I could not conduct further research of the literature which would fill these information gaps which would give me deeper insight on the topic. Another limitation of mine is the proper knowledge of statistical methods and computations through which I could evaluate the studies better and test them independently.

3. Conclusion

My research question, whether CSR activities can positively impact financial or non-financial performance of SMEs, was contentedly answered through the literature review. However, I would conduct further research as mentioned to have even more evidence about partial moderating factors because just CSR in itself contains a broad spectrum of constructs. Companies adopting social, environmental and economic responsibility measures certainly benefit, either financially but more non-financially, which can give them important comparative advantages for functioning. These measures not only help companies, but more importantly, they positively affect their stakeholders, the society, the environment and our future.

4. Resources:

Campbell, J.L. (2007), “Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility”, *Academy of Management Review*, Vol. 32 No. 3, pp. 946-967.

Choongo, P. (2017), “A longitudinal study of the impact of corporate social responsibility on firm performance in SMEs in Zambia”, *Sustainability*, Vol. 9 No. 8, pp. 1300.

Elkington, J. (1994), “Towards the sustainable corporation: win-win-win business strategies for sustainable development”, *California Management Review*, Vol. 36 No. 2, pp. 90-100.

Kim, Y., Park, H. and Kim, J.K. (2019), “Corporate association strategies and consumer responses: the relative effectiveness of CA versus CSR communication strategy by industry type”, *Journal of Marketing Communications*, Vol. 25 No. 2, pp. 204-227.

Oduro, S., Kot, D.A.N., Alessandro, D.N., Rami, H.E.A., Guglielmo, M. and Lara B. (2022), “Corporate social responsibility and SME performance: a meta-analysis.”, *Marketing Intelligence*, 40(2), 184-204.

Rettab, B., Brik, A.B. and Mellahi, K. (2009), “A study of management perceptions of the impact of corporate social responsibility on organisational performance in emerging economies: the case of Dubai”, *Journal of Business Ethics*, Vol. 89 No. 3, pp. 371-390.

