

Research on the Evaluation Index System of Social Responsibility of Small and Medium-Sized Enterprises

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Abstract: The social responsibility of small and medium-sized enterprises (SMEs) is very important for themselves and the whole society. The concept and connotation of social responsibility of SMEs have been defined and explained. The research dimensions of previous scholars on corporate social responsibility (CSR) have been reviewed, and an evaluation index system for social responsibility of SMEs has been constructed based on their characteristics, including four key indicators: community, customers, employees, and environment.

Keywords: Corporate social responsibility; SMEs; Evaluation

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1. Introduction

Corporate social responsibility (CSR) has always been a key “tool” for balancing the economic, social, ethical, and environmental impacts of businesses, and is one of the most dynamic and demanding areas of their business operations^[1]. CSR is a channel through which businesses, including small and medium-sized enterprises (SMEs), contribute to achieving social goals. Researchers have proposed the enormous significance of CSR, as it has some advantages for society as well as for businesses and external stakeholders^[2]. With the increasing social awareness and attention to CSR worldwide, more and more companies are expected to demonstrate CSR and create shared value, and these expectations are no longer limited to large or multinational corporations^[3]. In the discourse of CSR, there is often a misconception that CSR activities are only carried out by large and high-profit enterprises^[4]. The reality is that SMEs also play an important role in the global CSR field. The role of CSR in SMEs has received little research attention^[5].

Until recent years, research on international entrepreneurship has only begun to evaluate the importance of CSR from the perspective of SMEs^[6]. However, in the measurement of corporate responsibility, many studies have analyzed and proposed scales for measuring the social responsibility of large corporations^[7].

Jamali and Karam reviewed CSR literature spanning 25 years (1990–2015) and found that 51% of studies focused on an organizational level, 13% on an institutional level, and 9% on an individual level. The remaining

27% involves analysis at two or more levels ^[8]. There are significant differences in CSR between SMEs and large corporations. Therefore, in CSR research, the research results of large corporations should not be generalized to SMEs, and theoretical models based on CSR research of large corporations may not fully explain the CSR of SMEs ^[9].

Therefore, researchers, regulatory agencies, and other stakeholders must pay more attention to the implementation of CSR in SMEs. Similarly, there is still a problem with the research on the dimensions of CSR. This article attempts to find key indicators of social responsibility for SMEs based on their characteristics.

2. Review of corporate social responsibility

2.1. Concept of CSR

As an economic entity, the role of an “economic man” in a company requires that it must pursue profit to achieve maximum profit. However, maximizing profits is not the only goal of corporations. As a social corporation, there is also a goal of maximizing value.

The social responsibility of a corporation and the legal responsibility it undertakes are different concepts and should be distinguished. According to Ethos Institute (2021), corporate social responsibility can be defined as follows: CSR is a form of management defined as the ethical and transparent relationship between a company and all relevant audiences (whether employees, customers, suppliers, shareholders, media, communities, governments), as well as the establishment of target corporates that promote social sustainability, protect the environment and culture, provide resources for future generations, respect diversity, and promote the reduction of social inequality ^[10].

The social responsibility of SMEs does not have broad social characteristics like large corporations. They are more focused on solving key social problems that core stakeholders hope to solve. Due to the lack of resources to fulfill their responsibilities, SMEs are more inclined to solve immediate survival and development problems. The social responsibility of SMEs is greatly influenced by their regional culture and industry characteristics, and is less constrained by various international or domestic social responsibility standards ^[11].

Social responsibility of SMEs refers to a series of policies and practical processes in which enterprises fulfill voluntary responsibilities beyond legal provisions to core stakeholders, communities, and the environment to achieve dual economic and social goals ^[12].

2.2. Dimensions of CSR

CSR is of interest to various stakeholder groups, including employees, shareholders, financial partners, consumers, suppliers, society, government, and the environment ^[13]. CSR can be measured using different scales. Some of the dimensions used to measure CSR in the literature are presented in **Table 1**.

There have been many studies analyzing and proposing scales for measuring the CSR of large companies ^[7], even from the perspective of consumers or brands ^[22]. However, few have provided a measurement tool that considers all stakeholders for the specific situation of SMEs, and their participation in CSR may differ qualitatively ^[23]. Overall, CSR can be roughly divided into two, three, four, and five dimensions from the perspectives of sustainable development, the unity of legal and moral obligations, and stakeholders.

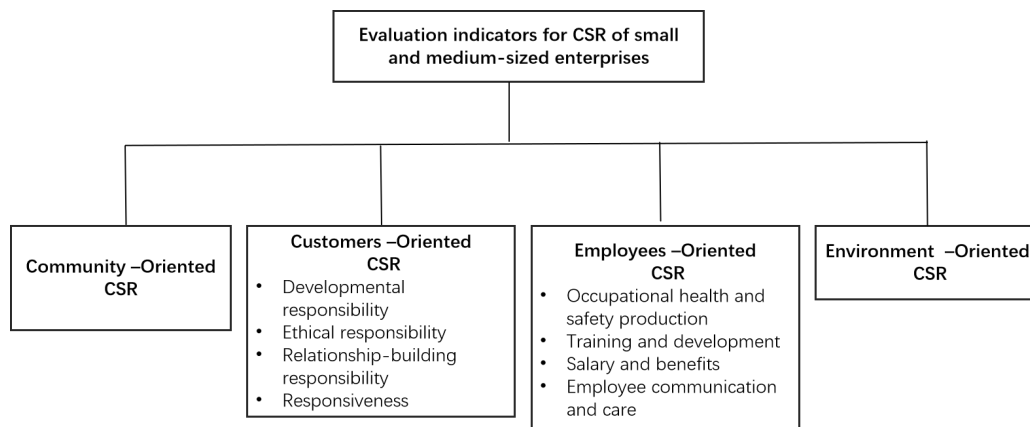
Table 1. Dimensions used for corporate social responsibility studies

Author	CSR dimensions	Is it for SMEs
Lechuga Sancho <i>et al.</i>	Customers, suppliers, employees, the environment, local community, and corporate governance ^[14] .	NO
Perrini <i>et al.</i>	Environmental management, employment, the supply chain, local community, monitoring and reporting, community volunteerism ^[15] .	YES
Cooper <i>et al.</i>	Shareholders, customers, employees, and the environment ^[16] .	NO
Oduro <i>et al.</i>	Economic-oriented, environment-oriented, and social-oriented ^[17] .	YES
Crane <i>et al.</i>	Workplace, marketplace, ecological environment, and the community ^[18] .	NO
Commission of the European Communities	Internal and external dimensions ^[19] .	NO
Marrewijk	Finance, Environment and Ethics ^[20] .	NO
Gulbrandsen	Stakeholder, social, economic, voluntary, and environmental ^[21] .	NO

3. Evaluation indicators for social responsibility of SMEs

Sen and Cowley argued that social capital theory is more suitable for explaining the characteristics of social responsibility of SMEs compared to stakeholder theory ^[9]. Based on summarizing the unique characteristics of informal organizational structure, rapid market response ability, low market negotiation power, and low policy influence of SMEs, they pointed out that the characteristics of social responsibility of SMEs include paying attention to employee welfare and funding vocational skills training, supporting and participating in community activities, maintaining good cooperative relationships with customers and suppliers, etc. These social responsibility characteristics play an important role in gaining community trust, establishing good market relationships, and increasing extensive social capital for SMEs. Because the CSR actions of SMEs usually target smaller stakeholder groups, Soundarrajan *et al.* call for the use of small enterprise-specific methods and measurement standards to conduct background and scale awareness research on small enterprises' social responsibility ^[24].

Based on this, this article adopts the perspective of Lechuga (2021) to analyze the social responsibility of SMEs from four dimensions: community-oriented CSR, customer-oriented CSR, employee-oriented CSR, and environment-oriented CSR. See **Figure 1** for details.

**Figure 1.** Evaluation index system

3.1. Community-oriented CSR

Community is one of the most important stakeholders of enterprises, and the survival and development of enterprises are based on the community. The role and impact of SMEs are increasing, which only means that their role and importance in increasing employment, innovation, and living standards in social-related issues are becoming increasingly difficult to ignore in terms of community care ^[25]. Community-oriented CSR refers to the principle that business organizations must participate in social welfare activities in addition to their primary purpose ^[26].

Small companies are usually located close to their local communities and have close connections with them. SMEs are often dynamic, persistent, and active participants in the local communities they operate in ^[11]. Due to these strong connections, they are eager to participate in charitable activities ^[27]. These companies are increasingly discovering the enormous benefits of building good relationships with the communities in which they operate ^[15]. Turyakira *et al.* also point out that from the perspective of SMEs, CSR can be equated with the concepts of giving back to the community, treating employees fairly, and providing quality products and services ^[28].

Therefore, community-oriented CSR is an important indicator for evaluating the implementation of social responsibility in SMEs.

3.2. Customer-oriented CSR

CSR towards customers is referred to as a voluntary and ongoing commitment by a company to conduct itself ethically and make business decisions related to building strong relationships with customers by respecting them and complying with their requirements ^[29]. Companies must consider the importance of external stakeholders, such as customers and social interests, and customers may view social interests at a personal level ^[30]. Consumers are considered the main stakeholders of businesses and are more concerned about organizational behavior. Focusing on customer social responsibility activities positively affects satisfaction and repurchase behavior ^[31]. Although SMEs have their characteristics, from a business perspective, building good relationships with customers is important for all stakeholders, and customers are increasingly valuing the company's provision of social responsibility to them.

This article discusses developmental responsibility, Research will be conducted on four aspects: ethical responsibilities, relationship-building responsibilities, and responsiveness.

Developmental responsibility refers to the action of improving products/services by investing in innovation, leveraging customer satisfaction, providing high-quality products/services, and meeting industry standards Ethical responsibility refers to a company's ability to act fairly, fulfill obligations by providing fair products/services, and develop comprehensive codes of conduct that include customer concerns.

Relationship building responsibility refers to building more cohesive and lasting relationships with customers by researching and understanding their needs. Responsiveness refers to the willingness to solve customer problems and provide products/services promptly ^[32]. Therefore, customer-oriented CSR is an important indicator for evaluating the implementation of social responsibility in SMEs.

3.3. Employee-oriented CSR

Employee-oriented CSR refers to the responsibility that a company should bear towards its employees in the CSR system based on stakeholder theory. CSR for employees includes employee training programs, continuing education opportunities, safe working environments, diversity and inclusivity policies, parental daycare programs,

and other similar programs ^[33].

SMEs are more concerned with their direct stakeholders rather than secondary stakeholders ^[11], with one priority area being employee well-being ^[27].

Some scholars believe that employees are the most important stakeholders for SMEs to handle CSR strategies ^[15]. Employee support is a key factor in ensuring the participation of SMEs in CSR. Several studies have shown that investing in employees, such as balancing work and life at home, can bring direct benefits to companies. Perrini (2007) found that ^[34], When effective and appropriate communication is conducted, social responsibility activities of SMEs can help enhance the company's attractiveness to future or potential employees (i.e. potential recruiters). The higher the importance that employees attach to ethical issues, the stronger the relationship between SMEs' social responsibility activities and related outcomes ^[15].

Pfajfar *et al.* found through a survey of 1568 local companies in Poland that the expected benefits of employee-oriented CSR are both direct and indirect, and have a positive impact on relationship quality. Fulfilling employee responsibilities can bring internal and external value to the corporation and establish a good corporate image ^[35]. Therefore, employee-oriented CSR is an important indicator for evaluating the implementation of social responsibility in SMEs.

This study is conducted from four dimensions: occupational health and safety production, training and development, salary and benefits, and employee communication and care ^[36].

The definition of occupational health and safety production is to implement organizational occupational health and safety production, ensure the development of scientific and effective occupational health and health management system guidelines, and promote the implementation of occupational health and safety regulations and systems ^[37]. Shao (2019) proposed that education is the driving force for employees to fulfill their responsibilities, and the education mechanism is oriented towards corporate strategy. It not only emphasizes training that meets current needs, but also places greater emphasis on development to meet future needs, and focuses on establishing a scientific training and development system ^[38]. Bocean *et al.* proposed that a company that fulfills its social responsibility to its employees should focus on the core of "continuously motivating people" in the process of establishing a management system, and develop a scientific assessment and compensation system ^[39]. Employee communication and care are important ways to effectively maintain and motivate human capital ^[40].

3.4. Environment-oriented CSR

The concept of CSR began with increasing attention to social and environmental degradation. Although CSR represents a corporation's responsibility to society, it also means that corporations that provide products and services to consumers are becoming increasingly sensitive to taking on more social welfare responsibilities and maintaining environmental and ecological balance ^[41]. CSR is considered a green organizational strategy. Bae and Kim define corporate environmental responsibility as the company's activities in addressing any environmental-related issues, such as pollution, recycling, clean energy, etc ^[42].

Environment-oriented CSR refers to the social responsibility that enterprises undertake in the pursuit of maximizing their own profits and shareholder interests for ecological environment protection and sustainable social development. Environment-oriented CSR includes the legal and moral responsibilities that enterprises undertake in protecting the environment.

Nowadays, the importance of SMEs is increasing, which has led people to realize their impact on the environment and society ^[43]. SMEs are considered to have a greater impact on the unit environment than large

companies, and are the largest contributors to pollution, carbon dioxide emissions, and commercial waste ^[44]. CSR activities ultimately contribute to sustainable environmental development by protecting natural resources. In developed Western countries, governments have been promoting engagement with SMEs on CSR and environmental issues, citing that SMEs together have a significant impact on the environment and society, and are often in a favorable position to engage with communities ^[45].

A historical review of literature indicates that in this regard, the responsibility of companies, especially SMEs is not only focused on how to avoid damaging the natural environment, but also on protecting and improving it. The environment is seen as a business issue and an important stakeholder to be considered in the strategy of small and medium-sized enterprises. Therefore, environment-oriented CSR is an important indicator for evaluating the implementation of social responsibility in SMEs.

4. Conclusion

SMEs are a collection of stakeholders, and their survival and development cannot be separated from the stakeholders who are most closely related to them. Different stakeholders have different interests and demands for different dimensions of CSR. Therefore, this article selects the core stakeholders and constructs an evaluation index system for the social responsibility of SMEs, which is more in line with the actual situation of SMEs. It helps to improve the awareness of social responsibility among SME entrepreneurs, has guiding significance for enterprises to correctly fulfill their social responsibility, provides a more rational judgment basis for them to make social responsibility management decisions, and also provides a tool for society to judge the social responsibility behavior of SMEs.

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