

The Social Role and Responsibility of Small and Medium-sized Enterprises – Results of an Empirical Investigation Applying the Social Capital Approach

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An increasing number of projects deal with the social role and responsibilities of small and medium-sized enterprises (SMEs). The special literature on corporate social responsibility (CSR) and most projects determine social responsibility standards for SMEs based on the best practices of large companies. Thus they take the CSR activity of large companies as a benchmark for SMEs. This happens despite the fact that SMEs are structurally different from large companies to a high extent – and thus so is their potential regarding social responsibility.

In our study we analyze these differences and the way they influence SMEs' social responsibilities. Based on our literature review and the results of our qualitative results we conclude that the structural differences of SMEs from large companies should be considered in the relating empirical work and the social role and responsibilities of SMEs can be understood in the light of social capital theory.

Keywords: small and medium-sized enterprises, corporate social responsibility, social capital

1. Introduction

Even more projects deal with the social role and responsibilities of small and medium-sized enterprises (SMEs). The special literature on corporate social responsibility (CSR) and most projects determine social responsibility standards for SMEs based on the best practices of large companies. Thus they take the CSR activity of large companies as a benchmark for SMEs (Jenkins 2004, Jenkins 2006, Supino–Proto 2006).

This situation is problematic for at least three reasons. First, we have no empirical evidence that the CSR activity of large companies contributes to positive macro-level social or environmental processes (Banerjee 2008, Málovics et al 2008). Second, if we are to implement policies based on it there is a good chance that SMEs are not going to be able to meet the required standards because of their difference from large companies. Third, we may neglect positive social practices of SMEs because these are not to be found at large companies.

Thus in the first part of our study we briefly analyze the characteristics SMEs have compared to large companies. We also show how these influence the social responsibility of the sector. Since a relevant part of the modern special literature concludes that the social responsibility of SMEs may be understood in the light of social capital theory, in the second part of our study we analyze how SMEs relate to social capital. Afterwards we introduce the results of our Hungarian empirical work before we draw our conclusions.

2. The characteristics of SMEs' and its consequences on social responsibility

One of the structural characteristics which distinguishes SMEs from large companies is their *continuous financial difficulties* (Kállay–Imreh 2004, Vecsenyi 2003). Financial and liquidity problems are present on a daily basis at many SMEs. This is even true for SMEs which have otherwise no problems regarding their overall business performance (Béza et al 2007). According to one view, a consequence of these permanent financial problems and the lack of resources is that ethical aspects are less important for SMEs since they are fighting for survival on a daily basis (Fülöp–Szegedi 2006). Although this statement seems to be quite one-sided, many authors emphasize that SMEs are very sensible to the changes in the macroeconomic situation and so are their CSR activities (Vives 2006). A macroeconomic recession has a higher negative impact on SMEs – it may even endanger their survival – and thus the general state of the economy may influence their ethical activities to a high extent.

As long as CSR is basically a risk management tool for large companies, it is not true for SMEs. Most SMEs are not as much visible as large companies. They usually do not have their own brand and have no resources to plan risk management activities. Their primary goal is survival, so costly CSR activities rather enhance their risks than reduce them (Jenkins 2004). Since SMEs are not in the middle of media attention, there is a good chance that they do not look at CSR in the light of brand image and reputation (Jenkins 2006). There is also no empirical evidence that SMEs could attract better workforce or that CSR would contribute to the financial performance of SMEs – two reasons why large companies carry out CSR activities (Vives 2006). Therefore, it seems that even if strategic CSR is important for SMEs, it is probably not of critical importance. Thus other type of motivations (non-business ones) may occur for being responsible (e.g. enlightened self-interest, social consciousness and altruism) (Jenkins 2006, Vives 2006).

Access to economic resources may influence the introduction and adaptation of management systems to a high extent (Cambra-Fierro et al 2008). The lack of such resources often *does not allow the introduction of formal management systems and standards* (Jenkins 2004). The SME manager is furthermore often responsible for several business functions in the same time and thus has no consciousness

regarding issues not connected to the daily business activities (Jenkins 2006). In addition, the training of the manager may be insufficient to identify the implications of certain regulations or manage the necessary technology (Cambra-Fierro et al 2008, Csigéné Nagypál 2008). There is a good chance that SMEs' responsibilities will not at all (or only to a very limited extent) be formalized. It is an unrealistic requirement towards SMEs to have a written code of ethics or sustainability strategy. SMEs react on ethical dilemmas based on professional codes and norms rather than codes of ethics. Thus industrial norms, professional ethics, regulatory and moral obligations and their equilibration are behind ethical activities rather than standards and written documents (Vyakarnam et al 1997).

SMEs' social responsibility activities are not regular and usually not related to the enterprise strategy. They often do not even know that they are carrying out CSR activities (Szlávik et al 2006). The reasons for that are manifold: the high extent of (real or perceived) costs; lack of capacity (lack of time to identify stakeholders, lack of know and know who); certain attitudes (lack of knowledge of business benefits, fear of bureaucracy) and the present supply of CSR tools (basically applicable to multinationals).

The fact that ownership and management are often not separated, gives the chance to a certain level of autonomy (Jenkins 2006). Ethical action is thus influenced by a wide range of factors (Vyakarnam et al 1997, Cambra-Fierro et al 2008): the culture and values of the owner, certain personal characteristics, stakeholders (including the quality of stakeholder relationships), market forces, industrial norms, professional ethics, socio-cultural context and sectoral characteristics.

Lack of shareholders may result that SMEs are not necessarily under the pressure of short-term financial growth (as it is basically the case at multinationals). Thus they theoretically have the chance to carry out socially responsible activities like environmental protection or community involvement (Jenkins 2004) and this characteristic theoretically opens the space for personal convictions and moral decision-making (Fuller–Tian 2006). Thus the profit maximizing criteria is not necessarily characteristic to SMEs. They can follow other goals like producing products considered useful by the owner-manager, community support, helping certain community members in disadvantageous situation. This does not mean that SMEs are not interested in making profits. It only means that their goal may be satisfactory profits instead of profit-maximization (Vives 2006). On the other hand there is no necessity for them to reduce their payoffs with CSR as long as they provide a satisfactory standard of living for their owners, since the main goal of 60% of SMEs is survival (Jenkins 2006).

Because of the embedded nature of SMEs employees and local community have an outstanding importance among the stakeholders. Thus SMEs potentially contribute to the development of the local community to a large extent. SMEs are

naturally local institutions, their owner-manager, employees and customers are the members of the same community. Most of the employees personally know the owner-manager who thus has more information regarding the well-being of the employees and may be more committed towards it (Matolay et al 2007). Based on this it seems logical to assume that these enterprises are committed towards the local community and local environmental and social issues. But there are also factors which cause that they are not as involved as one would accept. These are basically the lack of resources and knowledge and the fear of regulation (Vives 2006). SMEs also often operate at peripheries, detached from the local community. Furthermore, the dominant stakeholder for many SMEs is often one, large customer company, to which the SME is financially tied. The reliance on one large customer may push SMEs to adopt voluntary standards such as the environmental standard and SMEs may be obliged to address CSR (Jenkins 2004). On the other hand such mandatory responsibilities based on standards do not necessarily works towards real locally responsible behavior or even works in the opposite direction by the reduction in the number of local stakeholders. Thus, while according to some SMEs play an important role in local and regional development there are many who states that they are detached from local (economic) initiatives (Spence–Schmidpeter 2003). According to the empirical data (Spence–Schmidpeter 2003, Szlávik et al 2006, Observatory of European SMEs 2002, Jenkins 2006, CERFE 2001) SMEs' involvement regarding local environmental and social issues is definitely more significant than it is in the case of national and international issues.

To conclude, we may say that the social responsibilities of SMEs differ to a high extent from those of large companies (Cambra-Fierro et al 2008). Based on these differences we can not state that company size determines the level of social responsibilities to one direction or the other. But we can clearly state that there is a good chance that there are real differences (Table 1).

Because of the aforementioned characteristics it is not possible to understand SMEs' social role and responsibilities by simply searching for CSR methods applied by multinationals. According to one approach, the notion of social capital offers a proper frame to understand the societal role of SMEs. Mainstream CSR and business ethics concepts – e.g. triple bottom line or balanced scorecard – are not applicable to SMEs since all of these are bureaucratic methods demanding administrative structures, professional implementation and well-paid experts (Spence et al 2003). Therefore, it is not enough to simply broaden present approaches but we need a totally new approach in order to understand the relationship of SMEs to CSR. The notion of social capital offers new perspectives and research methods since there is a good chance that its embedded and interactive nature is relevant from the aspect of SME responsibility.

2.1 The social capital and its positive and negative effects

Social capital is an interdisciplinary (Woolclock–Narayan 2000) “umbrella concept” (Adler–Kwon 2002, p. 18.), since it includes a wide range of notions e.g. informal alignments, trust, culture, embeddedness, social and inter-organizational networks (Csizmadia 2003). According to one categorization SC definitions have two groups. One identifies social capital with certain components of social structure (horizontal and vertical relationships, power relations, governmental system and formalized institutions) while the other one identifies it with beliefs and behavioral dispositions (norms of cooperation, trust). Most approaches of social capital do not fit unambiguously into one of the aforementioned groups but contain elements from both of them (Kopasz 2005). Thus a common feature of modern social capital frameworks is that they define social capital by structural (networks, social ties) and cultural (trust, norms, values) characteristics.

Table 1. Divergence in CSR theory for large and small organizations

	Corporate CSR	Small Business CSR
Who	Responsible to wide range of stakeholders Perceived responsibility to society at large Importance of shareholders	Responsible to fewer and/or different stakeholders Perceived responsibility to the local community SMEs often don't have stakeholders
Why	Protection of brand image and reputation Pressure from consumers Shareholders pressure, the SRI movement The business case	Protection of customer business Pressure from business customers down the supply chain Pressure from money lenders? Unaffected by SRI movement Proven business case lacking
How	Based on 'corporate values' Formal strategic planning for CSR Emphasis on standards and indices Key involvement for CSR professionals	Based on principles of 'owner-manager' Informally planned CSR strategies Emphasis on intuition and ad hoc processes No dedicated personnel for CSR programmes
What	Mitigation of risk Prominent campaigns e.g. Cause Related Marketing Publicity linked to CSR activities	Avoidance of risk Small scale activities such as sponsorship of local football team Activities often unrecognised as CSR related

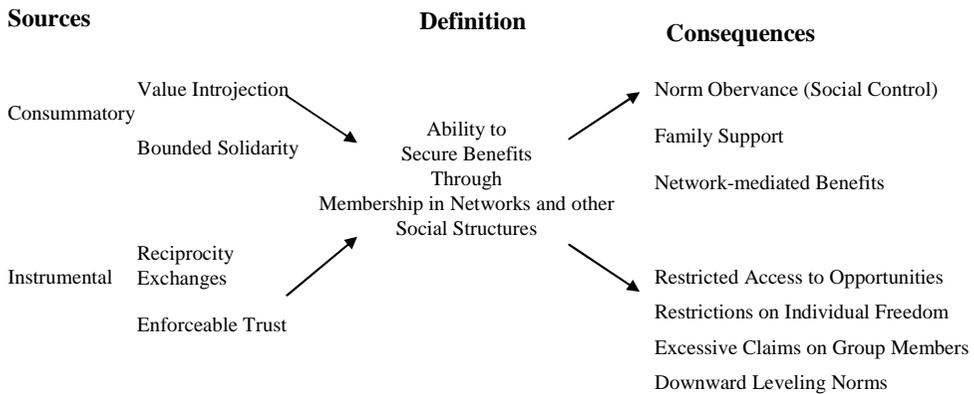
Source: Jenkins (2004, p. 51.)

The basic idea behind social capital is that communities disposing of a divers stock of non-governmental organizations and social networks are in a favorable position in fighting poverty and vulnerability, handling conflictual situations and taking advantage of new opportunities (Woolclock–Narayan 2000, Woolclock 2001). *Social capital provides informational, power and solidarity advantages for its owners.* Furthermore, social capital helps collective action (Adler-Kwon 2002)

since it enhances the costs of opportunism and helps the emergence of trust, altruism and cooperation (Kopasz 2005).

On the other hand social capital also has its risks (Adler–Kwon 2002). The high level of a focal actor or group may result in negative externalities for the whole group itself. The informational advantage of focal actors may lead to tragedy of the commons. Furthermore, minority actions aimed at the enhancement of minority influence may lead to a suboptimum at the level of the community. Social capital may thus lead to nepotism, injustice and corruption – the exclusion of actors having no (or low level of) social capital (Woolclock–Narayan 2000). This is the so called negative social capital (Portes 1998) (Figure 1).

Figure 1. Actual and potential gains and losses in transactions mediated by social capital



Source: Portes (1998, p. 8.)

Therefore the high level of social capital is potentially of significant social and environmental relevance. On the other hand social capital is a quite complex notion which is very hard to test empirically – especially in connection with social responsibility.

2.2. SMEs and social capital

The social role of SMEs is nowadays even more seen in the light of their contribution to social capital and thus the common good (Spence–Schmidpeter 2003). The conclusion of the relating special literature is that SMEs are involved in a wide range of socially and ethically conscious actions but this simply can not be measured in the same way as the CSR of large companies (Spence et al 2003).

Since the social capital approach is an embedded one, it places the economic actor in its social environment. Thus business ethics and social responsibility does not operate in a vacuum, independent of the other parts of the world but rather in a

social context. “Social capital is an interactive concept. Small and medium-sized firms are not >microcosms< that could be conceptualized as a >hermetic world< with its own rules and laws. Rather they exist predominantly because of a constant and essential exchange with their economic and social environment. This is true even where SMEs are considered to be disconnected from their local settings. Still, economic, physical and social ties, we argue, can be important.” (Spence et al 2003, p. 19.). “In addition, the social relationships and networks in which these owner managers are entwined cannot be separated from the business.” (Spence–Rutherford 2003, p. 2.). Thus businesses can not be handled as separated units motivated by making profit alone, but rather in the light of their complex social relations which often appear as social capital.

SMEs’ motivations to invest in social capital may be manifold (Spence et al 2003). Such motivations are the stabilization of mutual expectations and enabling collective action (trust), to form a kind of insurance and to have access to relevant information.

Spence and Schmidpeter (2003) found the *following factors regarding SMEs’ contribution to social capital*:

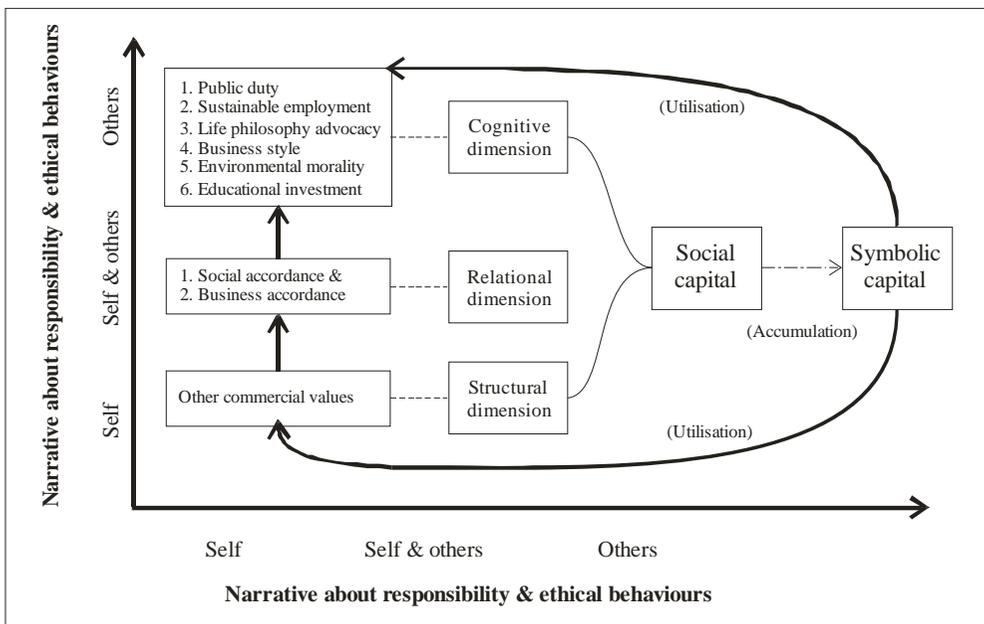
- SMEs’ social involvement is influenced by sectoral differences.
- The engagement of owner-managers is not always business-orientated. Local involvement often offers them a change of focus and a different challenge. This has no positive effect on business performance in most cases – so the profit motive is not the main reason for involvement. CSR usually does not result in a win-win situation. Owner-managers are often motivated by ethical and social aspects.
- The major restriction to engagement is time and perceived opportunity for engagement.
- A significant element of SME CSR is small favors for the employees and neighboring enterprises.
- SMEs are not really involved on a national or international level where they feel to be pretty much dependent on politics.
- Informal networks play a very important role for SMEs by giving access to information.

According to another research (Spence et al 2003) *there are many forms of social capital which are relevant from the aspect of SMEs’ social responsibility*. Such are informal and formal business relationships, networking within sectors (including exchange of information, borrowing of equipment, recommendation and subcontracting), networking across sectors (where geographical proximity plays a crucial role) and classic tools of responsibility like voluntary activities and charity (sponsoring local art and local health care, often done by the companion of the owner-manager). Regarding the motivations for such involvement and contributions to social capital the authors found several reasons: some invoked notions of

community and a feeling of wanting to “give something back”, others considered that they were simply the right or wrong personality type, and again others identified the benefits which came from engagement, which emerge over the long term.

Fuller and Tian (2006) aimed to understand SMEs’ social role and responsibilities based on the assumption that social capital is indeed a resource for SMEs and thus has an instrumental characteristic for them. They define symbolic capital „through its function of mediating power through prestige, and can consist of economic, social or cultural capital.” (Fuller–Tian 2006, p. 291.). The symbolic capital of SMEs emerges based on the personal values of the owner and through the key stakeholders and may contribute to their economic capital. Thus ethical behavior may provide business benefits (e.g. opening up new markets) through contributing to symbolic capital (credibility).

Figure 2. Social capital concepts, orientations of responsible entrepreneurship and the interchange of capital in the narratives of small businesses



Source: Fuller–Tian (2006, p. 294.)

Based on Nahapiet and Ghoshal (1998) there are *three types (or dimensions) of social capital: structural, cognitive and relational dimension*. The structural dimension of social capital refers to the overall pattern of connections between the different actors. That type of social capital means a valuable source of information benefits. The cognitive dimension of social capital refers to those resources which provide shared representations, interpretations and systems of meaning among

parties. This type of capital allows the exchange and combination of knowledge and enables people to create common ground which facilitates future cooperation and information exchange. On the other hand the cognitive dimension of social capital „implies a requirement on the agent to share responsibility and resources with partners or stakeholders in their networks.” (Fuller–Tian 2006, p. 290.). The relational dimension of social capital refers to the personal relationships people have developed through a history of interaction. Increased relational social capital can to a large extent contribute to the opportunities of an enterprise by enabling to access more informational, physical and emotional support in the business process.

Based on these three dimensions of social capital there are three different motivations regarding SMEs' contribution to social capital. The motivation connected to the structural dimension is value. SMEs provide value for stakeholders (first of all customers) by which their motivations are mutuality, trade and business value and advantages. Regarding the relational dimension their motivations are social expectations – contributing to basic charity actions, paying bills on time, not being corrupt and helping other enterprises. These refer to the strategies aiming to create trust and cooperation by meeting the expectations of the society and business. Motivations regarding the cognitive dimensions (e.g. creating the balance of work time and free time, enhancing happiness) are beyond any type of expectations and refer to normative motives (Figure 2).

Contribution to social capital is thus not mere altruism but often serves self-interest because of the instrumental character of social capital. On the other hand SMEs need to meet local expectations because of their embedded nature. Otherwise they loose they symbolic capital and thus their license to operate especially since the owner-manager personally can not be detached from the enterprise in the eye of the stakeholders. Thus the embeddedness of the owner manager in the local community means a social regulator for SMEs (Fuller–Tian 2006).

3. The results of the empirical research

Based on the aforementioned results of the special literature *our research aim was to explore the characteristics of SME social responsibilities and to examine weather the concept of social capital is appropriate to understand the social role of SMEs.* We formed the following hypothesis in connection with our research aim:

- *Hypothesis 1.* The concept of social capital provides an appropriate framework for understanding the social responsibility of SMEs. SMEs contribute to social capital in many ways (involvement in local environmental and social issues, supporting local NGOs, providing voluntary work in order to reach local environmental and social goals, providing small favors for the employees and contributing to networking within and across sectors).

- *Hypothesis 2.* SMEs' social activities and stakeholder relations are informal. Instead of formal relations and arrangements SMEs emphasize local and industrial norms, ethics, values and laws.

3.1. Research methodology

Because of the relatively “under-researched” nature of the topic (Spence–Schmidpeter 2003) we applied qualitative methods. The application of such a research method was also important since empirical evidences show that SMEs' social responsibility (as a result of SMEs embedded nature) is to a high extent influenced by the local environment (Spence et al 2003). Thus, although we find aspects in the international special literature to guide Hungarian empirical research, a preliminary exploratory research phase seems necessary before beginning with any quantification.

We conducted 9 in-depth semi-structured interviews during July and August in 2008 (we mark our interviews from V1 to V9 when introducing our results). Our research population was the ISO 14001 qualified SMEs of the South Great Plain Region of Hungary. We decided beside this population because it can be considered as the leading companies of the given region in the field of environmental protection. We developed the structure of our interviews based on Matolay et al (2007).

We consider it important to emphasize that the aim of our research stayed hidden in front of the interviewed through the whole interviewing process. This was necessary because CSR is a sensible topic surrounded by significant social expectations. In such cases using an indirect research method is important in order not to reveal “greener” or more socially conscious entrepreneur preferences through the research process than the real ones.

3.2. Research results

Accordingly, our research aim was to explore the characteristics of SME social responsibilities and to examine weather the concept of social capital is appropriate to understand the social role of SMEs.

Regarding our first hypothesis, in connection with involvement in local environmental and social issues and supporting local NGOs we found that the interviewed organizations consider it very important to minimize the negative local environmental effects of their operations (V1, V5, V6, V7, V8, V9). This can be seen as a form of enhancing eco-efficiency). But these results may stem from our research population since all of its members are ISO 14001 qualified - a standard aiming to reduce the negative effects of the given firm's operations.

Three enterprises stated that they do aim to *preserve certain local environmental assets through their activities*. These assets were water (V1), clean landscapes (V6) and the general natural environment through proper waste treatment

(V8). Several SMEs are involved in local environmental and social issues, generally in strong connection with their own activity. Such involvements are the subsidy of a local TV station and producing TV programs (V1), enhancing environmental consciousness and environmental education in schools (V1, V8), foundation and operation of an environmental NGO (V8), supporting schools by securing opportunities for the otherwise missing vocational training (V3, V4, V5) and providing material support and free or preferential services (e.g. repairs) for schools and kindergartens (V7). Involvement independent from the core activity is a lot rarer. However, examples for that are the support of local sport clubs (V4, V5), schools (V4) and health institutions (V6).

We found *several examples for networking within sector*. The forms of such networking activity are: mutual recommendations for work in case of lack of capacity (V1), the combination of sub-contractor and competitor relationships (V4, V6, V7, V8) and long-term business (supplier or customer) relationships (V1, V2, V3, V7, V9). On the other hand we only found one example for networking across sectors (V7).

We also found *examples of small favors* – another element of social capital (Bodorkós–Kelemen 2007). These exist first of all in the relation of employees. Their most common form is financial help (V1, V2, V7) but we also find examples of helping employees having problems in their private life (e.g. family problems) (V1, V2), securing flexible work-time (V2), education (V7) and tommy (V8).

We also found examples of *formal business or work relationships being transformed into informal relationships*. Such sign is the co called homely relations of employees and the manager (V1, V2, V3, V5, V6). Almost all of the interviewed emphasized that their employees can ask them (the managers) for help in case of any personal problems (e.g. children being in a bad company, divorce, administration). Common programs organized for the employees also contribute to the strengthening of informal relationships (V2, V5, V6, V9). These are “brigade dinners”, collective outdoor cooking, sport days and family days. Similar programs are also organized for business partners in several cases (V4, V6, V8, V9). More interviewed emphasized that these events help the emergence of consolidated, correct competitor relationships and trust which are essential in certain industries.

“Our relationship with the suppliers is trustful. This is necessary since we are the ones who weight for them. Trust enables them to accept our weighting. There is a “friendly-business” relationship which guarantees accuracy. This works back and forth and acknowledges itself on the long run.” V2

Thus *our first hypothesis is confirmed* since most categories of social capital (networks, local involvement, small favors and informal relationships) are relevant from the aspect of SMEs activities. In addition, SMEs contribute to social capital in

many ways (local involvement, supporting local NGOs, small favors for employees and networking within and across sectors).

In connection with our *second hypothesis* the interviewed basically *did not mention any formal tools or relations* regarding social involvement and responsibility. However, we found that they perceive certain *norms and values* as mutual expectations in their stakeholder relationships. In reference to employees these are trust (V1), security (V1, V2, V4, V5, V7, V9), reliability (V2), honesty (V3) and fairness (V3). In reference to business partners the interviewed mentioned computability (V1), trust (V2, V5), fairness (V3, V6, V9) and honesty (V5, V7) as mutual expectations.

“expectations are accuracy, fairness, working on time and precise, reliable work” V3

We found similar values in connection with entrepreneur credo.

„...computability, accuracy, honesty and if it has a result than it is good.” V1

We only found one enterprise (V6) which emphasized that they have a code of ethics (formal instrument) to guide the actions of their employees.

We also found evidence that *industrial norms are relevant regarding ethical behavior*. Many SMEs mentioned that one of the main obstructive factors regarding ethical and legal operation are competitors engaged in illegal employment and dumping pricing (V1, V2, V4, V5, V6, V8). Therefore the interviewed attribute high relevance to state regulations and the establishment of even conditions of competition.

„Ethical behavior is hindered by the unethical behavior of others. In such cases the equilibrium of competition is kipped. This is not obvious but one can guess it. E.g. if someone takes a job under procurement costs than it is dubious. One can not go for sure, since it is possible that they are well stocked but it is still dubious.” V5

Tilley (2000) found the same through her empirical investigations. According to these SME managers do not support self regulation in environmental issues. The reason for that is their opinion of the economic structure rewarding selfishness instead of rewarding contributions to collective interests. Therefore, environmentally friendly activities work against competitiveness. There is a significant tension between environmental and economic responsibility within the present economic structure. This does not mean that SME managers do not care about the environment. It only implies that in case of such tensions economic concerns are

more important than environmental ones since the economic system and the business climate are dominant forces acting against voluntary involvement. Thus self-regulation encourages opportunistic behavior.

We also found *significant tensions between legal regulations and local/industrial norms* (see also Matolay 2007). Thus industrial norms, habits and economic characteristics determine the opportunities for legal or ethic behavior to a large extent.

„Getting work for the company is a continuous task. It requires the best decisions. You have to compete for the job and find the job. A firm which is ethical today bankrupts. One has to be a bit evil and shameless in order to be effective. I like football so here is an example. Elbowing became normal in football nowadays. Rules allow it. If you do not accept that you can play like that because rules are deformed, you are going to loose.” V4

Furthermore, based on the aforementioned, Many SMEs *equate legal operations* (e.g. legal employment) *with ethical behavior* (V1, V4, V5, V6, V8, V9).

„Black work (illegal employment) is present in Hungary because there are costs and revenues, bur revenues are fixed, prices are >depressed<, and thus black work becomes natural. We do not apply black work because the owner opposes it, despite the fact that black money attracts workforce because of the higher wages.” V4

Not only industrial norms are the ones which determine the interpretations of and opportunities for ethical behavior but also the economic and other characteristics of industries. Regarding economic characteristics: SMEs which are involved in mutual debit feel a strong pressure to reduce costs at each area including the area of social responsibility. In connection with other industry characteristics: in the case of industries working with hazardous materials a certain minimum level of responsibility (the protection of human health) can not be questioned.

„In our profession there can be no limits to taking responsibilities since people can die because of the chemicals. We always have to carry out everything very consciously. The responsibility is enormous.” V7

Thus *our second hypothesis is also confirmed* since SMEs social activities and stakeholder relations are rather informal. We found no signs of formal instruments – except of one mention of a code of ethics. On the other hand local and industrial norms, ethics, values and laws are quite important regarding SMEs’ self perceptions of ethical and unethical behavior.

4. Summary

SMEs – although being quite heterogeneous – have significant structural differences compared to large companies. These determine their social role and responsibilities to a large extent. Regarding this role and these responsibilities the notion of social capital is of high relevance. The reasons for that are that on one hand it is applicable to helping the understanding of SME's social role, on the other hand SMEs main responsibilities come from their contribution to social capital.

Based on the special literature and our Hungarian empirical research we can say that social capital provides a proper frame in understanding the social responsibilities of SMEs. Hungarian SMEs contribute to social capital in many ways – e.g. involvement in local environmental and social issues, supporting local NGOs, volunteering for local environmental and social goals, providing small favors and contributing to networking within and across sectors. Furthermore, SMEs' stakeholder relationships and social responsibility are of an informal character. Local and industrial norms, ethics, values and laws play a central role in the self perception of SMEs regarding their social responsibility instead of formal relations and arrangements.

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