

CORPORATE SOCIAL RESPONSIBILITY OF SMALL AND MEDIUM ENTERPRISES: MYTH AND REALITY OF THE XXIst CENTURY, WORLD PRACTICE

Key words: *small and medium enterprises; development; CSR; communication on progress*

JEL code: L25 Firm Performance: Size, Diversification, and Scope; M14 Corporate Culture; Diversity; Social Responsibility

Abstract

In recent years corporate social responsibility (CSR) has become a new important feature of modern business. The increasing number of companies are thinking over the sustainability of their business in the long term and are taking into account their impact on the society. Practically nowadays a new global system of business relationships that is based on the principles of CSR is being formed. In some countries the CSR is already mandatory for big business: for instance, in Europe large companies have to prepare sustainability development reports since 2017, in Russia the 500 largest companies will be obliged to prepare nonfinancial statements by 2023. Gradually CSR is spreading over the other business levels, in particular the segment of small and medium enterprises (SMEs) is becoming more and more involved in this process. Taking into account that SMEs are often considered as the backbone of the economies (in many countries they account for more than 50% of gross value added and employ the most part of workforce), SMEs could act as a powerful lever for development and expansion of CSR. However it happens at a slow pace so far.

Evidently the adoption of CSR is constrained by the limited resources and capabilities the SMEs possess (Mehran and Azlan, 2009; Stoian and Gilman, 2017; Turyakira, 2017). We have studied several articles about the motivation and barriers of SMEs to participate in CSR practice. The internal barriers for the integration of CSR-principles in SMEs include lack of resources like time, skills in CSR activities, elaboration of corporate strategy in CSR, personal characteristics of owners. External barriers include lack of information about CSR, lack of measurement and quantification of CSR benefits, informality of CSR-activities. In a lot of works the scholars share the opinion that the level of CSR implementation among SMEs is connected with the level of economic development of countries, noting that in developing countries there are more barriers to the involvement of SMEs in CSR. So we have formulated two research questions, that served as guidelines for our further investigation of CSR integration:

RQ1: How evenly does integration of CSR principles in SMEs in developed and developing countries proceed?

RQ2: Whether the quality of non-financial reports of SMEs in developed and developing countries is significantly different?

According to database of the UN Global Compact at first glance the quantity of nonfinancial reports submitted by SMEs of developed countries is greater than those of emerging countries: for instance, by now there are 861 reports of Spanish companies, 610 of French companies, 215 reports of German companies versus 118 reports of Argentina companies, only 10 reports of Russian firms, 14 reports of Ukrainian

companies etc. (Global Compact Database, 2018). Indeed, that probably could be explained by more comfortable business environment in developed countries that makes local SMEs to be more prepared for the transition to CSR.

However a statistical analysis of data on the quantity of nonfinancial reports provided by the companies from different countries of the world to the UN Global Compact shows that in general the dynamics of the process of CSR spreading does not depend on the category of the country – it does not matter whether it is an advanced economy or emerging market and developing country. There are 2 outliers among developed countries – France and Spain that are distinguished from others by the greatest number of companies submitting nonfinancial reports to the UN Global Compact. They are also characterized by the greatest increase in the number of such companies during the last years. But for most other countries (no matter developed/developing ones) the figures are really quite moderate: the total number of responsible companies is less than 200 in most countries and the absolute growth made less than 50 companies per year (for many countries the number has not changed at all). Further panel data analysis (IMF data added) confirms that countries with greater income per capita or better educated people don't tend to greater social responsibility.

At the next stage the quality of the UN Global Compact reports was examined. The reports of companies of Austria, Armenia, Belarus, Canada, Chile, Finland, Russia, Ukraine and others for year 2016 were studied. The reporting standards were different (GRI-Standards, OECD-guidelines, GC principle etc.) that created comparability problems however to assess the quality of the reports the following special criteria were formulated: materiality of information, comparability of information for several reporting periods, structure of reports, description of positive and negative aspects of firm activity, disclosure of 10 Global Compact principles etc. The in-depth analysis has shown that about 20% of all the nonfinancial reports were quite superficial: information didn't correspond to reality and was not supported by calculations or numerical data. In more than 15% of the reports there is no disclosure of the anticorruption aspects at all. Surprisingly although in comparison with emerging economies the business environment in developed countries should favor the development of CSR, the quality of CSR statements submitted by representatives of both types of economy is not satisfactory. The nonfinancial reports in both cases found out to be often just formal and made only in order to keep the status of UN Global Compact member.

So although analysis of the scientific literature has shown that scholars believe in a faster implementation of CSR among SMEs in developed countries in contrast to developing ones, analysis of the Global Compact Database has shown that both in quantitative (dynamics of the number of GC participants) and qualitative (quality of nonfinancial reports) aspects there is no such clear differentiation .

In conclusion, the suggestions for increase of SMEs involvement in CSR are made and in particular recommendations for more active participation of Russian SMEs are formulated. Besides it seems reasonable to carry out such research in a few years in order to track the dynamics of the process.