



**Commitment to society by small and medium-
sized enterprises in Germany**
– **Current situation and future development**

This study was produced on behalf of the EU Commission
by GILDE GmbH.

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1. Introduction

With corporate social responsibility (CSR) long having been a concept that was adopted by large companies, more and more small and medium-sized enterprises (SMEs) are now also discovering this concept for themselves so as to secure and improve their competitiveness.

In order to find out how widespread CSR already is in SMEs, what reasons there are for its introduction and obstacles to it and where future development is heading, this study was carried out within the framework of the EU “Mainstreaming CSR among SMEs” programme by Wirtschaftsförderungsgesellschaft der Stadt Detmold GILDE GmbH with support from the Wirtschaftsjunioren Deutschland e.V. (WJD) association and the Marktplatz Mittelstand online medium-sized enterprise platform.

At this point we would like to thank our cooperation partners, without whose support this survey could not have been carried out on this wide scale. Also thanks to all the entrepreneurs and managers who filled in this questionnaire.

2. Methodological approach

The results of this study come from the online survey of owners and managers of small and medium-sized enterprises with up to 500 employees who were asked about CSR. The questionnaire was accessible via the project website “www.csr-mittelstand.de” and was also available via a link in the cooperation partners’ newsletters. The questionnaire was distributed all over Germany by email via Wirtschaftsunioren and Marktplatz Mittelstand’s newsletter. A total of about 500 companies clicked through this questionnaire in the period October to December 2006. Of these, 145 questionnaires were completely filled in and therefore they could be used in the assessment.

The core questions to be answered are:

- **How widespread is CSR in medium-sized German enterprises and what is the nature of the expected development?**
- **What factors do SMEs see as reasons for implementing CSR or obstacles to it?**

The questionnaire is divided into a total of eight sections. Firstly there were questions about the sector and the size of the company. Then in the following three sections there were questions about measures already implemented and planned with regard to commitment to employees, the environment and society. In order not to “frighten away” participants with terminology, once they had filled out this section it was briefly explained that the measures enquired about in general are also widely referred to as “corporate social responsibility” (CSR).

It was only after this that they could be asked directly whether CSR is already known, and is an issue in the company and how important it is to the company and its stakeholders

Finally there were questions in the next section on where the obstacles and motives are to be found for using this concept.

Lastly there were questions on what communication channels are currently being used and will be used in the future to communicate this subject to the relevant target groups.

3. Assessment of CSR activities in small and medium-sized enterprises

3.1.1. Companies by branche

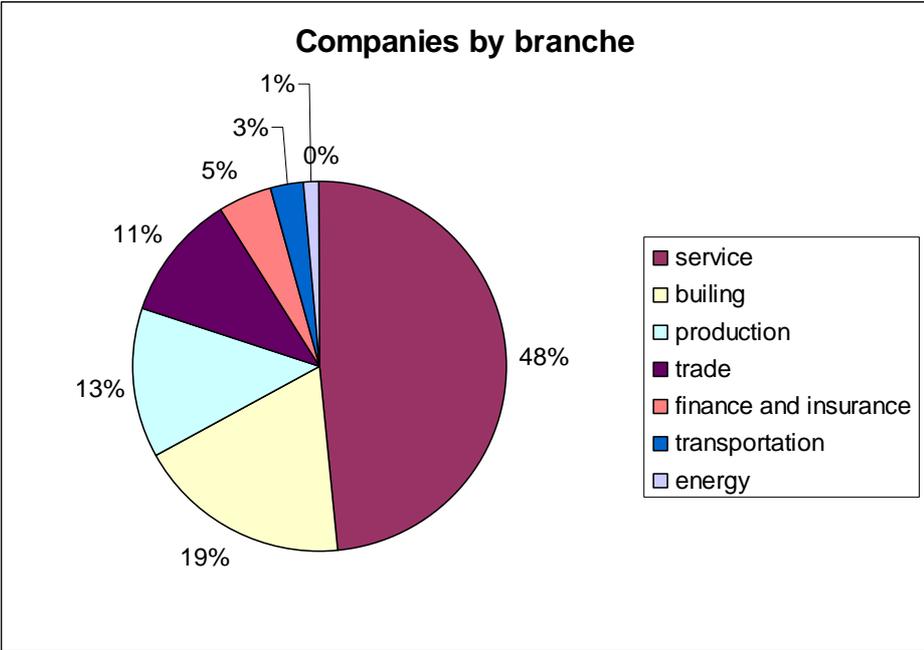


Diagram 1: Companies by sector

3.1.2. Size of companies

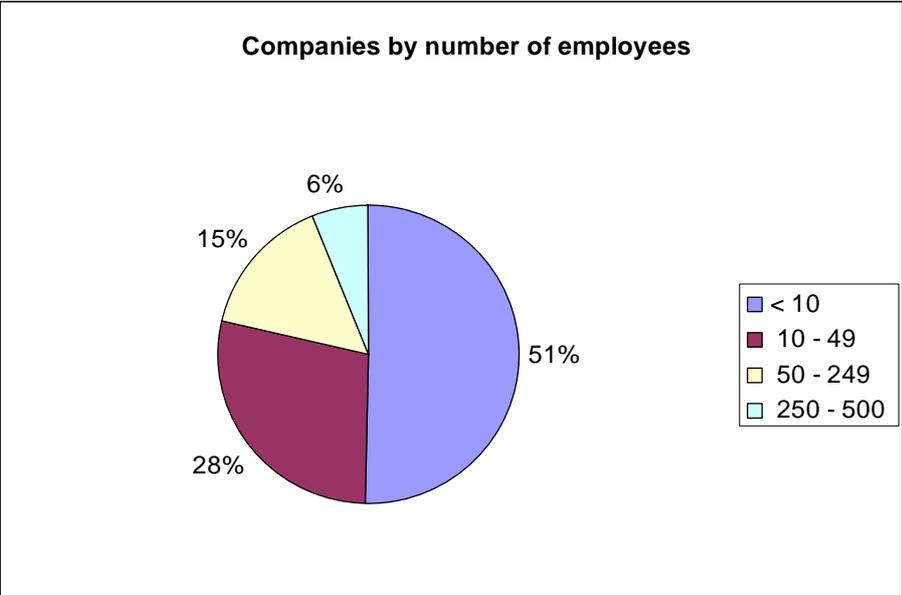


Diagram 2: Size of companies

3.1.3. Commitment to employees

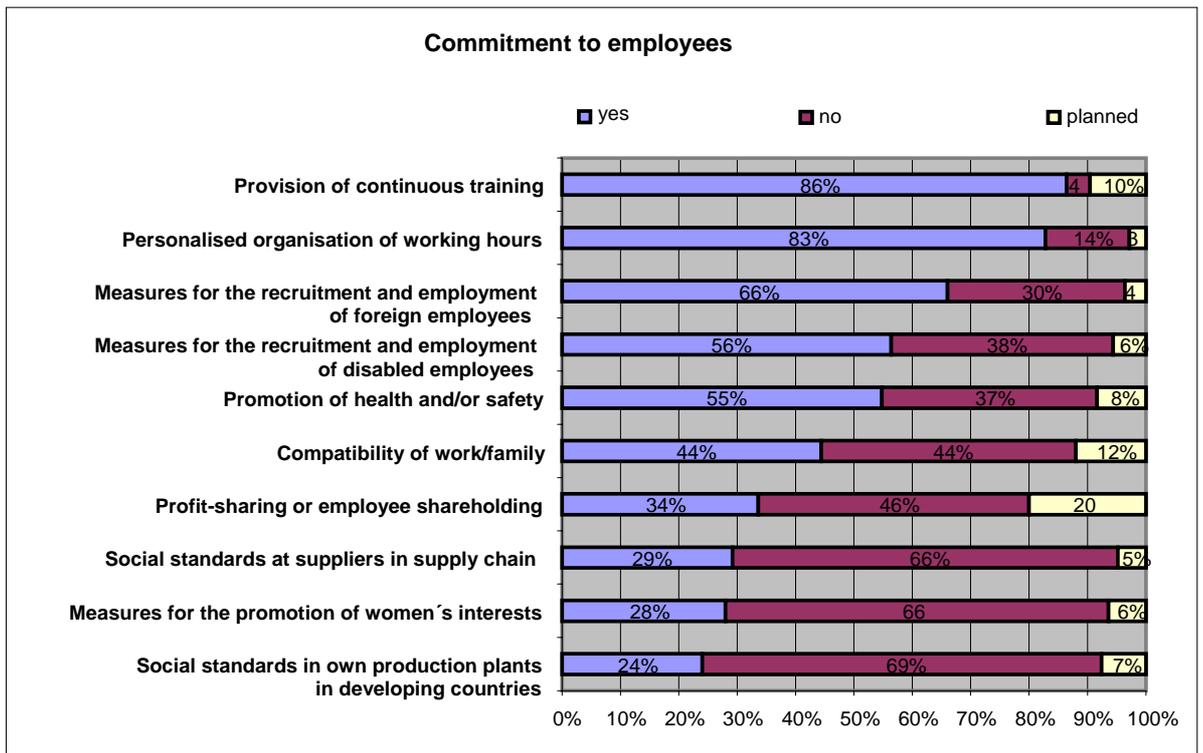


Diagram 3: Commitment to employees

At 86% the most frequently mentioned CSR measures for employees are training and development provision, closely followed by flexible working hours arrangements at 83%. Thereafter over half the companies state that they treat foreign (56%) and physically disabled (56%) employees and applicants as equal to everyone else and that they offer measures to support health and safety. In the middle range with 44 percent are to be found the issues of work-life balance and the issue of employee participation schemes at 34 percent. Least frequently mentioned were measures to support women (29%) and after that the observance of minimum social standards by suppliers (28%) and on the company's own production sites (24%) in developing countries.

Here it is interesting to see that in small and medium-sized enterprises (SMEs), a trend may be observed of strengthening the activities in the areas of employee participation and measures relating to work-life balance. This is

shown in the most frequently planned measures in the areas of employee participation at 20 percent and on the issue of work-life balance at 12 percent. The third most frequently planned measure is an improved range of training and development measures.

This rethinking in companies can be explained by the demographic changes that can even be felt by small and medium-sized enterprises as a result of which management staff are in ever shorter supply and difficult to recruit. This results in companies having to do the training and development themselves more and more often. And companies fighting over the best candidates are having to rely more and more on female employees for whom the issue of work-life balance is a major criterion when choosing an employer. In order to remain attractive as employers, they intend to invest more heavily in this area. And the planned measures for employee participation in the company are not surprising at 20 percent since for one thing this subject was hotly debated in public and reported in the media during the survey period at the end of 2006 and, for another, more and more companies recognise that this measure can also be used to create employee loyalty and increased identification with "one's own" company.

There is comparatively less relevance to be found in the areas of corporate social responsibility with regard to the social conditions on the companies' own production sites (24%) or those of suppliers in countries with low wages (28%). However, this may be explained in part by the high proportion of service providers among the companies that responded since they do not as a rule have any production sites or suppliers in countries with low wages.

3.1.4. Commitment to the environment

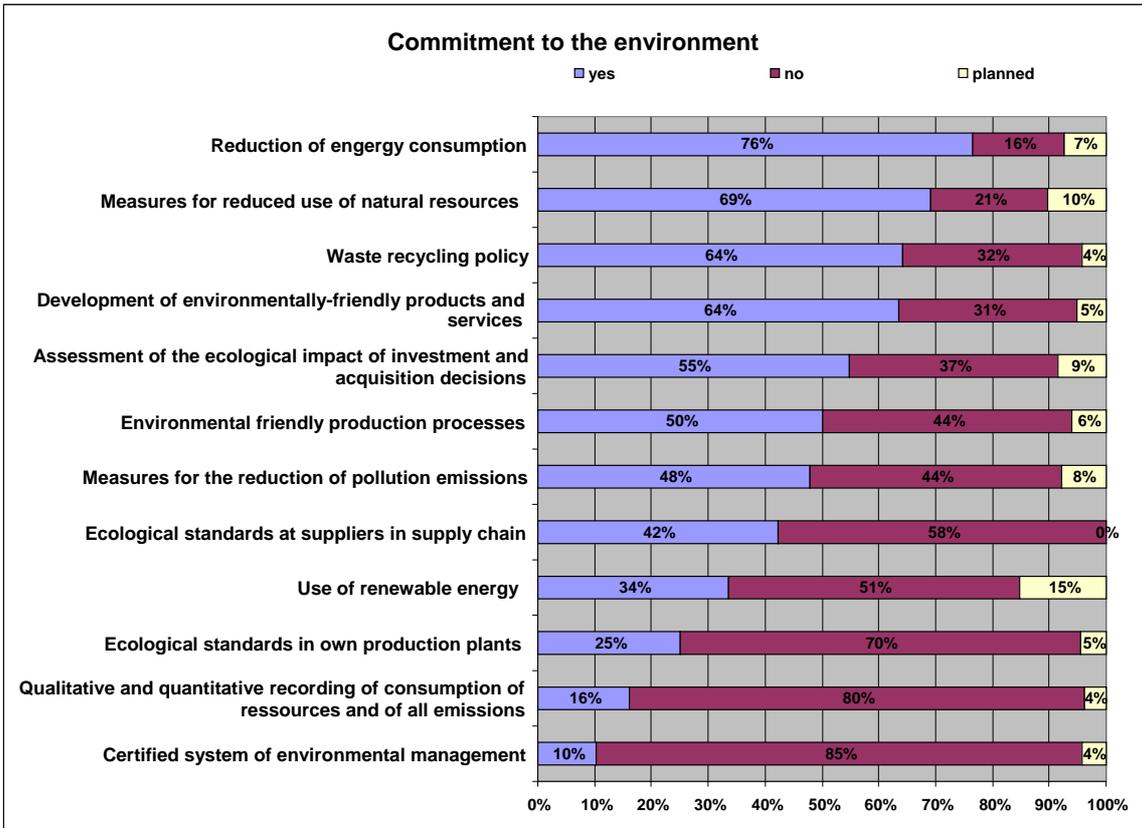


Diagram 4: Commitment to the environment

In the area of environmental protection, over half the participating entrepreneurs and managers state that they have taken measures to reduce the consumption of energy and resources (76%) and have introduced recycling management (64%). They also state that they have developed environmentally friendly products and services (64%) and implemented environmentally friendly manufacturing processes (50%). 55 percent stated that they were carrying out an ecological evaluation for investment and purchasing decisions.

Less than half (48 percent) stated that they had taken measures to reduce emissions. 42 percent observe minimum ecological standards in the selection of suppliers.

One thing worth noting is the use of regenerative energies at 34 percent. Here too we saw the most frequently planned measure for the future with 15

percent. This trend can be explained, apart from by cost considerations, by ever-scarcer natural resources and the increasingly clearly felt effects of global warming.

16 percent do at least monitor their qualitative and quantitative consumption of resources but only 10 percent have a certified environmental management system. However, these comparatively low figures are to be considered in the context of the high proportion of service providers among the subjects of the survey.

3.1.5. Commitment to society

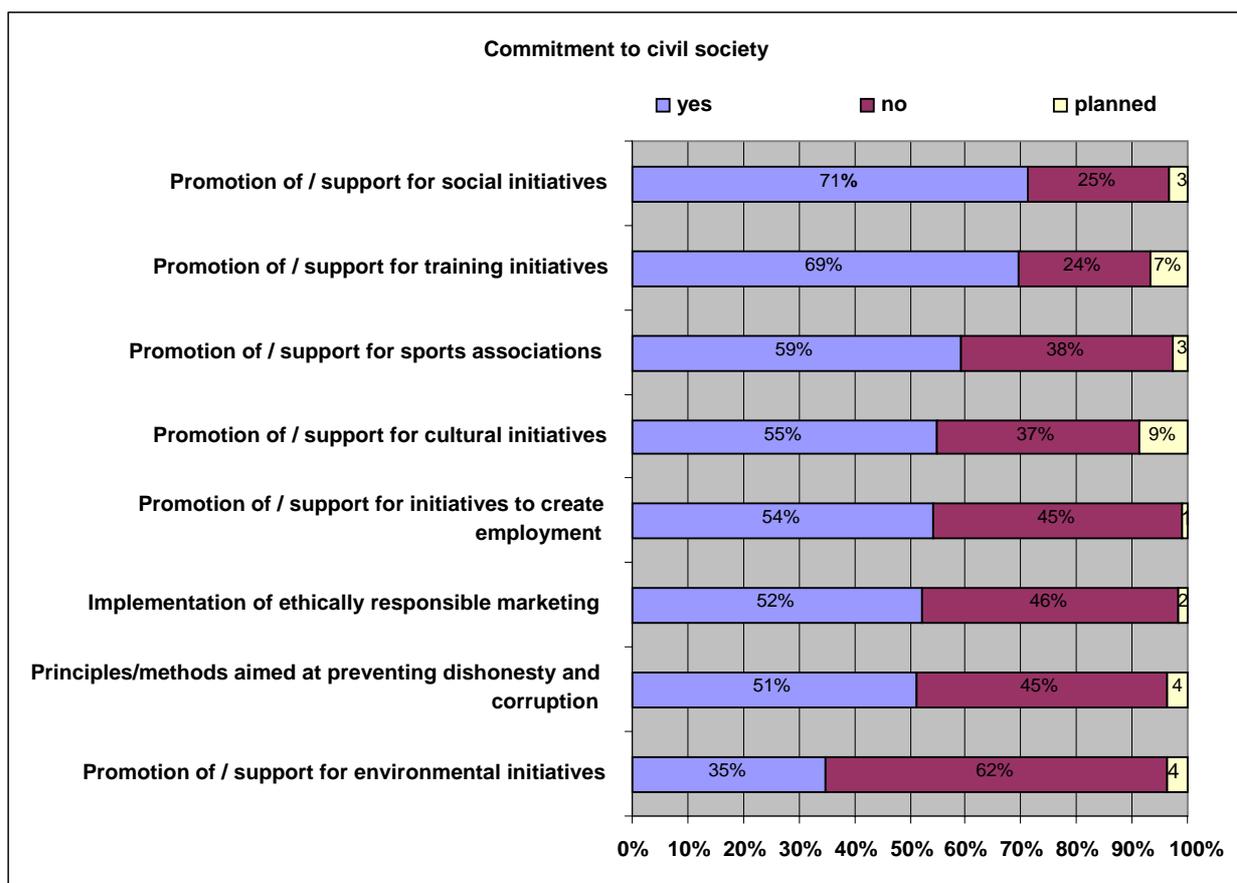


Diagram 5: commitment to society

SMEs commit themselves to society most frequently with social facilities (71%) and with training initiatives (69%). In addition, over 50 percent of all companies state that they support cultural and job market initiatives and sports clubs. And over half take responsibility on behalf of society by setting down principles for the ethically responsible marketing of their products/services and by establishing procedures to prevent bribery and corruption. At 35 percent it is environmental initiatives that receive the least support.

In the future nine percent of the companies are planning to become involved in cultural initiatives and seven percent in training initiatives. All other areas have somewhat lower priority.

3.1.6. State of knowledge of CSR among SMEs

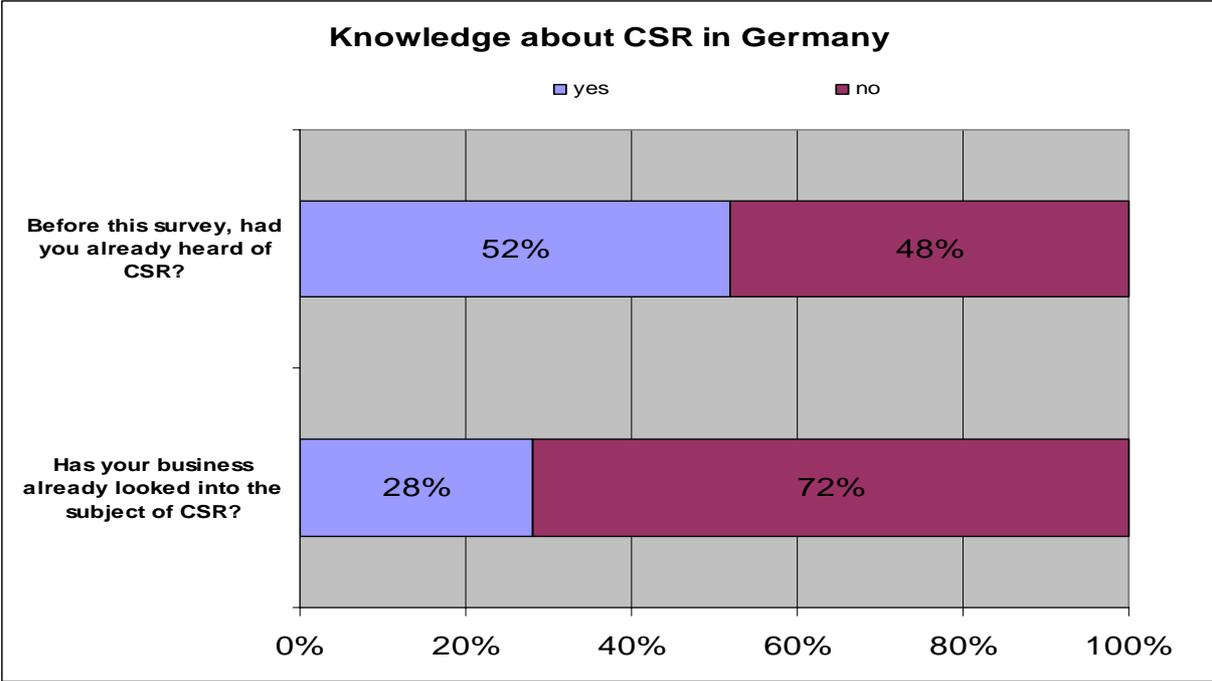


Diagram 6: State of knowledge of CSR among SMEs

It was noted from the results that 48 percent of the companies in this survey had never heard anything about CSR and 72% had never consciously tackled this issue. All the more remarkable in the light of this is the comparatively comprehensive commitment of these companies in areas of employees, environment and society. This shows that CSR is already being implemented in SMEs but it is not categorised under the term CSR.

3.1.7. Relevance of CSR to SMEs and their stakeholders

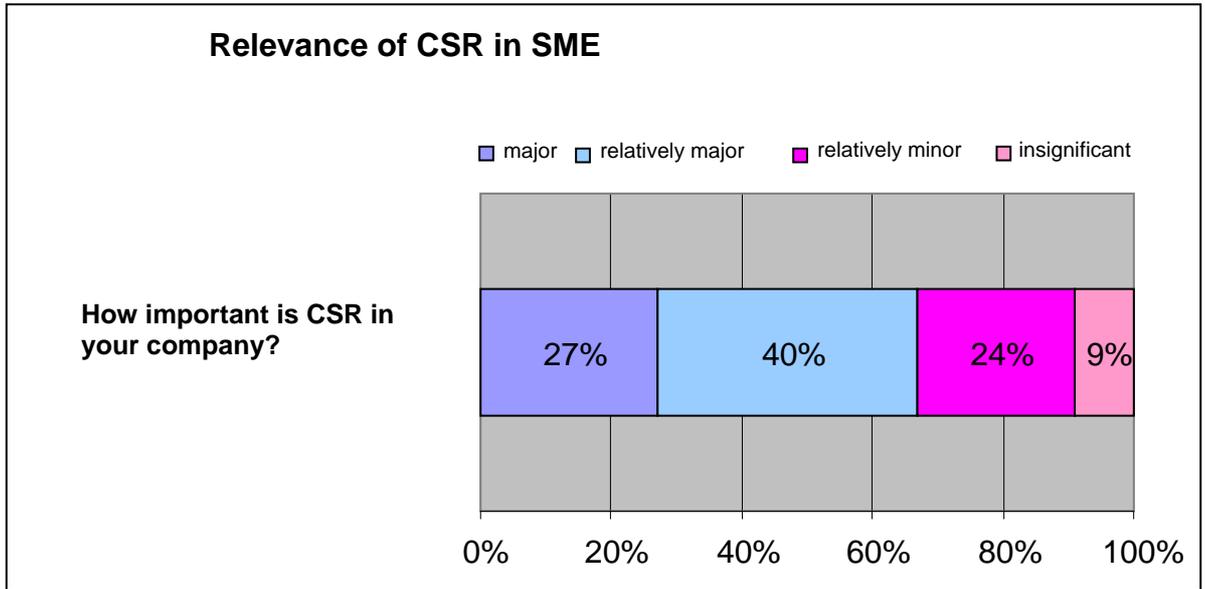


Diagram 7: Relevance of CSR to SMEs

The majority of the SMEs (67%) state that the subject of CSR will become increasingly important to their companies in the next few years. Only one company in four states that this subject is not particularly important and only 9 percent believe that this subject is unimportant.

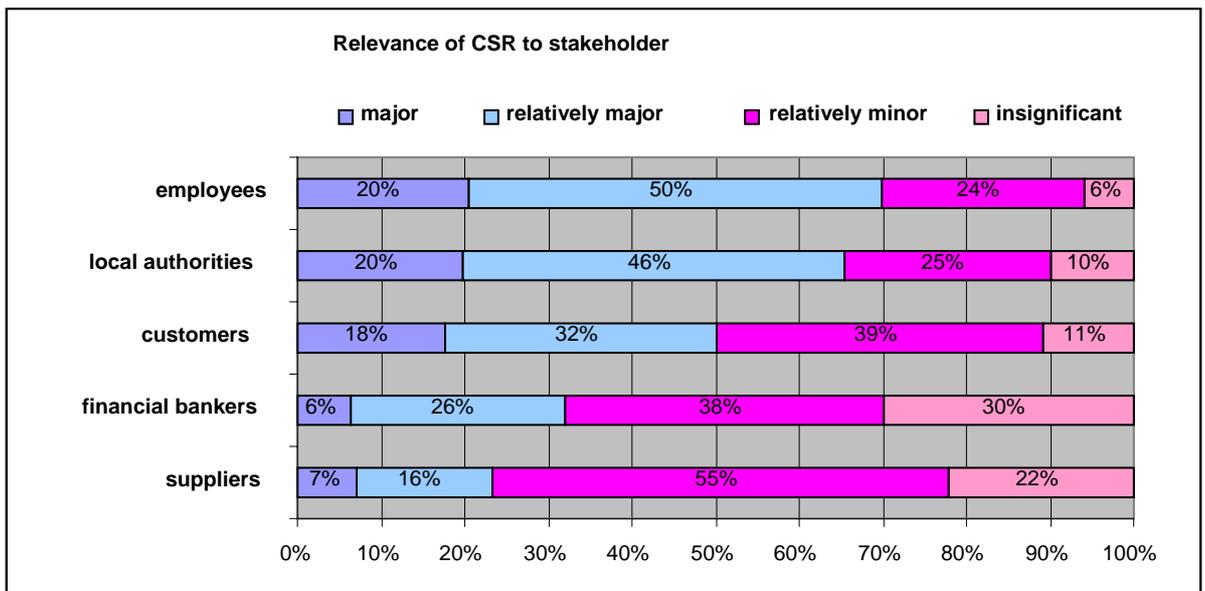


Diagram 8: Relevance of CSR to stakeholders

The increasing relevance of CSR can be explained by, among other things, growing stakeholder demands on SMEs. Thus for instance 70 percent of the SMEs see their employees as their most important stakeholders who make “CSR demands” on the company, followed by the local authority/state at 66 percent and customers at 50 percent. Then the investors are mentioned at 23 percent and suppliers at 23 percent.

This shows the great importance of the employees in medium-sized enterprises since they are of major significance as a factor in the success of these companies.

3.1.8. Development of CSR

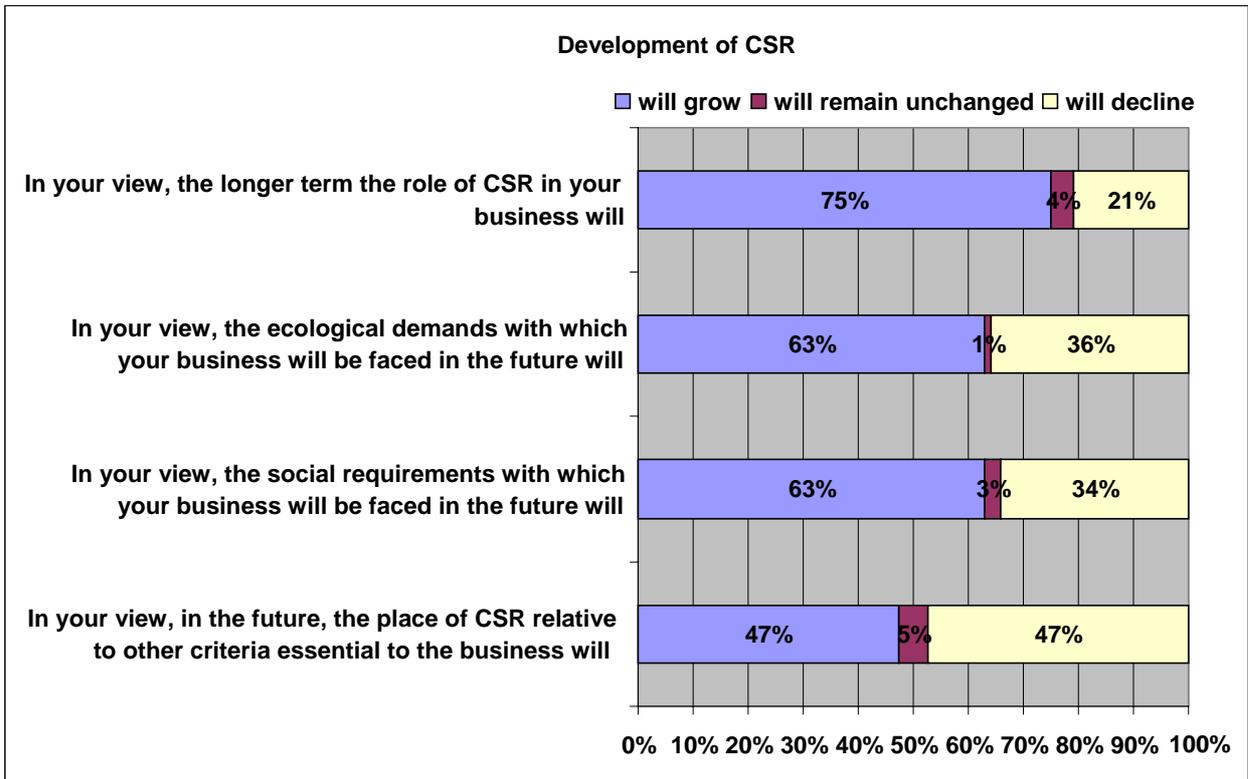


Diagram 9: Development of CSR

Three quarters of all the companies believe that the significance of CSR for companies will grow in the medium and long term. To be specific, 63 percent of them state that both the social and economic demands on their own companies will increase. Almost every second company even says that CSR is of increasing importance in comparison with other issues relevant to their company.

3.1.9. Determining the factors that prevent the introduction of CSR

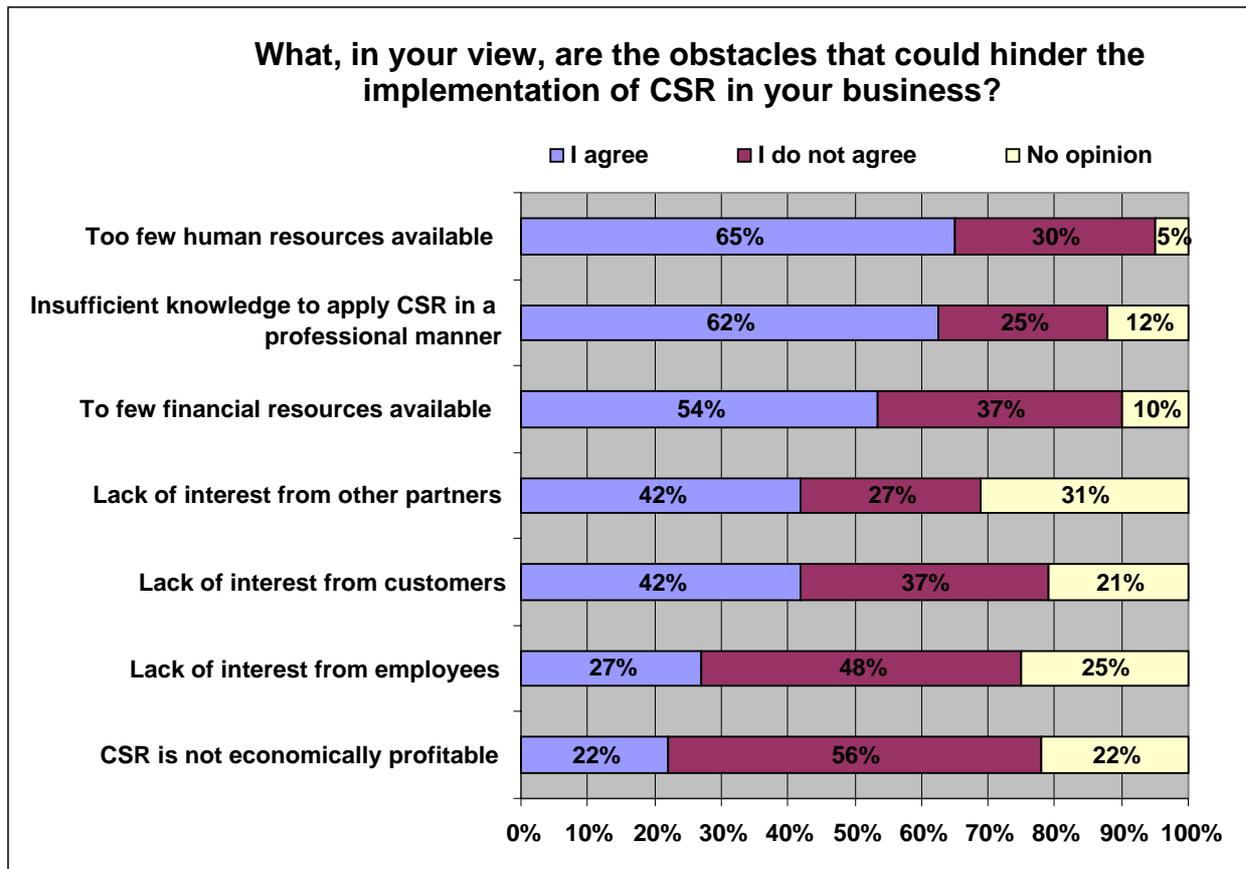


Diagram 10: Obstacles to the implementation of CSR

The major factors that prevent the introduction of CSR are stated to be firstly too few staff resources (65%) followed by 62 percent with lack of know-how for the implementation of these concepts. It is only after these points that lack of financial resources is mentioned (54%). It is stated by 42 percent that a lack of interest by the stakeholders, in particular the customers (42%) and the employees (27%) in introducing CSR is decisive. What is noteworthy here is that only 22 percent of SMEs are of the opinion that CSR does not pay in economic terms and over half the companies dispute this.

3.1.10. Importance of the benefits of CSR in SMEs

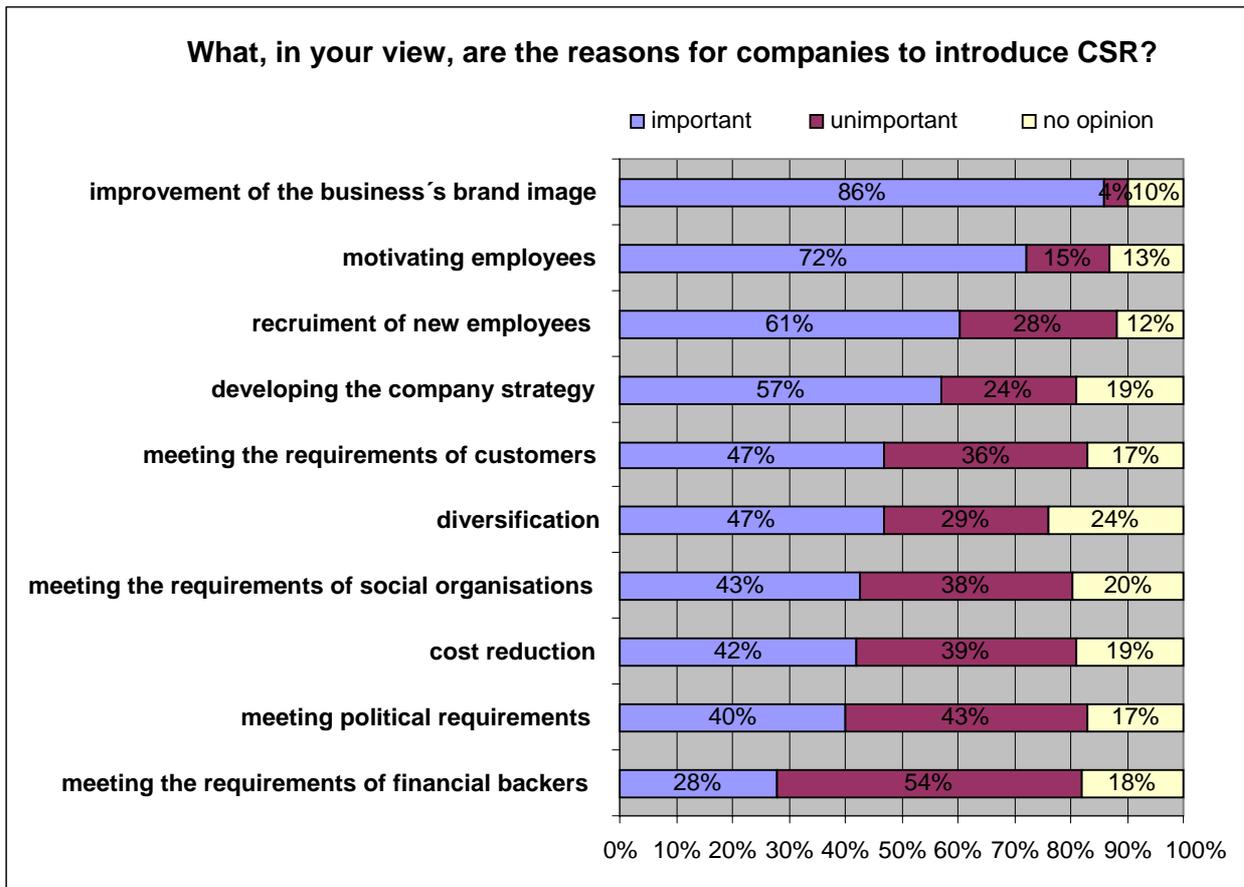


Diagram 11: Importance of the benefits of CSR in SMEs

Among the arguments in favour of SMEs introducing CSR, the positive image is in first place (86%), followed by the argument of employee motivation (72%) and CSR as an instrument for attracting and keeping staff (61%). Thereafter, 57% state that CSR is a suitable instrument for giving the company a strategic direction in order to differentiate it from its competitors (47%) and lastly in order to be able to react appropriately to the changing demands of customers (in which social and ecological criteria play an increasingly crucial role in the decision to buy). As can be seen from this survey, social groups at 43 percent, political demands (40%) and investors' demands (28%) play an important role in the introduction of CSR even in SMEs. Lastly, 42 percent of the companies are convinced that CSR can make a major contribution towards reducing costs, in particular in the area of the environment for instance with less waste, lower emissions and reduced consumption of resources.

3.1.11. CSR communication in SMEs

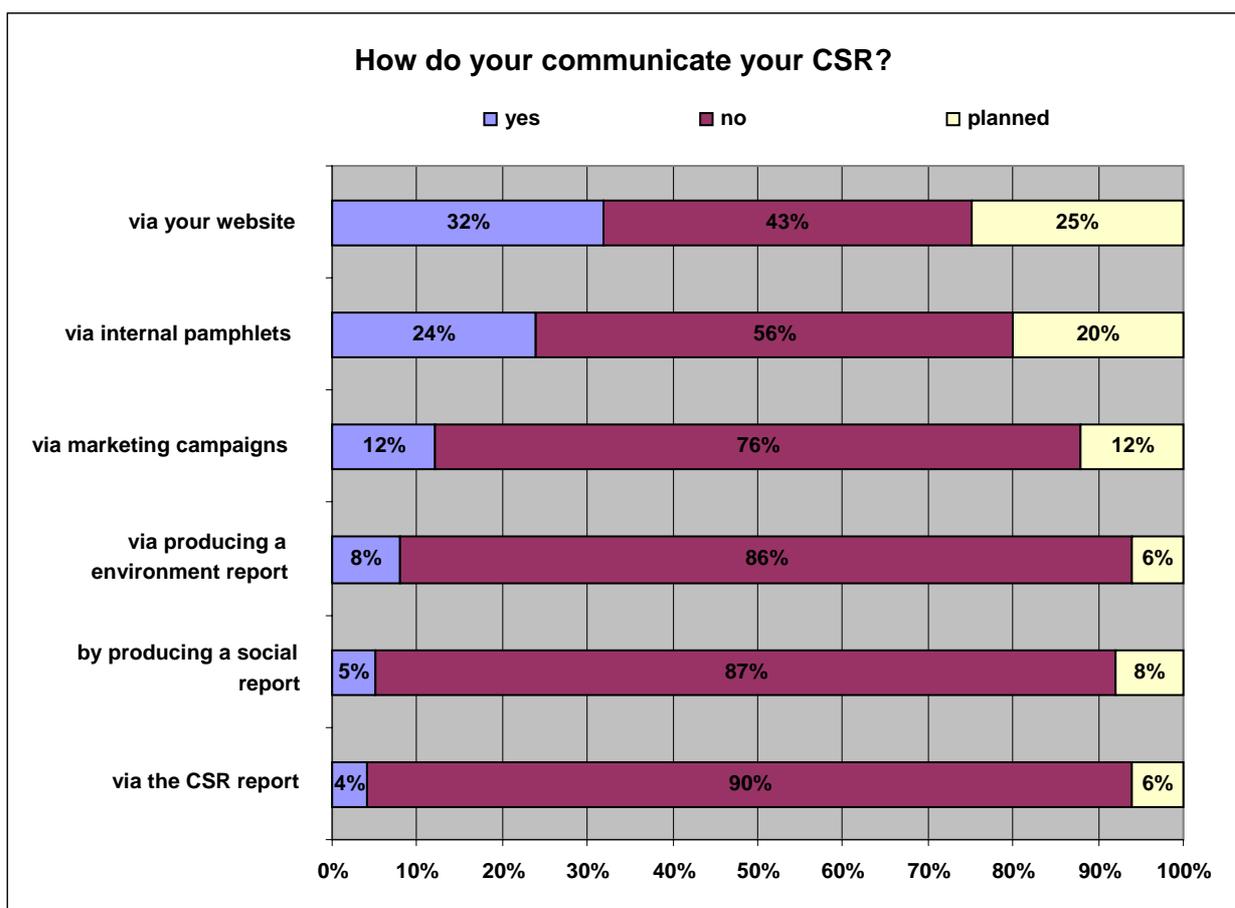


Diagram 12: CSR communication in SMEs

It is evident that in most companies CSR has not been communicated via the usual communication channels mentioned above. Nevertheless a quarter of the companies are planning to communicate this subject on their websites and 20 percent in their firms' brochures in the future. 12 percent of the companies are even planning marketing campaigns on this subject.

Eight percent of the SMEs are planning to publish a social report, which, unlike the environmental report, is more typical of the service sector. Another six percent state that they publish an environmental report and a CSR report.

4. Conclusion

The results of this study show that the concept of CSR is already familiar to over half (52%) of all SMEs. From the measures implemented to date, however, it becomes clear that in these companies very much more is already being done and is also being planned in many areas without these measures being classified under the term CSR.

Taken overall, a marked commitment to their own employees can be detected. This can be explained by the fact that most companies are aware of the value of well-trained and motivated employees. Especially in view of the background of demographic change and the lack of managers which can already be clearly felt and which will become more and more important, there is, and will continue to be in the future, increasing investment in training and measures regarding “life-work balance”. In this way medium-sized enterprises can survive as attractive employers in competition with large companies, who are often better payers, even in the struggle for the best – female as well as male – technical and management staff (for whom the issue of family friendliness is an ever-more-important selection criterion in the search for a job).

Although the environmental area is not quite as strongly developed overall as that employee area, here too there are numerous measures being taken and there are plans for the future. It becomes clear that in the future, measures for cost reduction and at the same time those to protect the climate such as the use of regenerative energies, the reduction of the consumption of resources and energy and ecological evaluation of investments will be at the forefront. Here it can be seen that companies are reacting to the current ecological problems that also affect them and will also invest in them in the future.

In the area of social commitment e.g. support for initiatives, more has been done than in the average company. But for the future, comparatively fewer measures are being planned here, which indicates a trend to directing future

measures more towards the central company activity, in other words the core business. This can be explained by the often more easily measured benefits of measures that are more closely associated with the core business since these can usually be measured with “hard” indices.

Most companies assume that CSR is a subject of increasing importance and one that pays economically. The main reasons are in the improvement in image, the improved motivation of employees and the greater ease of recruiting them and keeping them in the company. This concept is also used for the strategic direction of the company in order to meet growing customer demands and thereby to open up the opportunities in new markets. In this study the potential cost reductions, especially in the environmental area, are seen as less relevant than the commitment to employees, which may however be attributable to the high proportion of service providers in the participating companies in which the cost factor in the environmental area is relatively low compared with the productive sector because of their nature.

The biggest obstacles to the introduction of CSR are mainly in the lack of staff and financial resources and the lack of know-how on how to implement this strategy in an economically logical manner. Although there is wide understanding of the concept that a CSR orientation pays for itself economically in the long term, this presents an obstacle to the initial investment.

The communication on CSR by companies will continue to be via the media of the internet, brochures and marketing campaigns in the future. What is notable is that SMEs are rather restrained in their CSR communication. Here there is still a great deal of potential for SMEs to convince their stakeholders with their responsible company culture. And reporting has to date been an undervalued instrument for communicating ecological and social responsibility in a credible and transparent fashion, which is a prerequisite for the good image of the company.

If you have any questions, please feel free to contact:

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