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# CSR and SMEs' competitive advantages—Results from a Hungarian city of Győr based on managing directors' personal perception

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**Abstract:** Today it is obvious that corporate social responsibility (CSR) is more than just a volunteer activity, it is also related to the operation of the firms and to competitive advantages. Many factors influence CSR and CSR-competitiveness relations; firm size could be the most crucial one. Originally CSR is related to large companies, although smaller firms can be active in CSR mainly in different ways with different background. Based on this idea the paper aims to explore the correlation between small and medium-sized enterprises' (SMEs) corporate social responsibility (CSR) and competitive advantages. An interview research was conducted among thirty SMEs in a Hungarian city of Győr in 2021/22 to reveal how owner-managers interpret CSR, competitiveness and their relations. As SMEs cannot provide exact data on this topic the personal perception method was used to explore the CSR-competitiveness relation. A moderate relation was observed between CSR and competitiveness and the research revealed that different methodologies have to be applied for SMEs than large companies which results from the fact that SMEs' CSR is less formal and lacks exact data.

**Keywords:** competitiveness; competitive advantages, corporate social responsibility (CSR), personal perception, small- and medium sized companies (SMEs)

## 1. Introduction

After the emergence of corporate social responsibility (CSR), the focus was on how companies can build this approach in their operation. However, new aspects later appeared (Kitzmueller and Shimshack, 2012). For example, what is the motivation behind this activity? How do these activities affect companies' operations? A crucial question for many decades has been whether CSR impacts competitiveness. The CSR competitiveness debate has been related only to large companies for a long time; only in the past few years has research about CSR-competitiveness relations among smaller firms appeared. Several studies reveal that analyzing this relationship depends on many factors which can influence the results (Lu et al. 2020; Rasche et al. 2017; Vallentin and Spence, 2017). Firm size can be one of the most significant factors. Although there have been several studies on SMEs in the past decade, many research gaps exist regarding the relationship between CSR and competitiveness.

In this paper, we analyze SMEs in Győr, Hungary. Applying and developing the method of Tantalo et al. (2012), we aim to discover how SMEs interpret the relationship between CSR and competitive advantages. We also relate to this topic the usage of the term CSR and the motivation for CSR. A structured interview was conducted with thirty SMEs in Győr in 2021/2022. Our analysis is based on the personal perceptions of the owner-managers, as SMEs cannot provide quantitative data about their CSR activities and their impact as mainly big companies do in some

way. In our research personal perception means that leaders of SMEs do not have to answer closed questions in a questionnaire but they have to give answers to open questions and provide scores about the importance of the CSR and its relation to competitiveness. With this method we attempt to measure the CSR and competitiveness with no exact financial data but the opinion of the owner-managers based on their personal feeling about the firm. This method could be suitable to measure CSR—competitiveness without any quantified information about the firms.

There was no such analysis among firms in Győr before, so our research is the first attempt at the settlement, which tries to discover how firms' managing directors approach this topic.

We believe that thirty firms in our sample are enough to get a first view of how firms' leaders think about this topic. Our sample represents five percent of the total population and does not represent it, so we do not generalize our findings. Nevertheless, we point out some specific features that can be helpful for further research and also for companies to be more conscious about implementing CSR activities.

The paper is structured as follows: The first part introduces a literature review of CSR and competitive advantages, focusing on SMEs. After the methodology, we present our results. The paper closes with a discussion, concluding remarks, limitations, and future research plans.

## **2. CSR and competitive advantages**

### **2.1. Corporate social responsibility (CSR) and competitiveness—conceptualization**

Corporate social responsibility (CSR) is a crucial topic among scholars and practitioners. The terminology's origin can be dated back to the first part of the 20th century (Carroll and Shabana, 2010), but its first appearance is bound to Bowen (1953).

One of the first attempts at defining CSR can be linked to Davis (1960, 70) and to Carroll (1979, 500), who created the CSR pyramid: "Businessmen's decisions and actions are taken for the reason at least partially beyond the firms' direct economic or technical interest." "Corporate social responsibility encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations society has of organizations at a given time."

However, CSR has existed in common knowledge for almost seven decades; there is no general definition today (Sarkar and Searcy 2016). This means a big challenge in generalizing research and results because of the several approaches used in the term. Moreover, differences between the American and European CSR approaches also lead to the terminology's complexity (Csáfor, 2009). There were extensive debates about the term in the USA in the 20th century, but European communication about CSR began only some years before the turn of the millennium (Kun, 2012). However, almost right after the debate, the European Union started a strong communication about the term. The European Commission created several strategies, such as Green Papers, which promoted CSR in all types of firms. The

newest EU definition is a broader approach than, e.g., the Carroll pyramid model (EC, 2011, p. 6): “the responsibility of enterprises for their impacts on society”.

In the past two decades, several researchers and academics introduced the term in more or less with the same content but in different ways (Angyal, 2009; Kotler and Lee, 2005; McWilliams and Siegel, 2001; Radácsi, 2021; Whetten et al., 2002, 2007). Based on them, in this paper, we define CSR as an activity that assumes ethical and legal behaviour within the profit framework. At the same time, companies take care of their employees and support local, regional, national or even international initiatives in civil society. Based on Rasche et al. (2017), we also describe CSR as a concept that is part of a company’s operation in some way.

Corporate competitiveness or competitive advantage means, in general, that a company can produce better goods and services than its rivals. Porter’s definition serves as a fundamental approach to competitiveness (Porter, 1985, p. 4): “...the rules of competition are embodied in five competitive forces: the entry of new competitors, the threat of substitutes, the bargaining power of buyers, the bargaining power of suppliers, and the rivalry among the existing competitors.”

Competitiveness is complex; for example, Turyakira et al. (2014) introduced it as measuring profitability, market share, sales amount, and growth rate. Salavou and Avlonitis (2008) mention the following indicators: profitability, sales amount, and sales increase. Lu et al. (2020) describe competitiveness as the following: financial capacity, quality of products, customer satisfaction, productivity, reputation, and innovation. The variety of factors involved in competitiveness measurement confirms that there is no general approach to interpreting competitiveness. The competitive advantage means more excellent value for the company, its stakeholders and shareholders.

There is no general definition of CSR and competitiveness, so researching their relations is challenging. Methods can depend on company characteristics such as size, activity, legal form, etc. In this paper, we analyze SMEs, highlighting the role of size in the relation of CSR and competitiveness.

## **2.2. CSR in smaller firms**

The term ‘corporate’ in CSR traditionally refers to large companies (Carroll and Shabana, 2010), reflecting the basic idea of CSR was belief that their significant impact on the economy and society necessitates a responsibility. However, the concept of CSR has evolved, and it is now widely accepted that smaller companies can also actively engage in CSR activities, a shift that gained momentum around the turn of the millennium (Jenkins, 2004; Spence, 1999). Despite the significant differences between large and smaller companies (Cambra-Fierro et al., 2008; Jenkins, 2004; Knudson, 2018; Rasche et al. 2017), smaller firms have demonstrated their adaptability in embracing CSR.

The owner and the manager are often the same person in smaller firms (Lepoutre and Heene, 2006; Spence, 1999). Their operation, which is relatively informal and less structured, is more personalised (Fuller and Tian, 2006; Jenkins, 2006), they have relatively informal relations (Spence, 1999), and they are more local than national or global (Jenkins, 2004; Perrini, 2006). These characteristics result in very different

CSR approaches and features; the most important person related to CSR is the owner-manager, whose attitude and personal values are crucial (Jenkins, 2004, 2006). Suppose the owner-manager knows what socially responsible activity means. In that case, it will lead to related activities, even if they do not label it as CSR, which is also very common among smaller firms (Vives, 2006; Zastempowski and Cyfert, 2021). Smaller firms rarely make strategies for CSR (Bevan and Young, 2015), so strategic CSR (Porter and Kramer, 2006) is not typical and CSR communication is also informal (Madsen and Ulhøi, 2016). Smaller firms' CSR is more local than national or international (Vives, 2006) as their operation is also more local. These characteristics prove that SMEs' CSR is very different from big companies' CSR, so research about SMEs about any type of CSR is relevant to be able to distinguish their features and motivation about the topic.

### **2.3. CSR and competitiveness**

The basic concept of CSR is that it is a volunteer activity that is rarely connected to the profitability of companies. In the '80s, such approaches described CSR as more than philanthropic activity. They appeared to be a model of how companies can measure the results of CSR and its impact on the firm's performance and competitiveness. The concept of corporate social performance (CSP) model (Carroll, 1979; Wartick and Cochran, 1985) measures the results of engagement in social initiatives, which led to the business case CSR approach. It highlights the impact of CSR on financial performance (CFP). CSP (CSR)—CFP models measure how CSR activities relate to corporate competitiveness.

Several researchers have tried to investigate what type of relationship is between CSR and competitiveness from the beginning of the '80s. Nowadays, there are more and more studies which analyse research and former results to prove if there is a positive or negative relation between the two terms (Carroll, 2021; De Bakker et al., 2005; Deutsch and Pintér, 2018; Margolis and Walsh, 2001, 2003; van Beurden and Gössling, 2008;), but there is no compromise about the direction of the relation. Some results prove a positive, negative or neutral relation; most show a positive relation between financial performance and CSR (Barauskaite and Streimikiene, 2021; Carroll, 2021; Lu et al., 2020). Results depend on many factors; we believe firm size is one of the most crucial. Until the beginning of the 2010s, there were research only on large companies, where the measurement of firms' performance was more elaborated, and there was more data about CSR.

Today, methods for measuring CSR (CSP), CSF, and their relation are mainly developed by large companies (Radácsi, 2021) as they are more able to present information and data about their socially responsible activities. CSP can be measured (Barauskaite and Streimikiene, 2021; van Beurden and Gössling, 2008):

- by the fact whether there are CSR and sustainability reports,
- detailed information about firms' CSR activities and their costs,
- indexes which are calculated based on large companies' financial reports, such as the Global Reporting Initiative (GRI), Dow Jones Sustainability World Index (DJSI), National Corporate Responsibility Index (NCRI), etc.

It is more complicated to measure the financial performance related to socially

responsible and/or sustainable activities as financial reports rarely contain such detailed data (Barauskaite and Streimikiene 2021; Evangelinos and Halkos, 2002). Measuring the relationship between CSR and competitiveness can also be challenging for large companies.

#### **2.4. Smaller firms' CSR and its relation to competitive advantage**

As mentioned, CSR research among smaller firms began around two decades ago. Ten years later, researchers researched the relationship between CSR activities and their financial performance or competitive advantages. Involving smaller firms in this concept implied different methods as their CSR is different, and still, there is no general approach to measure it. Moreover, the question could be, is there any sense to investigate the relation between CSR and competitiveness among smaller firms? In the past decade, there was some research on smaller firms' CSR-competitiveness relation (Lu et al. 2020; Tantalo et al. 2012; Tomšič et al. 2015; Turyakira et al. 2014), which typically used questionnaires and interviews with owners and managers as firms did not have any quantitative data – researchers used leaders' own opinions about the topic. In this paper, we would like to contribute to the debate about how CSR impact on competitive advantages can be analysed among smaller forms (SMEs). We believe as SMEs' CSR is different from bigger ones there is a relevance to research this topic to know how smaller firms' leaders relate to this topic.

The CSR–competitiveness topic is initially related to big companies but as the CSR topic is closer to SMEs, other related topics are getting more and more familiar with SEMs as well. Therefore, it is excited to reveal how SMEs relate to combine CSR with competitive advantages or at all is there any sense to explore it? As former researches cited above prove that the topic can be relevant but results show that SMEs are less conscious about this topic which indicate a different attitude for CSR and competitiveness. We were curious how SMEs in Győr relate to this topic. As there were no such research before, we cannot make any comparison with former surveys in Győr, but in the Discussion part we attempt to provide some reflections on previous international research.

### **3. Methodology**

We aimed to analyze how SMEs interpret the relationship between socially responsible activities and their competitive advantages. We used the method of Tantalo et al. (2012) as an initial point. However, we completed the project with new concepts and methods to provide detailed information about the topic. Tantalo et al. researched among 50 Italian SMEs about their CSR activities and their relation to competitiveness. We involved 30 SMEs in Győr, Hungary, implementing some CSR activities. Tantalo et al. (2012) asked firms which got a national award for developing CSR initiatives. There is no such kind of award in Győr, but we also involved firms in our research which do something in the framework of CSR.

Interviews were made in 2021/2022; the main topic was to investigate the social relations of firms. In this context, we examined CSR activities and their relation to firms' competitive advantages. There were two main criteria for choosing firms: 1) The headquarter is in Győr 2) Based on employees' data in 2022, the company had to

be in the small or medium-sized category (employees between 10 and 249). Based on a Hungarian database OPTEN, there were around 600 small- and medium-sized firms in Győr. Interviews were conducted with owners, managers, or owner-managers. Although our selection was random, we also applied suggestions from the interviewees; about 1/5 of the sample results from this. Primarily we could ask those firms where there was information about the availability of the leaders, because other firms did not answer to our invitation to take part in the research,

**Table 1.** Characteristics of the sample,  $n = 30$ .

Number	Establishment	Small or medium sized	Number of employees, 2022	Net revenue, million HUF, 2022	Profit million HUF, 2022
1	before 2000	medium	101	1812	9.579
2	before 2000	small	13	202	1.070
3	after 2000	small	15	215	5.392
4	before 2000	small	15	1,924	209.843
5	after 2000	small	17	215	5.943
6	after 2000	small	21	604	68.666
7	before 2000	small	18	601	61.810
8	before 2000	small	24	1793	214.229
9	after 2000	small	30	998	51.094
10	before 2000	medium	86	3163	75.090
11	before 2000	medium	112	3908	157.935
12	before 2000	small	23	1209	298.287
13	before 2000	small	19	404	16.349
14	before 2000	small	11	1894	26.497
15	before 2000	small	12	524	31.859
16	before 2000	small	14	914	18.082
17	before 2000	small	40	3,058	86.193
18	after 2000	small	34	421	292
19	after 2000	medium	103	2303	114.885
20	before 2000	small	31	794	103.849
21	after 2000	small	10	966	320.427
22	after 2000	medium	129	2632	-421.056
23	before 2000	small	14	369	48.198
24	after 2000	small	32	1765	464.296
25	before 2000	medium	99	2370	168.699
26	before 2000	small	16	1141	51.693
27	after 2000	small	22	3272	358.188
28	after 2000	small	37	815	-38.071
29	after 2000	medium	85	4417	192.104
30	before 2000	medium	51	1480	15.161

Source: Own table.

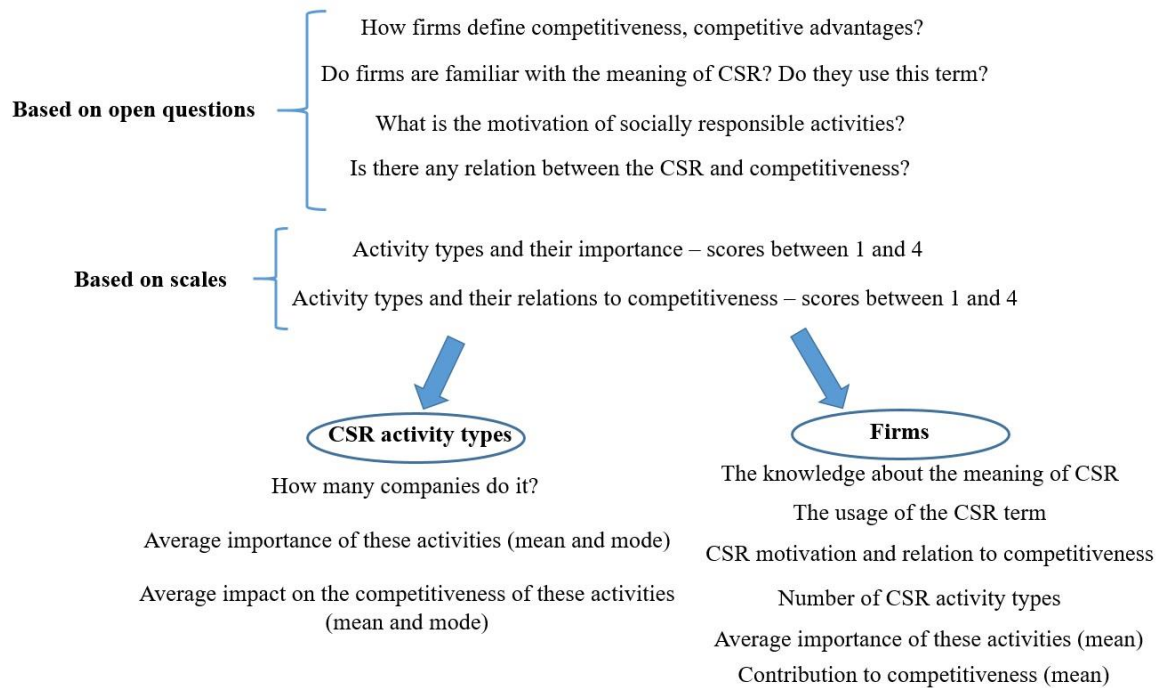
**Table 1** provides a summary of the main characteristics of the firms involved in

the research. Companies were marked with numbers 1–30. Eighteen firms were established before 2000, and twenty-two firms are small. The table also includes data about net revenue and profit. Notably, only two firms had negative results in a year when COVID-19 strongly affected the country, highlighting the resilience of these SMEs in the face of a global crisis.

The diagram in **Figure 1** provides an overview of our research approach in examining the relationship between corporate social responsibility (CSR) practices in small and medium-sized enterprises (SMEs) and their impact on competitive advantages. Initially, our focus was on understanding how businesses perceive competitiveness, as this insight is crucial for our subsequent analyses. Our review of existing literature revealed that SMEs often engage in CSR activities without fully comprehending its implications or labelling their initiatives. Hence, we conducted interviews with owner-managers to gain insights into their perspectives. The interviews explored the rationale behind their CSR activities and their perceived connection to competitiveness. By employing open-ended questions as a quantitative method, we gathered and categorized the responses to extract meaningful insights.

The quantitative method investigates how many types of CSR activities they implement, how important they are and how activities can relate to competitiveness. We identified the CSR activities differently than Tantalo et al. did; we provided CSR activity areas determined based on CSR literature (EC, 2011; Hohnen, 2007; Tantalo et al., 2012). Based on this, we do not know the exact CSR activities, but we have information about how many CSR activities firms are active in. Tantalo et al. asked firms to give details about their CSR activities, which was the basis for making CSR activity categories. We used Likert scales with scores between 1 and 4 to measure the importance and the relation and calculated means and modes. Scores are dependent on the personal perception of owner-managers. We chose this method as there is no other quantitative data about CSR and its relation with competitiveness.

Based on the collected data, we made two tables (**Tables 2 and 3**): one about the CSR activity types and one about the firms, so we can analyse results from both the activities and firms' sides. We also calculated relations between data with associations using chi-square analyses and correlation.

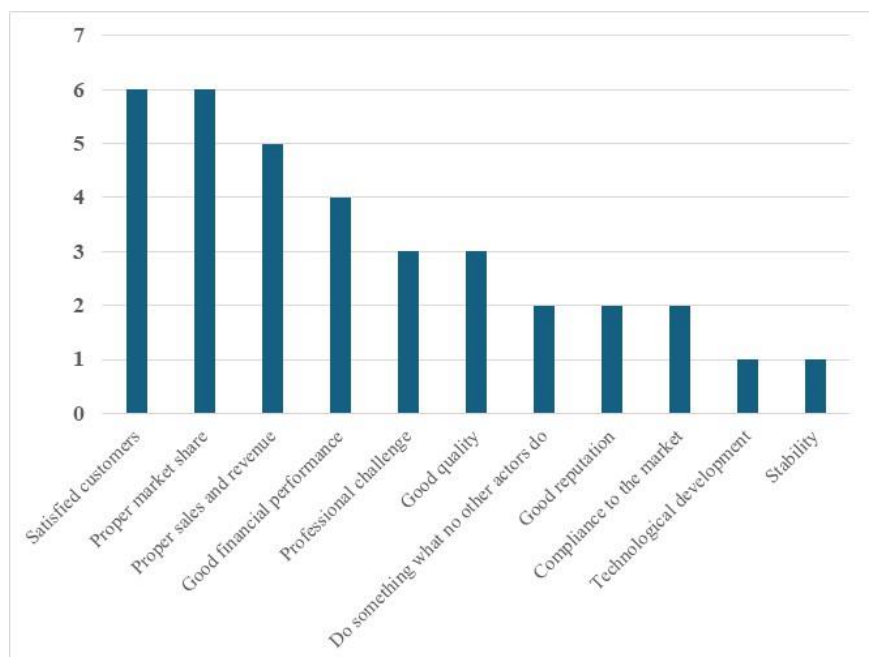


**Figure 1.** Summary of the methodology.

Source: Own figure.

#### 4. Results

Firstly, we identified how firms interpret competitiveness or competitive advantages. Based on owner-managers’ answers, we made the following categories (one firm can be in more than one category) (**Figure 2**). Proper market share and factors related to customers and the market are the most crucial elements of their competitiveness. This means that firms believe that they have competitive advantages if their position in the market is good and customers are satisfied with their products.



**Figure 2.** Competitiveness approach,  $n = 30$ .



Source: Own figure.

Firms were surveyed to gauge their familiarity with corporate social responsibility (CSR). 19 owner-managers claimed a solid understanding of CSR, while 10 were only partially aware of its meaning, and one leader admitted to being completely unfamiliar with it. However, even those who were less familiar with the term still engaged in CSR activities, mainly related to their employees. Interestingly, while every firm engaged in CSR actions, only half explicitly labelled them as such.

The survey revealed that helping others was the primary motivation for CSR (Figure 3), but a third of the firms also aimed to enhance their performance and reputation or utilize CSR for marketing purposes. Despite this, many did not collect data on their CSR efforts due to the perceived difficulty in quantifying their impact. When asked about the relationship between CSR and competitive advantages, half of the owner-managers did not see a direct link, while the other half believed that CSR could impact competitiveness either directly or indirectly.

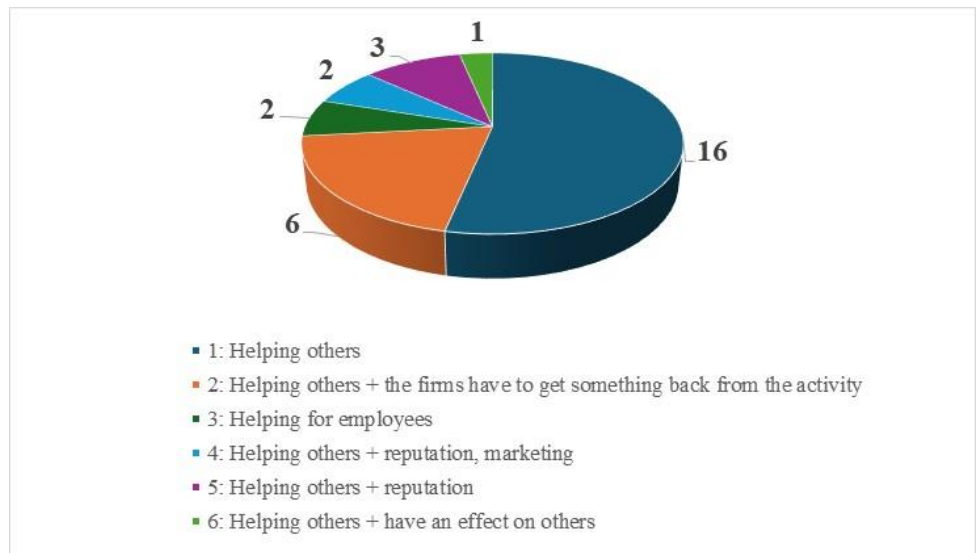


Figure 3. Motivation of the CSR,  $n = 30$ .

Source: Own figure.

The precise quantification of CSR activities and their impact on competitiveness remains challenging, as it necessitates strategic approaches and comprehensive reporting on socially responsible initiatives. Initially, our assessment involved obtaining information from business owner-managers regarding the specific CSR activity (a list of activities was provided) domains being addressed within their organizations. Subsequently, they were requested to assign a score between 1 and 4 to denote the level of importance attached to each identified CSR activity area. A score of 1 indicated that the CSR activity was conducted but was not a focal aspect of their overall CSR initiative, while a score of 4 signified that the activities were considered pivotal. During the interviews, business leaders were probed on the correlation between CSR endeavors and competitiveness, eliciting their general viewpoints on this matter.

Upon delineating distinct CSR domains, the respondents were asked to rate each area based on its influence on competitive advantage, again using a scale from 1 to 4.

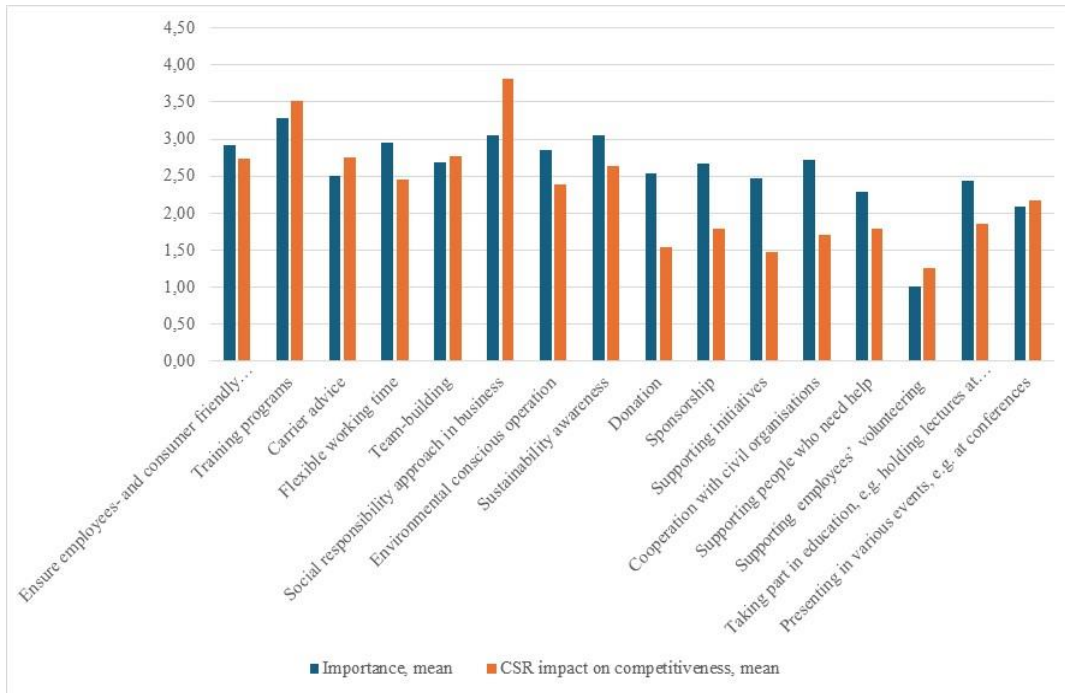
A score of 1 implied no discernible impact, whereas a score of 4 denoted a substantial effect. Considering the absence of precise empirical data, insights gleaned from the subjective assessments of business owner-managers have provided valuable perspective on the significance of CSR for firms and the extent of its impact.

The findings (**Table 2, Figure 4**) indicated a greater emphasis on CSR activities directly linked to employee welfare as opposed to those benefiting broader societal concerns. Notably, the analysis illustrated that activities pertaining to employees were deemed more critical and exerted a greater influence on enhancing competitive advantages. Among the various CSR initiatives, training programs and an ingrained social responsibility ethos within business operations emerged as the most crucial. The latter refers to an organizational mind-set wherein socially responsible conduct is integral to daily business operations, encompassing legal and ethical business practices. Furthermore, sustainability awareness was also identified as a pivotal element. Notably, business practices characterized by responsibility and training programs were found to have the most pronounced impact on competitiveness, whereas contributions and engagement with civil society demonstrated comparatively less influence.

**Table 2.** Data about CSR activity areas,  $n = 30$ .

CSR activity areas	Number of firms	Importance, mean	Importance, mode	CSR impact on competitiveness, mean	CSR impact on competitiveness, mode
Ensure employees- and consumer friendly environment	23	2.91	2	2.74	2
Training programs	24	3.29	4	3.52	4
Carrier advice	4	2.50	3	2.75	4
Flexible working time	21	2.95	4	2.45	2
Team-building	21	2.68	2	2.77	3
Social responsibility approach in business	21	3.05	4	3.81	4
Environmental conscious operation	27	2.85	3	2.38	2
Sustainability awareness	19	3.05	4	2.63	2
Donation	24	2.54	4	1.54	1
Sponsorship	18	2.67	3	1.78	1
Supporting initiatives	17	2.47	2	1.47	1
Cooperation with civil organisations	14	2.71	3	1.71	1
Supporting people who need help	17	2.29	2	1.78	1
Supporting employees' volunteering	3	1.00	1	1.25	1
Taking part in education, e.g., holding lectures at universities	7	2.43	2	1.86	2
Presenting in various events, e.g., at conferences	12	2.08	3	2.17	3

Source: Own table.



**Figure 4.** Average importance and impact of CSR,  $n = 30$ .

Source: Own figure.

**Table 3** provides information about the firms:

- establishment date and size based on the number of employees;
- data based on the open questions (CSR knowledge, CSR motivation, CSR impact);
- data based on the quantified data: number of activity areas, average importance, and average impact on competitiveness.

Firms are active in an average of 9 CSR areas; the least number of CSR areas is four (there were sixteen areas in the questionnaire). There are significant differences between firms; there are ones where the importance of CSR activities is relatively low and ones that are pretty high. Six owner-managers described CSR activities as having a high impact on competitive advantages; the average in these firms is above 3. This result is quite interesting as these companies expect one did not find any relation between CSR in general and competitiveness. However, if leaders were asked about the relationship between CSR activity areas and their impact, they would suppose the relationship. The reason could be that owner-managers do not believe that CSR can contribute to competitiveness. However, if they have to evaluate CSR areas individually, they can discover their impact on competitive advantages.

**Table 3.** Information about SMEs and their relation to CSR,  $n = 30$ .

Number	Establishment	Small or medium sized	Number of employees, 2022	Does the firm know the meaning of CSR?	Does the firm use the term CSR?	CSR motivation	Relation type between CSR and competitiveness	Number of CSR activity areas	Importance of the activities, mean	Contribution to competitiveness, mean
1	before 2000	medium	101	yes	yes	5	direct	9	3.56	2.44
2	before 2000	small	13	yes	yes	1	no	11	4.00	1.27
3	after 2000	small	15	partly	no	1	no	4	3.75	2.50

**Table 3. (Continued).**

Number	Establishment	Small or medium sized	Number of employees, 2022	Does the firm know the meaning of CSR?	Does the firm use the term CSR?	CSR motivation	Relation type between CSR and competitiveness	Number of CSR activity areas	Importance of the activities, mean	Contribution to competitiveness, mean
4	before 2000	small	15	partly	no	1	no	4	2.50	2.25
5	after 2000	small	17	yes	no	1	indirect	7	1.86	2.29
6	after 2000	small	21	partly	no	1	no	5	2.80	3.20
7	before 2000	small	18	yes	yes	4	no	11	3.64	3.09
8	before 2000	small	24	yes	yes	6	indirect	14	3.50	2.07
9	after 2000	small	30	yes	yes	1	indirect	13	3.08	2.23
10	before 2000	medium	86	yes	yes	5	direct	13	2.15	1.62
11	before 2000	medium	112	yes	yes	5	no	10	2.40	1.80
12	before 2000	small	23	partly	no	1	no	7	2.38	2.71
13	before 2000	small	19	partly	no	1	no	13	2.69	2.38
14	before 2000	small	11	yes	no	3	no	5	3.00	4.00
15	before 2000	small	12	partly	no	1	no	4	3.00	2.75
16	before 2000	small	14	partly	no	1	no	12	1.92	1.75
17	before 2000	small	40	partly	no	2	indirect	12	2.42	1.86
18	after 2000	small	34	yes	yes	1	indirect	6	2.67	2.33
19	after 2000	medium	103	yes	yes	4	direct	12	2.25	2.08
20	before 2000	small	31	partly	no	1	no	9	2.11	1.33
21	after 2000	small	10	partly	no	1	no	13	3.31	3.15
22	after 2000	medium	129	yes	yes	1	direct	11	2.75	2.08
23	before 2000	small	14	yes	yes	1	indirect	6	2.67	1.67
24	after 2000	small	32	yes	yes	1	no	8	2.38	2.25
25	before 2000	medium	99	yes	yes	2	indirect	10	2.00	2.10
26	before 2000	small	16	yes	yes	2	indirect	9	2.89	2.44
27	after 2000	small	22	yes	no	2	indirect	12	2.50	3.42
28	after 2000	small	37	no	no	3	no	10	3.10	3.40
29	after 2000	medium	85	yes	yes	2	indirect	8	2.75	2.88
30	before 2000	medium	51	yes	yes	2	indirect	9	2.78	2.89

Source: Own table.

Notes: CSR motivation 1: Helping others; 2: Helping others + the firms have to get something back from the activity; 3: Helping for employees; 4: Helping others + reputation, marketing; 5: Helping others + reputation; 6: Helping others + have an effect on others.

In our research, we discovered a correlation between the perceived importance of various CSR activity areas and their influence on gaining a competitive advantage (**Table 4**). This suggests that managing directors anticipate an impact on competitiveness from CSR activities that they personally consider important. Specifically, activities related to employees (internal CSR) were deemed crucial, indicating a belief among owner-managers that appreciating their employees positively affects the company's operations and competitiveness (refer to **Table 2**). In contrast, CSR activities addressing social issues were found to have a lower impact on

competitiveness. This finding contrasts somewhat with the assessment of the overall relationship between CSR activities and competitiveness, as well as CSR motivation, provided by managing directors. While half of the owner-managers expressed a desire for an impact beyond the altruistic nature of CSR activities, particularly with regard to the effect on competitiveness, activities that demonstrate social responsibility towards employees garnered higher scores for their impact on competitiveness.

We also observed a moderate connection between CSR motivation and the overall impact of CSR on competitiveness. This suggests that the more the motivation is based on expecting a positive impact on the company, such as enhancing reputation, the more likely managing directors are to view CSR as beneficial for competitiveness. Furthermore, we noted a moderate correlation between the use of the term “CSR” and firm size, impact on competitiveness, and CSR motivation. Medium-sized firms are more likely to use this term, and we found that as the use of the term increases, the connection between a firm’s CSR activities, its motivation, and competitiveness also strengthens.

**Table 4.** Correlation between different CSR factors,  $n = 30$ .

Importance of CSR activities	CSR impact on competitive advantages	$R = 0.68$
CSR motivation	Impact of CSR in general on competitiveness (yes or no)	Cramer = 0.62
Firm size	Usage of the term CSR	Cramer = 0.56
Impact of CSR in general on competitiveness (yes or no)	Usage of the term CSR	Cramer = 0.56
CSR motivation	Usage of the term CSR	Cramer = 0.56

Source: Own table.

## 5. Discussions

Graafland and Mazereeuw-van der Duijn Schouten (2012) identified two types of motivation of CSR. The first one is the attitude of the owners or managers, the second is to gain more profit through implementing CSR which can result from bigger popularity, higher sales. This approach suggests that CSR and profit goes hand in hand and prove that this concept is far beyond the voluntary based CSR. Porter and Kramer (2006) emphasized the strategic significance of corporate social responsibility (CSR) in providing a competitive advantage to companies. This suggests that for CSR to be effective, it must be a carefully planned initiative supported by measurable data demonstrating its impact on the company. However, it’s important to recognize that although larger companies can formalize and report on CSR activities, they face challenges in quantifying the subjective aspects of CSR. In contrast, smaller businesses engage in less formal and conscious CSR activities, resulting in differences in CSR practices compared to larger companies. As a result, studying SMEs requires different methodologies to effectively describe and measure CSR.

The link between CSR and competitive advantage is crucial for businesses with diverse outcomes, even among larger corporations. The challenge with SMEs lies in the need for greater consensus on the relevance of CSR at their level, as their informal CSR practices are rarely associated with competitiveness. Research has shown that despite the informal nature of SMEs’ CSR activities, they can indeed contribute to competitive advantages. However, the difficulty lies in quantifying these impacts due

to the lack of formalized data. Based on Tantalo et al.'s (2012) research, we analyzed the topic based on the personal perspectives of managing directors and we involved the meaning of CSR and the motivation into the research as well. Tantalo et al. emphasized the importance of strategic CSR in establishing the link between CSR and competitiveness, underscoring the significance of concrete data in elucidating this connection. They did not find significant result for the CSR competitiveness relations as "a strategic management to CSR is necessary" (Tantalo et al., 2012, p. 146).

In our research we also tried to reveal the relations based on personal perceptions as Tantalo et al. did and we found that experiencing relation depend on how it is analysed. While we asked about it in an open question only few firms' (4) (**Table 3**) owner-manager indicated direct relation, however when they had to provide exact scores for the certain CSR activities-competitiveness relation a more definite relation was observed. The difference could be arising from the different approach of analysing relation. When we asked it in general owner-managers did not suppose concrete activities and they felt that CSR is much more for helping other than to gain competitive advantages. However concrete activities could them bring closer to the relation and they could more imagine that their CSR activities could generate also competitive advantages. Of course, we agree that exact relation could be detected only with precise data but we believe as SMEs topically cannot provide such kind of data necessitating the use of alternative methodologies to explore this relationship is crucial.

## **6. Conclusion**

In this study, the primary focus was to explore the relationship between small and medium-sized enterprises' (SMEs) corporate social responsibility (CSR) initiatives and their competitive advantages.

The first part of the study explored the origins and evolving definitions of Corporate Social Responsibility (CSR) and its interplay with corporate competitiveness. It emphasizes the complexities arising from the absence of a universally accepted definition for CSR and competitiveness, posing challenges for research and analysis. The text underscores the nuanced relationship between CSR and competitiveness, particularly in the context of Small and Medium-sized Enterprises (SMEs), shedding light on the distinctive approach these businesses adopt in integrating CSR into their operations. Additionally, it delves into the influential role of owner-managers in shaping the CSR initiatives and ethos of smaller firms, highlighting the personalized and localized nature of their engagement with CSR activities.

The research involved conducting interviews with owner-managers to understand their motivations for participating in CSR and how they perceived its impact on their competitiveness. A key finding was that while all firms engaged in CSR activities, only half of them explicitly categorized these actions as CSR. The study revealed that the primary motivation for engaging in CSR was to contribute to the well-being of others, although some firms also aimed to enhance their performance, reputation, or use CSR for marketing purposes.

We observed that internal CSR actions have a significant role in many firms and

they have also relation with competitiveness, although some firms do not label their CSR activities. The research underscored the significance of activities directly linked to employee welfare, such as training programs and a strong social responsibility ethos within business operations, as pivotal factors that significantly influenced competitive advantages. Additionally, the study indicated that engagement with civil society had a comparatively lesser impact on competitiveness. This result indicates that SMEs regard employees as a source of the competitiveness of the firms and try to support their mental and physical health to have them as a loyal employee for a long time. As in our sample employees have more impact on competitiveness than e.g., civic engagement or supporting local communities, there is no sense to involve e.g., customers or investors in contributing to the topic as external motivation factor is less significant.

Many of the interviewees believed that smaller firms do not relate to intensive CSR and what they do is often not labelled with this term. During the interviews they realised that their activities related to responsibility could be labelled as CSR. Our results show that although CSR has not high level of consideration, SMEs in Győr are more likely to relate to CSR than not. As there were no such kind of research about CSR or CSR–competitiveness before in Győr, we cannot make any comparison but based on our sample we would like to highlight that SMEs in Győr are more active in CSR than it is believed by the owner-managers. A more visible CSR activity could be turn out when leaders have more knowledge about CSR, which could lead to a more conscious way of thinking about the topic. Based on this result against Tantalo et al. we do not believe that the CSR–competitiveness relation exists only in firms which are characterized by strategic CSR management. Among SMEs a more conscious and accomplished owner-manager is enough to have a more active CSR.

The limitation of the research is firstly the number of the firms involved in the interviews. The sample indicates 5% of the population and it does not represent it so we do not draw general conclusion. Future research could involve more firms with some specification to be able to provide more accurate results based on e.g., statistical tests as a verification mechanism. We could not use exact data on CSR and competitiveness as SMEs do not provide such ones, so results are subjective and reveal the personal perception of owner-mangers. This limitation could hardly resolve as firms cannot provide exact data, so the development of the method could ensure more exact results. Future research could also involve more topics related to CSR such as ESG (environmental, social and governance), sustainability and non-financial reporting as these topics are more and more current also among smaller firms. Our research is focusing on one settlement' firms, future surveys could investigate more cities which could allow to compare different settlements in one or more countries.

We believe that our research could provide comprehensive results about SMEs' approach of CSR, competitiveness and their relations in a Hungarian city of Győr. This was the first research about this topic in the settlement; scholars, practitioners and policy makers could apply results to understand more about the business-society relation to understand that CSR is more than just giving some support. It is a more integrated activity even if the owner-managers do not label it or they are not aware of its weight in the business processes.

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