

## Corporate Social Responsibility: SMEs Adaption in Albania

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### Abstract:

*Despite being profit driven a business must engage actively in the benefit of the society and community where it operates. This simply statement expressed by various authors relates to what is called business social responsibility. Social enterprises prove that having a social and environmental conscience can lead step by step in achieving financial success. They complete alongside other businesses in the same marketplace, but use business principles to achieve social aims.*

*CSR (Corporate Social Responsibility) has traditionally been the province of the corporate sector but recognition of the growing significance of the small and medium enterprises (SMEs) has led to an emphasis on their social and environmental impact. Different CSR approaches are developed by large firms and by small and medium enterprises due to the specific characteristics of SMEs. These directly affect the way in which SMEs engage in Corporate Social Responsibility.*

*The purpose of this article is to address and analyze many important issues of recognition, use and application of CRS in SMEs in Albania. In an attempt to analyze and measure awareness of social contribution on business activities in Albania, a number of individuals (clients and employee) and business were interviewed. The data obtained through questionnaires were analyzed by concluding in corresponding results.*

**Key words:** social entrepreneurship, SMEs, bussiness social responsibility, social contribution

## 1. INTRODUCTION

Community and businesses operating around it, are strongly connected with each other. A enterprise needs a successful community not only to create a sustainable demand for its products but also to provide a friendly and supportive environment for its activities .On the other hand a community needs successful businesses in order to create jobs place and opportunities for wealth creation for the citizens.

Despite being profit driven a business must engage actively in the benefit of the society and community where it operates. This simply statement expressed by various authors relates to what is called business social responsibility. In both the corporate and the academic world there is uncertainty as to how Corporate Social Responsibility should be defined. Many definitions and theoretical frameworks have been developed but there isn't a largely consensus on the exact meaning of term.

Many authors recognize that corporate social responsibility *"means something, but not always the same thing to everybody"*. Different CSR approaches are developed by large firms and by small and medium enterprises (SME) due to the specific characteristics of SMEs. Academic work on social responsibility in small firms is limited. A knowledge gap exists because research on CSR has basically focused on large firms.

The paper is organized as follows. First, a literature review is offered concerning the CRS definition in SMEs and the characteristics of CSR systems implemented by SMEs. Then the methodology used is presented and some key findings of the study.

### 1.1 THE BUSINESS SOCIAL RESPONSIBILITY CONCEPT

The first author introducing the social responsibility concept was Bowen (1953) in his book "*Social Responsibilities of the Businessman*". Since that time different definitions have been developed by a lot of authors (*Carroll, 1979; Sethi, 1990, McWilliams and Siegel, 2001*) as well as various institutions (World Business Council for Sustainable Development 2000, OSBE 2000) in order to facilitate the companies' engagement in social responsibility policies.

According to the European Commission the concept of social responsibilities is referred to as to "*A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.*"

*"Corporate Social Responsibility is 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"* (World Business Council for Sustainable Development, 2000)

Despite the growing importance of CSR, there is little agreement as to what the phrase really means and there are many different names for the same or similar concept, such as Corporate Social Responsibility, Corporate Citizenship, Business Sustainability and Corporate Responsibility. While some may argue over the distinctions among these terms, at the core they all point towards the same fundamental principle: that a company is responsible for providing more benefits than just profits for shareholders. It has a role to play in treating its employees well, preserving the environment, developing sound corporate governance, supporting philanthropy, fostering human rights, respecting cultural differences and helping to promote fair trade, among others. All are meant to have a positive impact on the communities, cultures, societies and environments in which companies operate.

## 1.2 CORPORATE SOCIAL RESPONSIBILITY IN SMES

With the term Small and medium - sized enterprises we refer a to the Albania's low<sup>1</sup> and it amendments "On small and medium enterprise" which define and classify them as follows:

- Microenterprises (1-4 employees)
- Small enterprises (6 -20 employees)
- Medium enterprise (21 -80 employees)

In Albania they account for 99.00% of all enterprises, contributing a large percent in the national employment<sup>2</sup>. Small business have been distinguished from larger companies by such criteria as financial turnover, assets, market share, employee number ,and ownership .Moreover several characteristics distinguish SMEs from big corporations: owner – managed; independency; multi – tasking; cash limited; personal relationships; informality.

These directly affect the way in which SMEs engage in Corporate Social Responsibility.

Many key characteristics can be identified which distinguish CSR policies into SMEs:

- 1) A lack of codification of CSR in SMEs.
- 2) Personal motivations prevail on others motivations - such as marketing approach, strategic or public relations approach.
- 3) The owner-manager is the primary responsible to develop and implement CSR activities.
- 4) The central role assumed by human resources into small firms generate an high commitment of the corporations in employees and their families care.
- 5) The industry in which the firms operate directly affect their approach to CSR.

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<sup>1</sup> Low no.8957, date 17.10.2002 "On small and medium enterprises", modified

<sup>2</sup> INSTAT Albania (Institute of Statistics) , Results on structural survey of active economic enterprises,2015.

Focusing on the knowledge gaps in the CSR – SMEs relationship Spence (2003) suggests that there are four main contextual problems (definition, assumptions, clarity and method) that should be addressed to further improve the knowledge of the phenomenon in SMEs context.

## **2. STUDY PURPOSE**

This paper aims to analyze the content of the Corporate Social Responsibility (hereafter referred as CSR) concept from the perspective of Albanian SMEs , to point out CRS activities that are already taking place ,the importance that this activities plays in the long term sustainability of their business .

The aim of the survey is to provide answer to several principal questions:

1. Are SMEs in Albania aware of the concept of CRS?
2. Do they consider the CSR concept relevant to their enterprises?
3. What kind of activities are SMEs engaged in?
4. Are firms and companies interested in the CSR topic?  
What is the level of their interest? (interest in obtaining more information or greater direct engagement)
5. What are the issues that they face in meeting the challenges of CSR?

### **2.1 METHODOLOGY**

This is a quantitative study conducted during September 2016 in Albania. In order to investigate our research questions direct interviews to Albanian owner/managers were conducted on the basis of a questionnaire. The aims were to: highlight the way in which the interviewees perceive the phenomenon and recognize the activities developed by each firm.

The questionnaire method was chosen because provides collection of a large amount of quantitative information, which can then be operated by statistical analysis. Therefore was built

and administrated a questionnaire, and it was devised for the study and consisted of a total of 20 question both including multiply choice question and filling material.

The survey was defined with the aim to involve the highest possible number of relevant CSR topics and give the issue a more wholesome perspective.

## 2.2 SAMPLING

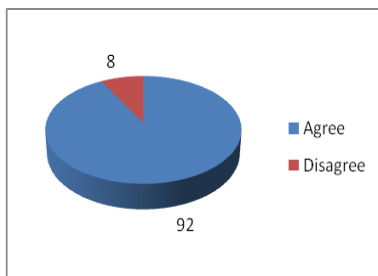
In an attempt to analyze and measure awareness of social contribution on business activities in Albania, a number of individuals (employees,owners managers) were interviewed. The data obtained through questionnaires were analyzed by concluding in corresponding results. This study involved a number of 100 businesses, from small, medium and large enterprises located all around Albania country.

They can be identified by:

- ❖ Field of activity - Services (30),Wholesale/ retail trade (34),Manufacturing activity (36)
- ❖ Dimension – Micro size firms(22) , Small size firms (53) ,Medium firms (25)
- ❖ Years of activity – 1-5 years (54), 6-10 years ( 39) over 10 years (7)

## 3. FINDINGS AND RESULTS

*“Besides profit making a company must actively engage in the benefits of society and community where it operates”.* This simply defined statement relates to what is called business social responsibility.



Companies were asked if they agree or disagree with statement .As we can see from the chart 92 % of the interviewees of Albanian SMEs stated that they agree with the statement and only 8 %

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Chart 1. Agreement with the statement of CSR

disagreed. By this significant result we can infer that that they recognize the importance of a business operating in the benefits of the community around them.

❖ **Familiarity with the concept**

The companies in this study were asked about the term ‘Corporate Social Responsibility’; what it meant to each company and whether they thought it was an appropriate term to use for SMEs. Only 28 % of the firms interviewed are familiar with this concept and consider it as one of their business goal. 8 % of them didn’t have an idea of what this concept mean .The table below shows their response.

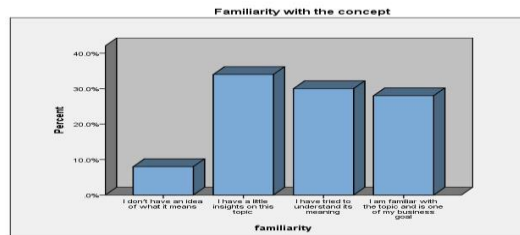


Chart 2. Awareness of business social responsibility concept

If we refer to previous chart we see that 92 % of them agree with the meaning of “Business Social Responsibility “ but then when asked directly about the term only 28 % were familiar with this topic. Thereby we can infer that even they recognize the importance of the statement, they experience difficulties with the terminology, by not linking the explanation of the phenomenon with the phenomenon itself.

Companies express some concern about whether CSR is an appropriate term to use for SMEs:

- The term CSR is difficult to understand
- Awareness levels are likely to be low, most SMEs are more concerned with day to day survival than understanding concepts like CSR
- The word “corporate’ alienates some SMEs
- The language used needs to be simpler

### ❖ *Activities developed*

Given the broad definition of CSR there are many areas of business operations that are affected by it. Therefore it's not surprising that each company has adopted a slightly different approach to implementing CRS. The core of CSR activities is represented by:

-Activities which create value for: employees and their families; local community and territory in which the firm operates; society as whole; environmental safeguard.

-Generating value for customers by an ethical production process and an ethical supply chain management, rather than developing activities which are aimed to maximize customer satisfaction.

The companies in this study feel that they are being socially responsible simply by supporting the local economy and community by being profitable and successful companies and employing people; but they also recognize the importance of other responsibilities.

Activities	Essential	Important	Less important
Meeting the legal requirements	58%	34%	8%
Treating the employees based on their performance	30%	70%	0%
Creating a partnership relation with suppliers	62%	34%	4%
Employees involvement in decision making	14%	40%	46%

**Table 1. Business activities in order of importance**

As explained in the table below, we find out that Albanian companies have various ways of perceiving the main activities happening in their business. The most important one is considered a partnership relation with the suppliers followed by meeting the legal obligations and as less important, employees involvement in decision making and treating employees based on their performance.

### ❖ *The perception of the phenomenon*



We asked managers to give a definition of the phenomenon in order to understand: the perception that they have about Corporate Social Responsibility and the principal motivation on which are based the activities. This represented the starting point for two reasons: the lack of consensus about the exact meaning of the phenomenon; the scarcity of standards to quantify the effect of CSR policies developed by the firms.

The definitions given by the interviewers are multiple and heterogeneous. However, many common aspects can be individuated. They most frequently emerge from the definitions and can be summarized as follows: “To be in compliance with the environment legislation”; “A mean to implement an ethical code in the company”; “To involve social and environmental care in business activities”

Summarizing, the social role of corporation is largely recognized by SMEs. CSR is viewed as an opportunity to develop when it has put into strategic orientation of the firm. This is done because of the specific characteristics of SMEs in which the manager/owner reflects itself, his name and its family into the corporation.

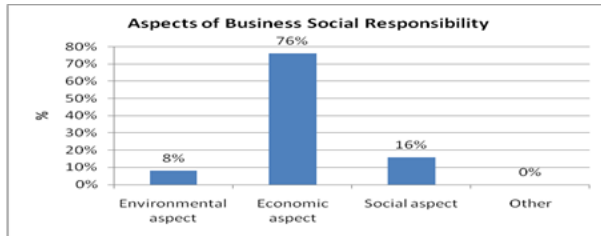
### ❖ *Areas involved*

The social entrepreneurship model provides considerable opportunities to improve not only the society but only the economy. From experiences worldwide, the British government launched its social enterprise strategy in November 2009. Speaking at the 2009 Social Enterprise conference, prime minister Gordon Brown said:

*“In the past the objective for any country – and any government – was twofold: building social cohesion and achieving economic growth. Today, there is a trinity of aims: fairness, prosperity and environmental care.”*

In the same way, if the Albanian economy is to flourish, if our communities are to become more closely integrated, and if we are to take care of the natural environment and the resources

on which our economic activity depends, we must find new and more equitable ways of doing business that are better suited to the times we live in now .So there you have it. Social enterprise is the business structure that will allow success to stand side-by-side with ethical purpose. Simply put, a better way of doing business, and one that must flourish for the good of society.



**Chart 3. Business Social Responsibility Aspects**

According to the interviewees, social enterprises among various aspects, mainly provides economic development (76%) social development (16%), environmental development (8%) as explained in the following chart.

❖ **Motivation for CSR in SMEs**

Which is the main reason that drives small and medium sized firms to engage in the social responsibility activities? Some of the most frequent responses are explained as follows in the table below.

Most companies prefer to call CSR ‘common sense’ or ‘the right thing to do’. The interviews revealed that it is because each owner-manager believes in the principles of CSR, and they have the ability to influence company culture, that CSR has become important to each company.

All interviewees feel that their values are essential and a powerful driver of ethics and standards in the company. Past research in other countries suggests that SMEs feel that most pressure and influence on CSR matters comes from customers and employees, however this study revealed that external pressures are *limited*.

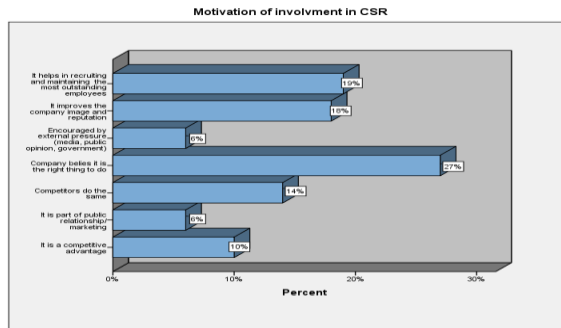


Chart 4. Reasons of involvement in social responsible activities

While companies suggest that there is some pressure from the supply chain and legislation, most companies feel no pressure to improve social responsibility, only environmental responsibility.

While all the companies in this study agree that CSR is beneficial to them in many ways the business case for CSR is less clear to them. They describe the benefits as ‘intangible’ or ‘soft’ and seek greater proof of hard financial benefits, and answers to the difficult questions surrounding how to measure the benefits of CSR. The companies in this study are at least convinced by the benefits of charitable or philanthropic CSR.

#### ❖ *The challenges of CSR for SMEs*

How to justify the allocation of time and resources to activities beyond the daily running of the business is seen as the greatest obstacle to CSR. Time and resources are limited by the size of the company, particularly a lack of dedicated CSR personnel.

Other common difficulties are:

- Getting employees involved in CSR activities
- Making connections with communities
- A lack of information
- Too many short term projects
- Getting equal commitment from all sides of a project
- Measuring the intangible benefits.

CSR involvement is a strategic decision made in a company environment. It has to do with the vision, mission, it is part of the strategic marketing management. So it is addressed towards the clients and customers of a company. In order to investigate how consumers perceive companies' engagement in social activities a mini survey were conducted with clients of these firms. The key findings are gives below:

- *32% of them wouldn't be clients of company whose work condition were bad.*
- *78% of them could punish a company (by not buying their products and services ) if they considered it a non social responsible one.*
- *76% of them could pay more for a product offered by a social responsible business.*

#### **4. CONCLUSIONS**

The paper sheds light on few aspect of the phenomenon into SMEs. This has been necessary because of the characteristics which distinguish small and medium-sized firms from big corporation.

Corporate Social Responsibility is perceived as a tool to integrate economic objectives with social and environmental issues and to align private and public interests. This is based on a vision of the firm as a social actor, which directly affect and it is affected by the external environment in which it operates.

According to the study it can be concluded :

- There is a growing recognition that important issues for CSR are as relevant for small companies as they are for large companies. CSR for SMEs should focus less on terminology, policies and procedures and more on practicalities or 'doing things'.
- The companies in this study feel that they are being socially responsible simply by supporting the local economy and community by being profitable and

successful companies and employing people; but they also recognize the importance of other responsibilities.

- The overwhelming motivating factor for SMEs to engage in CSR is not external pressure but an internal drive to ‘doing the right thing’ or ‘putting something back’ or showing ‘entrepreneurial spirit’.
- Even only 52 % of the interviewed companies state that they have conducted evaluation on the effect of their products in the consumer health, security and wellbeing, approximately 80 % of them state that within two years they will engage or will expand social responsible related activities.

While there is a great deal of optimism for the role that smaller companies can play in improving business responsibility the main focus of the debate has and continues to focus on the large companies. Definitely that the new economic system appeals to a lot more focus on company social responsibility, making them contributor creator and distributor of value through their products and services.

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