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Factors Shaping the Responsible Behavior of Russian SMEs

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1. Research Context

- An overall volume of research papers dedicated to CSR and business ethics of large corporations (Chan 2010) is more significant than the one focused on responsible behavior and business ethics among SMEs;
- Discussion of related practice of small and medium enterprises is usually considered apart from the rest of the corporate world. S.Vyakarnam (1997) expressed a point of view that business ethics of SMEs "remains the largely uncharted area of ethics", in our opinion, this statement is still true (Vyakarnam et al, 1997, p. 1625)
- Small and medium enterprises constitute a dominant form of starting and doing business in many OECD economies, they provide over 50% of jobs in the private sector (OECD, 2002)

Table 1. The number of small and medium enterprises in Russia in May 2019

	SMEs (total number)	Micro-enterprises	Small enterprises	Medium enterprises
Legal entities	8 940 063	6 184 204	2 535 614	220 245
Sole traders (individual entrepreneurs)	3 428 030	18 302	3 382 840	26 888

Source: Web resource of the Federal Tax Authority of the Russian Federation <https://ofd.nalog.ru/statistics.html>

2. Research Aim, Methodology and Method

Research aim: to investigate how owners and managers of Russian SMEs understand the terms “social responsibility” and “business ethics” and to outline key features of SMEs’ responsible behavior and motivation to it.

Methodology: theory of business ethics, organizational studies, stakeholder approach

Method and data-base: 57 in-depth interviews with representatives of SMEs from various industries

3. Research Questions

1. How representatives of Russian small and medium enterprises (top-managers and owners) perceive the term “social responsibility”, “business ethics” and “corporate social responsibility”?
2. What is the possible motivation of Russian SMEs to follow certain patterns of socially responsible behavior and certain principles of business ethics?
3. Is it true that Russian SMEs focus on labor relations (out of seven most common practices of responsible behavior according to the Russian National Standard (Guidance for Social Responsibility) GOST R ISO 26000-2012)?

4. Aspects of Terminology: Is it appropriate to apply the term “CSR” in case of SMEs?

- **Patchy picture:**
 - Authors use the terms “socially responsible business/socially responsible behavior” instead of a widely used abbreviation CSR, because many aspects of large corporations’ CSR agenda are not applicable to practices of small and medium enterprises (Fox 2005)
 - Particular scholars (Tulchinskiy 2006, Tourkin 2007) suggest to use the term “social responsibility of business” referring to the market economy as a whole or activities of SMEs in particular;
 - Some publications mark the CSR practice of SMEs as a particular case of CSR (Blagov 2010).
- **Socially responsible behavior** of SMEs presumes their intention to reach commercial success combining it with following ethical principles and showing respect to other stakeholders’ interests (Jenkins (2014))
- Socially responsible behavior means “voluntary demonstration of social and ecological issues’ inclusion into business operations of a company and its interaction with stakeholders” (Marrewijk, 2003, p. 102)
- The term “Ethical” characterizes activities which are morally good and morally right as opposed to the ones that just do not contradict legal standards (Kanungo 2001).

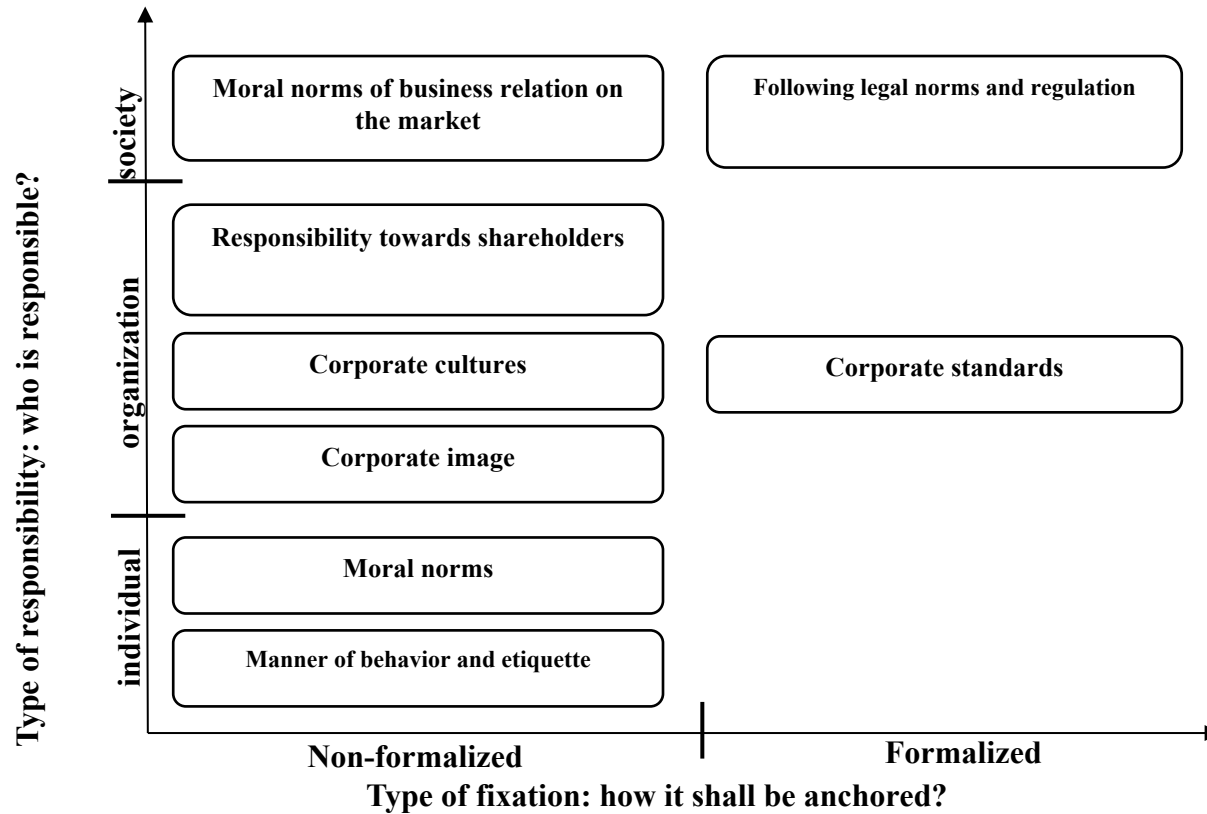
5. RQ1: How representatives of Russian SMEs perceive the terms “social responsibility”, “business ethics” and “CSR”?

Research results indicate that respondents have vague understanding of such concepts as corporate social responsibility and social responsibility of business. Most respondents admitted that they do not understand these terms completely

Business ethics in most interviews is perceived as :

- (1) an organization’s responsibility towards its stakeholders (organizational level)
- (2) the second popular perception of the term is that business ethics is a system of moral norms (institutional level)

5. RQ1: How representatives of Russian SMEs perceive the term “social responsibility”, “business ethics” and “CSR”?



Interpretations of the term "business ethics"

5. RQ2: What is the possible motivation of Russian SMEs to follow certain patterns of socially responsible behavior and certain principles of business ethics?

Motive	Object	Details
1. Care about stakeholders	Clients	<ul style="list-style-type: none"> • Polite treatment • Maintaining quality of goods / service • Provision of information additional to technical characteristics of goods and services • Careful work with customer complaints • Attention to feedback from customers • Conflict resolution
	Employees	<ul style="list-style-type: none"> • Benefits additional to ones presumed by labor regulation, assistance in critical situations • Maintenance of productive atmosphere at work • Support to new and young employees • Atmosphere of respect among employees at work • Friendly treatment of employees by managers and owners • Support of team work • Support of knowledge transfer and exchange
	Local communities	<ul style="list-style-type: none"> • Care about ecological situation • Participation in initiatives of local communities

5. RQ2: What is the possible motivation of Russian SMEs to follow certain patterns of socially responsible behavior and certain principles of business ethics?

Motive	Object	Details
2. Following state requirements	Employees Clients	<ul style="list-style-type: none">• tax payments and privileges• investments in ecological issues• Fulfillment of warranties
3. Search of competitive advantages	Company's strengths	<ul style="list-style-type: none">• stimulation of employees' productive behavior and engagement• stable positive relations with employees• high internal standards of doing business• customer focus• reputation improvement• attractive image of an employer

5. RQ3: Which common practices of responsible behavior described in the ISO 26000 Standard are most popular among Russian SMEs?

Aspects of ISO 26000 Standard	Number of References	
Responsible management practices	6	
Human rights	3	
Labor relations	34	★
Environmental issues	22	★
Compliance practices	14	
Consumer relations	37	★
Participation in the life of local communities and their development	9	

6. Conclusions and Discussion

- **Motives and practices of socially responsible and ethical behavior** are mostly rational. Companies are aware that it is essential not only to strive for economic profits but to look after their social sphere which can bring long-term benefits.
- **Results of our survey** put under question an opinion that Russian SMEs are not interested in aspects of business ethics and social responsibility since they are mostly preoccupied by their survival under uncertain and tough economic conditions.
- **Owners and executives of SMEs in Russia** demonstrate growing consciousness and adherence to ethical and responsible behavior which become more and more common for this community of entrepreneurs.
- Representatives of Russian SMEs prefer to follow practices of **responsible behavior that focus on labor relations** (one of 7 common practices of socially responsible behavior according to the Russian National Standard (Guidance for Social Responsibility) GOST R ISO 26000-2012).

Thank you for attention!

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