PROMOTION OF CSR AMONG SMALL AND MEDIUM-SIZED ENTERPRISES

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1. Introduction

This report is the final product of the business project realized during the Summer Academy “Challenges of Sustainable Development in Poland 2013”, organized by the Sendzimir Foundation. It is intended for the Marshal Office of the Kujawsko – Pomorskie region with the aim to improve the promotion of CSR among Small and Medium Enterprises (further SMEs) in Poland. The group of international participants of the Summer Academy with different backgrounds made an attempt to analyse the current situation related to implementing CSR and to give proposals for improvement of CSR promotion. Ideas were developed on the basis of knowledge gained through the meeting with representatives of the Marshal Office and on additional desk research.

The main problem that was identified was the lack of interest for implementing CSR among Polish SMEs. Some of them were aware of the existence of CSR, but were not willing to implement it. On the other hand, some of them were already implementing it without knowing that it is a CSR strategy. The report itself consists of the explanation of the concept of CSR, benefits it can provide to SMEs, the evaluation of the current situation and challenges the Marshal Office faces related to the promotion of CSR. The main part of this report is dedicated to our recommendations (such as conducting seminars, more in-depth research into the barriers of CSR dissemination in Poland as well as legal, promotional and financial support for the early-movers in the field). These actions could address the lack of awareness and promotion of CSR. We have also included a list of best practice examples to illustrate how similar activities have been carried out elsewhere.
2. Definition of Corporate Social Responsibility and its benefits for SMEs

Corporate social responsibility (also called corporate responsibility, corporate accountability, corporate ethics, corporate citizenship, sustainability, stewardship, triple bottom line and responsible business) in accordance to the definition elaborated by the European Commission can be understood as “the responsibility of enterprises for their impacts on society”. Another explanation of the term, created by the World Business Council for Sustainable Development, underlines that it is “a continuing commitment to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large”. Hence, companies ought to see CSR activities as a part of coherent vision, not as random philanthropic donation. Furthermore, unlike simple performance in compliance with law, CSR is based on voluntary actions.

Therefore, it requires from the companies integration of social, environmental, ethical, human rights and consumer concerns to their activities and core strategy in close collaboration with stakeholders. Naturally, not all of above mentioned aspects will have the same importance in every enterprise, however they should be taken into consideration while assessing a company’s impact.

CSR is currently discussed rather in the context of big companies. They form the majority of enterprises that have a CSR strategy and report about their activities in this field. However, it can be a useful tool also for SMEs on the way to improve their competitiveness.

It is worth mentioning, that SMEs are usually already close to the local communities. That facilitates CSR activities, as companies are aware of local issues and it would be easier for them to provide tailored solutions. The size of SMEs enables them to make faster and more flexible decisions, which also helps to introduce CSR and modify its implementation according to the current situation.

Furthermore, running the business on a local scale means being closer to the possible consumers. Therefore, information about practices of an enterprise spreads faster among them – very often through world-of-mouth. Often it can be also in form of coverage in local media. Therefore, CSR activities are a way to improve company’s publicity while reducing marketing costs, as well as to differentiate from its competitors.

Another advantage of being a responsible entrepreneur for the SME is improved reputation among other companies, which may lead to business opportunities, e.g. within their supply chain and partner organizations. The reason for this is that CSR conscious enterprises can attract others who share its values, and result also in increased trust between them. It can be especially important for the enterprises willing to expand internationally.

Another benefit, applicable for both big corporations and SMEs, is reduction of costs due to more efficient production management. It can involve activities such as reducing usage of water, introducing energy efficient equipment, recycling waste materials.

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CSR activities that concerns supporting employees’ wellbeing and improving their workplace can in turn improve their satisfaction, creativity, and loyalty towards the enterprise. Therefore, since SMEs employ usually members of a local community, their good practices in this sphere are more visible among them. It can also result in improved reputation of the enterprise, what is a significant factor that enhances customers trust, and consequently, their loyalty to the company.

More information concerning the issue of benefits of CSR that could be derived by SMEs can be found on following sites:


![Fig. 1: The virtuous circle of benefits derived from CSR activities](http://www.rydon.co.uk/corporate/csr/csr-circle)

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3 Rydon Group, CSR Circle Diagram, http://www.rydon.co.uk/corporate/csr/csr-circle
3. Current State and Challenges for SMEs

In 2011, the Polish Agency for Enterprise Development (PARP) started a project called “Enhancement of regional competitiveness through Corporate Social Responsibility” with the aim of raising the level of awareness and knowledge on CSR among representatives of the Kujawsko-Pomorskie Marshal Office, Centre of Service for Investors and Exporters (COIE) and SMEs. This was a Swiss-Polish cooperation program with a nationwide scope. There are three stages of implementation of the project. The first one included trainings, information meetings and study visits. The second stage of the project is being carried out now and it provides financial support for consultancy services and investments. It is a competition in which companies apply for co-financing of projects related to implementation of CSR. The third component will be carried out when all of the funding is allocated and the competition ends. It will be focused on good practices about the outcomes of the project and evaluation research of the results. The next financial programming period, which is planned for 2014-2020, will aim at integrating CSR through the support of research and development, innovation, and technology development.

In order to describe the current situation, mainly the interest around this project and about CSR implementation in general, we will use indicators which are based on information gathered from the Marshal Office. The indicators are listed below:

- Number of SMEs representatives who attend trainings and meetings
  35 representatives showed up at meetings and trainings in 2011, which was a very low number compared to the expectations. The indicator shows that for the present people display low interest and lack of awareness about CSR. On the other hand, the low number of representatives who attended trainings may be the result of poor promotion of these events.

- Number of submitted applications for the second component of the project
  The number of applications is very low – only 4 companies from the Kujawsko-Pomorskie region submitted a proposal (total number for the whole country is 108 proposals).

- Amount of unused funds that are still available
  The total amount of funding was 9.7 mln PLN for all of the regions together, but even after submitting the applications some funds are still left. The perfect state is when all of these funds are allocated to projects and it is expected during the upcoming second call there will be more applications for funding.

The indicators show that the current level of awareness of CSR and the willingness to integrate it as part of the business activities are very low and that they are not likely to improve significantly in future if CSR is not promoted.

During the project the Marshal Office cooperates with the Polish Agency for Enterprise Development regarding the above mentioned project on promoting CSR. Since the Office supports regional

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companies and introduces investors outside of the region, it can play a crucial role in motivating SMEs to implement CSR. In the future the Marshal Office is about to face a lot of challenges in promoting sustainability initiatives because of the lack of awareness of CSR and its significance. Some of the biggest barriers are:

- Lack of awareness: few SMEs are familiar with the concept of CSR. However, some of these companies already do activities which can be classified as CSR, but they are actually not aware of this. Also, some of them seem to have some awareness but there is often lack of understanding about where to begin the process of implementing some kind of CSR program.
- Costs: the small companies may also avoid CSR initiatives because they are finding it quite challenging to meet the costs involved in carrying them out. Some of SMEs are not aware that CSR activities are relatively cheap and in some cases can bring significant savings in the long-term (e.g. efficiency improvements).
- Promotion: The big challenge for the Marshal Office is how to approach the unaware companies and get them interested in CSR. Promotion of CSR is already undertaken on national level and SMEs who are interested in implementing CSR are very few, and that is why the target of the promotion efforts will be the ones who lack knowledge or are unaware of the fact that they are already implementing CSR practices. It will be essential to explain to SMEs that CSR is not only intended for the big corporations and that it can bring many benefits.
4. Our recommendations

We propose a set of mechanisms that were developed to tackle both the problem of lack of awareness and the lack of promotion of CSR.

4.1. Survey

The uninterested companies for implementing CSR are identified as the main problem for the Marshal office. The challenge is how to get them interested to start implementing the CSR approach to management. First important step is to define why those companies are not interested in implementing CSR. These companies can be divided into those who are not aware of existence of CSR and also not interested in finding out about it, and on those who are aware of existence of CSR but for some reason not interested in implementing it in their business. The best way to do that is to make a survey or a research among those companies. Some of the survey questions could be:

- Does your company conduct any pro-ecological investments?
- Does your company help the local community?
- Are you familiar with the concept of CSR?
- Do you know about funds which are available for CSR activities?
- Are you implementing a structured CSR policy in your company?
- If the previous answer was NO, please state why.
- Do some of your business partners implement CSR?
- Would you be interested in developing a CSR strategy for your company in the future?
- If the previous answer was NO, explain why.
- If you are interested in learning more about CSR, do you know where you can find appropriate information?
- Are you interested in participating in workshops and presentations about CSR?
- Would you like us to contact you about future workshops and funding opportunities related to CSR? (Space for the client's e-mail contact)

The survey will indicate on problems in companies due to implementing CSR. After gained information, it will be easier to communicate with companies and to find a right way to convince them implementing CSR. It is also important to provide appropriate information about CSR and to make them available for companies on website, in different brochures or company magazines etc.

4.2. Publications about CSR

First solution could be to make a brochure with basic information about CSR and its implementation. It would, first of all, be a promotional tool of CSR but also could serve as an information provider which was mentioned before. Since among Polish SMEs there is a lack of interest and also ignorance about CSR, the aim of this brochure is to introduce the term CSR to SMEs in Poland and to explain all the advantages of having a CSR program, with special emphasis that CSR is not applicable only in large enterprises, but also in SME. The content of this brochures should consists of what is CSR, why is it important for SMEs, a few examples of Polish companies who are implementing it and contacts which can provide further information.
4.3. **Website with CSR case-studies**

The Marshal Office could provide information related to CSR activities of the companies benefiting from the Marshal’s Office support services. This would bring more transparency and provide a new form of promotion.

4.4. **Competitions and rewards**

It could be a good idea to think about gaining funds for competitions with rewards in which companies could compete with their CSR initiatives. That could be a solution both raising awareness about CSR because it would draw attention to the subject of CSR. It would be also a good way of promoting both CSR itself and the companies that implement CSR strategies. Wielkopolski Klub CSR organizes a contest “Wielkopolskie Grand Prix CSR’ with is a chance for the enterprises to promote themselves. Business Centre Club organizes a contest called “Firma Dobrze Widziana” in which companies evaluated as socially responsible from all the regions of Poland. It is also connected with a CSR promotion campaign, surveys regarding the knowledge about CSR, and self evaluation forms for company managers to assess their level of responsibility. The Marshal’s Office can also consider to create a ranking on the website dedicated to the SME’s on with the companies would be ranked by their CSR performance.

4.5. **Offering local SMEs owners to share their experience**

Often the owners of small enterprises consider CSR policies as a possibility only for the multi-national corporations. It could be a good idea to contact companies involved in simple CSR activities (even those who don’t realize it) to share their experiences on seminars. In this way it could be shown that there are simple CSR solutions that can be implemented by even small enterprises, responsible companies could promote themselves and this could engage more entrepreneurs to compete with others in the field of CSR.

4.6. **Incorporating informing about CSR during workshops and seminars related to foreign business relations**

During the meeting with the representatives of the Marshal Office, we learned that the Office often organizes workshops on e.g. exporting, entrepreneurship and that these workshops are well-attended. We also learned that several workshops on CSR were organized but it was very difficult to gather participants. One of solutions is to include information on CSR as an additional form of promotion into the more popular workshops. During the workshops, some time would be allocated for presenting and mentioning CSR so the audience will acquire, by the way, the knowledge about CSR.

4.7. **Economic missions to foreign companies**

Companies occasionally attend economic missions to other foreign companies in order to learn about their business or to achieve the partnership cooperation. Within issue of encouraging interest about CSR and implementing it, we can use this solution for organizing such missions to foreign companies which are also implementing CSR, besides having the same business as one of the companies from Poland. These missions can be organized by the company itself or by The Marshal Office. In this way,
except business practice, companies will also learn and gain experience in implementing CSR directly from their host company.

4.8. **Offering aid to companies willing to engage in CSR**

It may be a good idea to try to convince PARP to give additional funding for creating a consulting service that would concern CSR reporting and fundraising that could operate under the Marshal’s Office. This would help company owners having limited knowledge on the reporting procedures.

4.9. **Companies that conduct CSR activities given priority**

The Marshal Office could provide its services to the companies that implement CSR in first priority. In the Marshal Office for instance if an importer from abroad would be interested in establishing a relation with a Polish exporter the contact to enterprises involved in CSR activities would be provided first. In this way companies would be motivated to conduct CSR activities to gain better business partners faster. It could be also good for providing partnerships because in this way CSR-implementing companies will meet other enterprises involved in CSR practices more often. Those types of tactics were implemented in Chicago in the Green Permit Program. In the program building permits for buildings that comply to the programs specifications are issued within 30 days (15 in some cases) instead of the typical 60-90 days.
5. Examples of promoting CSR among SMEs

5.1. Council for CSR in the Silesian Region

The Council for CSR was created on the initiative of Marshal of Silesian Region in 2011. It serves as an advisory body of the Region’s Board. The list of its members includes representatives from public institutions, workers’ unions, employers’ unions, academic world and private sector. Its main aims are to promote the notion of CSR and initiate the activities in this field on local level. It is divided into four working groups: education, promotion, sustainable business and finally, small and medium-sized enterprises. They engage in activities related to different aspects of social responsibility. For instance, educational activities include promotion of CSR among teachers and career counselors, as well as education of customers. The group of SME is in turn involved in e.g. adaptation of the solutions employed in the sphere of CSR by big companies to the capacities of SMEs.

The council works together with other actors on the implementation of several projects. For instance, in collaboration with Agencja Rozwoju Lokalnego sp. z o.o., it realizes an international project “COGITA – Social and environmental responsibility of enterprises in the frames of regional policy” („Społeczna i ekologiczna odpowiedzialność przedsiębiorstw w ramach polityki regionalnej”), co-funded by the EU.

The Council organizes or co-organizes regular events, such as conferences and seminars, devoted to the CSR. It also gives patronages to other events linked with the topic. Another worth mentioning activity is the launch of a dedicated website, which features information about CSR as such, as well as the examples of good practices in this field. It also lists current events, projects and competitions available for the companies or individuals, e.g. students.

5.2. People and Profit in Denmark

People & Profit project was launched by the Danish Commerce and Companies Agency (DCCA) in 2005, and was operating to 2007. DCCA is a part of and responsible to the Ministry of Economic and Business Affairs. P&P targeted SMEs in Denmark, with a purpose to optimize CSR efforts of SMEs and to improve their competitiveness. Main feature of the P&P project was raising awareness and disseminating knowledge of how to use CSR activities as a real competitive parameter. During this program SMEs were provided with the education and tools for strategic integration of CSR into their business activities. Project included:

- Research – Analysis of correlation between CSR and practical business activities in SMEs, which resulted with diverse catalogs, reports and also a survey questionnaire.

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5 Spółeczna Odpowiedzialność Biznesu w Województwie Śląskim (CSR), www.csr.slaskie.pl
• Training – Findings of the research activities were the basis for organizing a training and education programme for managers and employees of Danish SMEs. The purpose was for them to accumulate knowledge of how to use CSR activities as an overall activity with common goals and strategies, but also how to use them to improve the financial results of the business.

• Dissemination/awareness raising – various stakeholders and the public were informed about results of P&P research, in order to promote CSR.

Total budget of the project was € 2.5 million, and it was realized thanks to the support of the European Social Fund and the National Labour Market Authority. The Danish Commerce and Companies Agency and Rambøll Management have since offered a CSR course to 12,000 managers and employees of Danish small and medium-sized enterprises in cooperation with a number of network partners.

5.3. Community Investment Tax Relief (CITR)\(^7\)

The CITR scheme encourages investment in disadvantaged communities by giving tax relief to investors who support businesses and other enterprises in less advantaged areas by investing in accredited Community Development Finance Institutions (CDFIs). It was established by The Government of the United Kingdom.

The tax relief is available to individuals and companies and is worth up to 25% of the value of the investment in the CDFI. The relief is spread over five years, starting with the year in which the investment is made.

To qualify for tax relief the investment must be:
• a subscription for shares in, or securities of, the CDFI, or
• a loan to the CDFI, or
• a deposit with a CDFI that is a bank.

For each investment that you make under the scheme, the CDFI will issue you with a Tax Relief Certificate. The Marshal office could consider for lobbing for similar solutions country-wide in Poland.

5.4. Swedish Export Credits\(^8\)

In order to ensure responsible economic relations Sweden introduced anti-corruption mechanisms to give more transparency to business operations by using economic incentives.

To raise the awareness in the area of CSR, Sweden connected export subsidies with requirement to comply with CSR practices. Swedish Export Credit Corporation (further SEK) owned by the Swedish government that offers export companies preferential lending. In order to apply for funds from the

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\(^7\) HM Revenue & Customs, www.hmrc.gov.uk

SEK all applicants are ordered to sign an anti-corruption agreement that no bribe activities are involved in the process for which the money is lent. Noncompliance with this agreement leads to a cease of contract with SEK and further to repayment and indemnification for costs and expenses to SEK. In this way CSR is linked with public financing the government raises the awareness to CSR in the companies applying for public funds.

5.5. Knowledge and Information Centre on CSR in the Netherlands

In 2001, the Dutch government established a centre for promoting information and knowledge about CSR. The “Knowledge and Information Centre on CSR” began to operate actively in 2004. The Centre is managed by an organisation called CSR Netherlands (MVO Nederland). The main purpose behind its creation was to ensure independence both from government and stakeholder groups. CSR Netherlands has 12 full-time staff (eq.) and a budget of €4.9 million for the period 2005–2008, provided by the Ministry for Economic Affairs. The Centre assists entrepreneurs in bringing CSR into practice by giving information on the website, giving workshops and lectures, by organising events and design specific CSR tools. Its activities spread along four program lines:

- Collaboration with business trade organisations with the aim to have better access to businesses and address their needs
- Promotion of CSR on international level, mainly improving international relations and international supply chain management
- Distributing information about important CSR topics, including transparency, the relationship between CSR and marketing, human resource management and others
- Collaboration with regional institutions for entrepreneurs like chambers of commerce in order to include CSR as a topic in their materials and as part of their activities.

The Centre gives entrepreneurs practical tips, shows good examples and refers to useful contacts. It already managed to reach more than 100,000 entrepreneurs. In addition to promotion of CSR, the Centre carries out a number of large CSR international projects, for example it provides companies with CSR knowledge for importing, exporting and investing abroad and supports parties in the sector of Agribusiness in their CSR activities. The funding of these projects comes predominantly from ministries.

6. Conclusion

Penetration of CSR best practice among SMEs in Poland is at a relatively low level. The reason for this is a lack of promotional actions directly aimed at the SME group, since CSR is perceived as suitable mainly for big corporations. However, as the report shows, the inclusion of socially responsible activities in the performance of SMEs is for them both feasible and beneficial. It is therefore essential to adjust the measures used for promotion of CSR to the reality of local enterprises. In our opinion, the solutions that are presented in this report could be implemented as part of a coherent strategy to promote a systematic approach to managing CSR issues.

SMEs have a competitive advantage over their larger multi-national competitors in that they operate closer to the communities they serve. Improvements in their approach to CSR issues would further improve their competitiveness in addition to making them more efficient and resilient to changing market conditions.
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