
THE SOCIAL RESPONSIBILITY OF MEDIUM-SIZED ENTERPRISES

Survey of a population of medium-sized enterprises in Nord Pas de Calais conducted over the period December 2006 –February 2007

RESEARCH PROGRAMME:
Corporate Social Responsibility
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LAB RII – ULCO

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Summary

This document presents the results of a quantitative survey conducted between December 2006 and February 2007 with a sample of 567 medium-sized enterprises from the Nord/Pas-de-Calais region (and more precisely from the north coast). This survey deals with corporate social responsibility, that is to say the manner in which businesses incorporate concern for their employees, civil society and that associated with the environment into their activities. It falls within the scope of a European research programme entitled "Mainstreaming Corporate Social Responsibility among SMEs" and it is being conducted with German and Polish partners.

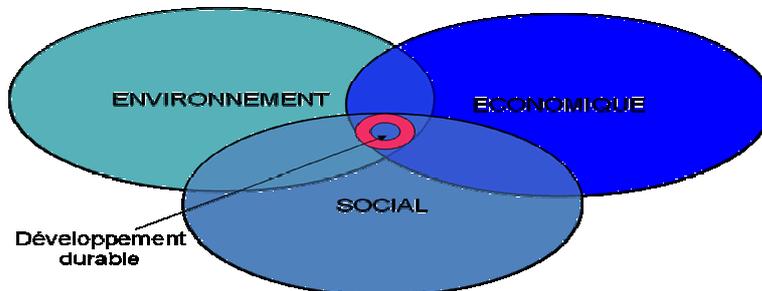
In general, this survey shows that corporate social responsibility (CSR) is not ignored (in practice) by the businesses that we surveyed. All forms of CSR are practised without this resulting from the strong commitment of the business in these areas. In the three areas (responsibility to employees, civil society and the environment), it is above all the more traditional actions (for example commitment to health and safety), the least expensive ones or the ones most frequently imposed by public authorities (for example the recycling of waste and/or support for training initiatives) that these businesses claim to put into practice. The actions most neglected by businesses, on the other hand, are the most expensive and they are less directly translated into positive results for the business (for example the use of renewable energy, measures for making work and family life compatible and also support for cultural initiatives). The great majority of businesses surveyed have the impression that CSR will become an important topic in the future, put into practice in particular by external institutions such as local authorities. It is above all the ecological demands, which, they say, will grow in the future. The main obstacles to the implementation of CSR also come more from a lack of resources than from a lack of interest and the great majority of the businesses surveyed thinks that the implementation of CSR provides an improvement in their brand image.

At the end of this survey, we propose a classification of CSR practices, firstly for each aspect of CSR. We distinguish three categories of business: insensitive businesses (their negative replies are higher than the average of the negative replies), sensitive businesses (their positive replies are higher than the average of the positive replies) and active businesses (their positive replies are higher than the average of the positive replies and they reply positively to the question that receives the least positive replies). In the area of responsibility to employees, 50% of businesses are insensitive, 40.3% are sensitive and 9.7% are active. In the area of responsibility to civil society, 55% are insensitive, 14.5% are sensitive and 30.5% are active. In the area of the environment, 84% are insensitive, 12.3% are sensitive and 3.7% are active. If

one studies each of the categories of businesses (active, sensitive, insensitive) in detail, it may be noted that businesses that are truly committed to CSR are very rare (only one business is "active" in the three areas). Where businesses are active or sensitive, they are so mainly in only one area (25 businesses are active in one single area and 32 are sensitive in one single area). Lastly, where businesses are on the other hand scarcely committed (the biggest number of businesses: 74 in total), they are so in the main in 2 or 3 areas.

1-Introduction

The topic of sustainable development is current today both in practice (public policy) and in scientific theory. For development to be sustainable, the way in which societies operate must not only incorporate economic aspects (the profitability of activities) but also social and environmental concerns.



In businesses, the implementation of a method of growth and sustainable development is presented by the concept of "corporate social responsibility" (CSR).

The widest definition of CSR is that of the European Commission:

“the voluntary integration by businesses of environmental and social considerations into their commercial activities and their relations with their stakeholders”¹.

In other words, a business should be concerned not only about its profitability and growth but also about its environmental and social impact. It should therefore be more attentive to the concerns of its stakeholders: employees, shareholders, customers, suppliers and civil society. This process must be voluntary and go beyond its legal duties (such as simply observing the French Employment Code or environmental regulations). Corporate social responsibility is thus a microeconomic application of “sustainable development.”

A socially responsible business is so to its employees, civil society and the environment.

For employees, it implies the implementation of measures such as:

Staff training, improvement of the compatibility of work and family life, non-discriminatory recruitment practices, employee profit sharing or shareholding, observance of a minimum social standard on foreign production sites, concern for health and safety ...

For civil society, examples of measures implemented:

Promotion of and support for cultural, environmental, social, sports and ethical marketing training initiatives and those that create employment ...

For the environment, examples of measures implemented:

Recycling of waste, reduction of energy consumption, use of renewable energy, measures for the reduced use of natural resources, measures for the reduction of pollution emissions, observance of international standards, ecological balance sheets ...

The subject of CSR is often studied in the case of large enterprises. Several reasons taken together explain this fact:

- the external effects of which they are the cause are more visible than those produced by SMEs

¹ Green Paper “Promoting a European framework for corporate social responsibility,” COM(2001)366 Final

- environmental standards are first applied by large enterprises (ISO 14000)
- the social and environmental report which describes the actions of businesses in the area of CSR is compulsory for companies quoted on the stock market (loi Nouvelles Régulations Economiques [New Economic Regulations Act] 2001)
- the cost of implementation of CSR measures is higher
- for large enterprises, which are frequently reported on in the media, their “reputation capital” is fundamental to their strategy.

However, in 2003, very small, small and medium-sized enterprises represent over 99.8% of the number of businesses in Europe in the 25 EU countries, they employ about two thirds of the labour and they generate more than half (57.3 %) of the added value². Their application of CSR is therefore indispensable if sustainable development is to be effective. It is for these reasons that the European Commission has launched research programmes aimed at gaining a better understanding of the actions of European businesses.

The European Commission’s research programme, “Mainstreaming Corporate Social Responsibility among SMEs,” under which this survey falls, aims to become more familiar with the activities of small and medium-sized enterprises in this area and to compare the actions taken by different European countries with each other. This survey was conducted jointly with German and Polish partners³.

2- Survey method

We conducted a quantitative survey of Medium-Sized Enterprises in the Nord/Pas-de-Calais region (and more specifically in the coastal region in which our university is located) (in accordance with the EC definition: 50-249 employees) over the period between December 2006 and February 2007.

567 businesses were contacted (sample constructed by the random sampling method with a table of random numbers) including 251 in Dunkirk, 52 in Calais, 221 in Boulogne and 43 in Saint Omer. 116 businesses agreed to reply to this questionnaire (gathered by telephone and carried out independently), this representing a response rate of 20%.

Among the questionnaires gathered, some of the businesses in fact had less than 50 employees or more than 249. We therefore worked on a sample of 82 medium-sized enterprises in the strict sense.

²http://epp.eurostat.ec.europa.eu/portal/page?_pageid=2293,59872848,2293_61474735&_ad=portal&_schema=PORTAL#SME

³ Arbeitsgemeinschaft Partnerschaft in der Wirtschaft e.V. / Kassel; Deutsche Angestellten-Akademie ; gGmbH / Hamburg; Fachhochschule des Mittelstands gGmbH / Bielefeld ; Rudzki Inkubator Przedsiębiorczosci ; Sp.Z.o.o. / Ruda Slaska (PL) ; ULCO (Université du Littoral Côte d’Opale) / Dunkirk – Lab.RII (F)

The results were processed by the SPSS 13.0 for Windows statistical data processing software.

The main topics of the questionnaire are as follows:

- ✓ CSR practice (employees, environment, society)
- ✓ The business's knowledge of CSR (current and intended state)
- ✓ Factors impeding the implementation of CSR
- ✓ Motives for implementation of CSR
- ✓ Policy of communication of CSR

The 82 medium-sized enterprises studied can be classified into the following activity sectors:

Services : 31 businesses

Industry : 21 businesses

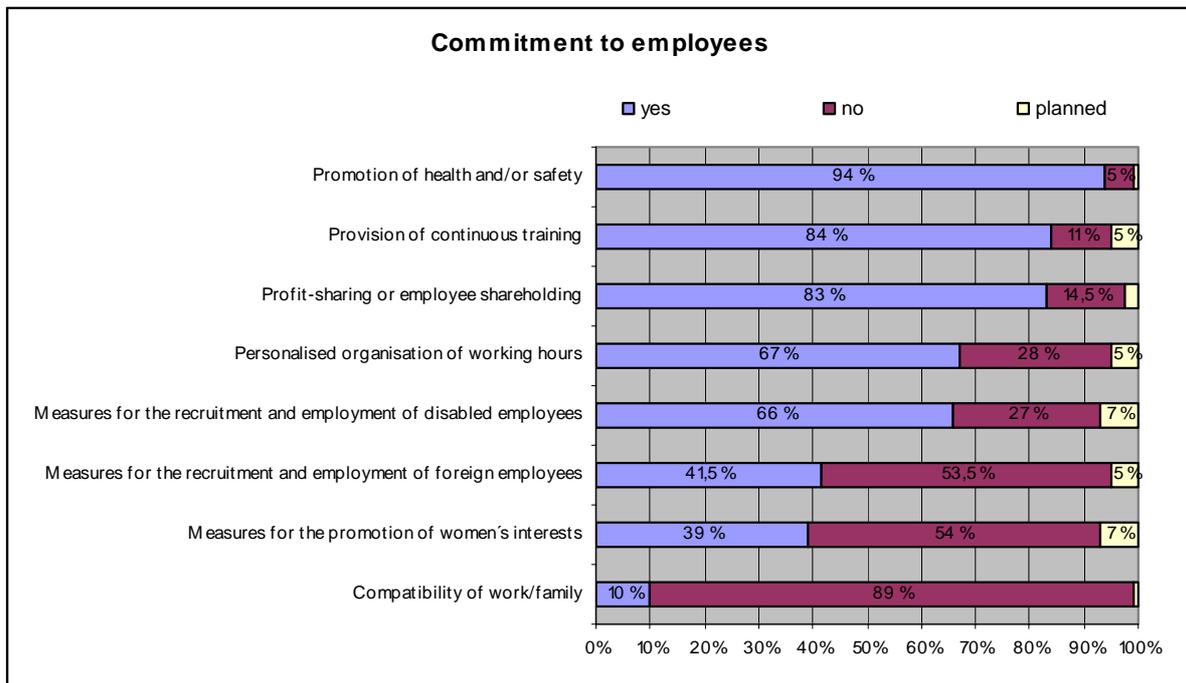
Trade: 14 businesses

Public works : 9 businesses

Agrofood and agriculture : 7 businesses

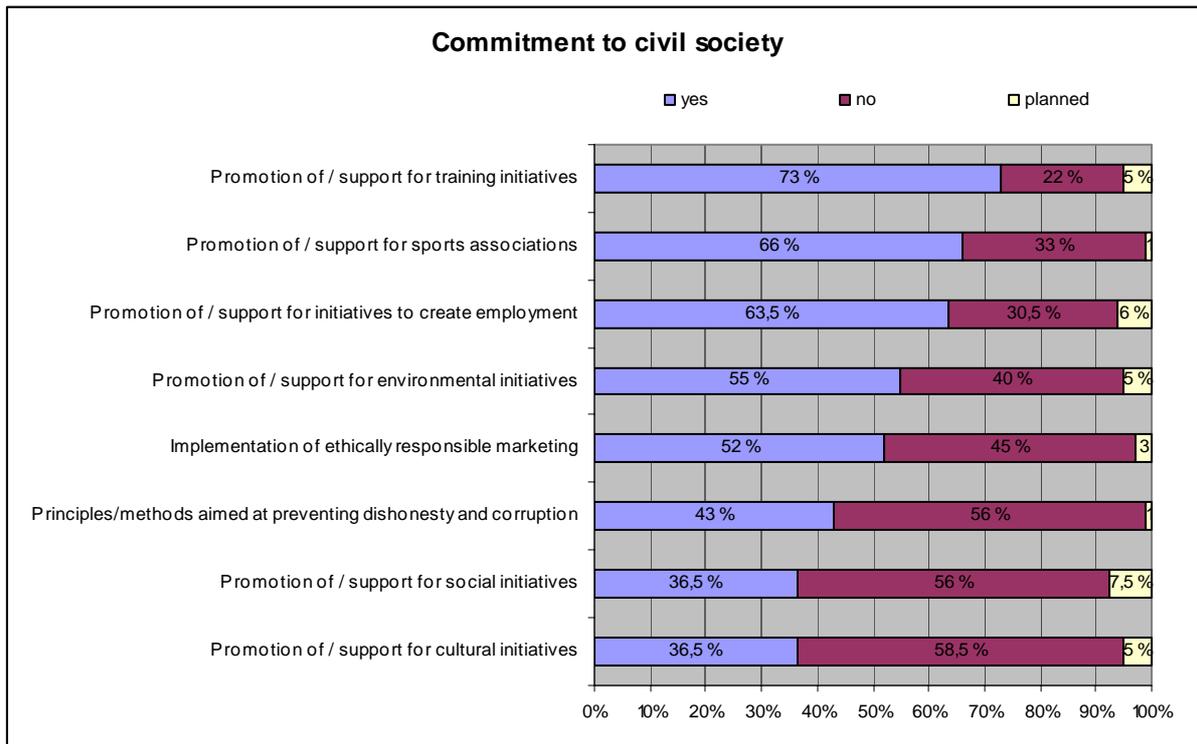
3- Results of the survey

3.1 Commitment of businesses to their employees



The forms of commitment of the businesses to their employees most frequently put into practice by the businesses are traditional forms of management, sometimes even reflecting their legal duties (Employment Code) or other forms of assisted intervention (subsidies). Thus 94% of the businesses state that they are committed to health and/or safety, 84% of the businesses implement continuous training provision and 83% operate profit-sharing systems. The personalised organisation of work hours (67%) has become, with various flexitime measures implemented in France, a traditional form of action and jobs for the disabled (41.5%) are the measures most often applied with the aid of subsidies. The forms that reflect commitment beyond the business's duties and direct interests are measures taken to promote the employment of foreigners and women and the compatibility of work and family life. These are also the areas that receive the least positive replies from the businesses surveyed. One might note that for the measures that receive negative replies, the businesses do not envisage making any great effort to implement them in the future.

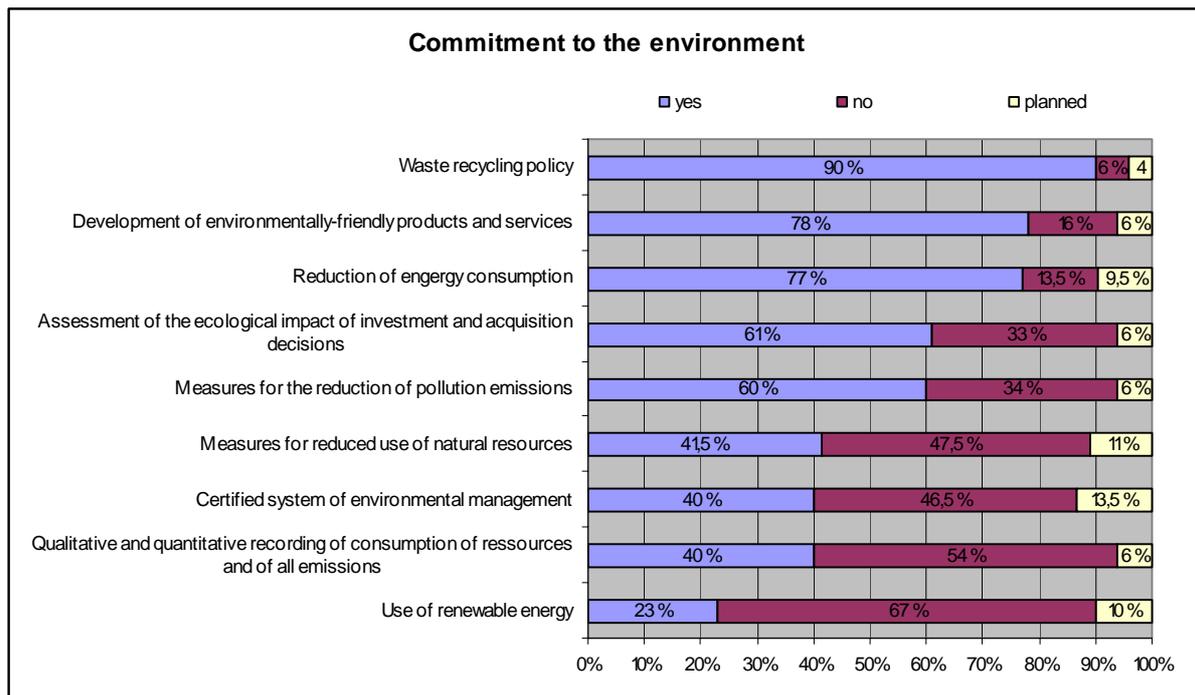
3.2 Commitment to civil society



With regard to the involvement of businesses in public authority goods and services, the activities that might have a positive impact (external effects) on the results of businesses are favoured, these being activities such as the promotion of training initiatives which is the most common (73% positive replies), job creation initiatives (63.5% positive replies) and ethically responsible marketing (52.5% positive replies) which might satisfy a proportion of the clientele attracted by the issue of sustainable development. Apart from support for sports associations which receives a high percentage of positive replies (66%) (which indicates a tradition of action by businesses in this area), cultural, social or environmental activities/initiatives are not so highly valued by the businesses that we surveyed. This can no doubt be explained by the fact that they have a less direct impact or that they require investment in communication for them to lead to positive returns. The principles and methods aimed at preventing dishonesty and corruption interest 43% of businesses. The businesses surveyed no doubt believe that this subject is reserved for the big players.

Businesses that have no commitments to civil society do not envisage making any great effort to implement them in the future.

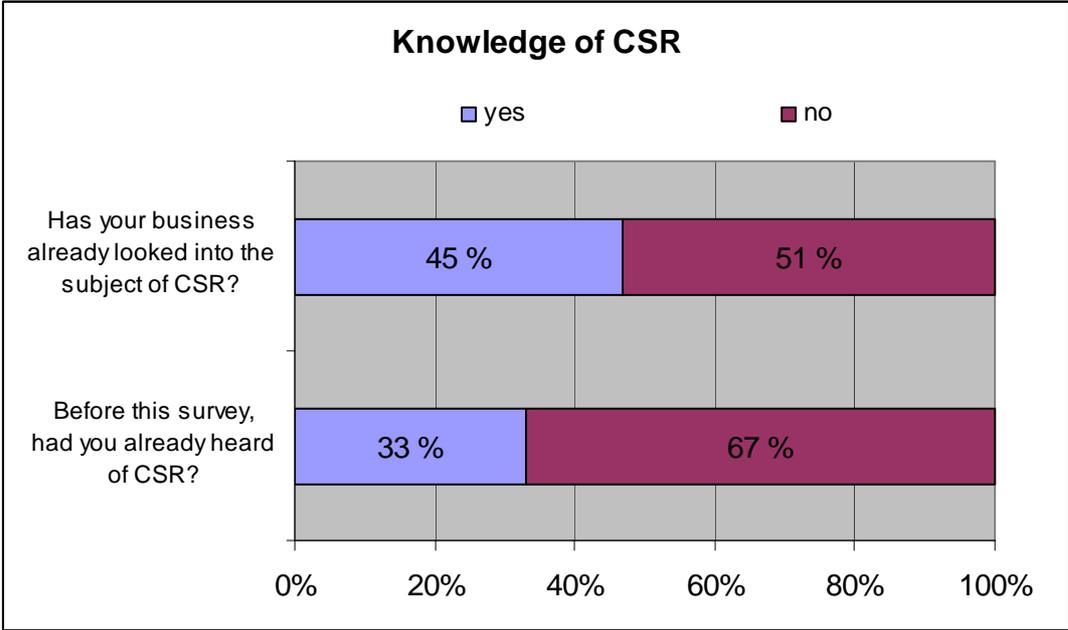
3.3 Commitment to the environment



Among the measures implemented by businesses for the benefit of the environment, five measures exceed the 60% level of positive replies: the waste recycling policy (90% positive replies), followed by the development of environmentally-friendly products and services (78%), the reduction of energy consumption (77%), the assessment of the ecological impact of investment and acquisition decisions (61%) and measures for reducing pollution emissions (60%). The use of renewable energy is at the back of the herd since this requires heavy investment?, a long-term investment policy?, or because their implementation requires more time?

13.5% of the businesses asked state that they plan to implement certified environmental management systems in the future. This may reflect the importance of the large enterprises in the employment pool that we studied, customers placing orders often being behind the standardisation of their subcontractors.

3.4 Knowledge of CSR

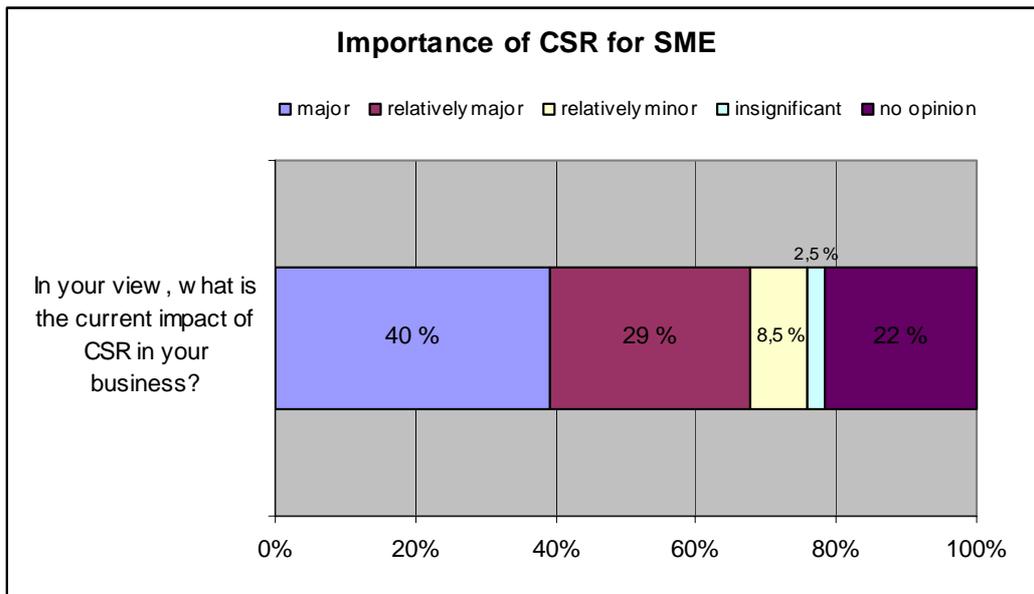


More than half of the businesses asked state that their business has not looked into the subject of CSR and 67% have never heard of it. This may appear surprising given that corporate social responsibility is a very fashionable topic and that many professional associations have picked up on it.

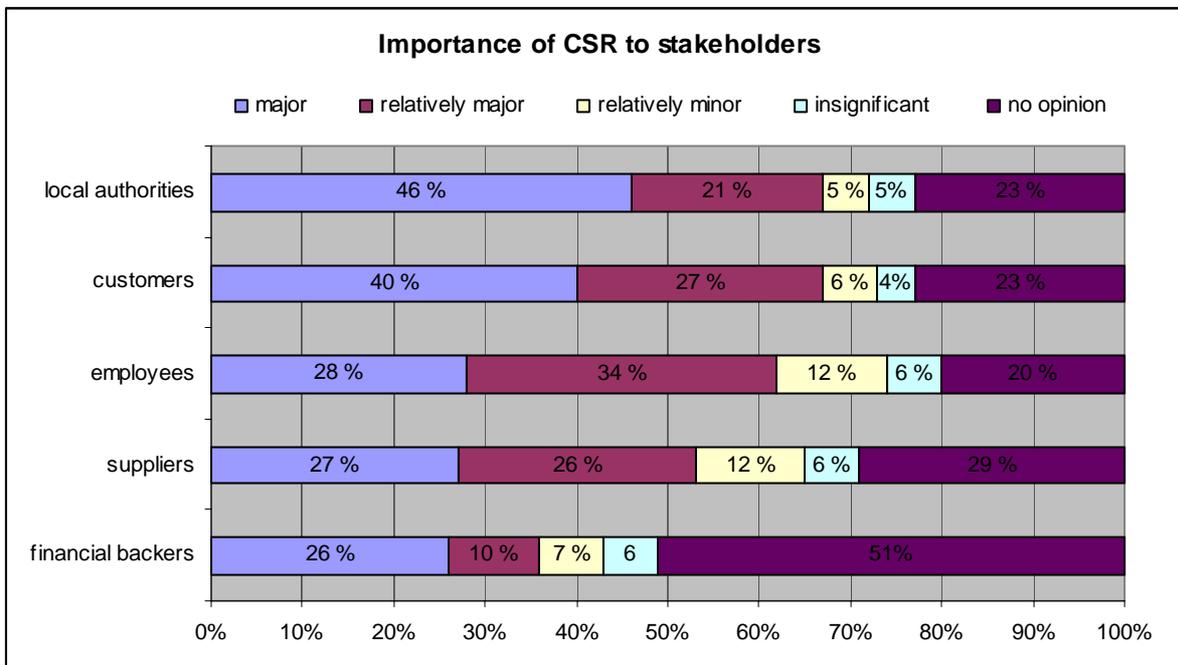
Only 33% of the businesses asked had already heard of CSR whilst 45% of businesses had already looked into this subject. Because of the breadth of the issues, CSR is therefore actually put into practice without any intellectual understanding of the concept associated with its practice.

We should in any case note that the results also incorporate a bias in the survey: the respondent to the questionnaire was perhaps not aware of the term used to describe this phenomenon which consists of taking into account the wellbeing of employees, the problems of civil society and the environment.

3.5 Importance of CSR to the business and to its stakeholders



An overall level of about 70% of the businesses that we asked believe that CSR has an impact within the business and only about 10% thought the opposite (the others gave no opinion).

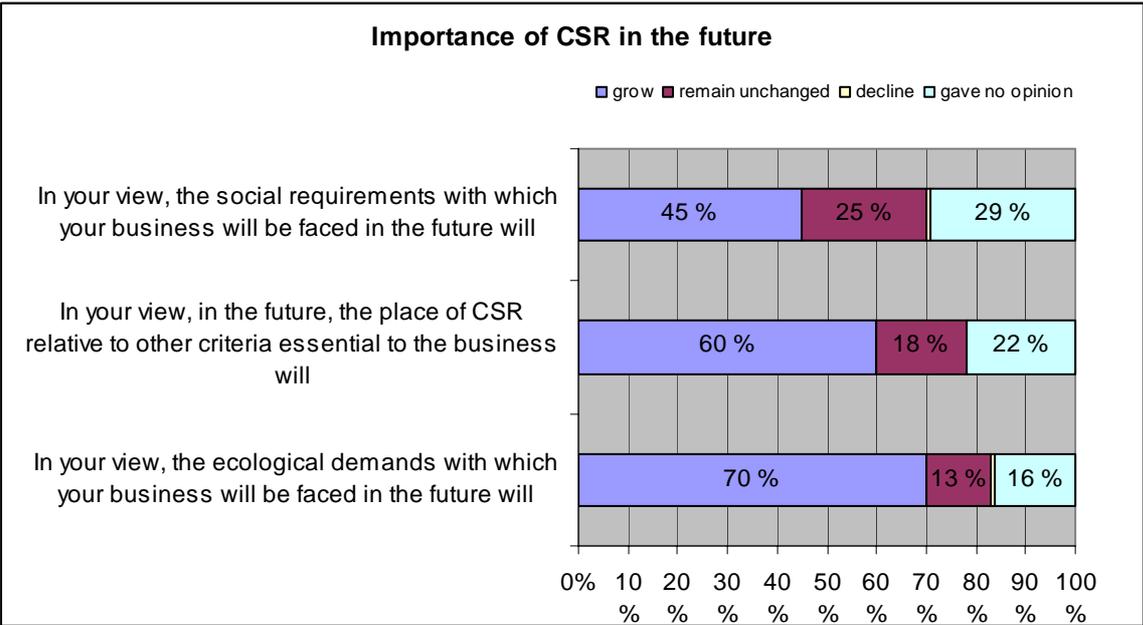


According to the businesses asked, it is the local authorities that are the most sensitive to the implementation of CSR, followed by customers. On the other hand, according to those businesses, it is the business's employees, the suppliers and the financial backers who feel least concerned. This perception of the major role of local

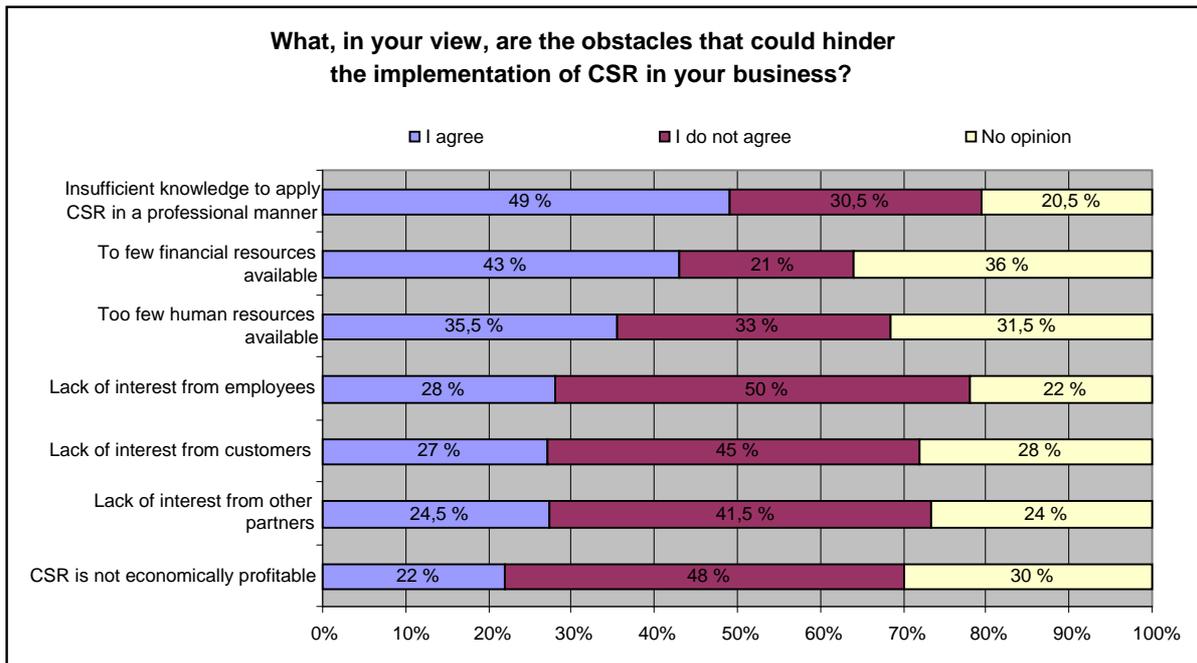
authorities in the implementation of CSR seems to reflect the idea that CSR would be practised more by civil society than by industry. CSR therefore appears to be a change driven from the outside.

3.6 Importance of CSR in the future

78% of the businesses asked believe that the importance of CSR will grow in the future, with ecological requirements as the first priority. 60% of businesses believe that the wellbeing of its employees, the environment and civil society will take on increasing importance compared with other criteria essential to the business such as growth in sales and financial results. By contrast, social needs are considered to be less important in determining the future, which is no doubt explained by the fact that businesses are already relatively active in this area (commitment to employees). This may also reflect a belief by the businesses asked that employment legislation will become more and more flexible in the future.

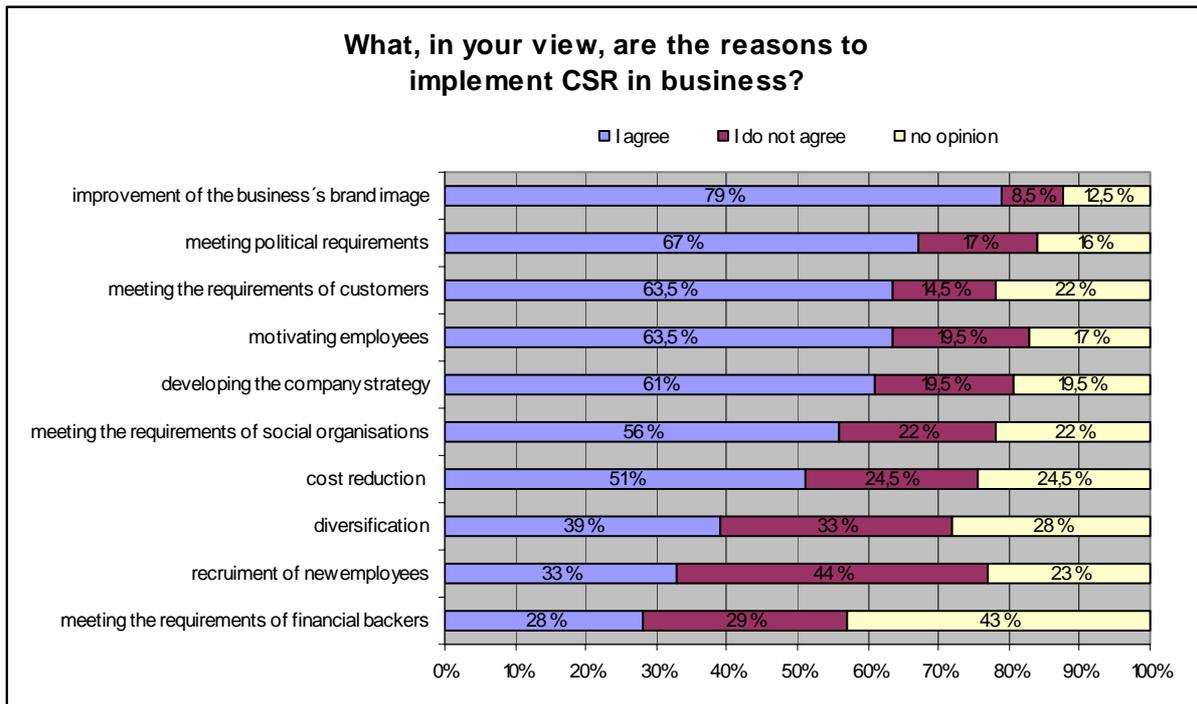


3.7 Obstacles to the implementation of CSR



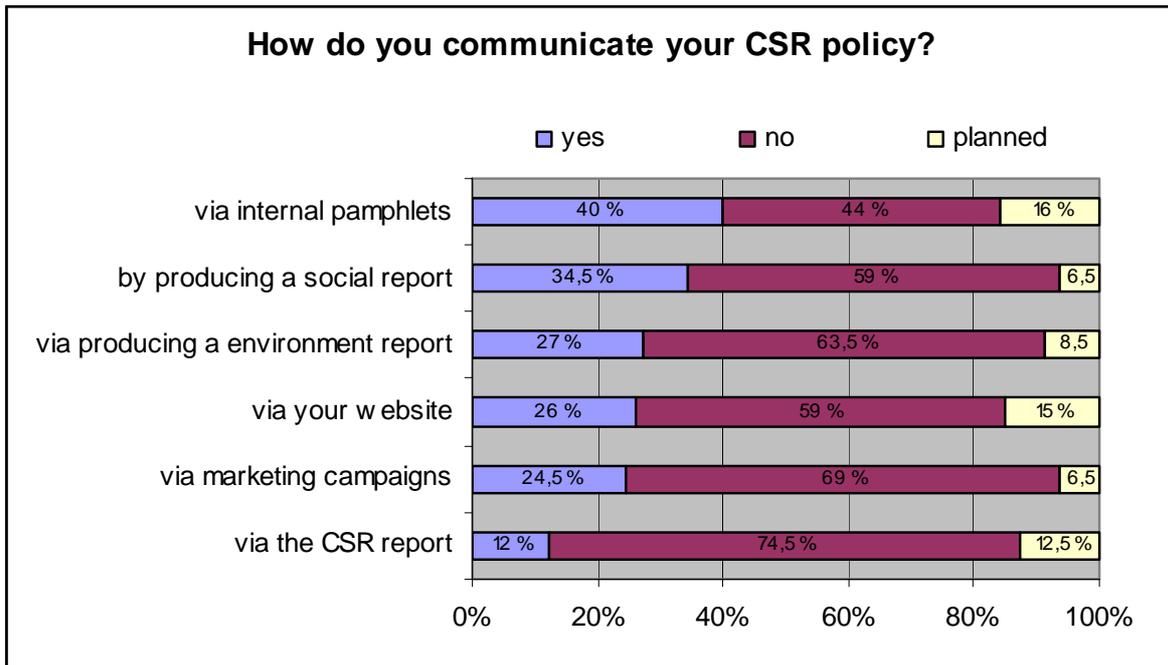
On the matter of obstacles to the implementation of corporate social responsibility, our sample emphasises their lack of knowledge of this subject (for 49% of the businesses) as well as the financial and human resources that are thought to be insufficient (for 43% and 35.4% of businesses respectively). On the other hand, according to them, the problem does not lie to a major extent with a lack of interest by the business (only 22% believing that CSR is not profitable). However, almost 30% of the businesses think that there is a lack of interest from their employees and customers.

3.8 Major motives for implementing CSR in the business



It was discovered from this question that "reputation capital" is important for medium-sized enterprises and that it is not reserved for large enterprises (cf. introduction). In fact, almost 80% of the businesses believe that implementing CSR is a means of improving their brand image. Among the most frequently-mentioned motives there then follow observance of political necessities, customers' requirements, the motivation of employees, development of the company strategy and respect for social organisations (non-governmental organisations etc.). Cost reductions are mentioned less often even if 51% of businesses believe that it is an important motive. Putting in place CSR in order to meet the demands of financial backers, to recruit new employees or to diversify activities appear to be less of a determining factor for the businesses asked.

3.9 Communication about CSR



Communication about CSR seems not to occur very often in the businesses that we asked. Communication seems to be mainly internal since 40% of the businesses asked use internal pamphlets. 34.4% of them incorporate CSR into their social reports and 27% into their environmental reports. On the other hand, only 12% of the businesses asked produce a specific report. With regard to external communication, which occurs less often, 26% of the businesses communicate about CSR by means of their websites and 24.5% by marketing campaigns.

Conclusion : Classification of CSR practices

We have produced a classification of CSR practices on the basis of this survey.

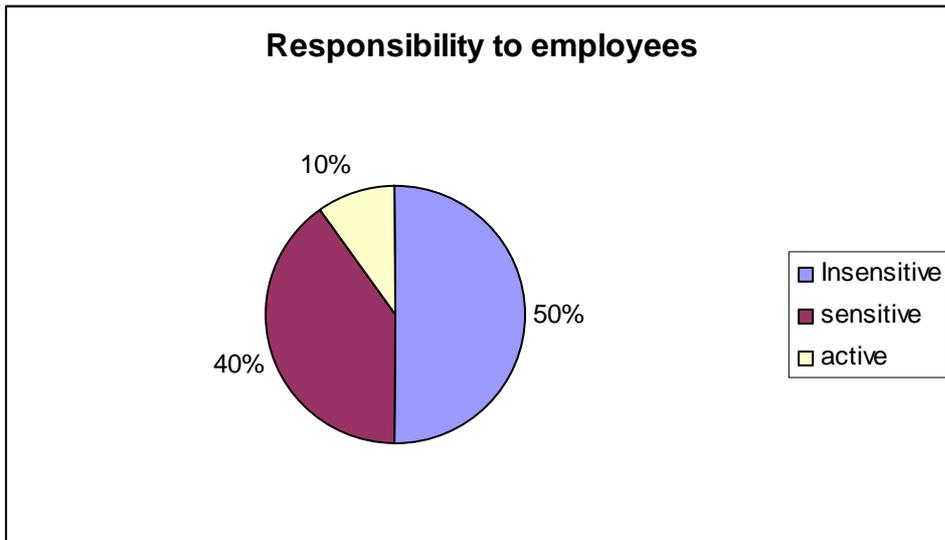
Firstly, for each aspect of CSR, (to employees, civil society, the environment), we have classified the businesses into 3 categories:

- "insensitive" businesses are those whose negative replies are higher than the average of the negative replies
- "sensitive" businesses are those whose positive replies are higher than the average of the positive replies
- "active" businesses are those whose positive replies are higher than the average of positive replies **and** who respond positively to the so-called "distinguishing" question, that is to say the question which receives the least positive replies for each aspect of CSR.

Responsibility to employees:

Responsibility to employees	
<i>Summary of the questions asked: Are you committed to your employees on the following points ?</i>	
<i>... Personalised organisation of work hours</i>	
<i>... Provision of continuous training</i>	
<i>... Promotion of health/safety</i>	
<i>... Profit-sharing schemes/employee shareholding</i>	
<i>... Compatibility of work and family life</i>	
<i>... Measures for promoting women's interests</i>	
<i>... Measures for the recruitment and employment of foreign employees</i>	
<i>... Measures for the recruitment and employment of disabled employees</i>	
Average of positive replies	60.56%
Average of negative replies	35.18%

In pink: distinguishing question

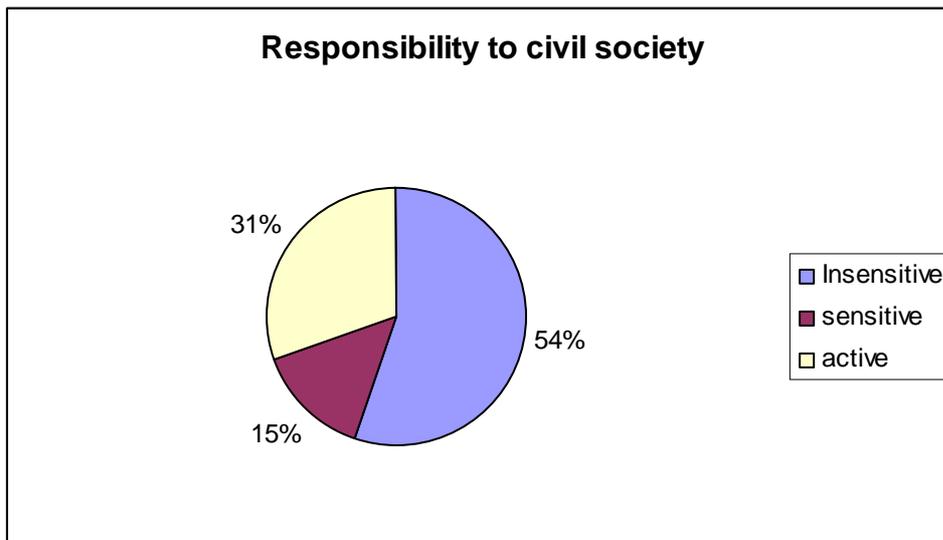


50% of the businesses asked are “insensitive” in the area of responsibility to employees. Their replies are more negative than the average of negative replies in the sample. 40.3% are sensitive, that is to say that their positive replies exceed the average of the positive replies. 9.7% are “active.” Their positive replies exceed the average and they are committed in the area which receives the fewest replies, here compatibility of work/family life.

Responsibility to civil society:

Responsibility to civil society	
<i>Summary of the questions asked: Are you committed to civil society on the following points ?</i>	
<i>... Promotion of/support for training initiatives</i>	
<i>... Promotion of/support for cultural initiatives</i>	
<i>... Promotion of/support for environmental initiatives</i>	
<i>... Promotion of/support for social institutions</i>	
<i>... Promotion of/support for initiatives to create employment</i>	
<i>... Promotion of/support for sports associations</i>	
<i>... Implementation of ethically responsible marketing</i>	
<i>... Principles/methods aimed at preventing dishonesty and corruption</i>	
Average of positive replies	53.18%
Average of negative replies	42.62%

In pink: distinguishing question

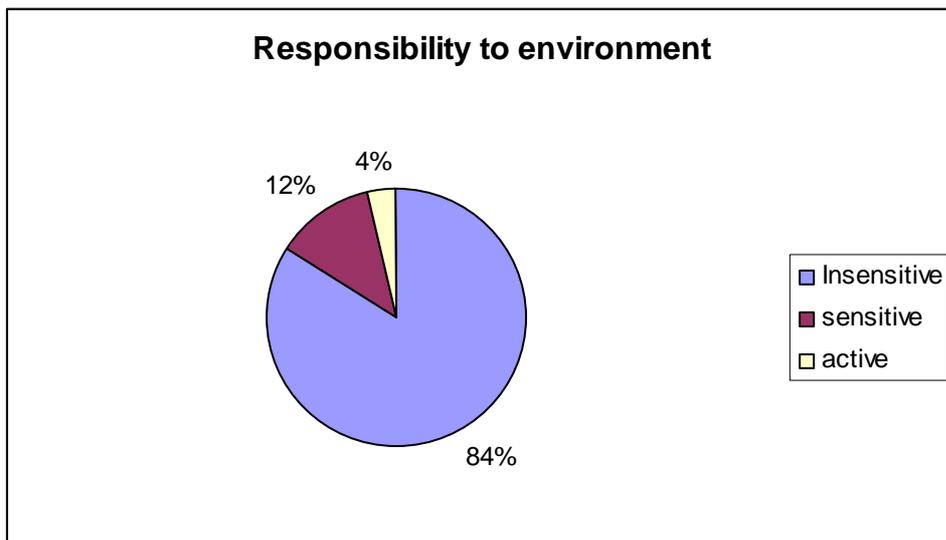


55% of the businesses are insensitive to civil society, there are 14.5% who are sensitive and 30.5% who are active in the area of civil society, that is to say that they incorporate into their commitment the distinguishing question which in this case is the promotion of cultural initiatives. In fact, the promotion of cultural initiatives and the promotion of social institutions receive the two lowest rates of positive replies (both 36.5%) (although these are higher than for the distinguishing questions of the other areas of CSR). On the other hand, the promotion of cultural initiatives is envisaged as less likely in the future than the promotion of social institutions (5% versus 7%). This is why the promotion of cultural initiatives may be viewed as the distinguishing question.

Responsibility to the environment

Responsibility to the environment	
<i>Summary of the questions asked: Are you committed to the environment on the following points ?</i>	
<i>... Development of products/services that are environmentally-friendly</i>	
<i>... Waste recycling policy</i>	
<i>... Reduction of energy consumption</i>	
<i>... Use of renewable energy</i>	
<i>... Measures to reduce the use of natural resources</i>	
<i>... Measures to reduce pollution emissions</i>	
<i>... Assessment of the ecological impact in investment and acquisition decisions</i>	
<i>... Certified system of environmental management</i>	
<i>... Qualitative and quantitative recording of consumption of resources and all emissions (ecological balance sheet)</i>	
Average of positive replies	56.72%
Average of negative replies	35.16%

In pink: distinguishing question



84% of the businesses are insensitive to the environment, that is to say that their negative replies in this area are higher than the average. 12.3% are sensitive and only 3.7% are active. In the last case, they incorporate into their positive actions relating to the environment the use of renewable energy, which is the question that overall receives the most positive replies.

It is therefore in the area of civil society that most of the active businesses can be found. This is followed by responsibility to employees and lastly to the environment. It should however be noted that, in the area of civil society, the average of the positive replies is lower (53.18%) compared with the average of the positive replies for the other areas of CSR (60.56% for responsibility to employees and 56.72% for responsibility to the environment), which makes it easier for businesses to join the ranks of the "active" businesses. On the other hand, in the area of responsibility to employees, the average of the positive replies is the highest (60.56%) and one finds that almost 10% of businesses are "active," which shows the interest businesses take in their employees.

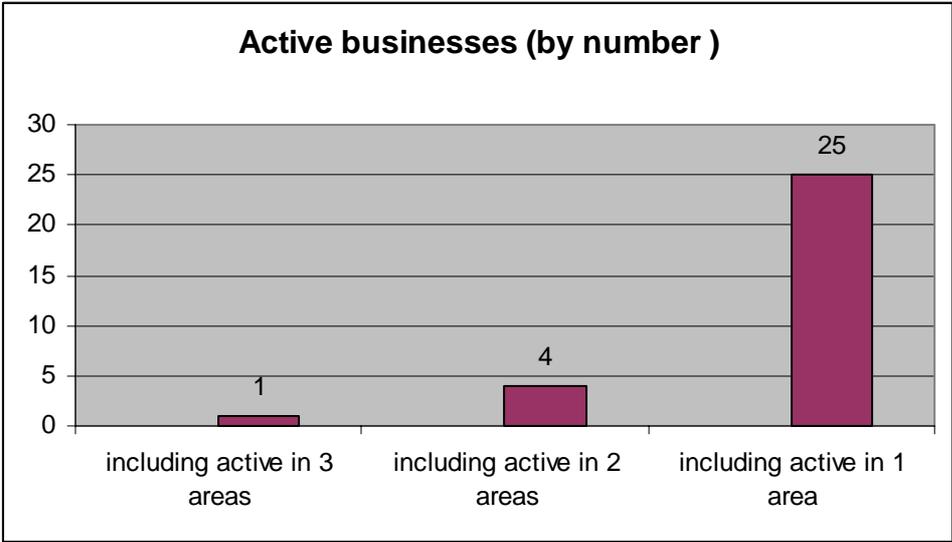
For insensitive businesses, the average of the negative replies is the same (about 35%) in the two areas (responsibility to employees and to the environment) but it is also lower than in the area of responsibility to civil society (42%). However, the score of insensitive businesses is significantly higher in the area of the environment (84%)

than in the area of responsibility to employees (50%). So it is clearly in the area of the environment that the businesses we asked are least involved.

We then classified the businesses by dividing the businesses into insensitive, sensitive and active businesses in each category.

We can draw the following conclusions from this:

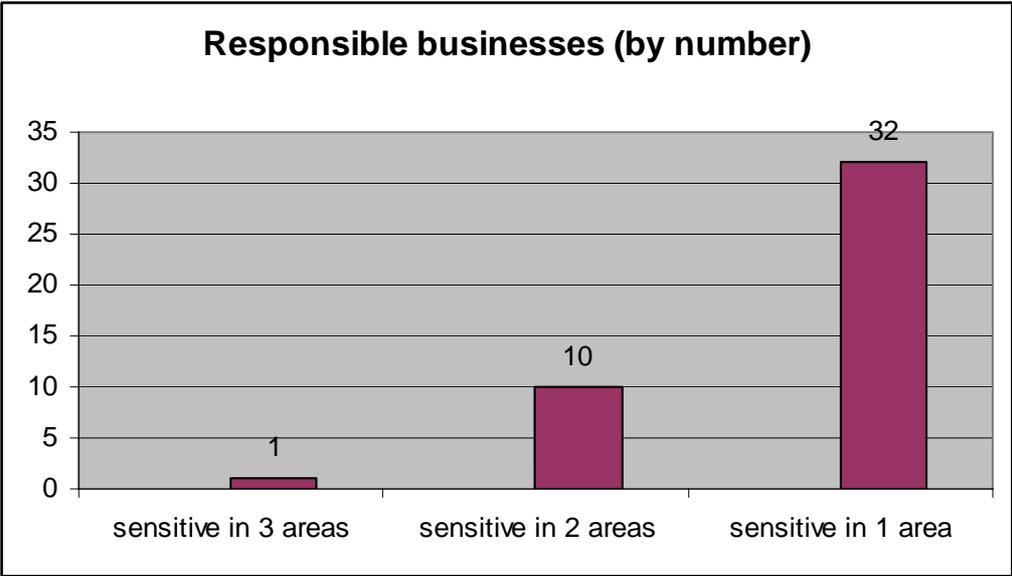
Active businesses (by number of businesses)



This graph shows that there are very few businesses that are truly committed to CSR. Only one is active in all three areas: employees, civil society and the environment. After looking through the database we discovered that this was an industrial company (cement works) within a powerful industrial group, which no doubt explains this.

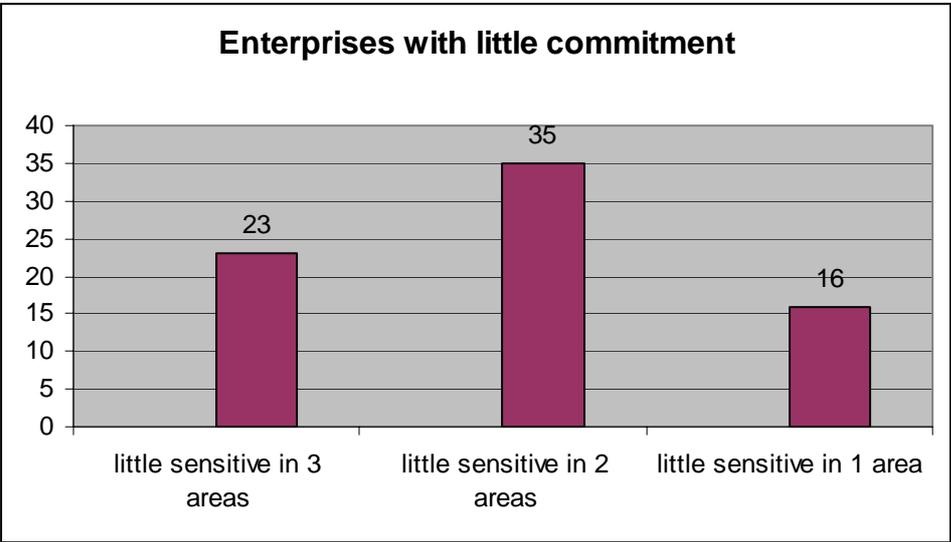
4 businesses are active in two areas. 25 of the active businesses concentrate on a single area.

Responsible businesses (by number)



The businesses that are sensitive in 1, 2 or 3 areas of CSR which may be considered as “responsible” businesses are more numerous: 43 in total. When they are responsible, it should be noted that their commitment relates mainly to only one of the areas of CSR. Only one business is sensitive in the three areas and 10 are sensitive in two areas.

Businesses with little commitment



Businesses with little involvement are the most numerous: 74 in total, and the majority of these, 23, are insensitive in two areas of CSR. 23 are insensitive in three areas and 16 have little involvement in just one of the areas of CSR.