Dear readers,

The eleventh issue of our RBI newsletter is dedicated to CSR among SMEs. The occasion for this was the conference on “Corporate Social Responsibility for Small and Medium Business and Advisory Institutions in Serbia” which had taken place at the end of June in organisation of UNIDO, Serbian Chamber of Commerce and Smart kolektiv, which had been the first event on this topic in Serbia.

Following the topic, we bring you an interview with Mr Kai Bethke, the representative of UNIDO, one of the organisation of United Nations which has the mandate to promote sustainable industrial development and international industrial cooperation, in which Mr Bethke presented the past experiences and future plans of UNIDO’s Program of CSR development among SMEs in Serbia and wider region.

We bring you also the article which treats practice of CSR among SMEs in several EU countries and brings you the exemples of different levels of SMEs’ engagement in this respect. This article is adapted according to the research of „KMU Forschung Austria”, the Austrian Institute for SMEs research, issued at the beggining of this year.

Enjoy!
ENGAGING SMALL FIRMS IN CSR

Corporate Social Responsibility has become an increasingly important part of the business environment. The past twenty years have seen a radical change in the private sector’s relationship both with the state and civil society. Key drivers of this change have been the globalization of trade, the increased size and influence of companies, the repositioning of government and the rise in strategic importance of stakeholder relationships, knowledge and brand reputation. All these factors have changed the basis on which private enterprise is expected to contribute to the public good. Meanwhile, the relationship between companies and civil society organisations has moved on from paternalistic philanthropy to a re-examination of the roles, rights and responsibilities of business in society. Corporate Social Responsibility (CSR), defined in terms of the responsiveness of businesses to stakeholders’ legal, ethical, social and environmental expectations, is one outcome of these developments.

CSR has generally been a pragmatic response to consumer and civil society pressures. These have mainly been focused on Trans-National Corporations (TNCs) serving Northern markets but often operating in Southern countries (according to distinction between the wealthy North and the poor South). Accusations by governments and civil society alike, of environmental pollution, human rights abuses, and exploitation of labour in supply chains, has pressured companies into becoming more environmentally and socially responsible. However, companies have quickly recognised the strategic value of being more responsible and are beginning to align products and business relationships, in particular through their supply chains, accordingly.

CSR by SMEs

Larger companies have been the primary drivers of CSR for a number of reasons. However, this does not mean that CSR is irrelevant or not practiced by SMEs. It is worth noting that many of the pioneering practices that are now part of mainstream CSR were pioneered by SMEs and community enterprises driven by strong personal ethical commitments. For example early pioneers of social accounting included Ben & Jerry’s (now part of Unilever), The Body Shop (no longer an SME) and the UK fairtrade company Traidcraft. SMEs have also been active on the environmental side, demonstrating the financial viability of organic farming, recycling and wind power to name but a few innovations. The business writer Rosabeth Moss-Kanter calls the social enterprise sector the ‘beta site’ for business innovation, where enterprises motivated by social goals are able to prove there is a profitable market for products and services that mainstream businesses had not considered. One key example of this is the development of ‘micro-credit’ for small businesses. The small ‘green’ clothing label Patagonia has worked with its textiles suppliers to develop more environmentally friendly coatings. The large textile companies are willing to work with this small company because the results of the collaborative work will eventually be able to be sold to a wider market.

In studies that compare the CSR of larger and smaller enterprises, SMEs generally ‘score’ less highly. But this may reflect a lack of formal policies and CSR language on the part of SMEs, as much as actual differences in performance. One study, which focused on environmental performance indicators as opposed to policies and processes, did not find the expected differences between small and large enterprises. Certainly, some aspects of SME behaviour can be seen as examples of ‘silent Corporate Social Responsibility’:

- SMEs are less internationally mobile than TNCs; therefore they take a more longterm view of investment in an individual locality.
- Some family-owned companies exhibit strong religious/philanthropic approaches.
- SMEs have more links to the local civil and cultural environment and may be more aware of local risks and emerging issues than internationally managed companies.

1 Fair trade is an organized social movement which promotes standards for international labour, environmentalism, and social policy in areas related to production of goods. The movement focuses in particular on exports from developing countries to developed countries. In 2006, Fairtrade certified sales amounted to approximately €1.6 billion worldwide, a 41% year-to-year increase; fair trade products generally account for 0.5-5% of all sales in their product categories in Europe and North America.
**The Importance of SMEs in Development**

For developing countries, integration into the global economy through economic liberalization, deregulation, and democratization is seen as the best way to overcome poverty and inequality. Crucial to this process is the development of a vibrant private sector, in which SMEs play a central part.

SMEs make up over 90 per cent of businesses worldwide and account for between 50 and 60 per cent of employment. However, their importance in the development process goes beyond their strength in number. There is a rich body of research on the development contribution of small enterprises. While not entirely without some controversial areas, there would appear to be widespread consensus on the following points:

- SMEs (partly because of the industrial sub-sectors and product groups covered by them) tend to employ more labour-intensive production processes than large enterprises. Accordingly, they contribute significantly to the provision of productive employment opportunities, the generation of income and ultimately, the reduction of poverty. It is through the promotion of small enterprises that individual countries and the international community at large can make progress towards reaching the global target of halving poverty levels by the year 2015.
- There is ample empirical evidence that countries with a high share of small industrial enterprises have succeeded in making the income distribution (both regionally and functionally) more equitable. This in turn is a key contribution to ensuring long-term social stability by reducing ex-post redistributional pressure and by reducing economic disparities between urban and rural areas.
- SMEs are key to the transition of agriculture-led to industrial economies as they provide simple opportunities for processing activities which can generate sustainable livelihoods. In this context, the predominant role of women is of particular importance.
- SMEs are a seedbed for entrepreneurship development, innovation and risktaking behaviour and provide the foundation for long-term growth dynamics and the transition towards larger enterprises.
- SMEs support the building up of systemic productive capacities. They help to absorb productive resources at all levels of the economy and contribute to the creation of resilient economic systems in which small and large firms are interlinked.
- Such linkages are of increasing importance also for the attraction of foreign investment. Investing transnational corporations seek reliable domestic suppliers for their supply chains. There is thus a premium on the existence of domestic supporting industries in the competition for foreign investors.
- SMEs, as amply demonstrated in information and communication technologies, are a significant source of innovation, often producing goods in niche markets in a highly flexible and customized manner.

**SMEs and TNCs**

CSR imposes new demands on SMEs in developing countries. Social and environmental standards are increasingly a precondition for doing business with TNCs. This takes the form of individual supply chain codes of conduct and sector wide certification systems. Market shifts can extend the impact of environmental and social concerns beyond those companies directly involved in trading with TNCs. This may happen through local competition, by strengthening mechanisms for ensuring compliance with local laws, by targeting investment, or through shifts in consumer demand.

Supporting enterprise development through long-term trading relationships and community investment is one of the most important ways that TNCs can contribute to the fight against poverty. Some TNCs are actively forming trading links and development partnerships, which help SMEs in developing countries gain access to markets, finance, training and infrastructure. Where CSR is related to trading relationships in this way it becomes difficult to differentiate between ‘CSR’ and ‘core business’, however, the economic and social impacts of such strategies can go far beyond anything possible through social programmes. Community investment approaches can also help develop an enabling environment for entrepreneurship, by providing specific business development support, or more broadly, helping to create favourable conditions in which small businesses can grow and flourish.

There is a danger that CSR standards may undermine SMEs in developing countries. The key concern is that CSR standards will act as a protectionist mechanism for retaining jobs, trade and investment in...
developed countries. The focus of issues and standards often reflects the concerns and priorities of consumers in the North as well as prevailing technologies and best practise in the countries where they were developed. The burden of monitoring and certification itself can be a significant expense, effectively barring developing country SMEs from some markets. Lack of access to technology, environmentally friendly materials, credit, information and training, can act as barriers to social and environmental improvements for these SMEs. Even when they are able to make improvements, Southern SMEs lack the valuable direct relationships with Northern consumers, which would enable them to reap reputational benefits.

Promoting CSR among SMEs

It is crucial to understand the basis for viable, appropriate ‘small business responsibility’. The lessons and approaches of CSR cannot be simply transferred to SMEs. Many of the concerns underlying calls for CSR do not apply to SMEs, which lack the power to influence governments, dictate standards, or move across national boundaries in search of lighter regulation. At the same time, many SMEs already practise some kind of ‘silent social responsibility’. SMEs generally have a greater understanding of local cultural and political contexts, more links with local civil society and a greater commitment to operating in a specific area. Family-owned companies in particular often exhibit strong ethical and philanthropic approaches. SMEs need to give a voice to their ‘silent’ social and environmental responsibility.

Some SMEs will be able to build a strong business case for improving and demonstrating their social responsibility. Benefits might include better alignment with consumer concerns, partnership opportunities with TNCs, improvements in productivity and improved capacity for learning and innovation. However, these benefits will not be significant for every company. In the case of SMEs in developing countries, upgrading the quality of their technology, management, and marketing, are likely to be equally pressing concerns, which need to be addressed in parallel with social and environmental impacts. CSR boosterism in the form of donor led initiatives to promote SME-CSR would be misplaced except in industries and sectors where a clear business case can be demonstrated. In industries and sectors where a real business case is not yet apparent, it is more useful to work to strengthen the business case drivers. For example, it may be necessary for TNCs to provide incentives and support, in order to make compliance with stringent codes of conduct economically viable for their suppliers.

CSR needs to be integrated in core business strategies if it is to survive global recession or insecurity. CSR has gained prominence against a backdrop of relative economic stability and growth. However, the trend of global economic cycles means that this pattern of growth will at some point slow down and possibly go into recession. If any downturn is compounded by global insecurity as a result of increased political conflict, the further development of CSR may be seriously challenged. Where CSR is integrated within the core business strategy, it is likely to remain strong, whereas, CSR as a philanthropic add-on is vulnerable to cost cutting. Ultimately, the long-term success of CSR will be based on its ability to be positioned within the core of business strategy and development, thereby becoming part of ‘business as usual’.

Adapted from “Corporate Social Responsibility: Implications for Small and Medium Enterprises in Developing Countries”, UNIDO and World Summit on Sustainable Development, 2002

The conference on improvement of corporate social responsibility among SMEs, held in the Main Hall of Serbian Chamber of Commerce, represents the first event organised on this topic in Serbia and forms part of a project „Development of Corporate Social Responsibility in Central and Eastern Europe” which UNIDO recently launched. This regional programme aims at disseminating the concept of CSR and implementation practices throughout the CEE region (focusing on small and medium sized enterprises) and forging a regional network of public and private partner institutions that will support SMEs to adopt CSR practices.

The United Nations Industrial Development Organization (UNIDO) has the mandate to promote sustainable industrial development and international industrial cooperation. Its vision is to reduce poverty in developing countries and countries in transition through economic development and sustainable industrial growth. By enhancing business practices based on Corporate Social Responsibility (CSR), UNIDO has a unique role in advancing sustainable competitiveness and ultimately the sustainable industrial development.

Recognizing the need of meeting the specific requirements of SMEs with regard to CSR, UNIDO became the fifth core UN agency in the Global Compact in 2003. It is within this context that UNIDO has formulated its approach for the promotion of CSR as a means towards increased productivity and competitiveness of developing economies. For achieving this, the Organization’s programme is built on three pillars: its participation in the UN Global Compact, the CSR Capacity-building Initiative and the Business Partnership Programme. The Organization’s association with the SME sector is a result of the recognition awarded by the UN system to the Organization’s prior operational efforts in developing partnerships through its Business Partnership Programme, Investment and Technology Promotion Network, SME Cluster Development Programme and the Subcontracting and Supply Chain Management Programme. In addition, UNIDO has a leading role within the UN system in terms of supporting environmentally and socially responsible entrepreneurship through its training capacities and support tools for enterprises and through the UNIDO/UNEP network of National Cleaner Production Centres (NCPCs).

The aim of this conference was to establish and strengthen the ties to and among institutions and companies working towards ethical business conduct in the region, and to introduce the CSR methodology applied by UNIDO. At the same time UNIDO is building on the work done on promotion of this concept in Serbia initiated by the UN Global Compact network and other, local and international, organisations.

This manifestation succeeded in gathering more than fifty business leaders from small and medium enterprises, business associations, public institutions, NGOs, business support and advisory institutions, as well as media. The idea was to provide all participants with an overview of recent CSR developments at global, regional and national level, and to provide a platform to introduce and discuss various methodologies and initiatives in this respect. Accordingly, participants were provided up-to-date information on various issues and initiatives which are relevant, such as:

- UN Global Compact and its activities in Serbia;
- CSR practice of a large, transnational company through requirements imposed on its supply chain – Lafarge, Serbia;
- importance of CSR for the EU and its development in light of European integration;
- regional project „Establishing Corporate Social Responsibility in South East Europe“, initiated and sponsored by German Federal Ministry for Cooperation and Economic Development and executed in four SEE countries (Serbia, Albania, Bosnia and Herzegovina, Macedonia), and which is in Serbia implemented by Serbian Chamber of Commerce.

Special attention was devoted to current CSR developments on national level:

- general overview of the development of CSR and current situation was given by Smart kolektiv, which was based on previous experiences and researches this organisation conducted in past several years;
- the issue of framework conditions for CSR development in Serbia was stressed in view of the project of creating the Strategy for Sustainable Development of Republic of Serbia, the joint endeavor of the Cabinet of Vice Prime Minister, UNDP, and SIDA;
- the efforts of National Commission for ISO 26000 Standard, the standard of social responsibility, were also presented;
- as well as two examles of good practice among Serbian SMEs (TELEFONIJA A.D. – Belgrade, Afrodite Mode Collection – Belgrade).

**TELEFONIJA A.D. – Belgrade, Serbia**

Founded in 1954, Telefonija AD is a listed shareholder company with four subsidiary companies engaged in the domain of communication & information technology services. At this moment, this company employs 266 staff members, organized in four profit centers. As company orientated toward exploring new markets, Telefoniija AD has clearz recognized the importance of developing its corporate governance system. The first step in that direction had been acquisition of ISO 9001 2000 international standard, which company has received on 15th of September 2003 in three-year period, while the recertification was executed in October 2006. Simultaneously, the management of Telefoniija AD has made a practice of good corporate governance and improvement of CSR a part of its own strategic goals. In that sense in October 2006 the Board of Directors has approved company’s Code of Conduct and Business Ethics, and in the same time they started a cooperation with IFC which resulted in starting a Corporate Governance Assessment. After four months of interviews and examinations in February 2007 the final assessment report was delivered to management. The recomendations from this report have been focused on structure and operation of the Board of Directors and Executive Board, improvement of environmental control and operational processes, information disclosure and transparency, and treatment of minority shareholders. In March 2007 we have seen the beggining of Corporate Governance Implementation Plan.

The practice od corporate social responsibility in this company is primarily focused on its employees, and improvement of environmen-

**Afrodite Mode Collection – Belgrade, Serbia**

“AMC-Afrodite Mode Collection” is a private company for manufacturing and trading of textile products established in 1990, which currenty employs one hundred workers and members of staff. The basic activity of this company is manufacturing and sale of women’s fashion clothing for domestic and foreign markets. The practice of CSR of this company is primarily...
AMC is investing in its employees by offering them adequate training at the very beginning of their employment in the company. There is a strategic approach to training and education of employees from all sectors, according to the needs and requirements of the job position.

Additionally, the management has started to employ persons with disabilities which are equally treated in all respects. There are 9 people currently employed at AMC with higher or lower level of disability.

The position of AMC management is that it is much more valuable to help people with disabilities by investing into them and giving them a possibility to develop their skills than by offering them only a short-term financial aid. Therefore, AMC has developed cooperation with several schools for young with special needs in Zemun. The cooperation implies training of students from those schools and their involvement into AMC activities through full-time employment.

In the last part of the conference, UNIDO presented its approach to CSR, mainly through REAP (Responsible Entrepreneurs Achievement Programme) and experiences from the implementation of this project in Croatia, and the achievements of national Cleaner Production Centres which UNIDO supports. Three case studies were presented from different settings: SIPRO d.o.o. – Umag, Croatia, which is one of four companies chosen for the pilot-project of introducing CSR in Croatian SMEs, Serbian Cleaner Production Centre, and Hungarian Cleaner Production Centre.

**Responsible Entrepreneurs Achievement Programme (REAP)**

UNIDO has developed a methodology called “Responsible Entrepreneurs Achievement Programme (REAP)”, a comprehensive programme to support SMEs in implementing CSR. It is based on the ten principles of the UN Global Compact and lays a stable and solid ground for a broad implementation of responsible business practices, responsible supply chain management, and a national and local business-related policy framework, geared towards sustainable industrial development. One of the components of REAP is a software, which enables SMEs to implement CSR practices in a cost-effective manner through benchmarking, analyzing and improving company performance in the financial, environmental and social areas (Triple Bottom Line). It can be seen as an operative guide for businesses, for both the analysis of the baseline situation and the documentation of the changes and improvements achieved. UNIDO is right now in the process of developing a REAP training manual for institutions (implementation counselling) as well as for SMEs (performance improvement) that wish to work with this methodology. UNIDO will offer training workshops to make business support and advisory institutions familiar with the programme (including the software) and enhance the quality of their services.

For further information, please see web page www.unido.org/reap

**UNIDO in Croatia**

With the idea to further develop and promote CSR concept in Croatia, and to assist and guide Croatian companies in meeting social and environmental requirements, in April 2004 UNIDO has signed together with Ministry of Economy, Labor and Entrepreneurship Agreement on „Development of Corporate Social Responsibility“. This project had several objectives: to generate the evidence that the CSR has positive impact on business; to build necessary CSR-related capacity in the country; to assist in developing a strong, export-oriented SME sector, able to meet the environmental and social requirements of international consumers; and to facilitate the preparation of a Croatian business agenda for CSR in partnership with public and private sector institutions and enterprises.

This project implied three phases:

1. The Assessment Phase – an overview of the status of CSR in Croatia has been provided and the target areas to focus on have been identified; additionally, the recalculation of Responsible Competitiveness Index (RCI) included also Croatia and nine other SEE countries.
2. Policy and instruments building – in November 2004 multi-sector interactive workshop on how to develop comprehensive policy framework for responsible business was held with participation of the main national stakeholders.
3. CSR cases-building Phase – the final
phase of the project was concerned with performing of demonstration projects in 4 selected pilot companies: KIO KERAMIKA, Orahovica (ceramic tiles producer); LURA d.d., Tvronica Sirela, Bjelovar (dairy); PPM d.o.o., Čakovec (metal industry); SIPRO d.d., Umag (chemical industry).

Serbian Cleaner Production Centre

The UNIDO has been engaged in Cleaner Production Program and financially assists in establishing of National Cleaner Production Centers (NCPC) in many countries. There are ongoing activities on realization of this program in countries such as: Brasil, Chech Republic, Egypt, Ethiopia, Croatia, Armenia, South Africa, Camodia, Kenya, China, Costarica, Cuba, Guatemala, Hungary, India, Laos, Lyban, Macedonia, Mexico, Morocco, Mozambique, Nikaragua, Republic of Korea, Russian Federation, El Salvador, Slovakia, Sri Lanka, Tanzania, Tunisia, Uganda, Uzbekistan, Vietnam and Zimbabwe. In 2005 UNIDO has initiated and financially assisted the realization of preparatory project of „Cleaner Production“ with an objective to assist the establishment of NCPC in Serbia. Its official kick-off is planned for Sixt Ministerial Conference „Environment for Europe“ which will be held in period October, 10-12, 2007 in Belgrade.

Organization of NCPC in Serbia is a joint endeavor of UNIDO, the Ministry of Science and Environmental Protection, and the Faculty of Technology and Metallurgy of the University of Belgrade. As a pilot project, during the period of February-June 2006 UNIDO implemented program of education which gathered 12 consultants from different institutions who were trained in the field of cleaner production, and for the representatives of companies there were organised common workshops on environmental issues and individual consultings with special support in organizational and technical fields. There were 6 companies participating in the CP Program which all come from chemical industry: DCP Hemigal, Leskovac; DUGA, Belgrade; Galenika-Fitofarmacija, Zemun-Belgrade; Hemovet - Bački Petrovac; Oil Refinery Belgrade, Krsnača-Belgrade; and UMKA – Cardboard factory, Umka.

At the end it may be noted that in attempt to enhance the role of the private sector in sustainable development this conference was not focused on generating private sector philanthropy as the only mean for meeting social and environmental goals. Instead, the organisers and participants had primarily interceded for the enhancement of mutual cooperation and abetment of activities that advance the adoption of socially responsible business practices among SMEs in Serbia and the wider region.
1. CSR is a relatively new topic in Serbia, and there is a general impression that CSR is treated primarily in the context of large multinational or domestic companies; however, we see that the most relevant institutions and organizations, like UNIDO or the European Commission, are focusing their activities on SMEs. What would be the reasons for that and what would be, in your opinion, the main benefits of promoting responsible business practices among SMEs?

Well, starting with your first question, I think that the reason why more and more institutions active in the field of CSR started to shift their focus towards SMEs has to do with their strength in number on the one hand, and their importance for the economic development of any country on the other. One needs to recall that about 90% out of all companies that exist around the globe can be classified as small and medium businesses. Nowadays, there is no discussion about the importance of those enterprises for long-term economic stability and the development of a functioning market economy, and even less about their labour absorption skills. Even though the individual impacts of SMEs are small, the cumulative social and environmental effects of such a large body of economic actors are enormous. Often, it is also the case that SMEs are over-represented in industrial sectors with high environmental impacts, and that those businesses are not subject to the same regulatory requirements and enforcement processes that aim at mitigating the negative impacts of larger enterprises. With this in mind, it becomes clear that the CSR movement will not be sustainable if we do not manage to successfully integrate also those smaller firms and keep placing our main emphasis on a segment that only comprises some 10% of all companies worldwide. I am not promoting a strategy that foresees a complete shift towards SMEs here neglecting large multinational companies, but I believe that a stronger integration of the SME sector is of utmost importance for CSR to have a considerable impact on our lives.

The reason why CSR has been taken up primarily by larger companies so far has to do on the one hand with their stronger media presence and their high reliance on reputation and brand protection, and on the other hand with the way CSR was promoted and introduced to the business world. Many companies still relate the concept of CSR to large-scale philanthropic investments, donations or sponsorships. Pictures of company owners talking at an opening ceremony of a newly constructed elementary school, the entire staff of a factory roaming around to collect waste in the parks and surroundings of playgrounds, or firms providing medical equipment for hospitals in Africa, still come to one’s mind when thinking of CSR. While all of this makes a valuable contribution to the wellbeing of our society and relieving poverty, it is obvious that those activities are far beyond reach for many smaller companies that are frequently faced with financial or human resource constraints. As a consequence, we often face a situation where SMEs take up a rather sceptical position when it comes to CSR and one might here arguments like “this stuff is for large corporations, not for us who don’t have money. We are businessmen and we need to do business to survive. We cannot afford to give anything away.”

In order to get SMEs on board, we need to point out that the CSR concept equally works for smaller firms and that it can constitute an excellent business case as well. While there is no universally agreed definition of CSR, many see it as the private sector’s way of integrating the economic, social and environmental...
imperatives of their business activities – and this can be perfectly in line with a firm’s quest for facilitated market access, enhanced productivity or decreasing operational costs. In the end it all comes down to how a company realizes CSR within its individual business operations and processes. In that respect, an image of a small investment in isolation systems in order to reduce energy consumption and heating costs, or of enhanced maintenance and cleaning procedures for machinery to make the workplace safer and thereby reducing equipment breakdown rates are probably more appealing to SMEs than the idea of constructing playgrounds for the community. And all of these activities can be regarded as CSR because they contribute to a reduction of negative impacts on the natural and social environment, and at the same time bring benefits to the businesses.

2. Based on your experience, what do SMEs need to perform well in this respect within a globalized economy? Do you think entrepreneurs and small business owners in Serbia and other economies from this region are conscious enough of the demands posed by globalization and the way to cope with these demands? In which way practicing CSR can bring benefit to SMEs from countries like Serbia?

Serbian businesses have had a difficult period in recent years, facing the economic burdens of destruction by war, loss of traditional markets, privatization and transition to a market economy, all at the same time. At the same time, those who have survived are faced with the economic challenges posed by the country’s wish to accede to the EU in the near future. All these pressures mean that Serbian businesses had to change substantially in a short period, modifying their performances and adjusting their strategies, and that they must continue to change at an equally rapid rate. In particular, new policy and businesses pressures in one of their greatest actual and potential markets, the EU, are pushing Serbian SMEs to commit to CSR. The value of CSR has already been recognized by some leading enterprises in the country that will also play a crucial role in the Serbian Business Leaders Forum that will be launched soon. However, currently most SMEs do not have any methods or capacities available that would allow them to adopt CSR in the most cost-effective manner.

As a country in the process of stabilization and potential accession to the EU, the Serbian business community is under strong pressure to bring itself into line with EU policies, and show clients and potential clients within the EU and elsewhere, that they are practicing CSR. Requirements for CSR are already clearly affecting the business sector in economies in transition, both through direct supply chain relationships, where their international clients are demanding it of them, as well as through the development of legislation, and international standardization and certification. CSR is now also being debated in the public policy sphere – the UK has a Minister for Corporate Social Responsibility, the EU has recently published a Green Paper on the subject, 2005 has been designated the European Year of CSR, and the UN Global Compact is bringing together companies and UN agencies to address CSR.

Serbian SMEs need to be aware of all those developments affecting their region. A lot of activities are going on at the moment, in particular within the European Commission, that is trying to promote CSR standards, particularly in smaller businesses. Furthermore, the International Organization for Standardization (ISO) is about to come up with a guidance standard on Social Responsibility – ISO 26000 – that is likely to gain influence in the years to come. Also the demands for enhanced environmental and social responsibility imposed on SMEs by supply chain partners and some financial institutions (‘ethical investment’), that have begun to link the access to credit to socially and environmentally responsible business practices play a significant role. If Serbian businesses manage to prepare on time to face these developments, and if they CSR can be brought in line with other issues such as cost reductions, improved productivity, reduced labour turnover, enhance market access or brand loyalty, then SMEs will be able draw benefits from this concept.

3. UNIDO’s programme on CSR in Central and Eastern Europe was firstly introduced in Croatia. What were the main experiences or lessons learned from this, should we say, pilot project? What would be the similarities or differences between Croatia and Serbia concerning the topic? What was the impact of REAP in Croatia so far?

Generally speaking, almost everywhere we worked so far, we found that enormous difficulties appear when smaller businesses are asked to apply some ‘highly sophisticated’ CSR concepts. Hence, the enthusiasm accompanying the enormous potentials of engaging SMEs into the global CSR movement is linked to a whole set of new problems and challenges resulting from the fact that general lessons and approaches of CSR cannot be simply transferred to (or imposed on) smaller business units. Taking into account that SMEs do not share many of the concerns underlying calls for enhanced ethical business standards of larger companies and the considerable resource constraints
they face, approaches need to be modified in a way that they fit their respective needs and capacities, and do not adversely affect the economic viability of those firms.

It was in this context that UNIDO started to explore what kinds of tools could be made available to SMEs assisting them in meeting social and environmental standards without losing their competitiveness. In this respect, the so-called “Triple Bottom Line (TBL) approach” is finding increasing and widespread international acceptance within the corporate world. The TBL approach goes beyond the traditional “financial bottom line”, to include two additional components of corporate disclosure and reporting: the “social bottom line” and the “environmental bottom line”. While it is well understood that companies have to realize gains on its financial bottom line in order to be sustainable, the approach is based on the assumption that the firms should not only take into account financial capital, but also include so-called social- and natural capital.

The lessons we have learned in the course of our Project in Croatia were, first of all, that SMEs need to be convinced to engage in CSR and this can only be done if you are able to show them the direct benefits that result from it – the so-called business case. Secondly, we found that it is essential to involve all employees of a company, from the top management to the machine maintenance staff, in activities related to CSR implementation – otherwise it will never become sustainable. As this was our first project applying this approach in companies we significantly improved the REAP methodology since that time, incorporating the feedback we received from companies and institutions. In Croatia we were working with a multifunctional team of three experts, one for each domain – productivity, environmental and social. In the future, the idea is to train people in all of those areas at the same time. The feedback from the companies we worked with was very positive in terms of enhanced employee satisfaction, cost savings or productivity and quality enhancement. But since the REAP methodology is still being developed and improved, first concrete results will be available next year.

4. Where do you think Serbia is standing in relation to other countries included in this programme?

Working in this region, we have made very similar experiences in the field of CSR development – the reluctant engagement of SMEs, no clear idea of what the CSR concept entails, little support from governments, and a strong association with philanthropy, sponsorships and donations. We found quite a lot of scattered institutions being somehow active in the CSR domain, but mainly focusing on theoretical discussions on the concept itself rather than developing pragmatic approaches for implementation. When it comes to providing practical suggestions to firms, only few remain on the playing field. In other words, we have often experienced a lack of institutional know-how and capacity to convince and support companies to implement CSR practices in their business operations. Some motivated managers keep visiting a series of workshops, trainings and meetings expecting to get some guidance on what needs to be done in order to become a socially and environmentally responsible businessman or woman. But all too often the question “what do I do first when I come to my office the next morning” remains unanswered and even the most enthusiastic business leaders start to lose their interest.

While doing some research on the CSR activities in the countries we included in our regional initiative, Serbia was probably the one that came up with the most coordinated approach in terms of promoting CSR countrywide – the Responsible Business Initiative (RBI). In other places we mainly came across a larger number of institutions that work in that sphere, but in a very uncoordinated and unstructured manner. A crucial point in the RBI was also the involvement of the government in that process, which many initiatives in the region had not managed to achieve. The launch of the RBI was for sure a good first step in the right direction and it forms an excellent base to build on further.

5. What are your future plans in relation to this programme in Serbia?

In September this year we will offer the first REAP training course here in Vienna for business support and advisory institutions from SEE and CEE countries. In this respect we hope to receive many applications from Serbian institutions that have some experience in working with companies in the areas of cleaner production, social
responsibility or continuous improvement techniques (lean management). Our idea is to train and license a pool of experts in various countries, who can then reach out to SMEs that require assistance.

The advantages of this system are, first of all, that we can reach far more companies with our CSR methodology, and secondly, that the counsellors who will work with it already have experience in operating in certain markets or environments and are therefore aware of the most prevalent problems the business community in a certain country or region faces and what it takes to work in that direction. In particular, we will closely cooperate with the UN Global Compact local network and the Serbian Cleaner Production Centre that are just about to be established. We also welcome the idea to launch the Serbian Business Leaders Forum this year, and whenever there is the wish to employ experts in charge of direct counselling of companies, we are willing and ready to train them on REAP as well. As establishments such as the Business Leaders Forum are primarily driven by larger firms – in particular through the initiation phase – it would be good opportunity to focus on an area called ‘socially and environmentally responsible supply chain management’, as it is a topic that is gaining more and more in importance in Europe and globally.

In the Croatia Project we also supported the government in developing a policy framework for promoting CSR uptake in the business community. As far as I know, the first steps in that respect have already been taken in Serbia in the course of the RBI. However, in case there is any need and political will to move further in that direction, UNIDO is most willing to provide support in that context and encourage the exchange of experiences with other countries in the region.

**EUROPEAN SMES’ GOOD PRACTICE**

Following the EU approach, also at individual Member State level the issue of CSR has been gaining importance in public and policy debate during the last years or even decades. However, the time of introducing the idea of Corporate Social Responsibility considerably varies among the Member States. While it is, for example, a relatively new concept in Poland where it was introduced in 2000 by the Responsible Business Forum, the origins of CSR in Spain stem from the 1990s when the concept of Social Responsible Investment (SRI) was introduced by organisations in the area of collective investment and pension funds. Also in Romania the concept of social responsibility originates in the 1990s when many NGOs (particularly with humanitarian business objectives) were founded with the assistance of international public or private institutions. The major involvement of both, large and small companies in CSR activities in terms of restructuring their technologies for environmentally friendly production or the adoption of social measures for employees or the society started after 2000. The private sector’s involvement in CSR was mainly fostered by the engagement of multinational companies active in CSR, and – later on – also experienced an impulse stemming from the possibility to access EU funds.

In Finland, for example, the first publications dealing with ethical issues in business activities even date back to 1959. However, up to the 1990s “ethical business management” was more prevalent than the concept of CSR. Environmental management and CSR have had mutual interrelations, and currently they can even be considered to have been merged into one – “responsible business”.

Also in Norway issues relating to health, safety and environment at the workplace have been discussed since the 1960s and issues relating to the external environment have been high on the agenda during the 1970s and 1980s. The CSR concept as such became subject of discussion in the mid 1990s. A similar development may also be observed in Germany. In Austria, the discussion of “sustainable development” started in the 1970s or 1980s, focussing, however, at least in the beginning solely on the business sector’s protection of ecological fundamentals. Social and economic dimensions (e.g. quality of life, innovation, networking) are considered only since the implementation of the Austrian Strategy for Sustainable Development in 2002.

These varying time horizons correspondingly lead to different levels of awareness and practical implementation of the concept into business reality. It can, for example, be observed for Poland that national companies lag behind foreign companies with respect to the systematic application of ethical standards (i.e. CSR activities are seen to rather be a matter of chance than companies’ conscious policy) and also in Norway, Austria, Finland, Germany and Romania the notion of CSR is not too well known by the enterprises (although respective practices seem to be well applied).

Generally, a growing involvement of European businesses in CSR is observable. This is not at least attributed to the fact that companies increasingly realise the necessity of improving business’ image
by showing commitment to social issues and/or the introduction of business ethics rules and, therefore, include CSR activities in the daily business routines. So, the raised awareness of consumers increasingly appreciating CSR practices is an important incentive for further development of respective corporate activities which may then be used for gaining a competitive advantage compared to other market players.

**Deployment of CSR Activities in European SMEs**

At individual Member State level it becomes obvious that the deployment of CSR activities among national enterprises is considerably influenced by the given framework conditions. On the one hand, the prevalent legislation/regulatory framework in different fields (e.g. environment, employment, consumer protection etc.) sets obligatory minimum requirements with regard to what actions enterprises are required to undertake – thereby also determining the scope of potential voluntary CSR initiatives. Consequently, in countries like, for example, Finland, Norway or Austria with a high level of legal regulation, companies have more limited possibilities for “doing something beyond” compared to countries with a lower level of legislative density (e.g. the US or developing countries). Furthermore, in highly regulated countries the administrative burden for companies (and SMEs in particular) may already be perceived to be inordinate which leaves little or hardly any room for additional actions, at least in certain CSR areas. This might be particularly true in times of macro-economic downturns when the enterprises strive to only make the most necessary investments in order not to overstrain their equity cushion. However, governments may also set incentives (e.g. tax relieves, considering ethical business behaviour in tendering processes etc.) inducing companies to become involved in CSR. On the other hand, the duration and intensity of the public and political debate on CSR influences the awareness on this topic among business leaders.

When dealing with SMEs’ involvement in CSR, it is observed that this kind of companies often lack awareness or understanding of the concept. The range of strategic opportunities CSR can provide is hardly ever conceived by the owners/managers of SMEs. Especially in small companies the term “CSR” is not well known.

SMEs often relate “Corporate Social Responsibility” to the activities of large enterprises and do not know that the measures set by themselves may also be considered as CSR. So, for example, data from the United Kingdom (2006) shows that 71% of the SMEs are uncomfortable with the use of the term CSR for SMEs. They assess it as being too difficult to understand and relate the word “corporate” with issues for large companies only.

Irrespective of this terminological problem the practice shows that the majority of European SMEs are aware of their responsibility toward the society – particularly with regard to the local stakeholders (i.e. consumers, employees and local community) as there, a higher degree of (personal) embeddedness is felt while at the same time socially responsible behaviour is expected from the other local actors, too.

Particularly during the last years, the awareness of the importance of a multi-stakeholder orientation (instead of solely shareholder/owner orientation) has become widespread among European SMEs as it is assessed to be an important pre-condition for sustainable success. Data from Spain, for example, shows that almost 70% of the enterprises see CSR as a key factor for a beneficial business performance in 2006 – while the respective share amounted to “only” about 50% in 2004. (Foretica, 2006)

Companies realise the necessity of improving the enterprise’s image by showing commitment to social issues and/or the introduction of business ethics rules and, therefore, include CSR activities in the daily business routines. For example, about 60% of the large companies, more than half of the medium-sized enterprises and about 40% of the small companies in Poland declare that running a business should comply with the needs of local societies and environmental concerns. At the same time, the majority of SMEs is not familiar with the concept of codes of good business behaviour. Data from Germany is even more impressive, indicating that about three quarters of SMEs are aware of their social responsibility. Also Norwegian data are convincing: 91% of the CEOs of private enterprises with more than 19 employees mentioned in 2000 that social commitment is profitable for the company in the long run, and 53% of the enterprises had issued or were elaborating guidelines for business ethics/values (ethical accountability).

**Level of SMEs’ Engagement in CSR activities**

Among public and policy discussion the impression is still prevalent that CSR is mainly an issue for large, multinational companies while SMEs do hardly engage in such activities. This, however, is at least partly due
to the fact that many SMEs do not identify their CSR activities as such and, therefore, do report on them to a lower extent than larger business entities do (e.g. by publishing CSR reports or using their CSR practices for PR campaigns) – at least as far as formal communication channels are concerned (see, for example, Maaß/Clemens 2002 for Germany). This corresponds to the general communication strategies of SMEs, particularly the smallest enterprises (hardly any market oriented marketing/PR or annual reports etc.), which is not at least triggered by their limited financial resources and company-internal expert knowledge for such purposes. Furthermore, as many SMEs are comparatively well linked to their local stakeholders they rather rely on informal dissemination channels for their CSR activities (i.e. word of the mouth) and even deem “open communication” to result in a loss of credibility due to obviously seeking positive image effects.

The level of engagement of SMEs in CSR activities differs, however, among countries. For example, 83 % of Finnish SMEs are engaged in CSR whereas “only” 46 % of Spanish SMEs conduct such activities. Generally, the northern and central European countries show the highest percentages of SMEs involved in external social activities, contrary to southern countries as well as France and the United Kingdom where social involvement is less common among SMEs. Reasons to explain these national differences may be different cultural traditions regarding the role of enterprises in the society, different public welfare traditions or different expectations from the general public on the social involvement of enterprises.

Regarding the level of engagement in CSR activities different ‘types’ of SMEs can be identified:

- SMEs that are purely motivated by financial gain and do not see any relevance for social engagement. They believe that they do not have any social responsibilities outside the narrow confines of their business and are not active members of business networks.
- SMEs that have relatively minimal experience in the engagement with social responsibility activities, but that may have participated in e.g. a volunteering project. Their motivations tend to be issue-based.
- Entrepreneurs that work very independently and in isolation from others. Their socially responsible activities are often fragmented. They are less interested in engaging with others, so they are difficult to reach and support.
- Smart pragmatists who recognise the business benefits of acting responsibly.
- Enlightened pragmatists who are motivated by broader, long-term societal goals as well as understanding the basic business case.
- At last, SMEs which have started as social enterprises in which the owners/managers are motivated heavily by a desire to create positive community or social impact. They are more likely to understand CSR concepts and terms and seek more opportunities for engagement.

Source: Business in the Community, the British Chambers of Commerce, the Institute of Directors and AccountAbility (Institute of Social and Ethical Accountability), Engaging SMEs in Community & Social Issues, Great Britain, 2002.

Main CSR target groups for European SMEs

European SMEs concentrate their CSR activities on four potential “target groups” (employees, the market, the society and the environment) as well as on comprehensive approaches combining two or more fields of action. As to this regard, however, differences with regard to the level of engagement in the different fields can be observed.

The smaller the company the more important are employees as the main target group for CSR initiatives whereas CSR activities among large enterprises have a predominately external-to-the enterprise focus (Murillo/Lozano, 2006). This can be shown by various national studies. For example, 54 % of Danish SMEs have implemented workforce related CSR activities (TNS Gallup, 2005) and also a survey among SMEs in the United Kingdom shows that their most popular social responsibility is directed towards their employees. In Austria, 86 % up to 95 % of the Austrian enterprises state that being a role model for the employees, equal treatment of the employees, a fair salary structure, transparent and honest contracts are important social responsible activities in their enterprises. The terms of business values and ethics are often used synonymous with the supporting of employees.

Workplace related CSR may refer to activities in the field of guaranteeing sustainable employment (particularly in industries characterised by uneven order volumes), human resources development (e.g. mentioned by 75 % of the Danish SMEs or more than 80 % of British SMEs) and career planning (e.g. internal promotion activities) whereby sometimes a specific focus on individual groups is taken (e.g. women, migrants, elderly), improvement
of working conditions (working time, ergonomics, risk prevention/safety at work etc.; e.g. 70 % of the Danish SMEs indicate such), integration of disadvantaged groups50 (e.g. elderly, women, handicapped, migrants etc.) on the labour market, employees’ participation in company decisions (e.g. 71 % of the Danish SMEs) or the empowerment for that etc.

Measures may, however, also take a more “innovative” approach, e.g. by voluntarily contributing to employees’ retirement pension or by granting them cheap or even interest-free small loans for short durations. Other possibilities refer to the offering of social events, such as company funded sport events or meals, or the earlier payment of salaries.

For SMEs, this constitutes an important CSR area as by being known as “responsible employer” the often prevalent problems of attracting or retaining qualified employees may be overcome.

Examples for Workforce-oriented CSR Activities of European SMEs

The small Austrian consulting company “denkstatt GmbH” has launched an internal project to support the health of its employees, consisting of a multitude of individual actions. The company provides the employees with biological fruits and milk free of charge, and one or two employees cook about 3 times a week a healthy meal for all during their working time. Furthermore, the enterprise offers a substantial sports programme (football, swimming, badminton, running, riding a bicycle etc.). In addition, the employees have the possibility to regenerate in the framework of a “powernap” (a short recreation sleep of 20 minutes). The working rooms with a lot of foliage plants have a homelike, pleasant atmosphere.

The German medium-sized cleaning company “LR Gebäudereinigung”, among others, provides cost-free German classes for its employees with migration background to improve their language skills or organises a workshop on environmental issues held annually for trainees. The trainees can create an own concept for environmental protection in the context of their workplace. Through this measure the young employees develop creativity and get inspired to improve and ensure their responsible behaviour at work. Good ideas had been considered by the management and became standards of the firm’s environmental policy.

In “Protu AS”, a micro IT enterprise in Norway, the company owners try to secure that employees assess their work to be fun and well adjusted to their personal work-life balance. The company provides cell phones and broadband internet connection at home to all employees, so everybody has a fully serviceable home office. The company does not count how many days the employees are at home due to illness or children’s illness. The employees can take as much time as they need to restore their health and spend time with their family during illness.

“Eko-Expert” is a small wool blowing contractor and wool recycling company in Finland, having developed a unique technology to reuse the building insulations that otherwise would end up on the dumping ground when buildings are renovated or pulled down. This technology results in an economic advantage for the customers through the savings in insulation expenses. A concrete example on the savings that Eko-Expert can offer is a building contract of a national construction company. In the process of renovating six apartment buildings savings of about € 35,000.- for the client (the construction company) could be realised, resulting in turn in cheaper prices for the residents in the buildings.

The Romanian research company “SC Icemenerg SA” assigns 5 % of its turnover to measures targeting at improving the employees’ working conditions, e.g. by investing into occupational health, training, social events (such as the provision of a recreation centre or a gym hall). Furthermore, the company hires young people, especially for the new job positions the company has created by diversifying its field of activity.

It is also observed that – although workplace related activities are dominant among national companies – society oriented initiatives (e.g. public welfare services, voluntary works or access facilities for disabled people) are gaining in importance, pinpointing a shift towards a broader understanding of CSR. The ENSR Enterprise Survey 2001 shows that the external social activities mainly concentrate in three fields: the support to sport (47 % of the European SMEs), cultural and health/welfare
CSR in Europe

activities not aimed at the SMEs’ own employees (one third, each), i.e. initiatives benefiting the overall society. This is either done by monetary contributions or by donations in kind. In some cases, however, also active participation is provided by either the company owner working for charity purposes or allowing employees to do so during their working time.

Regarding the degree of involvement in the different types of external social activities a positive relationship with the size of the enterprises can be observed. The larger the SMEs, the higher are the percentages of involvement in the different social activities, but the order of preference for different types of activities is equal in all size classes.

Other CSR activities for the benefits of the society may refer to work with local schools or colleges or work with charities or the voluntary sector.

Community based CSR activities may also deal with the integration of the local population in the labour market (i.e. employing local inhabitants instead of recruiting people from outside the region) or by creating jobs for disadvantaged groups on the labour market. Furthermore, disseminating the concept of CSR among the local community – including the private business sector – can be seen as an important approach.

Examples for Society-oriented CSR Activities of European SMEs at Community Level

“Stormberg AS”, a small Norwegian wholesaler, follows a CSR approach aiming at recruiting persons who otherwise would have difficulties with entering the labour market. At least 25 % of their employees should be recruited from persons who are disadvantaged at the labour market. Presently, almost 30 % of the employees are former prisoners, school drop outs and people with a drug abuse problem. Stormberg collaborates in this respect with an organisation, “Way Back”, helping prisoners and former prisoners with their rehabilitation. The company benefits from very loyal employees, resulting in very low personnel fluctuation and absenteeism. Only four people have left the company since it was established in 1998.

The small Polish PR consultancy “Toolbox Creative Communications (TCC)” carries out free of charge PR activities for the Forum for Dialogue among Nations (Forum Dialogu Między Narodami, FDMN), a NGO aiming at fostering the Polish-Jewish dialogue through celebrating cultural diversity and teaching tolerance via education. Within TCC, the pro bono project is given an equal attention and importance as the usual, profit-driven actions in terms of number of staff involved, monitoring and evaluation. The activities taken involve, among others, media relations, the organisation of a press conference, the creation of a web page, assistance to journalists or day-to-day assistance to the Forum’s communication activities connected with various activities realised by the organisation and its participation in different projects.

The Spanish “Gaursa Group”, a medium-sized car company, is actively involved in the promotion of sport activities for local youngsters, especially in the field of cycling. Thus, Gaursa has been engaged in several local non-professional cycling teams (as regards some of them even since the enterprise’s foundation in 1969) and also provides a professional cycling team with automobiles. Although these activities were initially intended to increase the visibility of the group in the area (marketing purposes, especially as far as sporting activities are concerned), Gaursa has finally integrated these activities into the internal core-activities of the group.

Example for Society-oriented CSR Activities of European SMEs at International Level

The medium-sized Finnish jewellery producer “Kalevala Koru Oy” donates a share of the profits gained by selling the series “Time of Africa” (Afrikan aika) to a project helping girls to gain basic education in Ghana, where families are so poor that this normally is not possible. The idea for the series came from the goldsmiths of Kalevala Koru who have participated in promoting the cultural exchange between the countries and in developing the training of goldsmiths in Ghana.
While these activities are, in general, focused on the local community, some SMEs’ measures target at a larger geographic region (e.g. a certain percentage of sales is donated to developing countries).

CSR activities may, however, also be closer related to the business objective as such and, consequently, targeted at the market (customers (both, private and commercial players), business partners and suppliers). Generally, it may be assumed that the client-based approach is more widespread than the supplier- and/or business partner-oriented one. In Austria, for example, three quarters of the enterprises state that a fair price policy is one of their important responsible activities with regard to the market.

CSR activities in this field may on the one hand refer to promoting ecological and ethical consumption or recycling or providing high quality products or specific voluntary services to the clients (e.g. help lines, flexible order amendments according to clients’ short-term requirements). Customer-oriented CSR activities may, however, also go beyond the direct buyer-seller relationship by incorporating issues in the interest of the client but not strictly related to the enterprise’s core business.

The German small kitchen producer “Die Möbelmacher GmbH” arranges cost free cookery courses for the customers in the show room. By doing so, the customers get an impression of the firms’ kitchen concepts which are mostly developed and patented by the firm. By attending these courses, the customers additionally learn about health-conscious diets. In order to reach a vast audience of (potential) customers, such cooking shows are broadcasted on a local television programme. As a result of these innovative sales strategies and constant investments into new techniques and own research on new products, Die Möbelmacher achieved significant increases in turnover during the past years.

Examples for Environment-oriented CSR Activities of European SMEs

“LUMAG Sp. z o.o.”, a medium-sized enterprise of the Polish motorisation industry consistently realises an environmental policy aimed at safe production in conditions which do not do harm or are a burden to the natural environment. The company, for example, tries to manage all wastes produced within its premises as well as feels responsible for its products also after

Due to the prevalent high degree of environmental regulations European SMEs tend to comparatively rarely engage in voluntary environmental activities. In the ENSR Enterprise Survey 2001 (European Communities, 2002) “only” 12 % of the European SMEs engaged in external CSR activities indicated to be involved in environmental initiatives, ranging, however, from 32 % in Norway to 9 % in Spain among the countries covered in this study. Nevertheless, it can be observed that SMEs are taking an increasing interest in formal environmental management systems, mainly due to market pressure from customers through the supply chain (especially as far as ISO 14001 is concerned).

Respective measures generally refer to designing environmentally friendly products or production processes (including the ecologic and economic use of natural resources) or actively engage in recycling activities. They may, however, also go as far as to apply an “ecologic assessment” on the suppliers concerning their environmental standards or inform business partners, customers or the society as such on environmental issues, i.e. disseminating the company’s own claims regarding environmentally friendly production along the value chain.
Last, but not least, there exists a wide range of comprehensive approaches being understood as CSR activities not focused on only one of the above-mentioned fields, but combining two or more of them (e.g. setting initiatives for the workforce and the consumers while also implementing environmentally friendly production processes). The analysis of the identified cases of Good Practice shows that the majority of considered SMEs does not limit their CSR activities to one distinctive field, but become engaged in at least two areas. This is in line with the generally prevalent feeling in SMEs of ethical/moral obligation to “do something good” and results in a wide variety of different approaches to CSR (i.e. all different combinations of the individual CSR fields).

Comprehensive approaches may be seen to be of particular advantage if they do not dispose of single, fragmented measures but are oriented on a shared topic.

Examples for Comprehensive CSR Activities of European SMEs

“Farm-FillUmweltinnovations- undVertriebs GmbH”, a micro Austrian retailer has as an important business objective to distribute toys that can be recycled, being made up of natural and renewable resources. The plants that constitute the major raw material for the product grow without fertilisers and pesticides on set-aside agricultural land. Thereby, local suppliers are referred to. At the same time, by playing with this toy children are familiarised with natural products while being encouraged to develop creativity. Furthermore, Farm-Fill is supporting several non-profit organisations.

The medium-sized Norwegian manufacturing company “AS Marex” follows a comprehensive approach by annually donating to various charitable causes, taking care of the environment (e.g. sorting and recycling of waste), guaranteeing sustainable employment (even in phases of recession), providing health care (e.g. annual health check free of charge) and training to its employees and offering jobs to people who need labour market training.

Adapted according to: Irene Mandl and Andrea Dorr, “CSR and Competitiveness, European SMEs’ Good Practice”, KMU Forschung Austria, Vienna, 2007