

# Impact of CSR Tools on SMEs: The Case of Global Performance in France

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## Abstract

The literature on CSR has traditionally focused attention on larger firms. While articles have been calling for research on CSR in small and medium enterprises (SMEs), the work to date has been limited and there is a considerable amount of research needed. In this article, we aim at studying the impact of a CSR tool on the adopting SMEs. The tool is called Global Performance, which was created in 2002 by CJD (Centre des Jeunes Dirigeants or Center of Young Entrepreneurs), which is a French organization of employers. Our findings show that impacts are mainly at the strategic level, addressing social and economic aspects, but the implementation remains difficult for them.

**Keywords:** corporate social responsibility, SMEs, Global Performance, France, impact

## 1. Introduction

It has been argued that all organizations have an impact on society and the environment through their operations, products and services and through their interaction with key stakeholders and therefore CSR is important in all firms, large and small (Williams, 2005; Roche, 2002). However, the literature on CSR has traditionally focused attention on larger firms. While articles have been calling for research on CSR in small and medium enterprises (SMEs) since the 1990s, the work to date has been limited and there is a considerable amount of research needed (Lapointe et al., 2004; Spence et al., 2003). In fact, Massoud (2010) conducted a search in Business Source Premier spanning the literature from 1980 to 2008 and found fewer than fifteen articles in peer reviewed journals specifically on SME CSR. A handful of additional articles were also located through citations. Other articles also exist on related topics, such as the ethics of entrepreneurs (e.g. Solymossy & Masters, 2002; Spence & Rutherford, 2003), but the central theme is not CSR. Overall, there are a variety of gaps in the SME CSR research.

We argue that it is important to conduct more research on CSR in SMEs since they are by far the most common form of private business in both developed and developing economies (Spence, 2007). SMEs make up a sizable portion of the European economy, with 99.8% of Europe-19 firms being SMEs and employing nearly 70% of the total employed workforce (European Commission, 2003).

In this article, we aim at studying the impact of a CSR tool on the adopting SMEs. Our article is organized as following. We first present a literature review to show that our research question has been largely ignored in the literature. We then introduce our research design, including our method and our case-study. The section is followed by our research findings. We end our paper with a discussion and a conclusion.

## 2. Literature Review

In this section, we will present the lack of research of CSR in SMEs as well as the negligence of the impact of CSR tools on the adopting SMEs.

### 2.1 Lack of Research of CSR in SMEs

A number of topics have been addressed in the literature on CSR in SMEs. One important line of research involves the discussion about the specificities of SMEs that need to be taken into account when studying CSR in SMEs (Davies & Crane, 2010). For example, in SMEs, ownership and management are structured differently from those in large corporation (Spence & Rutherford, 2001), relationship with local authorities is closer (Longo et al., 2005), managerial problems are unique and may not be present in big companies (Massoud, 2010), and thus the form of

CSR activities are not the same (Jenkins, 2004; Kusyk & Lozano, 2007; Lepoutre & Heene, 2006). There have also been discussions about the barriers and drivers of CSR in SMEs. The barriers include the personal conviction and/or understanding about CSR of the owners (Petts et al., 1999), the lack of time and resources (Spence & Rutherford, 2003), the informal organization of SME (Jenkins, 2004), the emphasis on survival rather than going beyond compliance (Jenkins, 2004). The drivers of CSR in SMEs are explained by relying on the theory of institutional isomorphism (Spence et al., 2000) and stakeholder (Jenkins, 2006). The owners themselves are the most frequently cited driver regarding CSR and SMEs, since they decide how they operate their business (Besser & Miller 2001; Kusyk & Lozano, 2007; Murillo & Lozano, 2006). There are also quite a few studies on the concrete CSR activities undertaken by SMEs. In general, CSR activities in SMEs are often ad hoc, having no appointed person responsible for CSR and being a side-activity of the owner (Sweeney, 2007). The activities may include working free of charge for charities, making charitable donations and recycling initiatives (Jenkins, 2006; Longo et al., 2005; Sweeney, 2007). The ad-hoc nature of CSR activities in SMEs can also be described by the empirical findings that they are rarely integrated into the overall business strategy (Nielsen & Thomsen, 2009) and marketing and public relations communication (Jenkins, 2006). In general, the only cases where CSR activities are integrated into the strategy are when the SMEs are oriented toward specific sustainable products or markets such as organic foods. Moreover, when an enterprise produces an environmental-friendly product does not always mean it has a CSR strategy.

Perhaps, the most obvious takeaway from extant research on SME CSR as of 2008 pertains to the differences between SMEs and larger businesses (Massoud, 2010). Smaller businesses deal with a different set of issues, and often do not have the resources or prioritization to engage in CSR. Large corporations usually deal with corporate boards and shareholder influences.

The focus of research on large firms assumes that CSR as it is understood from a large firm perspective is universally applicable to all firms (Wilkinson, 1999). However, it has recently been argued that CSR such as it is understood for large companies cannot simply be “cut and pasted” onto the SME reality (Jenkins, 2004). Large and small firms are different in nature (Spence & Lozano, 2000), which can affect the content, nature and extent of their CSR activities. This offers the potential for significant research towards CSR to make it relevant and applicable for SMEs.

In response to the difficulties and needs of the different sectors (Moore & Spence, 2006) and sizes of SMEs (micro to medium-sized companies), the CSR agenda might need to move towards particularization, towards answering the particular needs and challenges that face companies, depending on their market constraints (Murillo & Lozano, 2009). An approach like this would allow companies to be dealt with differently according to their capacity for decision-making in the production process, on their degree of openness to external markets and on the type of competition they face (Murillo & Lozano, 2009). Besides the demand to develop specialized CSR tools for the needs of SMEs (Murillo & Lozano, 2006), the obvious need of SMEs is to increase their knowledge “about the potential benefits of socially responsible practices” (Perrini, 2006). However, not much is known on how to promote CSR neither in SMEs, nor on what effective approaches might be adopted to guarantee that the issue of CSR has a real impact on SMEs’ management and functioning (Murillo & Lozano, 2009). This gap in the literature will be shown in the next section.

## *2.2 Impacts of CSR Tools on the Adopting SMEs*

Studies investigating impact of CSR tools address different topics related to big firms. They examine the link between CSR and firm’s financial performance (Cochran & Wood, 1984; Orlitzky et al., 2003; Waddock & Graves, 1997). Attention is given to the relationship between concrete CSR actions and financial performance of the firm (Basu & Palazzo, 2008). For example, scholars have argued that improved performance can be attained by aligning the firm’s business interests or resources with appropriate CSR initiatives (Husted, 2003). Many others discuss the reasons why CSR leads to improved financial performance. They include the avoidance of long-term corporate costs associated with social irresponsibility (Manning, 2004; Russo & Fouts, 1997), better public image and corporate reputation (Brammer & Pavelin, 2006), increased customer loyalty and purchase (Pirsch et al., 2007), improved stakeholder motivation, confidence, loyalty and satisfaction (Dentchev, 2004). On the other hand, we can also observe an ongoing debate on CSR and profitability (McWilliams & Siegel, 2000; Waddock & Graves, 1997).

On the other hand, there is an important lack of research on the impact of CSR tool on SMEs. A review of the literature revealed only a few studies, which took into consideration this topic as part of their wider research objectives. One is that of Jenkins (2006) on small business champions for CSR. The impact of CSR implementation on SMEs identified by the author include improved image and reputation, improved trust and

understanding, more profit, better market position, more business, increased employee motivation, increased attractiveness to potential recruits, cost savings and increased efficiency, risk management and benefited company culture. The others are that of Sweeney (2007) on the barriers and opportunities experienced by SMEs when undertaking CSR, Sarbutt (2003) on the way SMEs manage their reputation through CSR, and Perez-Sanchez (2003) on the implementation of CSR in SMEs. These studies share the common findings that thanks to CSR, they get closer to their stakeholders and build relationship easier.

### 3. Research Design

#### 3.1 Case-study

In order to address our research question, we examine the impact of a CSR tool on the adopting SMEs, which is called Global Performance. Global Performance was created by CJD (Centre des Jeunes Dirigeants or Center of Young Entrepreneurs), which is a French organization of employers. Founded in 1938, the CJD brings together more than 3500 business leaders and decisions makers for the purpose of doing business with social responsibility by networking and sharing tools with each other. Since its creation, 40000 business owners have become members of the CJD. Enterprises members of CJD are almost exclusively SMEs: 85% are enterprise of less than 100 employers and 96% of less than 300.

In 2002, CJD developed a specific process to implement CSR in SME's strategy called "Global Performance" (literally "Performance Globale"). The objective of this process is to implement CSR by addressing at the same time economical, social and environmental issues. The process is composed of different and complementary tools and commissions, all based on a global performance diagnosis. Two types of commissions called START and JUMP were organized to implement Global Performance. During 1 year, START commissions, which are spread over the French territory, gather SMEs once per month to work together on Global Performance questions with an animator who has been trained about the method. The objective of the commissions is to make diagnosis during one the year and then proceed to implementation. In the following year, JUMP commissions are organized to develop a strategy and action plan for Global Performance.

The diagnosis of START commissions is composed by 100 questions divided in 10 themes: moral values, corporate governance, employees, innovation, shareholders, economical management, clients, suppliers, community, and environment. Those themes cover all the subjects addressed by successful business from a sustainable development perspective. Each theme includes 10 questions and for each question 3 levels are defined, as we can see in the box below.

#### Box 1. Example of the question "Collaborate" in the theme Value of Global Performance

COLLABORATE: with whom do you define the values of your company?

Rational: The values of the firm must be defined together with the stakeholders.

1. Normally it is the management who defines the values of the firm.
2. Our values were defined during one or many reunions in which there are all or an important number of employees.
3. Our values were fully integrated into an ambitious project of the firm, which represents its history, its culture, and the image it builds for stakeholders.

This set of diagnostic questions is self-evaluation tools for the SMEs entrepreneurs, their executive committee and/or with the stakeholders. Thanks to this, the SME owners can have a general photo of their CSR practices related to different aspects and subjects to develop a more formalized CSR strategy. It is important to note that the SME entrepreneurs do not have to be a CSR expert to understand and be able to answer the questions. All the ten themes are explicit and the three levels of each question are well-explained. The diagnosis also relies on a tool called "GPS" (global performance system), which is the online self-evaluation to publish each company's own CSR reporting.

Moreover, Global Performance is an opportunity for SMEs to network with each other. Since 2003, the number of members of Center of Young Entrepreneurs adopting Global Performance has increased to 3000.

#### 3.2 Method

To study the impact of Global Performance on the adopting SMEs, we rely on a survey among the adopting SMEs to investigate what changes the method brings to them. The survey was conducted by the Center of Young Entrepreneurs in 2010. An online questionnaire, including with 8 topics: commitment, integration, benefits, PG

and employees, impacts on clients, environmental issues, society and territorial issues, support by the network, was used.

299 enterprises answered to the survey, meaning 10% of the total numbers of SMEs over 7 years of Global Performance implementation. Among those enterprises, 75% are small enterprises, having less than 50 employees. We do not have details of how the adopting SMEs implement the process Global Performance after having done the diagnosis. Thus, our analysis does not take into account the difference between the ways the SMEs put in place the process.

#### **4. Research Findings**

Our analysis reveals the following results.

First, our analysis shows that 99% of the SMEs have a commitment to CSR because of the personal conviction of the owners. This is a contrast to multinationals, of which a large number see CSR as a constraint. This may be explained by the characteristics of SMEs. Besides, it is important to note that this finding may be biased due to the nature of the Center of Young Entrepreneurs members, which is innovation-oriented.

Moreover, stakeholder's influence is not the reason for commitment for 71% of the respondents. This result is interesting because some studies argue that SMEs implement CSR because of pressure of stakeholders. Although stakeholders are not the main driver of commitment, the respondents confirm that CSR is an asset to the image of the companies.

Second, the impact of Global Performance can be found at the strategic level. Among 10 diagnostic themes discussed by START commissions, four of them were considered as the main strategic objectives of the companies. They include corporate governance (for 92% of the firms), employees (90%), moral value (88%) and economical management (86%). These four themes constitute the essential elements of the firm's strategy that is based on important value and participation of employees, with an economic objective as the overarching goal. Although it has been commonly heard that CSR is not always seen as a strategic priority, our analysis shows that the Global Performance process is integrated at the strategic level by the adopting SMEs.

Third, despite the consideration of the above themes as principal strategic objectives, the development of concrete CSR actions has been done in only 38% of the firms. This can be explained by the difficulty to truly integrate CSR into the global strategy of the firm: as you can see 19% of the cases, the managers decided to put in place a separate process for CSR, 11% of them combined it with risk management or implement it in a ad-hoc manner. This finding shows the difficulty to move from a conceptualization of CSR at the strategic level to an implementation within the firm. The need to develop a CSR process and/or tool adapted to SME is confirmed by 62% of the respondents. We can explain this as following. If CSR is taken into account at the strategic level, the resulting organizational changes cannot be implemented rapidly in a majority of firms. CSR can be found in the initiatives or management systems that enable the firm to undertake concrete actions in social and environmental domains, but the issue of making the firm's business model and resources needs to be addressed to make them in line with CSR. Moreover, Global Performance diagnosis is composed of 100 questions, covering different and complex themes. Its principal objective is to encourage the adopting SMEs be aware of the need to integrate CSR issues at the strategic level rather than to implement them.

Despite the difficulty in putting in action Global Performance of the SMEs, the method does have positive influence on the adopting firms. 66% of the respondents consider it as a differentiation factor. Table 1 below presents in details different impacts of Global Performance on the adopting SMEs.

From the table, one can see that impacts of the Global Performance process mentioned by the adopting SMEs are found mainly at the social and economic level, while the environmental and social aspects remain largely untouched. This result is in line with the commitment of those firms: 92% of the respondents confirm to engage in ensuring customer satisfaction and point out the related impact such as improvement of service quality (80% of firms see an improvement after Global Performance adoption). The commitment levels are weaker in environmental and social domains, 69% and 54% respectively. The related impacts, thus, turn out to be less significant (only about 50% of the respondents undergo such impacts).

Significant social and economic impacts that are revealed differ considerably from CSR implemented in big corporations, which have paid attention for a long time to environmental issues and relation with the society and the stakeholders. Many factors can explain these differences:

- The size of the SMEs in the sample: most of the firms have less than 50 employees, they have to prioritize the objectives.

- The sector: almost 40% of the SMEs are service firms, to whom the environmental issues seem to be less important than the industrial firms or BTP.
- The lack of environmental and social expertise: the competences of the entrepreneur-owners are essentially economic and social (such as HRM). The understanding of environmental and social issues is achieved via the diagnostic process, which is not sufficient to make them be committed.

Table 1. Impact of Global Performance on the adopting SMEs

	Categories of impact	Percentage of firms confirming the impact as important or very important
<b><u>Internal social impacts</u></b>		
Level of commitment: 90%	Well-being of employees	77%
Note: 64% of SME owner-entrepreneurs share the Global Performance method with their employees	Working condition	76%
	Relation employee-employer	75%
	Motivation	73%
	Social dialogue	70%
	Employee loyalty	68%
	Attraction of the firm	66%
	Development of human resources	61%
	Health and security at work	55%
<b><u>Economic/client impacts</u></b>		
Level of client commitment: 92%	Improvement of service quality	81%
Note: 64% of SMEs believe the Global Performance method is not known by their clients	Impact on image	78%
	Enhance medium term growth	66%
	Customer loyalty	55%
	Competitive advantage	55%
	Diversification of products/activities	54%
<b><u>Environmental impacts</u></b>		
Level of client commitment: 69%	Impact on the development, production and distribution of products/services	50%
Note: not measured in 40% of the SMEs		
<b><u>Social impacts</u></b>		
Level of client commitment: 54%	Improvement of relationship with different actors	47%
Note: 52% of SMEs are committed to this aspect		

If we conduct a more detailed analysis of the impacts, the social impact can be stated by the fact that Global Performance method is an opportunity for the adopting SMEs to exchange with their employees about the diverse social questions. The well-being of employees, the relation employee-employer, the working conditions, and the motivation are then improved. However, it would be interesting to ask the employees about the impact of the Global Performance method to understand their perspective. The results will be thereby better analyzed and the social themes will be widened to take into account such issues as equality or diversity.

The economic impacts are clearly confirmed by the SME entrepreneur-owners. They represent an important impact, since a considerable improvement of service quality is obtained in eight out of ten companies and growth is enhanced in the medium or long term. However, the firms find it difficult to establish a significant relationship between economic performance and CSR performance.

Regarding the environmental impacts, 50% of the firms point out an impact on the development, production, and distribution of their products and services. 69% confirm that they are committed to taking into consideration the protection of the environment. This impact is more significant than what we may see at the first glance. 72% of the committed firms have modified their production modes to address environmental issues that are related to their environmental responsibilities. The challenge is to convince a part of entrepreneur-owners to engage in that process. Besides, it is surprising to see that such impact is not seen in 40% of the firm respondents. It would be interesting to go deeper into this phenomenon by analyzing the correlation with sector of the firms, since those 40% of the firms are service firms.

Finally, the analysis of social impacts shows that for the environment, 50% of the firm state to be committed and 47%, or 98% of the committed firms, believe to be able to improve their relations with the stakeholders. Therefore, it is important to convince manager-owners of the need to integrate the above ten themes into their strategies rather than simply showing their social impacts.

To conclude, the SMEs in our survey have established their priorities by taking into account the Global Performance while developing their strategy, without truly being able to put in action those priorities. The impacts of Global Performance on the adopting SMEs are diverse and they remain mainly social and economic.

## 5. Conclusion

In this article, we have studied the impacts of CSR implementation on the adopting SMEs by examining the impact of Global Performance on its adopters. Our findings show that the impacts are mainly at the strategic level, addressing primarily social and economic aspects, but the implementation remains difficult for them. We argue that our article has made an important contribution to the literature. Literature on CSR has traditionally focused attention on larger firms and the work on CSR in SMEs to date has been limited. Our findings contribute to partly fill in this gap of the literature.

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