

SOCIAL RESPONSIBILITY IN MICRO-ENTERPRISES

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ABSTRACT

The concept of corporate social responsibility (CSR) is broadly defined as the overall contribution of a business to sustainable development and should therefore be equally valid for large and small enterprises. But discussion of CSR tends to focus only on the largest companies. Small- and medium-sized enterprises are often overlooked, yet small and medium-sized enterprises are the predominant form of enterprise in the European Union. Small businesses are typically not less responsible than large enterprises. They may not know and use the term "CSR", but their close relations with employees, the local community, and business partners often mean they have a naturally responsible approach to business. This Paper seeks to examine the good CSR practices of some Hungarian micro-enterprises.

Keywords: CSR, micro-enterprises, sustainable development

INTRODUCTION

The Corporate Social Responsibility (CSR) is a key philosophy for sustainable management of enterprises. In this philosophy, the business sector should play a deeper (noneconomic) role in society than only producing goods and making profits (Málovics *et al.*, 2008). At the same time, a socially responsible company can achieve several benefits, among which: reduced operating costs, enhancement of corporate image and reputation, and increased customer loyalty and sales (Blonfield and Murray, 2008).

The literature on CSR in small enterprises is recent and not as wide as the literature concerning larger companies. However, in most economies, smaller enterprises are much greater in number. SMEs account for 99,8% European enterprises, 66% of total employment and 50% of the total value added in EU (European Commission, 2003). SMEs also have a greater environmental impact per unit than large firms (Environment Agency, 2003). In many sectors, small enterprises are also responsible for driving innovation and competition.

Proactive CSR strategies are generally considered best developed in consultation with salient stakeholders (Mitchell *et al.*, 1997) in local communities (Waddock and Boyle, 1995). However, decentralized strategies, while locally responsive, may also be fragmented and ad hoc (Muller, 2010).

The research question this paper addresses is how microenterprises can transfer socially responsible behaviors to stakeholders.

MATERIALS AND METHODS

This paper presents three case studies based on an in-depth investigation of three microenterprises in Kaposvár. The investigation was carried out in three steps, which are summarized in *Table 1*.

Table 1

Materials and methods

Stages	Methods	Materials
Collection of general informations	Desk research: based on extracts of the registration and annual accounts	internet databases: <i>www.e-cegnyilvantartas.hu</i> , 2011 <i>www.e-beszamolo.irm.hu</i> , 2011
Identify of CSR activities	structured interviews with the owners and with representatives of three stakeholder groups (employees, consumers, non-profit organizations)	own data collection
Creating CSR maps	Summarize the interviews into CSR maps (visual display)	own data collection

RESULTS

CSR activities of Enterprise #1

The first enterprise is an IT company (Ltd.), which specialized in b2b web searching services. The enterprise carries out their activity in Kaposvár (head office) and Budapest (branch office) since 2008. The company is owned and managed by two computer engineers, and has international business links to larger healthcare and IT companies. The net turnover was over 61 million HUF, of which the export turnover reached 48 million HUF in 2010.

The company has 7 full-time (male) employees. The average gross wage per employee was 123 000 HUF in 2010 which was significantly lower as the Hungarian average gross wage in the competitive sector (191 641 HUF). Low wages can have devastating effects on employees e.g. stress, low morale and fluctuation. In the owners opinion, the best way to avoid these effects is to build a strong community in the workplace, of which part are family members of the employees, too. To this end, the owners are using two similar instruments. These instruments are described in *Table 2*.

Thanks to a strong community, the employees are content with their jobs, despite the relative low wages. The staff remains unchanged for years, and the employee motivation is high.

The CSR of the Enterprise #1 to community is quite special. One of the owners regularly donates to a local church which has widespread and transparent social activities in Kaposvár. Some of these activities are shown in *Table 3*.

Table 2

The instruments of community building in the workplace

Instrument	Examples	Frequency
Family weekends at hotels	wellness weekend in a four-star hotel (only with wives); family weekend at lake Balaton	two times per year
One day tours	theme park tour; go-karting; sailing; „Mecsextrem” adventure park tour; dinner at restaurants	two times per year

Table 3

Some of social activities of the donated church

Activity categories	Examples	Frequency
Charitable activities	Christmas Shoebox Ministry	annually
	old clothes for free	monthly
	food aid for poor people	ad hoc
	Mommy and Baby Fitness for free	weekly
Programmes in the youth field	Health Day for free	annually
	Rock Solid Club for teens	weekly
	Game Club for teens	weekly
Programmes for children	Sport Week for young peoples	annually
	Summer day-care for kids	annually
	children’s afternoon	ad hoc

Through targeted donations the owner can be a part of these activities. This contact between Enterprise #1 and the social activities of the church is definitely indirect. However, the life roles of the owners could not be separated in the case of a micro-enterprise. Owners of small companies are also managers, leaders, and workers in company. An owner shall determine the indentify of the micro-enterprise. In this case, the social responsibility of the owner is indirectly the CSR to community of Enterprise #1, too. The donations of the owner are based on profitability of Enterprise #1, and meanwhile, the donations affect the image of the enterprise.

The CSR activities of Enterprise #1 are summarized in *Figure 1*.

CSR activities of Enterprise #2

The second enterprise is a retail undertaking, which operates a small dress store in the Hungarian less-favored small-town Kadarkút since 2004. Enterprise #2 is a typical Hungarian small craft undertaking. The 60 years old owner is undertaker since the change of system in Hungary. The undertaking has only one part-time employee, she is the wife of the owner. Enterprise #2 has continuous CSR activities to two stakeholder groups.

The undertaking grants short-term and interest-free commercial loan to poor consumers when it is necessary. Average duration of these loans is about 2 months.

The commercial loans, and hire-purchase possibilities are integral parts of the budgets of poorest families, especially when the school began.

The owner and his family established and support an association for disadvantaged families in 2006. The primary target groups of the association are Roma in Iharosberény. *Table 4* shown main activities of the association.

The association has a minimal external support, it is financed and operated by the owner of Enterprise #2 and his family members.

The CSR activities of Enterprise #2 are summarized in *Figure 2*.

Table 4

Some of social activities of the established association

Activity categories	Examples	Frequency
Charitable activities	old clothes for free food aid administration assistance	ad hoc
Programmes for children	craft studies for children play-school children camps in summer	weekly weekly ad hoc
Programmes for adults	bible studies horticultural assistance family barbecues	weekly ad hoc ad hoc

Figure 1

CSR map of Enterprise #1

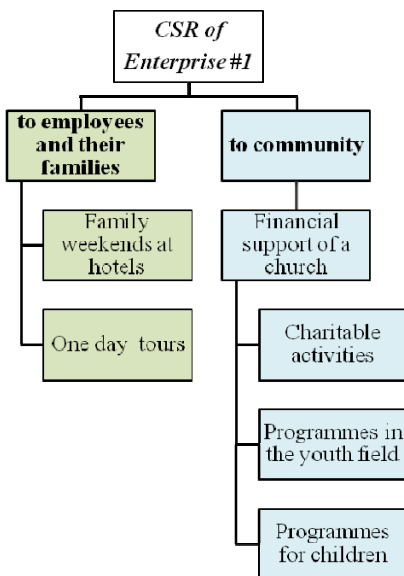
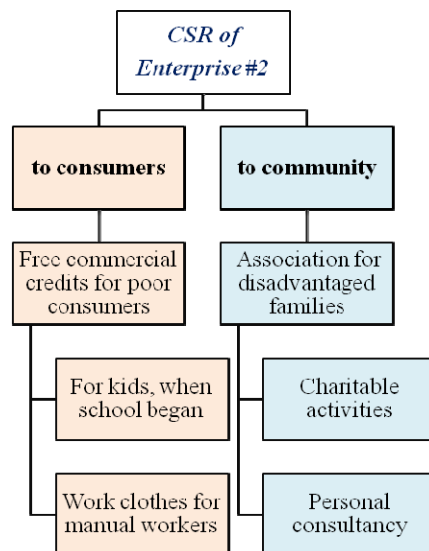


Figure 2

CSR map of Enterprise #2



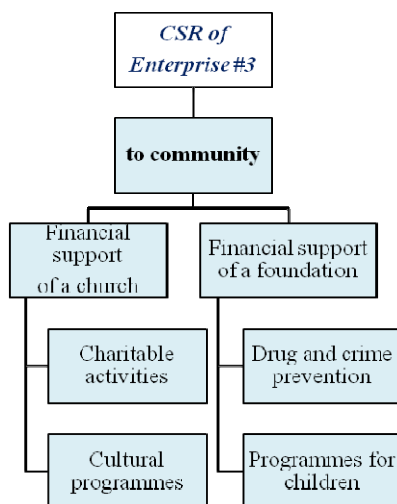
CSR activities of Enterprise #3

The third enterprise is a fast food company (Ltd.), which has a restaurant in Kaposvár. The enterprise established in 1996, by two owners. The net turnover was over 110 million HUF in 2009. The company has nine employees.

Enterprise #3 has a strong CSR to community. Both the company and its owners regularly donate to a local Christian church and to a local foundation. The donated activities are summarized in *Figure 3*.

Figure 3

CSR map of Enterprise #3



CONCLUSIONS

As the examples in this Paper shown, micro-enterprises also can CSR activities to do. In the light of the interviews it may be stated, that this activities are not just parts of the communication or marketing instruments of enterprises, but the owners carry out these activities for they own self-respect. This profound conviction guarantees the stability and sustainability of CSR activities.

In the case of Enterprise #1 it is concluded, that CSR to employees and their families is an effective and efficient motivating tool. The interviewed employees have very positive memories of the presented weekends and tours.

All of three investigated enterprises have strong responsibility to community. The support of local nonprofit organizations is primary target of CSR activities. It is very interesting, that local churches are useful „CSR-to-community” channels for the investigated enterprises. The Christian values and local actions have high respect for the owners. At the same time the activities of local churches are often fragmented ad hoc.

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