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Political CSR in an SME Perspective .

African Perspectives in a European Framework

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We engage a discussion of political CSR in SMEs in an African context. Based on critical observations on Western MNC action in emerging economies, political economists have argued that business profit far more than society from CSR. In this paper we argue that the imperative for growth in developing economies provide an option to consider the scope and potential of SME engagement for local social development. Interestingly, while African business is not usually compared to nor found to share much similarity with European business practices, our empirical studies of CSR in African SMEs reveal a number of shared characteristics with their European counterparts. Supported by prior studies on European SMEs and our empirical findings from Africa, we conceptualize how CSR in SMEs in both regions first and foremost tends to be strongly focused on the "proximity factors" of employees and local society. We discuss how the SME propensity to prioritize proximity factors (feelings of importance of nearness) in CSR decision-making in SMEs has different implications in an African than a European context. Future research paths are proposed to explore political CSR in SMEs in a developing economy context.

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INTRODUCTION

It is often argued that organizations take on a political role in society under the label of corporate social responsibility (CSR) (Campbell, 2008; Matten and Crane, 2005). Corporations are seen as members of bounded political communities (usually nations) in which they have rights and duties like individuals (Marsden, 2000), but importantly, they also set norms and standards for the way societies develop and think (Scherer and Palazzo, 2006, 2010). Studies on political CSR have particularly investigated the complex role of western business engaging in developing economies where states are unstable or have weak governments (Newell, 2005; Blowfield, 2010). Research has critically discussed and conceptualized the type of political role that companies play in such environments (Lund-Thomsen, 2005, Moon et al., 2005; Banerjee, 2010). As governments in developing nations fail to engage in environmental protection and provision of civil and political rights for its citizens, companies engage to assist social development. Such engagement is referred to as "political CSR" (Fooks et al., 2013), "corporate political activity" (Detomasi, 2007) or "corporate citizenship (McIntosh et al., 1998). Based on political economic theories, MNCs' work on CSR in developing countries is most often the subject of analysis.

Although it has been demonstrated that SMEs are the "dominant way of organizing" in society (Spence and Rutherfoord, 2003), and particularly in developing economies, ironically we know very little about how CSR in SMEs is influential for local social development and as such play a political role. We do not know much about how CSR in SMEs in developing economies influence protection and provision of civil rights for local citizens and protection of the environment. We know a little about how SME manager-owner themselves perceive of CSR and relate it to for

example competitiveness or innovation in developing economies (e.g. Jamali, Jeppesen), but these studies have not systematically been related to discussions of political CSR. Yet, it seems an area of increasing urgency for those policy-makers and developing agencies that often promote CSR, to understand how CSR in SMEs influence not just the economic growth for SMEs but also influence society. The transformation of the perspective on SMEs' CSR work from apolitical to political may help to critically develop or challenge political economic analysis of prosperity in developing economies. Based on empirical studies of African SMEs, this paper is an attempt to begin conceptualization of CSR in SMEs in an African context and to engage reflection on CSR in SMEs as political CSR.

THEORETICAL FRAMEWORK

The theoretical framework for this paper consists of two elementes: first, theories on political CSR and second, studies and theorizing on CSR in SMEs with a focus on developing economies. Our ambition is to extend the area of CSR in SMEs in developing economies into the area of political CSR.

Political CSR

Research on "political CSR" has emerged as an area that explores how the blurring of boundaries between economic and political interests has influenced corporations to take on a new political role in society (Etzioni, 1988; Scherer and Palazzo, 2007). Scherer and Palazzo define political CSR as "a movement of the corporation into the political sphere in order to respond to environmental and social challenges such as human rights, global warming, or deforestation" (Scherer and

Palazzo, 2010: 914). We note that this research path is concerned primarily with how MNCs enter the political sphere. We also note, that in particular the role of locally owned SMEs may play a significant role for the development of local society in developing economies. Therefore, we find it important to bring together these two literatures to investigate the political role of SMEs in their CSR work in developing economies.

We see two important streams of research in political CSR that are both important to understand CSR in SMEs in developing economies: a corporate-centric and a society-centric view. In the following we summarize these views.

The "corporate-centric" view on political CSR is usually not registered as part of political CSR research, as it refers to the study of "strategic CSR" or the "business case for CSR". Yet it can be argued that the strategic CSR idea is a political idea in strong support of the corporate uptake responsibility for societal development. This idea is framed in a market-driven logic in which the state is most often not taken into consideration or it plays a peripheral role for development of society (e.g; McIntosh et al., 1998; Prahalad and Hammond, 2002; Porter and Kramer, 2006 and 2011). The corporate-centric perspective assumes an economic strategy that is driven by a desire to grow and profit-maximization in capitalist society. Studies in this perspective are focused on understanding, how social improvements may be a driver of business growth and as such social improvements are first and foremost seen as a vehicle for shareholder value. As such, this perspective does not discuss the consequential blurring of boundaries between economic and political interests other than perceive it as an opportunity for corporate expansion and development (e.g. Kanter, 2011). Most conspicuously lead by an impressive number of citations of Porter and Kramer's work (2006, 2011) this stream of research has become highly popular and influential, also beyond academia into management and governmental and

development agencies' thinking about CSR. In particular, we find it of interest to observe how this economic and market-driven perspective on CSR has also become the (implicit) assumption behind reports and governmental agencies in their support for developing economies.

The other important stream of research we refer to as the "society-centric" view on CSR builds on critical analysis of corporate influence on society (e.g. Moon et al., 2005; Matten and Moon, 2008; Palazzo and Scherer, 2006; Crane and Matten, 2008). Building on theories from political sociology and political economy, this research critically investigates how to reconceptualize the role of the business in new societal governance structures, and researchers focus on how organizations interact with other actors in society in order to serve business itself as well as the individual citizen and society at large (Moon et al., 2005). Crane and Matten ask how "corporations might play an active role in reconfiguring the whole notion of citizenship itself" (Crane and Matten, 2008: 27), and they point at how the corporate role in developing economies seem of particular importance to protect individual citizenship rights, where the state is not able to do so: provision of health care, education and other areas where the government has never administered citizenship rights such as for example provision of food. While such citizenship rights may seem relatively tangible, as we shall discuss below about informal CSR practices, it is not always in those practices that are visible, measured or accounted for, that SMEs in developing countries contribute to such social development.

A central argument in the society-centric view is that CSR benefits corporations more than it benefits society (Banerjee, 2010), and research is highly critical of the new political role of business in society (see also Newell, 2005; Blowfield, 2010), as it is argued that companies are "neither democratic in their decision-making structures, transparent with respect to their internal activities, or accountable for most of the negative externalities they generate (in most

geographies), nor are their interests aligned with those of the wider societies … ” (Fleming and Jones, 2013: 42). A particular concern is how the state increasingly relies on corporations to enact those citizenship rights that in democracies should be administered by a government.

In this paper we draw on political CSR research as one of two theoretical platforms to explore the political role of CSR in SMEs in developing economies, where governments are typically unstable or weak and where the prospect of developing strong states lie far ahead and the need for corporate engagement in societal development is a more promising and necessary path. In the following we engage the literature on CSR in SMEs as we gradually turn our focus towards Africa.

CSR in SMEs in Africa - a focus on the "almost unnoticeable"

In our paper we apply the CSR definition proposed by Blowfield and Frynas (2005, p. 503) as the analytical and descriptive understanding of CSR: "an umbrella term for a variety of theories and practices all of which recognize the following: (a) that companies have a responsibility for their impact on society and the natural environment, sometimes beyond legal compliance and the liability of individuals; (b) that companies have a responsibility for the behaviour of others with whom they do business (e.g. within supply chains); (c) that companies need to manage their relationship with wider society, whether for reasons of commercial viability, or to add value to society."

Over the past decade, CSR in SMEs has attracted systematic research attention among a few dedicated scholars (Moore & Spence 2006; Perrini 2006a; Perrini et al. 2007; Russo & Tencati 2008; Spence 1999; Spence & Schmidpeter 2003; Jamali) and a special issue in Journal of

Business Ethics (2006) and a special issue in Business Ethics a European Review (Morsing and Perrini, 2009). However, quite a few myths persist among scholars, practitioners and politicians about SMEs being "little big companies" (Tilley 2000), implying that there is no need to pay particular attention to SMEs' CSR engagement. SMEs can simply and seamlessly adopt the techniques and strategies of large companies as they decide to engage in CSR activities. Yet, research has pointed out how CSR differs in many respects when it is applied in SMEs.

In particular, it has been demonstrated how informal business practices such as adhoc decision-making, implicit understandings of ethical behaviour, and a strong focus on local society prevails SMEs in their CSR work (Spence, Jenkins, 2004, 2006 and 2009; Vives, 2006; Vallentin and Morsing, 2006). These observations lead us to conclude that if we are to understand better CSR in SMEs we should turn the focus away from formalized and standardized routines and rather pay attention to other types of CSR practices. Obviously, it is by far easier to study, measure and account for formal CSR practices, but if we insist on studying formal CSR "benchmarks" as they are often practiced by large firms, we may perpetuate the common misconception that SMEs are laggards when it comes CSR. Often SMEs do not label their socially oriented practices "CSR practices," as Vives points out: "[…] many SMEs are already engaged in what we would call corporate social responsibility, even if they do not call it by that name or are not even aware of the concept, or do not believe that they are explicitly engaged in those types of practices. Their involvement is informal, gradual, or the 'one thing at a time' type and almost unnoticeable." (Vives, 2006, p. 49.)

In this paper we take a particular interest in exploring the "almost unnoticeable" in terms of the informal CSR practices that are part of adhoc, day-to-day, community-embedded,

informal procedures, the unique relations between management and workers, as well as relations to families and local communities and state institutions, etc. Prior research has argued that in SMEs, such informal CSR practices might even be more important to SMEs and their workers than formal practices (Jenkins, 2004; Vives, 2006). And Jeppesen et al. (2012) note, these practices are all influenced by company culture, historical practices, and market position and linkage. This brings us to the second element of our theoretical framework: research on political CSR.

CSR in SMEs in Africa

From European studies we have seen how informal business practices such as adhoc decision-making, implicit understandings of ethical behaviour, and a strong focus on local society characterize CSR in SMEs (Spence, Jenkins, 2004, 2006 and 2009; Vives, 2006; Vallentin and Morsing, 2006). While we know very little about CSR work in African SMEs one very interesting report (Jeppesen et al. 2012) demonstrate how those informal business practices mentioned above are exactly the type of practices that characterizes much CSR work in SMEs in Africa. Jeppesen et al. report that informal CSR practices iin Africa SMEs include, for example, providing loans to workers, donations to assist in the aftermath of natural disasters, scholarships for workers' children, donations to local churches, and sponsoring sports clubs or sporting events.

For instance, in South Africa, the CSR practices of SMEs are often related to employees' personal involvement with the local community. A SME manager may decide to support local schools, sports clubs, charity organizations, etc. with which one or more of its employees are personally involved. For example a hotel in South Africa approaches clients when

they make their booking and asks them to pack toys or books to give away to children in the local community in South Africa. The same hotel also participates in the StreetSmart initiative where a voluntary donation of 5 Rand is added to each table's bill in the restaurant. This money is then distributed to local children's charities. The CSR engagement can be of a financial nature but is also often in kind. For example, an other hotel offered free nights in the hotel for a raffle at a school, a winery offered a wine for a charity event, etc. In other cases, the CSR contribution is made by giving employees paid time off to volunteer for local community organizations. In these cases, the SMEs support local community development and simultaneously create a closer bond between the company and its employees. Such local engagement is not strategically or systematically decided by the owner-manager. It occurs as employees ask or the manager observes a need. It is often decisions that are made in situ and sometimes spontaneously, as the manager is confronted with a problem, that he finds worthwhile helping out with. Such engagement makes the manager of small entreprises influential and respected in the local community.

In table 1 below, we have summarized some observations about CSR in SMEs in Africa as we compare them to CSR action in MNCs and CSR in SMEs in Europe.

INSERT TABLE 1 ABOUT HERE

What distinguishes African CSR in SMEs from their European counterparts is the SMEs' strong focus on "the extensive households" and "securing a stable workforce". These issues are not central CSR features from the perspective of a European SME. In an African context families

matter and there are strong traditions for assuming superiority to families and close friends rather than other types of social relationships, and accordingly the CSR work in SMEs adopt to these norms by supporting the extended household for their employees. For example, Jeppesen et al (2013) report from fieldwork in Zambia how hiring of family members and members of the same ethnical group is a central aspect of CSR in SMEs. SME owner managers argue that while such engagement is a social concern to secure the families with an income, it is also a matter of securing that employees themselves will be able to continue working for the SME. Also studies of SMEs in Africa by Kuada (2003) has pointed to the importance of firm support for the extended family. Jeppesen et al. furthermore noted, how support of the extensive household and the stability of the workforce are closely tied to the SME by engaging employees and their families in the firm's financial affairs. For example, to prevent that fraud and theft from the business take place, family members are employed to handle money matter and valuable assets. Moreover, in contrast to the transparent European labor market, where employees are recruited with respect to their qualifications and competences, the local African labor market is intransparent, and family networks are almost always used to identify new staff.

Another norm prevailing African society – but beyond legislation – is the norm that SMEs grant leave for employees in case of illness or funerals. Among South African SMEs 95% reported to provide leave in terms of parental or personal sickness and for funerals, while 75% provided leave weddings and major family events (Jeppesen et al 2012). Such leave is not part of legislation and it is costly for the SME. However, it is a widely accepted norm that one participates in funerals and weddings within the family and ethnic network and hence the SME adopts to this norm. In Jeppesen et al.'s study, SME managers and employees expressed that manager-employee

relations were "like a family" based on "respect and trust", hence ensuring an organizational cultural support for the informal CSR practice, i.e. the possibilities for leave.

DISCUSSION and CONCLUSION

Prior research on CSR in European SMEs has emphasized the reliance and dependency of SMEs on the interpersonal relationships with different stakeholder groups (Spence et al. 2003). In this context, it has been argued that understanding informal structures, networking, volunteerism and giving to charity provide a way for SMEs to establish mutually beneficial for relationships. While this research has been carried out in a European context, our studies in an African context reinforce these observations and add importance to the "proximity factor" by showing the significance of the extended household and stability of the workforce. In fact, family and network relations seem to be a distinguishing feature of CSR work in SMEs in an African context.

While our observation about the importance of extended households for CSR in African SMEs may seem trivial, we find the implications of our observation non-trivial. In particular, we point at three main observations. First, while there is a concern about MNCs employing CSR as a means of colonizing developing economies (e.g. Banerjee, 2010; Fleming and Jones, 2012), our observations point at how African SMEs depend on the micro-cosmos of local communities and therefore adapt to local norms and traditions and assist by supporting the local society. Rather than imposing norms and values upon a society, as for example Schere and Palazzo have indicated occurs with MNCs CSR work, African SMEs adapt to local society norms.

Second, we propose that the "corporate-centric" perspective of CSR in SMEs, i.e. "the business case", that seems to prevail among development agencies, may be misleading in its

focus on the type of competitiveness that African SMEs will gain by CSR. We propose to supplement the CSR focus on potential for economic growth with a focus on the political CSR "society-centric" perspective in order to explore the particular potential for societal development which is held by African SMEs. While political CSR theories have analyzed how MNCs fill an institutional vacuum, that may serve counterproductively for social and democratic development, they have not analyzed how CSR in African SMEs potentially also work counterproductively. Our observation indicate how SMEs in African communities in the absence of state provision of civil rights take on vital functions of governments. However, while it may argued that MNCs have the resources to "take over to the same degree exactly the type of accountability which modern societies demand from government as a facilitator of citizenship rights" (Matten et al., 2003), such a demand seems less likely in the case of African SMEs. In this respect the SME adaption to informal social norms and traditions in local society as part of their CSR work may be analyzed as a way of maintaining existing social norms rather than developing and improving them. For example, rather than promoting employees to organize in unions, African SME managers seem to prefer to organize absence of leave , donations and charities on an adhoc basis in a paternalistic structure. While this is far from Held's critique of the "commodification of citizenship" (Held, 1996) occurring in modern society, it bears the same governmentality effect of CSR on employees retaining them in a tight dependency on SME managers and it critically questions the politically enlarged role of SMEs in African society.

Third, we propose to engage more qualitative methods when studying CSR in Afriican SMEs. While CSR in European SMEs is dominated by normative approaches that emphasize

formalizing CSR work by standards, we suggest to look at the informal aspects of CSR in SMEs if we are to understand the impact of CSR in African SMEs.

In this paper, we have pointed at how political CSR theories may serve to challenge existing assumptions and action on CSR in African SMEs. Bulding on a "corpoate centric" view on CSR in African SMEs are most often treated as a positive means for firm as well as society development. We do not disagree with such prospectives but our findings suggest that the role of CSR in African SMEs is highly complex and calls for careful analysis beyond "the business case" to understand the potential impact on society of support to CSR in SMEs. Without such careful studies and analysis, plans from well-meaning institutions to promote CSR in African SMEs may serve to reinforce the simple belief that poverty can be solved by discrete and easily identifiable action.

Table 1. Differences in CSR-work in MNCs, European SMEs and African SMEs (Vallentin and Morsing, 2006, p. 31 building on Spence, 2006, 2010; Jenkins 2004, Visser, 2006) with the authors' addition about African SMEs.

	CSR in MNCs	CSR in European SMEs	CSR in African SMEs
Who?	Responsibility vis a vis many stakeholders	Responsibility vis a vis employees	Responsibility vis a vis employees
	Responsibility towards global society	Responsiblity towards local society	Responsiblity towards local society
	Focus on shareholder values	Focus on local society	Focus on extended household and network
Why?	Risk and reputation management	Customer demand and owner-manager ethical values	Customer demand, securing stable work force and owner-manager ethical values
	Corporate vaues and governance: business rationales	Owner-leader's values: "this is the way we do things around here"	Owner-leader's – local - values: "this is the way we do things around here"
How?	Explicit CSR Public reporting and codes of conduct	Implicit CSR Informal and verbal, often not as "CSR"	Implicit CSR Informal and verbal, not as "CSR"
	Systematic, strategic, standardized	Intuition and adhoc-processes	Intuition and adhoc-processes
	Involvement of CSR professionals	No CSR specialists	No CSR specialists
What?	Programmes and campaigns	Small scale action, fx sponsorships	Small scale action, fx loans to employees, leave for funerals and marriages, and sponsorships